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Enlarging the European Union

This page will present all the documents related to the Enlargement of the European Union.

Please see :

Agenda 2000

On July 16, 1997, The Commission presented communication "Agenda 2000", together with opinions on each of the applications for membership.

This publication constitutes the Commission's comprehensive response to requests from the European Council meeting in Madrid in December 1995.

In a single framework, the Commission outlines

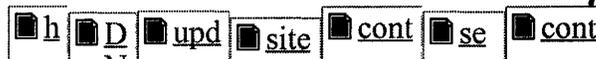
- the broad perspectives for the development of the European Union and its policies beyond the turn of the century,
- the impact of enlargement on the Union as a whole
- and the future financial framework beyond 2000, taking account of the prospect of an enlarged Union.

Accession Partnerships

On March 25, 1998, the European Commission approved Accession Partnerships for the 10 applicant countries of Central and Eastern Europe (CEEC's). These are a key part of the enhanced pre-accession strategy aimed at guiding the applicants towards European Union (EU) membership. Each Accession Partnership (AP) will support the applicant country in its preparations for membership by setting out both the priority areas for further work identified from the Commission's Opinions and the financial assistance from the EU available to help tackle these problems. The AP's focus on preparing the applicant CEEC's to meet fully the membership criteria set by the Copenhagen European Council. Objectives cover areas such as strengthening democracy and the rule of law, protection of minorities, economic reform, reinforcement of institutional and administrative capacity, preparation for full participation in the internal market, justice and home affairs, agriculture, environment, transport, employment and social affairs, regional policy and cohesion. The AP's will be a key feature of the launch of the Accession Process on 30 March 1998 in Brussels.

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Enlarging the European Union Accession Partnerships with the Central European Applicant Countries

MEMO/98/21

Brussels, 27 March 1998

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Accession Partnerships

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In Agenda 2000, the Commission proposed to bring together the different forms of pre-accession support provided by the Union within a single framework, the Accession Partnerships. At its meeting on 12-13 December 1997, the Luxembourg European Council endorsed the Accession Partnership as a new instrument which would be the key feature of the enhanced pre-accession strategy. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union within a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Secondly, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

On 10 December 1997, the Commission proposed a Regulation to the Council on "Assistance to the applicant countries in central and eastern Europe in the framework of the pre-accession strategy." After consulting the European Parliament, the Council adopted it on 16 March 1998 (Regulation 622/98, OJ L85 of 20 March 1998). That Regulation provides that the Council will decide on the principles, priorities and general conditions of each Accession Partnership so that the Commission can take account of these in each individual Accession Partnership with the applicant countries.

The Commission has conducted intensive discussions with each country on the Partnerships. Whilst these are not an agreement between the two parties because they are based on the Copenhagen criteria and Community acquis, the Commission has aimed to build a broad consensus on the priorities.

On the basis of political priorities agreed by the Council, the Commission adopted the full texts of the Accession Partnership which include further details on the implementation of the partnerships.

Principles of the AP's

The Accession Partnerships are designed to help prepare the Central European applicant countries to meet fully the criteria set by the Copenhagen European Council for membership:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

Priorities and Intermediate objectives

Each Partnership sets out priorities and intermediate objectives. These have been divided into two groups - short and medium term. Those under the short term have been selected on the basis that it is realistic to expect these to be completed or taken substantially forward by the end of 1998. In view of the short time span, the number of these has been limited. The priorities listed under the medium term are expected to take more than one year to complete, although work may and should also begin on them during 1998. Whilst the Partnerships identify priorities, they also indicate that the applicants will have to address all issues identified in the Opinion.

Objectives cover areas such as meeting the political criteria for membership, economic reform, reinforcement of institutional and administrative capacity, preparation for membership of the internal market, justice and home affairs, agriculture, environment, transport, employment and social affairs, regional policy and cohesion. Whilst some are common to all countries as they all need to prepare to take on the Union's *acquis*, the texts reflect their specific situation and needs.

These include for example for Poland, the adoption by 30 June and start of implementation of a viable steel sector restructuring programme, for Slovenia, the adoption of VAT law and preparation for implementation in 1999, for Slovakia, the adoption of legislative provisions on minority language use and for Bulgaria, strengthening of enforcement of protection of intellectual and industrial property rights.

Each applicant country has been invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

Community technical and financial assistance

The partnerships set out the main instruments for Community technical and financial assistance and details of programming of financial resources. The main source of financial assistance is the Phare programme, which will provide ECU 6,700 million to the countries of Central and Eastern Europe (CEEC's) in the period 1995-1999. The five countries with which the Union is not yet starting negotiations will be eligible for support from the "catch-up" facility envisaged for 1998-1999 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption.

The Commission will work with applicants, the European Investment Bank (EIB) and International Financing Institutions, in particular the European Bank for Reconstruction and Development (EBRD) and World Bank, to facilitate the co-financing of projects relating to pre-accession priorities.

After the year 2000 the Commission has proposed that, in addition to Phare, pre-accession aid should be re-inforced through the annual provision of an additional ECU 500 million aid (total for 10 countries) for agricultural development and ECU 1,000 million (total for 10 countries) for a structural instrument which will give priority to measures similar to the cohesion fund.

Phare

The EU's aid programme for the CEEC's, Phare, was set up in 1989 to help with the transition process. The programme was recently re-oriented to focus solely on preparing the countries for EU membership. From 1998, around 30% of Phare assistance will be channelled towards institution building, which includes the strengthening of democratic institutions, public administration to ensure public services are ready to apply the *acquis*. This will be undertaken through training, technical assistance and twinning of institutions and administrations in the applicant countries with relevant bodies in the Member States. Initially this support will focus on priority areas such as finance, agriculture, environment, justice and home affairs.

About 70% of Phare will go towards Investment support to help applicants make the necessary investments to adapt infrastructure to the Community *acquis*. This will concentrate on structural actions, such as agricultural restructuring, regional development and investment in human and intellectual capital, investments to support compliance with Community norms, for example in the environment, agriculture, transport and telecommunications, co-financing of large scale infrastructure and development of small and medium enterprises.

Conditionality

Under the Accession Partnerships, Community assistance will be conditional on respect of commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing the Accession Partnerships. Failure to respect these general conditions could lead to a decision by the Council to suspend financial assistance.

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Accession Partnerships

Monitoring and review

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The implementation of the Accession Partnership will be monitored in particular through the Europe Agreement framework. Monitoring will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by the applicant countries. As agreed by the Luxembourg European Council, the Commission's reports will serve as a basis for taking the necessary decisions in the Council context, on the conduct of the accession negotiations or their extension to other applicants.

If necessary, the Accession Partnership may be amended. The Commission will propose a first review of the Partnerships before the end of 1999. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made in meeting the objectives set out in the Partnership.

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Enlarging the European Union Accession Partnership - Bulgaria

1. Introduction

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In the Opinion which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has recommended that negotiations for accession should be opened with Bulgaria as soon as it has made sufficient progress in satisfying the conditions for membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in the Opinion, in which the Commission is of the view that i) Bulgaria is on the way to satisfy the political criteria in regard to the existence of stable institutions, guarantees for the rule of law, human rights and the protection of minorities, ii) Bulgaria's progress in the creation of a market economy has been limited and the country would consequently not be able to cope with competitive pressure and market forces within the Union in the medium term, and that iii) despite the progress that has been made, it is uncertain whether Bulgaria will be in a position to apply the *acquis*, in the medium term and, moreover, substantial administrative reform will be indispensable if Bulgaria is to apply and enforce it effectively.

The Europe Agreement will remain the basis for the EU's relations with Bulgaria. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Bulgaria and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Bulgaria's application for membership of the European Union, the financial means available to help Bulgaria implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the *Acquis* to be adopted by Bulgaria, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;

the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;

the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Bulgaria can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Bulgaria will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Bulgaria will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Bulgaria.

4.1 Short-term (1998)

Economic reform: establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; pursuit of the programme launched by the Government, including transparent privatisation of state enterprises and banks and restructuring measures in industry, financial sector and agriculture and measures to encourage increased foreign direct investment.

Reinforcement of institutional and administrative capacity: adoption of the draft

civil service law and progress in public administration reform as well as institutional strengthening in the areas of internal financial control capacity, environment, customs policy, reinforcement of phytosanitary and veterinary administrations, particularly as regards facilities at external borders, begin to set up structures needed for regional and structural policy.

Internal Market: further alignment including in the areas of intellectual and industrial property rights (strengthening of enforcement of protection), financial services, taxation, the adoption of the necessary legislative framework for state aid monitoring and the establishment of a first state aid inventory, the adoption of a new competition law.

Justice and Home Affairs: concrete steps to combat corruption and organised crime and improve border management.

Environment: continue transposition of framework and horizontal legislation establishment of implementation of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

Energy: in particular establishing a comprehensive, long term, energy strategy and respect of nuclear safety standards and realistic closure commitments for certain units as entered into in the Nuclear Safety Account Agreement.

4.2 Medium-term

Political criteria: further efforts to integrate the Roma and consolidation of protection of individual liberties.

Economic reform: complete the privatisation process. Strengthen market economy institutions.

Economic policy: regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Bulgaria is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.

Reinforcement of institutional and administrative capacity: completion of reform at all levels, including training for civil servants; improved operation of the judicial system, training for the judiciary in Community law and its application; further development of the National Audit Office and internal financial control structures; establishment of anti-trust and state aid monitoring bodies; improvements in accounting, auditing and statistics and strengthening nuclear regulatory authority; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis* and the reinforcement of food control administrations.

Internal Market: including alignment of competition policy, state aids, customs, taxation, audio-visual policies, public procurement legislation (including transparency), upgrading of standardisation, conformity assessment structures and establishment of a market surveillance system and harmonisation of technical legislation on industrial standards. Further alignment of competition law and effective enforcement of competition laws, reinforcement of competition authorities, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.

Justice and home affairs: development of effective border management and frontier control systems, implementation of migration policy and asylum procedures as well as the fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of

the Schengen acquis.

Agriculture: including the land restitution process and establishment of a land register and functioning land market, alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.

Fisheries: development of capacity to implement and enforce the common fisheries policy.

Energy: implementation of a comprehensive policy based on efficiency and diversification including respect of Bulgaria's commitments on the phased closure of certain units of Kozloduy nuclear power plant, decommissioning and nuclear waste management plan.

Transport: further efforts on alignment to acquis in particular on maritime, air and road freight transport (safety rules) and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.

Employment and social affairs: development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures, in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; development of social protection, undertake steps to bring public health standards into line with EU norms.

Environment: development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to the waste, water sectors and air pollution including institutional requirements. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.

Regional policy and cohesion: introduction of legal basis and development of administrative structures and budgetary procedures. Strengthen financial instruments and control mechanisms in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 212 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. In addition, Bulgaria is eligible for support from the "catch-up" facility envisaged for 1998 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Bulgaria, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Bulgaria will have access to funding from multi-country programmes directly related to the acquis.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Bulgaria in which Bulgaria will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Bulgarian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Bulgaria with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.

Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Bulgarian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.

5.2 Role of International Financial Institutions

Cooperation between Bulgaria and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Bulgaria of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Bulgaria will depend on the maturity of projects proposed by the Bulgarian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Bulgaria cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Bulgaria is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Bulgaria will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Bulgaria, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Bulgaria where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Bulgaria, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Bulgarian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Bulgaria including implementation of the Accession Partnership.

The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Bulgaria in meeting the objectives set out in this Partnership.

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Bulgaria will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political Criteria

Efforts are needed to reinforce democratic institutions by practices more in keeping with the rule of law at all levels of the State apparatus. Considerable efforts must be made to combat corruption, improve administration of justice and provide fuller protection for individual freedoms. Democratic control of the police and secret service need to be assured. Increased efforts to fully integrate minorities (Roma) are needed.

2. Economic criteria

A sustained and consistent effort is needed to consolidate the economic situation and economic reforms, including full implementation of the Government's economic and structural reform programme which will address many of the challenges faced. Privatisation of state enterprises, including banks needs to be pursued. Measures need to be taken to restructure industry, the financial sector and agriculture, and to complete price liberalisation, encourage increased foreign direct investment and establish of a comprehensive energy policy. Completion and strengthening of market economy institutions is necessary. In agriculture, priority must be given to the land restitution process and removal of bureaucratic obstacles to the functioning of the land market. Agricultural wholesale markets and agro-food enterprises need to be privatised and opened to competition.

3. Ability to Assume the Obligations of Membership

3.1 Internal Market Without Frontiers

- The four freedoms

General Framework

Substantial further efforts are required in the area of public procurement, enforcement of intellectual property rights and personal data protection in order to bring Bulgaria fully into line with EC legislation and standards. Further efforts are needed to implement company law, particularly to ensure the judiciary has sufficient knowledge and experience on company and commercial law issues. As regards accounting and auditing, significant efforts are needed to ensure the full application of legislation.

Free movement of good

The framework legislation which will enable Bulgaria to take up the basic

principles of the EU system needs to be adopted. This will enhance the shift from mandatory to voluntary standardisation. Then the standardisation and conformity assessment infrastructures (including the separation of regulatory, standardisation and product certification functions) need to be reinforced and the alignment with New Approach directives accelerated. Technical legislation on chemicals, motor vehicles, foodstuffs and pharmaceuticals will also have to be completed. Once the sectoral legislation is fully harmonised, a market surveillance mechanism will have to be set up to become fully operational in the longer term.

Free movements of capital

As further economic stabilisation is achieved, liberalisation of outward capital movements will have to be enhanced. Restrictions concerning acquisition of real estate and land by non residents must be removed.

Free movement of services

Progress on financial services needs to be sustained and to follow closely the structural reform programme. On banking laws, further alignment with stage I measures, and new legislation for stage II measures, including provisions for bank deposit guarantee schemes and money laundering, are necessary. Further steps need to be taken to fully liberalise the insurance market. In the restructuring of the financial sector, attention must be paid to transparency and strengthening of the supervisory structure.

Free movement of persons

Further efforts are needed to establish legal provisions determining the rights of entry and residence enjoyed by worker's family and the equal treatment of EU workers in general. Significant efforts are needed to enhance co-operation in the field of mutual recognition of diplomas and professional qualifications with Member States as well as enforcement of the respective public bodies. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- Competition

Competition law must be made fully compatible with EC competition laws. Structural reforms are required for the effective implementation of the legislation, in particular by enhancing the administrative powers of the Committee for the Protection of Competition. In the field of state aid, a credible control system should be established. In particular, full transparency should be created through the establishment and updating of a comprehensive state aid inventory in accordance with Community practice. Moreover, the necessary legislation must be created. The state aid monitoring authority should receive sufficient powers to review existing aid and monitor new aid and it should have sufficient and qualified staff. Exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Information Society

Further progress is needed on economic liberalisation in order to create more favourable conditions for the development of an information society.

Education, training and youth

Structural, financial and curricular reform initiatives need to be continued. Specific attention must be given to further reform of the financing of education and training, and to efforts for upgrading knowledge and skills among teachers as well as to investments in education infrastructure. A special effort is needed through training to combat the social exclusion of young persons and of the newly unemployed. Social

dialogue on education and training requires strengthening.

Research and development

Greater efforts are needed if Bulgarian research and technological development is to become efficient and competitive at European level.

Telecommunications

The adoption of a telecommunications law is essential for compliance with EC legislation and for the creation of an independent regulatory authority. At the same time, the acquis now requires governments to ensure that a modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

Legislation needs to be aligned fully with EC requirements, with regard to scope of the legislation (i.e. covering all kinds of broadcaster and all modes of transmission), jurisdiction, the promotion of European and independent production, advertising and protection of minors.

3.3 Economic and fiscal affairs

Economic and Monetary Union

Macroeconomic policy should seek to keep inflation and interest rates low and ensure confidence in the economy. The restructuring of the financial sector must be continued.

Taxation

Substantial adjustments need to be made to bring VAT legislation into line with the requirements of the Community acquis in particular with regard to the scope of exemptions and the need to allow foreign persons to register for VAT in Bulgaria. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model.

Statistics

Efforts must be made to improve the process of statistics collection to ensure the reliability, punctuality, and dissemination of official statistics. Improvements are needed in sectors such as external trade, transport and regional statistics, financial accounts and coverage of the business register. Internationally comparable classifications must be introduced.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.). A particular effort is needed to restructure energy intensive industries, including steel.

Agriculture

Substantial changes to government policies and to the physical and managerial structures of farming and agro- industries are needed to meet the conditions for accession and to enable this sector to meet competition from established EU enterprises. Considerable development or strengthening of administrative structures

is needed to align with Common Agricultural Policy organisations and mechanisms. Priorities include the establishment of a functioning land market, rural banking networks and state or private farm advisory services. Particular efforts must be made to build institutional capabilities and strengthen enforcement of health and disease controls at borders as well as internally.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in fisheries and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Efforts need to be stepped up considerably in particular with regard to development of a comprehensive policy covering legislative and structural reforms, reform of the management of the energy sector, energy efficiency and related acquis, emergency preparedness (including building up oil stocks), interconnection and investment, internal energy market in combination with competition and state aids. Particular effort needs to be dedicated to the upgrading of units 5-6 of Kozloduy NPP. This is particularly urgent given Bulgaria's commitments in the framework of the NSA agreement on the phased closure of units 1-4 at the Kozloduy nuclear power plant. Long-term solutions for nuclear waste need to be found. Continued support to the safety authority should be foreseen.

Transport

Efforts must be made to ensure rapid alignment of the necessary legislation and effective implementation in the maritime, air and road freight, particularly in respect of safety and monitoring (rail). Resources should be made available to lay the foundations for the future extended trans-European transport network, and rapidly to compensate for the shortcomings in the road network. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Determined efforts are required to stabilise the macro-economic environment, simplify the legal and administrative environment, strengthen the support infrastructure created, improve the tax environment, and develop access to finance for SMEs.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Within the framework of the government's structural reform policy, modern labour market policies and institutions need to be developed. Major efforts are needed in the area of labour law and occupational health and safety, both at the level of legislation and the structures for enforcement. The application of equal opportunity laws between women and men must be ensured. Viable social protection mechanisms (public and private sector) must be established. Continued efforts are required to ensure that adequate measures of social protection are developed. Administrative capacity in the field of social security for migrant workers needs to be developed. An active, autonomous social dialogue must be developed.

Regional Policy and Cohesion

Bulgaria must introduce an integrated and efficient regional policy. It should develop the administrative structures and budgetary procedures necessary to participate fully in EU structural policy and efficiently channel the structural funds after membership.

3.6 Quality of Life and Environment

Environment

Substantial efforts are needed to increase approximation in areas including air and water quality, waste management, chemical substances, radiation protection and nature protection. Regulations on Environmental Impact Assessment need to be further developed. Particular attention should be given to the quick transposition of framework directives dealing with air, waste, water and the Integrated Pollution Prevention Control directive (IPPC), as well as the establishment of financing strategies for legislation in the water, air and waste sectors.

Major investments will be needed for effective implementation of EC standards in most areas, particularly in water quality, urban waste and in the modernisation of industry. Considerable efforts are necessary to build adequate institutional capacity to adopt, implement and enforce EC legislation.

Consumer protection

The draft law on consumer protection needs to be adopted urgently and adjustments particularly concerning abusive clauses, controls and penalties on product safety need to be made, in order to comply with EC standards. Initiatives have to be taken in the field of package travel. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Some key legislation is still required. There is a need for officials to gain practical experience of working with EU counterparts and institutions, and to develop more effective regional cooperation mechanisms against transnational crime. Reform of JHA institutions to improve their efficiency and effectiveness must be pursued and attention should be paid to embedding respect for the rule of law. Structural and staffing deficiencies, and institutional corruption must be tackled. Further progress on border management and the fight against illegal immigration is needed. The fight against all fields of organised crime including drug trafficking and trafficking in women and other serious crimes needs to be intensified. Current asylum procedures need to be further aligned with international standards, especially as concerns interviewing and expulsion procedures. Efforts to strengthen the visa and admission systems to bring them into line with EU systems must be pursued. Judicial co-operation in penal and civil matters need to be enhanced. Ratification of international Conventions in the field of JHA have to be completed and implementing regulations need to be adopted. A comprehensive data protection system needs to be developed.

3.8 External Policies

Trade and international economic relations

Remaining balance of payments restrictions need to be phased out prior to accession. Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and for participating, together with the other Member States, in financing the European Development fund.

Customs

Customs legislation must be aligned on that of the EC. Special attention should be given ensuring clarity in the legal framework. The organisation and duties of staff must be aligned on those of a modern customs administration. Control by central

customs authorities over customs offices at the border must be reinforced.

A major effort is needed to ensure the probity of the customs services, as a whole, and that staff of the customs services have a good knowledge of the legislation. Efforts must be intensified to introduce the computerised systems necessary for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning will need to take account of the reinforcement of border posts along the external frontier that Bulgaria will have with countries other than EU Member States at the time of accession.

3.9 Financial questions

Major efforts are needed to establish and strengthen internal financial management and control functions. The National Audit Office has to be strengthened. Further co-operation with the Commission is needed to align accounting procedures to EU requirements. The tax and custom services need restructuring in order to ensure the effectiveness of tax collection. The appropriate implementation, monitoring, control and audit structures for future funding of agricultural and regional policies should be established.

4. Administrative capacity to Apply the Acquis

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To ensure efficiency and effectiveness in implementation and enforcement of the acquis, Bulgaria needs to develop its public administration infrastructure at all levels. A stable and professional civil service needs to be created with a clear statute. Institutional co-ordination needs to be improved and legal and administrative procedures simplified.

Major efforts are needed in strengthening institutions and practice in the fields of customs, free movement of goods and services, competition, intellectual property, veterinary and phytosanitary controls, food control, transport safety, labour inspection, environment, consumer protection, standards and conformity assessment and audit and financial control mechanisms.

The judicial system must be strengthened in order to assure the effective application of the acquis. Institutional capacity for border management and controls, judicial and police cooperation and the fight against organised crime and corruption needs to be enhanced.

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The European Union in the World

Enlarging the European Union Accession Partnership - Czech Republic

Enlarging the EU . Introduction

Accession Partnerships

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In the Opinion which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with the Czech Republic. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that the Czech Republic i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and iii) should be capable in the medium term of applying the *acquis* provided it continues its efforts on its transposition and intensifies its work on its implementation.

The Europe Agreement will remain the basis for the EU's relations with the Czech Republic. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting the Czech Republic and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Czech Republic's application for membership of the European Union, the financial means available to help the Czech Republic implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Czech Republic, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that the Czech Republic can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

The Czech Republic will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that the Czech Republic will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for the Czech Republic.

4.1 Short-term (1998)

Economic reform: establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; implementation of policies to maintain both internal and external balance; improvement of the framework for corporate governance, in particular by accelerating the restructuring of certain industrial sectors such as steel as well as of banks, by implementing the laws regulating the financial sector (banks and investment companies), and by enforcing the supervision by the new Securities and Exchange Commission.

Reinforcement of institutional and administrative capacity: improving capacity in banking supervision securities, and insurance sectors, internal financial control,

environment, agriculture, reinforcement of phytosanitary and veterinary administrations particularly as regards facilities at external borders, begin to set up structures needed for regional and structural policy.

Internal Market: including in the areas of intellectual property rights (legislation and enforcement), and certification and standardisation (further alignment of legislative measures and conclusion of a European Conformity Assessment Agreement), amendment of anti-trust law, further development of the legislative framework for state aid control and increased transparency through submission of additional state aid inventory.

Justice and Home Affairs: development of effective border management.

Environment: continue transposition of framework legislation, establishment of implementation of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

Political criteria: further work on the integration of the Roma. Strengthening of laws which guarantee press freedom. Further attention to ensuring equal access to public services.

Economic policy: regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while the Czech Republic is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.

Reinforcement of institutional and administrative capacity: continue public administration modernisation policy; improve operation of the judicial system, training for the judiciary in Community law and its application, customs, establishment of independent bodies for supervision of data protection and for consumer protection; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthening of nuclear safety authority, completion of alignment of financial control capacity, reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.

Internal Market: including alignment of public procurement legislation, accounting legislation, data protection, financial services, indirect taxation, audio-visual, consumer protection, further development of standardisation and conformity assessment bodies and establishment and operation of a market surveillance system, technical legislation on industrial products, strengthening of competition authorities, completion of alignment and effective enforcement of competition law, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.

Justice and home affairs: development of effective border management and implementation of migration policy and reforms of asylum procedures as well as the fight against drugs, organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, more effective operation of the judiciary and law enforcement, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.

Agriculture: including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food

processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.

Transport: further efforts on alignment to *acquis* in particular on road transport (market access, safety rules and taxation) and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.

Employment and social affairs: development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection, undertake steps to bring public health standards into line with EU norms.

Environment: the development of monitoring and implementation control structures and capacities, continuous planning of approximation programmes related to individual legal acts. Particular emphasis should be given to air, water and the waste sector. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.

Regional policy and cohesion: establishment of a legal, administrative and budgetary framework for an integrated regional policy in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 224 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with the Czech Republic, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition the Czech Republic will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with the Czech Republic in which the Czech Republic will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Czech Republic's government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in the Czech Republic with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.

Investment support (around 70%), in order to make the necessary investments possible for the adaptation of the Czech Republic's infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.

5.2 Role of International Financial Institutions

Cooperation between the Czech Republic and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by the Czech Republic of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to the Czech Republic will depend on the maturity of projects proposed by the Czech Republic's Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where the Czech Republic cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of the Czech Republic is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of the Czech Republic will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of the Czech Republic, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and the Czech Republic where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of the Czech Republic, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Czech Republic's national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by the Czech Republic including implementation of the Accession Partnership.

The relevant sections of the Accession Partnership will be discussed in the

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by the Czech Republic in meeting the objectives set out in this Partnership.

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Enlarging the European Union Accession Partnership - Czech Republic Annex - Recommendations for Action

See : [Accession Partnership - C](#)

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The Czech Republic will have to address all issues identified in the Opinion. The purpose Annex is to provide a summary checklist of these issues mentioned in the Opinion on the Republic. These are formulated as recommendations for action. They are listed in the order which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives of the Accession Partnership itself.

1. Political Criteria

The remaining weaknesses in laws governing freedom of the press must be addressed. Particular attention needs to be paid to the conditions governing any further extension of a law excluding from public service members of the former security service and active members of the Communist regime. Efforts need to be made to end the overloading of courts in particular through improvements in experience and qualifications of judges. The fight against corruption must be intensified. The problem of discrimination affecting the Roma, notably through the operation of citizenship law, needs to be addressed.

2. Economic Criteria

Measures should be taken to restore external and internal macroeconomic balance. In particular, the country should take both structural and macroeconomic measures to control the deficit and the balance of payments.

One of the key priorities should be to continue to take measures to improve the framework for corporate governance, particularly with a view to accelerating enterprise restructuring. In this respect, the remaining state-owned banks should be privatised. Recent changes to laws governing banking and investment should be implemented fully.

Measures need to be taken to strengthen the financial sector in the Czech Republic, as well as to improve transparency and restore investor confidence. In particular, the new Securities and Exchange Commission should be allowed to have a strong regulatory role. The banking system should also be strengthened, and banking supervision enhanced.

3. Ability to Assume the Obligations of Membership

3.1 Internal Market Without Frontiers

• The four freedoms

General Framework - further work is required, notably in the area of public procurement, intellectual property protection and the implementing structures for personal data protection. Efforts of a lesser degree are required in the field of company law and accounting to bring Czech legislation fully into line with EC legislation.

Free movement of goods- The framework legislation which will enable the Czech Republic to implement the EU system has been adopted. Full alignment with EC legislation needs to be completed. Completion of alignment of New Approach legislation, strengthening of the conformity assessment infrastructure, completion of harmonisation of legislation on chemicals and pharmaceuticals, improvement of legislation on foodstuffs and acceleration of the

harmonisation of legislation on motor vehicles and establishment of a market surveillance mechanism are now necessary. The Czech Republic should maintain this quick pace of approximation of legislation on industrial products so as to fully adopt the EU system.

Free movement of capital - laws need to be amended to allow for acquisition of domestic real estate by non-residents.

Free movement of services - Considerable further efforts need to be made in the financial services sector. Banking supervision needs to be strengthened. Legislation on securities, the stock exchange, investment companies and funds must be fully aligned. Implementation of measures in the Internal Market White Paper (first stage directives) in the insurance field must be accelerated.

Free movement of persons - further efforts must be made to ensure the necessary legislative and enforcement measures as regards mutual recognition of diplomas and qualifications. Further efforts must be made to ensure the necessary legislative and enforcement measures regarding the co-ordination of social security schemes.

- **Competition**

Anti-trust rules must be completed and further aligned to Community law. In the field of state aid, additional efforts are necessary to ensure full transparency. In particular, information should be made available on all existing direct and indirect aid measures granted by the State, regional or local authorities or through public resources in order to establish and continuously update a more comprehensive state aid inventory on the same basis as in the Community. Moreover, the necessary legal framework for the granting of state aid in accordance with EC state aid legislation must be created. The state aid monitoring authority should be given sufficient powers and qualified staff and the necessary procedures and practical tools to implement the monitoring. As to sectors traditionally subject to monopolies, the policy of liberalising and opening up to competition should be continued.

3.2 Innovation

Education, Training, and Youth

The legal framework needs to be strengthened and refined, with attention to higher education (diversification of financing and supply, improvement of university strategic management, development of the non-university sector) and adaptation of curricula in EC regulated professions. A more strategic approach needs to be taken to the reform of the vocational training system.

Research and Technological Development

Improvement must be made in the level of innovation in the economy as well as in the link between research institutes, industry and small and medium-sized enterprises.

Telecommunications

Policy changes will be needed to secure the required independence of the regulatory authority to enable it to acquire a convincingly pro-competitive nature. New legislation is needed to ensure compliance with EU Directives. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

A major and concerted effort is needed to make Czech audio-visual legislation compatible with EU legislation. Legislative deficiencies in the areas of freedom of reception, the promotion of independent producers and isolated advertising spots must be addressed.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Central Bank legislation must be made compatible with EC rules. Privatisation and restructuring of the banking sector has to continue and bankruptcy procedures should be properly enforced.

Taxation

Particular efforts need to be made as regards the VAT rate structure and the VAT refund s applicable to foreign taxable persons and tourists.

In the field of excise duties particular attention should be given to the setting up of a wareh system for the movement of goods under duty suspension arrangements. Tax structures a level of excise rates need to be aligned on the Community model.

Statistics

Some issues of transparency and confidentiality still need attention, and there are deficien sectors such as the business register, regional, financial and agricultural statistics.

3.4 Sectoral Policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at p open and competitive markets and taking on the instruments which make up EC industrial relating both to the operation of markets (product specification and market access, trade p state aids and competition policy) and measures related to industry's capacity to adapt to (stable macro-economic environment, technology, training etc.). Further restructuring of c industrial sectors, in particular steel, is required.

Agriculture

Particular efforts are needed to implement and enforce veterinary and phytosanitary requir upgrading of establishments to meet EC standards, strengthen administrative structures t the necessary capacity to implement and enforce the policy instruments of the CAP and restructure further the agri-food sector to improve its competitive capacity.

Energy

Current alignment efforts must be maintained, in particular with regard to adjustment of m including import and export issues, access to networks, energy pricing, emergency prepar including the building up of mandatory oil stocks, state interventions in the solid fuels and sectors, and the development of energy efficiency and fuel quality standards need to be cl followed.

Special attention must be given to timely implementation of nuclear safety programmes in bring all the nuclear reactors to the safety levels generally accepted in the EU, and longer solutions for waste have to be defined. The strengthening of the nuclear safety authority s supported.

Transport

The Czech Republic must improve the operation of its domestic road haulage market (in p on market access, safety rules and tax) and the financial transparency of the rail sector. Resources needed to lay the foundations for the future extended trans-European transport should be made available. At a national level there is a need to develop specific strategies transport infrastructure development and financing. Administrative structures, and in partic bodies supervising areas such as safety, should be rapidly reinforced.

Small and Medium Enterprises

Efforts should be made to refine and increase the coherence of SME policy to create a leg administrative environment supportive of SMEs.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Efforts need to be pursued to approximate legislation for the protection of health and safet workers in specific areas. Labour laws in the areas of protection of employees in case of

insolvency of the employer and collective redundancies need to be further aligned. On tra undertakings, information of employees on the conditions applicable to the employment relationship and on working time, legislative adaptations are needed. Information and cons of workers as set out in certain EC Directives must be further developed. Changes will ne made to national law to introduce the right to free movement particularly as regards acces employment and treatment free from discrimination on grounds of nationality. Certain tech adaptations will be necessary in the field of social security for migrant workers. EC Directi the warning labelling of cigarettes packages and the maximum tar content must be transp The financing system of the Czech health system needs to be overhauled.

Regional Policy and Cohesion

A legal, administrative and budgetary framework for an integrated regional policy in compli with EU rules needs to be established.

3.6 Quality of Life and Environment

Environment

Gaps in sectoral legislation and in secondary legislation governing economic instruments, implementation and enforcement must be addressed. Particular attention must be given to quick transposition of framework directives dealing with air, waste and water and the Integ Pollution Prevention and Control (IPPC) directive, as well as the establishment of financin strategies for legislation in the water, air and waste sectors.

Substantive compliance with the acquis is low in certain areas, and focus is needed on effi implementation and enforcement, including efficiency of economic instruments. Significant investment, both public and at enterprise level, will be needed. Accompanying mechanism as licensing systems or public participation have to be established or improved and institut involved in enforcement and implementation need to be reinforced.

Consumer Protection

Further efforts are needed to align legislation on misleading advertising and unfair contract Legislation needs to be introduced in fields such as sales away from business premises, d selling, package travel, timeshare property and consumer credit. A few important element missing as regards obligations on general product safety and dangerous imitations. The responsibilities of the different institutional bodies involved in consumer protection need to co-ordinated and organised and implementation of legislation ensured. A strong and indep consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs

Some important gaps need to be filled in legislation. Work is needed to bring migration flo control. Institutional resource constraints and lack of expertise with new legislation in the p the judiciary need to be tackled. The acquis in the field of migration/asylum legislation nee adopted. The independence of the judiciary (judges and prosecutors) must be strengthene functioning improved. Administrative Courts need to be established. Communication within co-operation between, the police, border police and the judiciary should be improved. Con administrative work in the police and judiciary should be carried out by administrative pers Police and border police must follow the Schengen model. Reinforcement of policies for c the various forms of organised crime, including trafficking in women, money laundering, tr in drugs, arms, explosives and nuclear materials is needed. Institutional corruption must b addressed.

Communication systems in the field of border management need to be improved. Effective systems for combating drug trafficking and organised crime need to be developed and mai

3.8 External Policies

Trade and International Economic Relations

Preparations must be made for applying, on accession, the Community's various cooperat preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the



Enlarging the European Union Accession Partnership - Estonia

1. Introduction

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In the Opinion which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with Estonia. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Estonia i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and iii) should be capable in the medium term of applying the *acquis* provided it continues its efforts on its transposition and intensifies its work on its implementation.

The Europe Agreement will remain the basis for the EU's relations with Estonia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Estonia and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Estonia's application for membership of the European Union, the financial means available to help Estonia implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Estonia, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Estonia can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Estonia will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Estonia will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Estonia.

4.1 Short-term (1998)

- **Political criteria:** take measures to facilitate the naturalisation process and to better integrate non-citizens including stateless children. Enhance Estonian language training for non-Estonian-speakers.
- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; in particular with a view to sustain the high growth rates of recent years, while reducing inflation and increasing the level of national savings; acceleration of land reform with a view to increase private ownership and introduction of key legislation linked to pension reform.
- **Reinforcement of institutional and administrative capacity:** in particular as regards regulatory and monitoring bodies and the development of a comprehensive national training strategy for civil servants and developing a strategy and timetable for the consolidation of the various supervisory agencies in the financial sector, strengthen internal financial control, reinforcement of

phytosanitary and veterinary administrations, particularly as regards facilities at external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.

- **Internal Market:** including further alignment in the areas of public procurement, intellectual and industrial property, financial services, taxation, technical legislation and competition (especially the transparency of state aids). Adoption of new competition law, covering both anti-trust and state aid, reinforcement of the state aid monitoring authority and the establishment of a first state aid inventory.
- **Justice and home affairs:** in particular further efforts to implement measures to combat corruption and organised crime and continue judicial reform.
- **Environment:** continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** pursue integration of non-citizens by strengthening Estonian language training for Russian-speakers in primary and secondary schools as well as adult training courses, and by further measures to accelerate the naturalisation process.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Estonia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** at central and local level to ensure efficient management of the public sector; special attention should be paid to the budgetary process, internal financial control, statistics, environment and agriculture; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.
- **Internal market:** including alignment, in particular in public procurement, financial services (banking and insurance rules), intellectual and industrial property and state aids, data protection, strengthening of securities regulatory bodies, audio-visual and indirect taxation. Upgrading of standardisation and conformity assessment structures, alignment of technical legislation on industrial products and establishment of a market surveillance system. Completion of alignment and effective implementation of competition law and the reinforcement of the competition authorities, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and home affairs:** ratification and application of necessary international legal instruments relevant for the *acquis*, enhanced border management especially on the eastern border, implementation of migration policy and asylum procedures, enhanced fight against organised crime (in particular money laundering, drugs and trafficking in human beings), and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.
- **Agriculture:** including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, completion of the land restitution and land registration process. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities,

- restructuring of the agri-food sector.
- **Fisheries:** development of capacity to implement and enforce the common fisheries policy.
- **Transport:** further efforts on alignment to *acquis* in particular on road transport (market access, safety rules) and maritime transport (safety) and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and Social Affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to the water and waste sectors and air pollution, including radioactive waste. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national sectoral policies.
- **Regional policy and cohesion:** further develop the legal administrative and budgetary framework for a national policy to address regional disparities through an integrated approach, in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 90 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Estonia, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Estonia will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Estonia in which Estonia will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Estonian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Estonia with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Estonian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Estonia and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Estonia of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Estonia will depend on the maturity of projects proposed by the Estonian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Estonia cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Estonia is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be

responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Estonia will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Estonia, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Estonia where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Estonia, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Estonian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Estonia including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

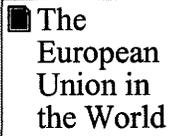
The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Estonia in meeting the objectives set out in this Partnership.

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Enlarging the European Union Accession Partnership - Estonia Annex : Recommendations for Action

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Estonia will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political criteria

Efforts should be made to enhance the judicial system, to establish an Ombudsman institution, to improve conditions in prisons and to intensify the fight against corruption.

Particular measures must be taken to accelerate the process of naturalisation and to improve the integration of non-citizens into Estonian society. Steps must be taken to make naturalisation of stateless children easier. More resources must be made available for the teaching of Estonian to non-Estonian-speakers.

2. Economic criteria

The liberalisation process should be completed, in particular by removing remaining price controls and by establishing or strengthening the regulatory bodies to ensure the proper functioning of the market (notably in the energy, telecommunications, and transport sectors). Restitution and privatisation of land must be accelerated. Special attention must be paid to preserving macroeconomic stability, mainly by increasing the export base, mobilising national savings, and reducing the inflation rate, and to maintaining the price competitiveness of exports.

Sound management of the general government budget (including local budgets and extra-budgetary funds) is also crucial to increase resources for public investment, notably in such fields as the environment, energy and transport.

Both the public and the private sectors must devote considerable attention and resources to education and training of the labour force, with a view to satisfying the increasingly complex and diversified needs of the economy.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

- The four freedoms

General framework - Efforts must be made to accelerate law reform in the field of public procurement, for instance as regards the utilities sector, the remedies system and the White Paper Stage II measures. In the field of intellectual and industrial property, legislation, as well as control mechanisms, must be substantially enhanced. As regards Company Law, full compatibility with the First and Twelfth Directives must be ensured. Legislation on accounting and

auditing must be fully aligned with EU requirements, while efforts must be made to deal with the shortage of qualified accountants and auditors. Improvement must be made in the protection of personal data, notably the establishment of an independent supervisory authority.

Free movement of goods - Effort should be continued to develop the framework legislation which will enable Estonia to take up the basic principles of the EU system, with a particular emphasis on conformity assessment. In parallel there is an urgent need to speed up the adoption of New Approach directives and to strengthen the standardisation and conformity assessment infrastructures. Harmonisation of technical legislation on pharmaceuticals, foodstuffs and chemicals should be completed, and legislation on motor vehicles should be taken over. A market surveillance mechanism needs to be set up and to become fully operational, once sectoral legislation is fully aligned with EC directives.

Free movement of capital - restrictions concerning acquisition of real estate by non-residents must be removed.

Free movement of services - banking legislation must be amended to fulfil EU requirements, including provisions for bank deposit guarantee schemes and money laundering. In the securities field, law reform needs to be intensified, while the Securities Inspectorate must be strengthened considerably. The existing Insurance Act must be revised to increase minimum capital requirements and complete privatisation, while the insurance supervision system must be enhanced.

Free movement of persons - as regards mutual recognition of professional qualifications, efforts must be made to ensure the necessary legislative and enforcement measures. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- **Competition**

The necessary measures should be taken for the effective implementation of the new Competition Act, covering both anti-trust and state aid. In respect of state aid, considerable efforts are necessary to ensure full transparency, in particular through the establishment and updating of a state aid inventory in accordance with Community practice. It is necessary to review all existing aid measures and modify or abolish those measures which are not compatible with the European Agreement (for example, export aid measures). Procedures must be established to ensure the monitoring of new aid on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, training and youth

Efforts must be made to ensure considerable investment in curriculum reform, teacher training, text books, equipment and building. Policies in the field of vocational training should aim to increase the general level of education and to improve the skills of the labour force.

Research and Technological Development

Improvements must be made in the level of innovation in the economy as well as in the links between research institutes, industry and small and medium enterprises.

Telecommunications

Substantial changes to legislation are needed to comply with EU Directives, in particular to secure the independence of the regulatory authority. At the same time, the acquis now requires governments to ensure that a modern telephone service is available everywhere at an affordable price. Meeting this obligation will require

significant investment in the system.

Audio-visual

The existing legislation must be amended, in particular with regard to the questions of freedom of reception, promotion of European works, advertising rules and the protection of minors.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

On-going reform efforts in terms of monetary policy should be continued in particular with a view to reducing inflation. The restructuring of the financial sector should be completed.

Taxation

Substantial adjustments must be made to bring VAT legislation into line with EU requirements to ensure a consistent and less general application.

Particular efforts need to be made with regard to the scope of VAT exemptions and the VAT refund scheme applicable to foreign taxable persons.

In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model.

Statistics

Efforts must be made to improve the quality, comprehensiveness and timeliness of official statistics, in particular with regard to business statistics, the establishment of a business register, short-term economic indicators, input/output statistics, and agricultural statistics.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.).

Agriculture

Substantial efforts must be made to ensure the alignment of Estonian legislation with EU requirements. With regard to veterinary and phytosanitary requirements, special attention must be paid to the upgrading of establishments and the inspection and control arrangements for protecting the EU's external borders. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP including import arrangements. The agri-food sector must be further restructured to ensure its competitive capacity.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in the fishery and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on

environmental protection.

Energy

Current efforts need to be intensified in particular with regard to legislative alignment, adjustment of monopolies, including import and export issues, access to networks, energy pricing and state interventions. Special attention must be paid to the restructuring of the oil-shale sector, energy efficiency, environmental norms, and to emergency preparedness including the building up of mandatory oil stocks.

Transport

Efforts must be made to ensure the necessary legislation and effective implementation in road haulage (access to the sector, weights and dimensions, safety rules), the maritime sector (safety), and air transport. Financial transparency must be ensured in the rail sector. Steps must be taken to ensure the future extension of the trans-European networks. Inspection bodies, in particular for transport safety, should be strengthened. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Steps must be taken to further refine and increase the coherence of SME policy, to simplify legislation, and the administrative environment to make it more SME friendly, to strengthen support infrastructures, to improve the tax environment and to develop SME access to financing.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be realigned with EU requirements in such areas as occupational health and safety, labour law and equal opportunities. Social reform must be pursued while investments in the public health system needs to be significantly enhanced. Active labour market policies must be developed and jointly reviewed as preparation for participation in EU co-ordination. An active, autonomous social dialogue and social protection must be developed. The administrative structures must be strengthened to ensure effective implementation of legislation.

Regional Policy and Cohesion

A differentiated policy addressing regional disparities must be introduced and the administrative and budgetary structures required to manage integrated EC structural actions after membership must be established.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in effective compliance. Particular efforts must be made to achieve full EU compatibility of the waste, water and nature legislation and to ensure the transposition of the framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control Directive. Investments must be strengthened, in particular as regards large combustion plants, the water sector, industry, urban air pollution, solid and hazardous waste management and management of municipal waste. A considerable effort must be made to develop adequate implementation and enforcement structures. Public awareness with regard to the environment must be stimulated. The nuclear waste situation at the former Soviet Paldiski naval sub-marine base should be followed closely.

Consumer protection

Legislation must be amended in such areas as protection of economic interests, sales away from business premises, distance selling, package travel, timeshare property, unfair terms of consumer contracts, misleading advertising, price indication,

consumer credit and product safety. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Some important gaps need to be filled in legislation. Improvements are necessary in the levels of education and experience of the legal profession and in the administration dealing with issues related to refugees and asylum seekers. Progress concerning border management and control must be continued. The effective implementation of the Geneva Convention and the 1967 Protocol as well as the Law of Refugees must be ensured. The fight against organised crime must be intensified in such fields as drug trafficking, money laundering, car theft, security services and fraud. Anti-drugs legislation and systems must be further enhanced. Steps must be taken to ensure ratification of the international conventions in the JHA field. Particular attention must be paid to ensuring the necessary resources for institutional development.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed. Membership of non-proliferation regimes should be pursued.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with the other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC. Estonia will have to align its tariff structure to meet the common customs tariff. The organisation and duties of staff must be aligned on those of a modern customs administration. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market.

Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings.

Strategic planning needs to take account of the reinforcement of border posts along the external frontier that Estonia will have with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial management and control mechanisms must be established to ensure satisfactory implementation of Community policies. An anti-fraud unit will need to be developed to protect EC financial interests. The existing accounting system as well as the customs system should be amended to ensure the efficient administration of the "own resources" system. The reliability of the national accounts must be ensured with a view to the accurate calculation of the GNP resource.

4. Administrative Capacity to Apply the Acquis

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4. Administrative Capacity to Apply the Acquis

To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen Estonia's administrative structures in virtually all EU relevant sectors. Special efforts must be made to strengthen the authorities ensuring the correct application of Community requirements in the Single Market and the customs authorities. The regulatory and monitoring bodies must be strengthened in such fields as competition, securities, insurance, banks, money laundering, public procurement, consumer protection, transport safety, veterinary and phytosanitary controls and food control as well as standards and certification, and the labour inspectorates.

Increased efforts must be made for the upgrading of staff qualifications on EU related issues and efficient public management in general. This must include the elaboration of a comprehensive national training strategy for civil servants.

The judicial system must be strengthened in terms of resources and relevant expertise. A comprehensive upgrading of judges, in particular in EU matters, must be carried out.

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The European Union in the World

Enlarging the European Union Accession Partnership - Hungary

1. Introduction

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In the Opinion which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with Hungary. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Hungary i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and iii) should be capable in the medium term of applying the *acquis* provided it continues its efforts on its transposition and intensifies its work on its implementation.

The Europe Agreement will remain the basis for the EU's relations with Hungary. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Hungary and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Hungary's application for membership of the European Union, the financial means available to help Hungary implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the *Acquis* to be adopted by Hungary, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union.
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied..

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Hungary can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Hungary will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Hungary will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Hungary.

4.1 Short-term (1998)

- **Economic reform:** review and update the country's medium-term economic policy priorities within the framework of the Europe agreement; advance structural reforms (particularly with regard to the health care system).
- **Reinforcement of institutional and administrative capacity:** in particular in the areas of veterinary and phytosanitary controls (particularly as regards facilities at the external borders) environment, customs policy internal financial control and regional development.
- **Internal Market:** including certification and standardisation (further alignment of legislative measures and conclusion of a European Conformity Assessment Agreement), state aids (adoption of legislative framework, definition of role and powers of monitoring authority, enforcement) and increased transparency through improvement of aid inventory. Enforcement of intellectual property

rights and further alignment of company law. Complete alignment and increased transparency of public procurement legislation to cover fully utilities sector.

- **Justice and Home Affairs:** implementation of appropriate refugee legislation consistent with 1951 Geneva Convention, development of effective border management.
- **Environment:** continue transposition of framework legislation, establishment and commencement of implementation of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** further efforts to improve the integration of the Roma.
- **Economic reform:** : continue to consolidate the conditions for strong investment growth through the sustained implementation of prudent macroeconomic policies and the advancement of structural reforms.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Hungary is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** development of anti fraud unit and state audit office, improved operation of the judicial system, training for the judiciary in Community law and its application; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration and strengthening of the nuclear safety authority.
- **Internal Market:** including further development of standardisation and conformity assessment bodies and establishment and operation of a market surveillance system, alignment of technical legislation on industrial products, further alignment of competition law, in particular for state aid, reinforcement of monitoring authorities both for competition and state aids, alignment of capital liberalisation, financial services, audio-visual policies and consumer protection, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and home affairs:** including implementation of migration policy and asylum procedures as well as the fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and clarification of admission provisions for immigrants, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.
- **Agriculture:** including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.

- **Transport:** further efforts on alignment to *acquis* in particular on rail and road transport (technical controls), and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and social affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to waste water, waste management, air pollution and integrated industrial pollution control and risk management. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.
- **Regional policy and cohesion:** further strengthen budgetary procedures, financial instruments, monitoring and control mechanisms in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 282 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Hungary, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Hungary will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Hungary in which Hungary will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Hungarian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of**

democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Hungary with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.

- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Hungarian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Hungary and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Hungary of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Hungary will depend on the maturity of projects proposed by the Hungarian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Hungary cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Hungary is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the

programming of the Community Financial assistance.

The Government of Hungary will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

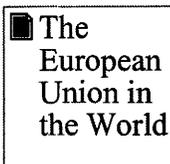
In cooperation with the Government of Hungary, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Hungary where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Hungary, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Hungarian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Hungary including implementation of the Accession Partnership.



Enlarging the European Union Accession Partnership - Hungary Annex : Recommendations for Action

See : [Accession Partnership - Hungary](#)

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Hungary will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political criteria

Efforts will have to be made to build on the measures taken by the government to ensure justice and protection for the Roma. Particular measures must be taken to streamline the operation of the judicial system, to train judges to a higher standard, and to ensure stability in the Constitutional Court. In addition, the fight against corruption needs to be made more effective.

2. Economic criteria

Hungary should consolidate the conditions for sustainable growth maintaining a sound budgetary position and continuing to implement sound macroeconomic policies.

The reform of the social security system needs to be completed to underpin macroeconomic stability. Further steps should be taken to strengthen the regulatory mechanisms which enable a market economy to function effectively. Hungary must implement a comprehensive range of policies to ensure that inadequacies in the functioning of the labour market do not hamper Hungary's ability to withstand competition in the Single Market.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

- The four freedoms

General framework - Efforts must be made to approximate and enforce legislation in the fields of intellectual property, company law, accounting, data protection, and public procurement, in particular the utilities sector (energy, telecommunications, water and transport).

Free movement of goods - The framework legislation which will enable Hungary to implement the basic principles of the EU system has been adopted. The conformity assessment infrastructure needs to be strengthened and a market surveillance mechanism set up. The approximation of New Approach directives should be accelerated. As regards other sectoral legislation, alignment of pharmaceuticals legislation should be finalised, and approximation of directives on chemicals and motor vehicles should be completed. Hungary needs to maintain its quick pace of approximation of legislation on industrial products so as to fully adopt the EU system.

Free movement of capital - further efforts are still required especially in liberalising outward movements and removing investment restrictions on institutional investors.

Free movement of services - progress in transposing legislation must be accompanied by concrete implementing measures as well as the consolidation of the administration. Recent legislation in the field of banking and insurance allowing the establishment of branches by foreign companies needs to be fully implemented.

Free movement of persons - As regards mutual recognition of professional qualifications, efforts must be made to ensure the necessary legislative and enforcement measures. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- **Competition**

In respect of state aid, further efforts are necessary to ensure full transparency, in particular through the establishment and updating of a comprehensive state aid inventory in accordance with Community practice. Moreover, the legal framework for the granting of state aid must be aligned to EC state aid legislation. It is necessary to review all existing aid measures and modify or abolish those measure which are not compatible with the Europe Agreement. The necessary powers and procedures must be established for the state aid monitoring authority to implement the monitoring of new aid on a systematic basis. As to sectors traditionally subject to monopolies, the policy of liberalising and opening up to competition should be continued.

3.2 Innovation

Research and Technological Development

Improvement must be made in the level of innovation in the economy as well as in the links between research institutes, industry and small and medium-sized enterprises.

Telecommunications

Additional regulatory efforts are needed to comply with EU Directives, in particular in the field of interconnection. At the same time, the *acquis* now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

Amendments to audio-visual legislation must be completed to ensure full alignment with EC requirements. Structural adaptations of the industry should be pursued.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Central bank legislation must be made fully compatible with EC rules and the stability orientation of current monetary and exchange rate policies should be maintained.

Taxation

Additional adjustments must be made to bring VAT legislation completely into line with the requirements of the Community *acquis*. Particular efforts need to be made as regards the scope of the VAT rate structure and the special VAT scheme for farmers.

Significant discrepancies between the Hungarian excise regime and EC requirements need to be addressed. In the field of excise duties particular attention

should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model. Control procedures must be strengthened to combat fraud.

Statistics

Efforts must be made to clarify the issues of impartiality and confidentiality for Hungary to be able to comply with EU requirements for official statistics within the next few years. Hungary must make improvements in sectors such as external trade and business statistics. A systematic link between business surveys and the national accounts must also be established.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taken on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.).

Agriculture

Substantial efforts must be made to ensure the alignment of Hungarian legislation with EU requirements. With regard to veterinary and phytosanitary requirements, special attention must be paid to the upgrading of establishments and the inspection and control arrangements for protecting the EU external borders. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP including import arrangements. The agri-food sector must be further restructured to ensure its competitive capacity.

Energy

Current efforts for alignment must be maintained, in particular with regard to the adjustment of monopolies including import and export, access to networks, energy pricing, state interventions in the solid fuels and uranium sectors, and the development of energy efficiency and fuel quality standards. Special attention must be given to timely implementation of nuclear safety programmes in order to bring all the nuclear reactors into line with safety objectives generally accepted in the EU. In addition, longer term solutions for nuclear waste need attention. Attention needs to be paid to the strengthening of the nuclear safety authority.

Transport

Efforts must be made to ensure the full adoption of the necessary EC legislation and its effective implementation in domestic road haulage (access to the sector, social rules and safety), and for technical checks on passenger cars. Financial transparency and access rights must be provided in the rail sector. Steps must be taken to provide the domestic resources needed to ensure the future extension of the trans-European network. Inspection bodies, in particular for transport safety, should be strengthened. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Effort should continue to create an SME-friendly legal administrative environment, with the aim of strengthening SME development.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be aligned with EU requirements in such areas as health and safety

and labour law. Social reform must be further developed and the health system should be improved. An active, autonomous social dialogue and social protection must be developed. The administrative structures must be strengthened to ensure the effective implementation of legislation.

Regional Policy and Cohesion

Remaining reforms, in particular the setting up the necessary instruments of financial control must be implemented to ensure that Hungary is ready to apply Community rules and to channel funds from the EC structural policies effectively after membership.

3.6 Quality of Life and Environment

Environment

Significant steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in ensuring effective compliance. The proposed Hungarian environmental accession strategy should be applied. Particular efforts must be made to achieve full EU compatibility of the waste, water and nature legislation and to ensure the transposition of framework directives dealing with urban waste water treatment, drinking water, waste management and air pollution as well as to the Integrated Pollution Prevention and Control Directive. Financing strategies must be made in the water, air and waste sectors which require major investments. The potential of market based instruments as a source of finance needs more attention. A considerable effort must be made to develop adequate implementation and enforcement structures. Public awareness of the environment must be stimulated.

Consumer protection

Legislation must be amended in such areas as advertising, sales away from business premises, distance selling, unfair contract terms and timeshares. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs

Some important gaps need to be filled in legislation. Institutional resource constraints need to be tackled. Hungary must develop more effective border management systems, especially on the future external borders of the EU. The new asylum legislation must be implemented, in full compliance with the 1951 Geneva Convention on the Status of Refugees must be implemented. Hungary must ensure that effective training and institutional development programmes are implemented in the key justice and home affairs institutions. Attention needs to be paid to visa policy. The fight against all forms of organised crime, including drug trafficking, trafficking in human beings, money laundering, counterfeiting, false documents and fraud must be intensified.

3.8 External Policies

Trade and international economic relations

Remaining balance of payments restrictions need to be phased out prior to accession. Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed.

Customs

Customs legislation must be aligned with that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. The scope of activities carried out in the numerous "free zones" must be examined in relation to Community legislation. An effort must be made to develop computerised

systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning needs to take account of the reinforcement of border posts along the external frontier that Hungary will have with countries other than EU Member States at the time of accession.

3.9 Financial Questions

Hungary should implement its plans to establish a financial management system corresponding to that used by the structural funds of the EU. The existing accounting system as well as the customs system should be amended to ensure the efficient administration of the "own resources" system. The reliability of the national accounts must be ensured with a view to the accurate calculation of the GNP resource. Hungary must bring its VAT system fully into line with the Community directives in order to accurately draw up the VAT own resources base. Further efforts must be made to achieve full computerisation and the establishment of a remote data transfer system in order to improve the efficiency of the fight against the black market.

4. Administrative Capacity to Apply the Acquis

To ensure the effective implementation and enforcement of the acquis comprehensive reform efforts must be made to strengthen Hungary's administrative structures in most EU relevant sectors. Special efforts must be made to clarify certain issues within the administrative framework (e.g. the division of control, scope, tasks, and question of competence). For example, both in the case of agriculture and consumer protection there is a need to establish central control bodies. The management and supervision of local self-government requires significant improvement, while their remit and institutional structure need to be better defined. Efforts are needed to strengthen monitoring and regulatory bodies in the fields of veterinary and phytosanitary controls and food control.

Reforms of the judicial system recently adopted must proceed as intended to ensure the judicial system is strengthened in terms of resources and relevant expertise. A comprehensive upgrading and training of judges, particularly in EU matters, must be carried out.

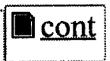
For all levels of the civil service there is a need to consolidate and improve overall professional standards including the implementation of training measures (especially in management skills) and improvements in pay.

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The
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Enlarging the European Union Accession Partnership - Latvia

1. Introduction

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In the Opinion which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has provided its recommendation to the Council regarding Latvia's application for membership of the European Union. The Commission considers that negotiations for accession to the EU should be opened with Latvia as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in the Opinion, in which the Commission is of the view that Latvia i) presents the characteristics of a democracy, with stable institutions, guarantees the rule of law, human rights and the respect for and protection of minorities; but measures need to be taken to accelerate the rate of naturalisation of non-citizens to enable them to become better integrated into Latvian society, ii) has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term, and iii) has made some progress in transposing and implementing the *acquis* relating particularly to the single market and should with considerable further effort be able to participate fully in the single market in the medium term.

The Europe Agreement will remain the basis for the EU's relations with Latvia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Latvia and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Latvia's application for membership of the European Union, the financial means available to help Latvia implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Latvia, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Latvia can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Latvia will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Latvia will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Latvia.

4.1 Short-term (1998)

- **Political criteria:** take measure to facilitate the naturalisation process to better integrate non-citizens including stateless children and enhance Latvian language training for non-Latvian speakers.
- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; acceleration of market-based enterprise restructuring, in particular through the

completion of the privatisation process; continued strengthening of the banking sector; modernisation of the agriculture sector and establishment of a land and property register.

- **Reinforcement of institutional and administrative capacity:** further structural reform of public administration is needed and in particular in customs and tax administration, financial control capacity, reinforcement of the agriculture ministry and the establishment of a training strategy for the judiciary, reinforcement of the veterinary and phytosanitary administrations, particularly as regards facilities at external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.
- **Internal Market:** further alignment including in the areas of intellectual and industrial property rights, public procurement, financial services, competition, state aids and indirect taxation, adoption of a law on state aid and increased transparency through improvement of the aid inventory and reinforcement of the new anti-trust authority.
- **Justice and home affairs:** in particular further efforts to implement measures to combat corruption and organised crime and to continue judicial reform.
- **Environment:** continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** Accelerated integration of non-citizens by facilitating the naturalisation process including for stateless children.
- **Economic reforms:** consolidation of the privatisation process; reinforcement of market-driven restructuring in the enterprise, finance and banking sectors, development of regulatory framework for utilities and financial services, and strengthening of competition policy.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Latvia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** enforcement of EC's internal market legislation and establishment of institutions able to implement the Community's regional development programmes and agricultural policy (including statistical capacities) including anti-fraud services, strengthening of the budgetary process and macro-economic forecasting capacity; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, reinforcement of food administration.
- **Internal Market:** including alignment of legislation in the fields of customs, audio-visual policies, statistics and financial services upgrading of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of horizontal technical legislation on industrial products, further alignment of competition legislation in particular in the field of state aid, reinforcement of the anti-trust and state aid authorities,

promotion of enterprise development, including SME's, alignment with the acquis in the fields of telecoms, consumer protection and the internal energy market.

- **Justice and home affairs:** including development of effective border management in particular on the eastern border, implementation of migration policy and asylum and refugee legislation, continuation of fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.
- **Agriculture:** including alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, consolidation of land structure and development of a rural policy. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Fisheries:** development of capacity to implement and enforce the common fisheries policy.
- **Transport:** further efforts on alignment to acquis in particular on road freight transport (technical rules and taxation), shipping (safety) and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and social affairs:** development of labour market policies and joint review of these policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection; undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to drinking water, waste water, the waste sector and air pollution. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.
- **Regional policy and cohesion:** introduce the legal administrative and budgetary framework for a national policy to address regional disparities through an integrated approach, in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 112 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. In addition, Latvia is eligible for support from the catch-up facility envisaged for 1998 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant

countries will be systematically required for all investment projects. The Commission will work with Latvia, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Hungary will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Latvia in which Latvia will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Latvian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Latvia with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Latvian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Latvia and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 billion ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Latvia of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Latvia will depend on the maturity of projects proposed by the Latvian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Latvia cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Latvia is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Latvia will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Latvia, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Latvia where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Latvia, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Latvian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and

financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Latvia including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Latvia in meeting the objectives set out in this Partnership.

See : [Annex \(Recommendations for Action\)](#)

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Enlarging the European Union Accession Partnership - Latvia Annex : Recommendations for Action

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Latvia will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues mentioned in the Opinion on Latvia. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

Political criteria

Efforts should be made to enhance the judicial system, to improve conditions in the prisons and to intensify the fight against corruption.

Particular measures must be taken to accelerate the process of naturalisation and to improve the integration of non-citizens into Latvian society including the review of the "window policy" and facilitation of naturalisation of stateless children. Latvia should also pursue its efforts to ensure general equality of treatment for non-citizens and minorities, in particular with regard to access to professions. The efforts undertaken to teach Latvian to non-Latvian-speakers need to be continued.

2. Economic criteria

The liberalisation process should continue. In particular remaining obstacles to the entry of new firms to the market, such as excessive bureaucracy and inconsistent legislation, should be removed. The privatisation process should be completed. Special attention should be paid to enterprise restructuring, and to eliminating structural constraints which prevent faster restructuring. In this regard, the establishment of a functioning land and property register is a priority. Competition authorities should be strengthened, and regulatory bodies for the utilities and the financial sector should be established.

Strengthening of the banking system, and measure to encourage the deepening of the financial sector should continue.

High levels of investment will be required in such fields as the environment, energy and transport. Economic policy needs to stimulate proper training of the labour force with a view to increasing flexibility and orientation towards a market economy.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

- The four freedoms

General framework - Efforts must be made to accelerate law reform in the field of public procurement, for instance as regards the utilities sector and the rules concerning services and tendering procedures. In the field of intellectual and industrial property, legislation, as well as control mechanisms, must be substantially enhanced. As regards Company Law full compatibility with the Third, Eleventh and Twelfth Directives must be ensured. Legislation on

accounting and auditing must be fully aligned with EU requirements, while efforts must be made as regards the shortage of qualified accountants and auditors. The protection of personal data must be improved in order to correspond to the level of protection in the EC framework directive.

Free movement of goods - The framework legislation which will enable Latvia to take up the basic principles of the EU system has already been adopted and should be implemented. Strengthening of the standardisation and conformity assessment infrastructures is now needed. In parallel progress on alignment of sectoral directives should be accelerated, in particular in the case of pharmaceuticals, chemicals and motor vehicles. Once the technical legislation is fully harmonised a market surveillance mechanism will have to be set up to become fully operational in the longer run.

Free movement of capital - Latvia has introduced current account convertibility and almost completed liberalisation of capital movements and should be able to abolish remaining restrictions in the medium term.

Free movement of services - the banking sector needs to be strengthened in order for it to function as a financial intermediary supporting domestic investments. In addition, legislation in the banking sector must be fully amended to fulfil EU requirements, including provisions for bank deposit guarantee schemes and money laundering. Legislative amendments in the securities (e.g. insider dealing and stock exchange listings) and insurance fields are also necessary in order to comply with EC legislation.

Free movement of persons - As regards mutual recognition of professional qualifications, efforts must be made to ensure the necessary legislative and enforcement measures. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- Competition

Further alignment of competition law is required, in particular in the field of merger control. Proceedings for the adoption of legislation on the control of state aid, including both substantive and procedural rules, should be finalised. Improved transparency is required regarding the granting of aid through the establishment and continuous updating of a comprehensive aid inventory in accordance with Community practice. A review of all existing aid measures should be undertaken and those measures which are not compatible with the Europe Agreement must be modified or abolished. New aid measures must be effectively monitored on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, training and youth

In order to achieve progress in competitiveness and quality of production, efforts must be made to ensure considerable investments in curriculum reform, teacher training, text books, equipment and buildings.

Research and Technological Development

Continued support must be given to reform initiatives aiming to modernise and rationalise the research system.

Telecommunications

Substantial changes of policy and legislation are needed to comply with EU Directives, in particular to curtail the monopoly granted to the main national operating company. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

The existing legislation must be amended, in particular with regard to the questions of freedom of reception, promotion of European works, advertising rules and the protection of minors.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

The provisions and the practice of the central bank's budget deficit financing should be amended to ensure full compatibility with EC rules. Efforts to strengthen the banking sector, which is still vulnerable, should be sustained.

Taxation

Substantial adjustments must be made in the legislation on VAT and excise duties to achieve full compliance with EU requirements to ensure a consistent and less general application. Particular efforts need to be made as regards the scope of the exemptions from VAT and the VAT refund scheme applicable to foreign taxable persons.

Discrepancies between the Latvian excise regime and EU requirements need to be addressed. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model.

Statistics

Efforts must be made in the field of official statistics, in particular with regard to business statistics, national accounts, agricultural accounts, and the application of classifications and nomenclatures.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.).

Agriculture

Substantial efforts must be made to ensure the alignment of Latvian legislation with EU requirements. With regard to veterinary and phytosanitary requirements, special attention must be paid to the upgrading of establishments and the inspection and control arrangements for protecting the EU external borders. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP including the import arrangements. The agri-food sector must be further restructured to ensure its competitive capacity.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in fishery and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Current efforts need to be intensified in particular with regard to legislative alignment, adjustment of monopolies, including import and export issues, access to networks, energy pricing, energy efficiency, environmental norms and to emergency preparedness including the building up of mandatory oil stocks.

Transport

Further efforts in assimilating EC legislation in the transport field must be made to ensure the necessary legislation and its effective implementation, in particular regarding road freight transport (access to profession, weights and sizes, road tax), shipping (safety) and rail (public service and standardisation of accounting procedures) sectors. Latvia needs to invest in infrastructure used by international traffic, for example in improvements to its East-West rail network, and to improve border crossing infrastructures at all borders as well as in the ports. Latvia would be advised to improve its administrative structures, including inspection bodies such as those responsible for safety. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Steps must be taken to further refine and increase the coherence of SME policy, to simplify legislation and the administrative environment to make it more SME friendly, to strengthen support infrastructures, to improve the tax environment and to develop SME's access to financing.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be aligned with EU requirements in such areas as occupational health and safety, labour law and equal opportunities and structures must be developed to ensure effective implementation of such legislation. Social reform must be pursued while investments in the public health system needs to be significantly enhanced. Active labour market policies must be developed and jointly reviewed as preparation for participation in EU co-ordination. An active, autonomous social dialogue and social protection must be developed.

Regional Policy and Cohesion

Latvia must introduce an integrated and efficient regional policy. It should develop the administrative structures and budgetary procedures necessary to participate fully in EU structural policy and efficiently channel the structural funds after membership.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in effective compliance. Particular attention should be given to the quick transposition of framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control (IPPC) directive. Investments must be strengthened, in particular as regards urban waste water treatment, drinking water, aspects of waste management and air pollution legislation. A considerable effort must be made to develop adequate implementation and enforcement structures.

Consumer protection

Legislation must be amended in such areas as protection of economic interests of consumers (sales away from business premises, distance selling, timeshare property, and consumer credit). Amendments are also needed to align legislation on misleading advertising, unfair contract terms and for product safety in some sectors. Alignment of legislation on package travel and indication of prices needs to be

completed. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs

Important gaps need to be filled in Latvia's legislation and implementation systems. The fight against financial crime should be intensified. Border management systems on the Eastern frontier need substantial upgrading of the human resource, technical resources and control structures. The physical demarcation of the frontier between Latvia and Belarus remains to be completed. The effective implementation of the 1951 Geneva Convention as well as the Law on Refugees must be ensured. The fight against organised crime must be intensified in such fields as drug trafficking, trafficking in women, prostitution, money laundering and smuggling. Enforcement of anti-drugs legislation must be further enhanced. The Latvian judiciary needs to be prepared for EU membership. Institutional resource constraints and lack of experienced personnel, as well as management weaknesses leading to inefficiencies and some corruption must be tackled.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with the other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. Great efforts are needed to ensure the probity of the customs services as a whole. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning has to take account of the reinforcement of border posts along the external frontier that Latvia will have with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial management and control mechanisms must be established to ensure satisfactory implementation of Community policies. The existing accounting system as well as the customs system should be amended to ensure the efficient administration of the "own resources" system. The reliability of the national accounts must be ensured with a view to the accurate calculation of the GNP resource.

4. Administrative Capacity to Apply the Acquis

4. Administrative Capacity to Apply the Acquis

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To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen Latvia's administrative structures in virtually all EU relevant sectors. Special efforts must be made to strengthen the authorities ensuring the correct application of Community requirements in the Single Market and the customs authorities. The regulatory and monitoring bodies must be strengthened in such fields as competition, securities, insurance, banks, money laundering, public procurement, consumer protection, transport safety, standards and certification, environment, financial control, veterinary and phyto-sanitary controls, food control and the labour inspectorates.

Increased efforts must be made for the upgrading of staff qualifications on EU related issues and efficient public management in general. This must include the elaboration of a comprehensive national training strategy for civil servants.

The judicial system must be strengthened in terms of resources and relevant expertise. A comprehensive upgrading of judges, in particular in EU matters, must be carried out.

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The
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Enlarging the European Union Accession Partnership - Lithuania

1. Introduction

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In the Opinion which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has provided its recommendation regarding Lithuania's application for membership of the European Union. The Commission considers that negotiations for accession to the EU should be opened with Lithuania as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in which the Commission is of the view that Lithuania i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) has made considerable progress in the creation of a market economy, but it would face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term, and iii) has made some progress in transposing and implementing the *acquis* relating particularly to the single market and should with considerable further effort become able to participate fully in the single market in the medium term.

The Europe Agreement will remain the basis for the EU's relations with Lithuania. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Lithuania and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Lithuania's application for membership of the European Union, the financial means available to help Lithuania implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Lithuania, the Joint Assessment of Economic Policy Priorities, Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Lithuania can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Lithuania will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Lithuania will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Lithuania.

4.1 Short-term (1998)

- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; acceleration of large scale privatisation and progress towards the restructuring of the banking, energy and agri-food sectors; enforcement of financial discipline for enterprises.
- **Reinforcement of institutional and administrative capacity:** in particular major efforts on public administration reform, border control, customs, taxation and finance as well as preparation of training strategy for civil servants and the judiciary, veterinary and phytosanitary administrations, particularly as regards

facilities at the external borders, institutional strengthening in the area of environment, begin to set up structures needed for regional and structural policy.

- **Internal Market:** including further alignment in the areas of intellectual and industrial property, public procurement, financial services, phytosanitary and veterinary, upgrading of independent standardisation and conformity assessment structures. Adoption of a new competition law and establishment of transparent state aids inventory.
- **Justice and home affairs:** in particular further efforts to implement measures to combat corruption and organised crime, and improve border management and conditions in facilities for refugee reception.
- **Environment:** continue transposition of framework legislation, establishment and commencement of implementation of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.
- **Energy:** in particular establishing a comprehensive, long term, energy strategy and decommissioning plan for the nuclear power plant Ignalina according to commitments entered into in the Nuclear Safety Account Agreement.

4.2 Medium-term

- **Economic reforms:** consolidate the privatisation process and restructuring of the banking, energy and agri-food sectors and align legal framework (bankruptcy and competition legislation, simplification of business regulations including licensing).
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Lithuania is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** development of anti fraud unit and state audit office and of budget and financial control mechanisms; improved operation of the judicial system; training for the judiciary in Community law and its application; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthening of the nuclear safety authority reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.
- **Internal Market:** including alignment of capital liberalisation, public procurement legislation, audio-visual policies, indirect taxation and statistics, further alignment and effective enforcement, of competition law, in particular state aid control; reinforcement of competition authorities, upgrading of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of horizontal technical legislation on industrial products, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and home affairs:**, development of effective border management, fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, implementation of migration policy and asylum procedures, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.

- **Agriculture:** including of alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, completion of land registration and establishment of a functioning land market. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Fisheries:** Development of capacity to implement and enforce the common fisheries policy.
- **Energy:** implementation of a comprehensive energy strategy based on efficiency and diversification, including respect of nuclear safety standards and realistic nuclear power plant closure commitments (NSA).
- **Transport:** further efforts on alignment to acquis in particular on maritime (safety) and road and rail transport, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and social affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination of employment policies, alignment of labour and occupational health and safety legislation in particular early adoption of the framework directive on health and safety at work, further development of an active social dialogue; further development of social protection; enforcement of equal opportunities between women and men, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to drinking water, the waste sector and air pollution as well as nuclear safety. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.
- **Regional policy and cohesion:** introduce the legal administrative and budgetary framework for a national policy to address regional disparities through and integrated approach, in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 145 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. In addition, Lithuania is eligible for support from the "catch-up" facility envisaged for 1998 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Lithuania, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Lithuania will have access to funding from multi-country programmes directly related to the acquis.

The Phare programme is the main financial instrument of the reinforced

pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Lithuania in which Lithuania will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Lithuanian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Lithuania with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Lithuanian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Lithuania and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Lithuania of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Lithuania will depend on the maturity of projects proposed by the Lithuanian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Lithuania cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Lithuania is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Lithuania will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Lithuania, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Lithuania where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Lithuania, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Lithuanian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework

of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Lithuania including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Lithuania in meeting the objectives set out in this Partnership.

See : [Annex \(Recommendations for Action\)](#)

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Lithuania will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political criteria

Efforts should be sustained to improve the operation of the judicial system, to intensify the fight against corruption and to improve prison conditions.

2. Economic criteria

The liberalisation process should be completed by removing remaining price controls and state monopolies of commercial character, and progressing in areas of relative price adjustment, large scale privatisation, bankruptcy proceedings as well as the enforcement of financial discipline for enterprises. Substantial enterprise restructuring is still required. Energy sector reform needs to be completed, agriculture modernised and the banking sector consolidated. In terms of adapting the legal framework, further effort is needed in areas of bankruptcy and competition legislation, property registers and simplification of business regulations including licensing requirements.

Particular attention should be given to completing the Government's banking sector restructuring plan, (mainly by means of restructuring, privatisation and recapitalisation of state-owned banks and liquidation of insolvent banks), completing large-scale privatisation and establishing suitable conditions for investment in fields such as the environment, energy, transport and research and development.

Economic policy needs to stimulate proper training of the labour force with a view to increasing flexibility and orientation towards a market economy.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

• The four freedoms

General framework - Substantial efforts are needed to address the weakness of public administration, particularly in order to strengthen the capacity of various structures necessary to implement and enforce internal market legislation, including stepping up border controls at EU external frontier. Efforts must be made to accelerate approximation in the field of public procurement, particularly as regards the telecommunication, transport, energy and water sectors. Adoption and implementation of intellectual and industrial property legislation to bring it in line with the acquis must be strengthened. As regards accounting and auditing, efforts are needed to align professional requirements for auditors with the 8th Directive, while the shortage of qualified accountants

and auditors has to be addressed. Improvement must be made in protection of personal data, notably through the establishment of an independent monitoring authority and by bringing secondary legislation into line with the framework Directive.

Free movement of goods - Adoption of the framework legislation which will enable Lithuania to take up the basic principles of the EU system needs to be completed. Independent standardisation and conformity assessment infrastructures need to be set up and further alignment with sectoral legislation made both on New Approach and in the foodstuffs, pharmaceuticals, chemicals and motor vehicles sectors. A market surveillance mechanism will have to be set up to become fully operational in the longer term, once the technical legislation is fully harmonised.

Free movement of capital - Further efforts are required to complete the liberalisation of Lithuania's capital markets, for instance, residual restrictions concerning cross-border acquisitions for investment companies must be removed.

Free movement of services - Further efforts need to be made to ensure full free establishment in banking, securities and insurance through alignment and implementation of legislation.

Free movement of persons - As regards mutual recognition of professional qualifications, efforts must be made to ensure adoption of the necessary legislative and enforcement measures. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- **Competition**

Proceedings for the adoption of a new competition act which should further align the competition rules with EC competition rules must be finalised. In the field of state aid, full transparency should be ensured through the establishment and continuous updating of a comprehensive aid inventory in accordance with Community practice. A review of all existing aid measures should be undertaken and those measures which are not compatible with the Europe Agreement must be modified or abolished. A credible enforcement of the Decree on state aid monitoring is necessary through the introduction of the necessary procedures and practical means to monitor all new aid measures on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, training and youth

Institutional reforms and curricula development should support education in those professional areas which contribute directly to accession. Efforts are needed in developing European Studies curricula, new courses on regulated professions, application of modern technologies and establishment of quality assurance systems.

Research and Technological Development

Improvements must be made aiming at reorganising institutions and replacement of central funding by competitive merit-driven funding system.

Telecommunications

Substantially strengthened legislation is needed to underpin the existing liberalised market, to promote both competition and investment and to comply with EU Directives. At the same time the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

Existing legislation will have to be amended to include provisions for the freedom of reception, jurisdiction, the promotion of European works, advertising and sponsorship rules, protection of minors and the right of reply.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Macroeconomic policy should seek to keep inflation and interest rates low and ensure confidence in the economy.

Taxation

Substantial efforts are needed to align VAT legislation with the Community. Particular efforts need to be made as regards the scope of the exemptions from VAT and the VAT refund scheme applicable to foreign taxable persons.

The significant discrepancies between the Lithuanian excise regime and the EU requirements need to be addressed. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model. The registration of traders for excise purposes must be reviewed.

Statistics

Efforts must be made in the field of official statistics, in particular with regard to business statistics, capital and financial accounts and regional data.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.).

Agriculture

Substantial efforts must be made to ensure the alignment of legislation with EU requirements. With regard to veterinary and phytosanitary requirements, special attention must be paid to the upgrading of establishments and the inspection and control arrangements for protecting the EU external borders. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP. The agri-food sector must be further restructured to ensure its competitive capacity. In order to develop a functioning land market and mortgage credit facilities, it is important to complete the land property registration process.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in fishery and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Current efforts need to be intensified in particular with regard to legislative alignment, adjusting state monopolies in line with internal energy market directives in combination with EC competition law, including import and export issues, access to networks, and energy pricing. Special attention must be paid to energy efficiency, environmental norms, and to emergency preparedness including the building up of mandatory oil stocks.

The capability of the nuclear regulatory authority (VATESI) to implement Western style licensing at Ignalina Nuclear Power Plant (INPP) needs to be strongly supported. Efforts are needed to prepare a comprehensive, long term energy strategy and to include provisions for spent fuel handling and decommissioning of INPP in the electricity tariff structure. A realistic plant decommissioning and closure plan for INPP, including longer term solutions for waste, needs to be prepared.

Public awareness with regard to the environment and a nuclear safety "culture" must be stimulated.

Transport

Efforts must be made to improve safety (notably in maritime transport), to harmonise environmental standards for air pollution and noise and to implement the acquis for road transport of goods and railways. Steps must be taken to lay the foundations for the future extension of the trans-European networks. Inspection bodies, in particular for transport safety, should be strengthened. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Steps must be taken to further refine and increase the coherence of SME policy, to simplify legislation and the administrative environment to make it more SME friendly, to strengthen support infrastructures and to develop SME's access to financing.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Substantial efforts are needed to align legislation with EU requirements in such areas as occupational health and safety, labour law and equal opportunities. Social reform must be pursued while the public health system needs to be significantly improved. An active social dialogue must be further developed. The administrative structures must be strengthened to ensure effective implementation of legislation.

Regional Policy and Cohesion

As part of a general framework for an integrated development strategy, a differentiated development policy addressing regional disparities must be introduced and the administrative and budgetary structures to manage integrated regional development programmes under EC structural policies after membership must be established.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in effective compliance. Particular efforts must be made to achieve full EU compatibility of the waste, water and nature legislation and to ensure the transposition of the framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control Directive. Investments must be increased, in particular as regards large combustion plants, the water sector, industry, urban air pollution, solid and hazardous waste management and management of municipal waste. The recently adopted nuclear framework Act, must be complemented by adopting legislation on radiation protection and radioactive waste management, emergency planning. A considerable effort must be made to develop adequate implementation and enforcement structures.

Consumer protection

Legislation must be aligned in important areas such as general products safety, sales away from business premises, distance selling, package travel, timeshare property, unfair terms of consumer contracts, consumer credit and indication of prices. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Steps need to be taken to combat illegal immigration. Significant progress is needed on border management and control, including completion of demarcation. The fight against organised crime, transnational financial crime and institutional corruption must be intensified in such fields as drug trafficking, trafficking in human beings, money laundering, car theft, security services and fraud. Steps must be taken to ensure ratification of the international conventions in the JHA field. Particular attention must be paid to ensuring the necessary financial and human resources for institutional development and to promote police and judicial cooperation with EU counterparts.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with the other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning needs to take account of the reinforcement of border posts along the external frontier that Lithuania will have with countries other than EU Member States at the time of accession.

3.9 Financial Questions

Considerable preparations are needed to establish the necessary financial management and control mechanisms to ensure satisfactory implementation of Community policies. Special attention must be given to the development of efficient internal control mechanisms and institutions, particularly regarding the number of qualified auditors and the accounting procedures. The existing accounting system as well as the customs system should be overhauled to ensure the efficient administration of the "own resources" system. Considerable improvements are needed to ensure the reliability of the national accounts and official statistics with a view to the accurate calculation of the GNP resource as well as for drawing up the VAT own resource base.

4. Administrative Capacity to Apply the Acquis

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To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen administrative structures in virtually all EU relevant sectors. Special efforts must be made to strengthen the authorities ensuring the correct application of Community requirements for the Single Market and the customs authorities. The regulatory and monitoring bodies must be strengthened in such fields as competition, securities, insurance, banks, money laundering, public procurement, agriculture, financial control, consumer protection, transport safety as well as standards and certification, veterinary and phytosanitary inspections, food control and the State Labour inspectorate

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Increased efforts must be made for the upgrading of staff qualifications on EU related issues and efficient public management in general. This must include the elaboration of a comprehensive national training strategy for civil servants.

The judicial system must be strengthened in terms of resources and relevant expertise. A comprehensive upgrading of judges, in particular in their capacity to apply Community Law, must be carried out.

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Enlarging the European Union Accession Partnership - Poland

1. Introduction

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In the Opinion which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with Poland. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Poland i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and iii) should be capable in the medium term of applying the *acquis* provided it continues its efforts on its transposition and intensifies its work on its implementation.

The Europe Agreement will remain the basis for the EU's relations with Poland. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Poland and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Poland's application for membership of the European Union, the financial means available to help Poland implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Poland, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Poland can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Poland will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Poland will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Poland.

4.1 Short-term (1998)

- **Economic reform: establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; acceleration of the privatisation/restructuring of state enterprises (including telecoms), and the sound development of the financial sector, including acceleration in a transparent manner of banking privatisation and improving bankruptcy proceedings.**
- **Industrial restructuring: adoption by 30 June and start of implementation of a viable steel sector restructuring programme, pursue restructuring in the coal sector.**
- **Reinforcement of institutional and administrative capacity: in particular improvements in the areas of customs, state aid controls, justice and home affairs ministries and services, financial control, veterinary and phytosanitary controls, (particularly as regards facilities at the external borders), environment, taxation**

and regional policy.

- **Internal Market:** including certification and standardisation (further alignment of legislative measures and conclusion of a European Conformity Assessment Agreement), further alignment in the areas of intellectual and industrial property, public procurement and liberalisation of capital movements, the adoption of a law on state aid, and strengthening of monitoring authority, finalisation of inventory.
- **Justice and home affairs:** develop more effective border management and control systems in particular of the borders with Belarus and the Ukraine and align visa regimes with the EU.
- **Agriculture:** establish a coherent structural and rural development policy; adoption of implementing regulations and implementation and enforcement of veterinary and phytosanitary requirements particularly with regard to the inspection and control arrangements for protecting EU external borders. In particular, upgrading of certain food processing establishments (milk and meat sectors) and certain testing and diagnostic facilities.
- **Environment:** continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** Further attention to ensuring equal access to public services.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Poland is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** development of anti fraud unit and state audit office, strengthening of financial control capacity; improved operation of the judicial system; training for the judiciary in Community law and its application; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthening of parliamentary lawmaking procedures, improvement of tax gathering capacity, reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.
- **Internal Market:** including completion of alignment of public procurement legislation, financial services, further development of standardisation and conformity assessment bodies and establishment and operation of a market surveillance system, alignment of technical legislation on industrial products, further improvements in the field of competition (e.g. merger control), efficient enforcement of competition law, audio-visual, property ownership and external frontier control, reinforcement of the anti-trust and state aid authorities, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and home affairs:** including development of effective border management and implementation of migration policy and the new asylum system as well as the fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, implementation of reforms of legislation on aliens, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.

- **Agriculture:** including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity, implementation of structural and rural development policy. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Fisheries:** Development of capacity to implement and enforce the common fisheries policy.
- **Transport:** further efforts on alignment to *acquis* in particular on road transport (market access, safety rules and taxation) and rail, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and Social Affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to drinking water, waste water, the waste sector as well as air pollution including large combustion plants. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national sectoral policies.
- **Regional policy and cohesion:** completion of legal basis, development of administrative structures and budgetary procedures, financial instruments, monitoring and control mechanisms in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 526 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Poland, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Poland will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Poland in which Poland will undertake to meet a number of the priorities identified in this

Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Polish government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Poland with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Polish infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Poland and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Poland of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Poland will depend on the maturity of projects proposed by the Polish Government for inclusion in a financing memorandum.

Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Poland cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Poland is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Poland will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Poland, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Poland where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Poland, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Polish national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Poland including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Poland in meeting the objectives set out in this Partnership.

□ □ *See : [Annex](#) (Recommendations for Action)*

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Enlarging the European Union Accession Partnership - Poland Annex : Recommendations for Action

See : Accession Partnership - Poland

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Poland will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political criteria

Efforts should be made to enhance the judicial system, to maintain the freedom of the press and the rights of journalists, to improve the treatment of claims for compensation regarding property seized and to intensify the fight against corruption.

Particular measures must be taken to enhance the protection of privacy and the inviolability of the home. The "lustration laws" and their application remains an important issue.

2. Economic criteria

The liberalisation process should be completed by removing commercial monopolies while strengthening the regulatory bodies set up to ensure the good functioning of the market. Particular efforts are needed to complete the restructuring and privatisation of state owned enterprises in particular in the steel, energy and telecommunications sectors.

Special attention must be paid to preserving macroeconomic stability and avoiding overheating of the economy. The maintenance of the current stability orientated monetary and exchange rate policy and the implementation of the new law on the Central Bank will play an important role. Particular attention is required to the completion of reform in the pension and social security systems. Continued attention is also required in reforming the agriculture, banking and financial services sectors, and in the alignment of trade policy.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

• The four freedoms

General framework - Efforts must be made to accelerate law reform in the field of public procurement, for instance as regards the utilities sector, and the White Paper Stage II measures. In the field of intellectual and industrial property, special attention must be paid to legislation and effective implementation. As regards Company Law full compatibility with the First and Twelfth Directives must be ensured. Improvements must be made in the protection of personal data, notably by the establishment of an independent supervisory authority. Efforts are required to improve the application of the Europe Agreement in the field of trade.

Free movement of goods –Poland needs to accelerate work to adopt framework legislation which will enable it to implement the EU system. Standardisation and conformity assessment infrastructures needs to be strengthened and adoption of the New Approach directives take place. Negotiations for a European Conformity Assessment Agreement should accelerate this process. As regards other sectoral legislation, efforts should be made to complete the harmonisation of directives on motor vehicles and chemicals and to improve the compatibility of laws on pharmaceuticals and foods stuffs. A market surveillance mechanism will have to be set up to become fully operational, once technical legislation is fully harmonised.

Free movement of capital - restrictions concerning acquisition of real estate by non-residents must be clarified and where necessary aligned.

Free movement of services - banking legislation must be reviewed and amended where necessary, to fulfil EU requirements.

Free movement of persons - as regards mutual recognition of professional qualifications, efforts must be made to ensure the necessary legislative and enforcement measures. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- Competition

The Competition Act needs to be further adjusted, in particular to improve merger control and to strengthen the powers of the Office for Competition. In the field of State aid, a comprehensive inventory of all existing aid must be established and continuously updated in accordance with Community practice. A national legal framework on state aid, covering the monitoring and admissibility of state aid must be created. A review of all existing aid measures should be undertaken and those measures which are not compatible with the Europe Agreement must be modified or abolished (including incompatible state aid granted to firms operating in the Special Economic Zones). New aid measures must be effectively monitored on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, training and youth

In order to meet the needs of the market economy and to achieve progress in competitiveness and quality of production, efforts must be made to ensure considerable investment in curriculum reform, teacher training, text books, equipment and buildings.

Research and Technological Development

Improvements must be made in the level of innovation in the economy as well as in the links between research institutes, industry and small and medium enterprises.

Telecommunications

Substantial changes in both policy and legislation will be needed to secure compliance with EU Directives, in particular to create a properly constituted regulatory authority and to remove restrictions on foreign participation in the Polish operating and manufacturing markets for telecommunications. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

The existing legislation will need to be amended in particular with regard to the

questions of freedom of reception, promotion of European works, certain advertising rules and the protection of minors.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Efforts to reduce inflation by a credible monetary and exchange rate policy should be continued. The restructuring of the financial sector should be completed.

Taxation

Adjustments must be made to VAT legislation in accordance EU requirements to ensure a consistent application. In some respects, existing legislation discriminates against imports. Particular efforts need to be made as regards the scope of exemption from VAT, the VAT refund scheme for foreign taxable persons, the VAT rate structure and the right of deduction of VAT charged on international services.

Significant discrepancies between the Polish excise regime and EU requirements need to be addressed. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model.

Statistics

Some effort is still needed in the field of the establishment of registers, and regarding regional statistics.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.). Further efforts are required to restructure certain industrial sectors such as steel, where a viable restructuring plan is needed and coal.

Agriculture

Substantial efforts must be made to ensure the alignment of Polish legislation with EU requirements to ensure that a coherent structural and rural development policy is capable of dealing with the problem of Poland's agricultural structure. The implementation and enforcement of veterinary and phytosanitary requirements and the upgrading of establishments to meet EC standards needs attention, particularly with regard to the inspection and control arrangements for protecting the EU external borders. The strengthening of the administrative structures to ensure the necessary capacity to implement and enforce the policy instruments of the CAP requires attention. Efforts are needed regarding restructuring of the agro-food sector to improve its competitive capacity and the upgrading of certain food processing establishments (milk and meat sectors) and certain testing and diagnostic facilities. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP including the import arrangements. The agri-food sector must be further restructured to ensure its competitive capacity.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in fishery and aquaculture sector, the implementation of a structural policy in the

fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Current efforts for alignment must be maintained in particular with regard to the adjustment of monopolies, including import and export issues, access to networks, energy pricing and state interventions. Special attention must be paid to restructuring of the solid fuels sector, energy efficiency, environmental norms, and to emergency preparedness including the building up of mandatory oil stocks.

Transport

Efforts must be made to ensure the necessary legislation and effective implementation in road haulage (access to the profession, weights and dimensions, safety rules, road tax), the maritime sector (safety), and air transport. Financial transparency must be provided in the rail sector. Steps must be taken to ensure the future extension of the trans-European networks. Inspection bodies, in particular for transport safety, should be strengthened. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Steps must be taken to further refine and increase the coherence of SME policy, to simplify legislation and the administrative environment to make it more SME friendly, to strengthen support infrastructures, to improve the tax environment and to develop SME's access to financing.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be realigned with EU requirements in such areas as occupational health and safety, labour law and equal opportunities. Social reform must be pursued while investments in the public health system needs to be significantly enhanced. Active labour market policies must be further developed and jointly reviewed as preparation for participation in EU co-ordination. An active, autonomous social dialogue and social protection must be developed. The administrative structures must be strengthened to ensure effective implementation of legislation.

Regional Policy and Cohesion

A differentiated policy addressing regional disparities must be introduced and the administrative and budgetary structures required to manage integrated EC structural actions after membership must be established.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in effective compliance. Particular efforts must be made to achieve full EU compatibility of the waste, water and nature legislation and to ensure the transposition of the framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control Directive. Investments must be strengthened, in particular as regards large combustion plants, the water sector, industry, urban air pollution, solid and hazardous waste management and management of municipal waste. A considerable effort must be made to develop adequate implementation and enforcement structures. Public awareness with regard to the environment must be stimulated.

Consumer protection

Legislation must be amended in such areas as protection of economic interests, sales away from business premises, distance selling, package travel, timeshare

property, unfair terms of consumer contracts, consumer credit, misleading advertising, indication of prices and product safety. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Progress concerning border management and control must be continued. The effective implementation of the Geneva Convention and the 1967 Protocol as well as the Law of Refugees must be ensured. The fight against organised crime must be intensified including in the fields of production and of trafficking in drugs, trafficking in women, money laundering, smuggling of and trafficking in stolen cars and arms. Anti-drugs legislation and systems must be further enhanced. Steps must be taken to ensure ratification of international conventions in the JHA field. Particular attention must be paid to ensuring the necessary resources for institutional development including improved co-ordination between responsible services. Corruption needs to be addressed and accountability and technical effectiveness enhanced. The functioning of the judiciary should be improved. Cooperation between services, including those responsible for combating organised crime needs to be improved. Important work remains to be done in issues such as aliens law, and the visa system with regard to the NIS and other non-associated neighbours.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating together with the other Member States, in financing the European Development Fund.

Customs

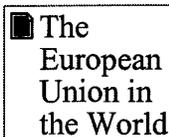
Customs legislation must be aligned on that of the EC and fully applied. The organisation and duties of staff must be aligned on those of a modern customs administration. A major effort must be made to ensure that the customs services are fully conversant with the legislation. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning has to take account of the reinforcement of border posts along the external frontier that Poland has with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial management and control mechanisms must be established to ensure satisfactory implementation of Community policies. The existing accounting system as well as the customs system should be amended to ensure the efficient administration of the "own resources" system. The reliability of the national accounts must be ensured with a view to the accurate calculation of the GNP resource.

4. Administrative Capacity to Apply the Acquis

To ensure the effective implementation and enforcement of the acquis, major reform



Enlarging the European Union Accession Partnership - Romania

1. Introduction

Enlarging the EU

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In the Opinion which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has recommended that negotiations for accession should be opened with Romania as soon as it has made sufficient progress in satisfying the conditions for membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Romania i) is on its way to satisfying the political criteria with respect to the existence of stable institutions, guarantees for the rule of law, human rights and the protection of minorities, ii) has made considerable progress in the creation of a market economy, but it would still face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term, and iii) despite the progress that has been made, it has neither transposed nor taken on the essential elements of the *acquis*, particularly as regards the internal market. It is therefore uncertain whether Romania will be in a position to assume the obligations of membership in the medium term and, moreover, substantial administrative reform will be indispensable if Romania is to apply and enforce the *acquis* effectively.

The Europe Agreement will remain the basis for the EU's relations with Romania. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhance pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Romania and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Romania's application for membership of the European Union, the financial means available to help Romania implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Romania, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Romania can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Romania will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Romania will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Romania.

4.1 Short-term (1998)

- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; make satisfactory progress on the Government's economic reform programme, including the privatisation of two banks, the transformation into commercial companies of most *régies autonomes*, the efficient and transparent implementation of the foreign investment regime, and restructuring/

privatisation of a number of large state-owned industrial (e.g. coal and steel) and agricultural companies (notably by reducing their losses and financial arrears); continue the implementation of the agreements with the international financial institutions.

- **Reinforcement of institutional and administrative capacity:** adoption of draft law on the civil service and progress in public administration reform, phytosanitary and veterinary controls, particularly as regards facilities at the external borders, the financial sector (strengthening of supervisory bodies of banking, financial services and capital markets), customs; strengthening of financial control and auditing mechanisms and competition, anti-trust and state aid monitoring bodies and environment, begin to set up structures needed for regional and structural policy.
- **Internal Market:** including the restructuring of the banking sector and the capital markets, the completion of company law reform, including measures for the promotion of enterprise development and SME's, foreign direct investment, harmonisation and improved application of indirect taxation, harmonisation of public procurement, adoption of a law on state aid and a first state aid inventory. Establishment of standardisation and conformity assessment structures.
- **Justice and Home Affairs:** in particular further efforts to implement measures to combat corruption and organised crime and improve border management.
- **Environment:** continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** continuation of child protection reform, further efforts to integrate the Roma, consolidation of protection of individual liberties and improvement of the functioning of the courts.
- **Economic reform:** Particular attention should be devoted to creating the basis for a sustained increase of productivity and to the further restructuring/privatisation of state-owned enterprises, including banks.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Romania is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** in particular the implementation of a comprehensive public administration reform programme; major efforts to improve public administration including competition, strengthening of internal financial control; improved operation of the judicial system; training for the judiciary in Community law and its application; reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration, strengthening of the nuclear regulatory authority.
- **Internal Market:** promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection, the internal energy market and audio-visual policies, enforcement of intellectual property rights, insurance, competition policy, in particular effective enforcement

of competition law, reinforcement of standardisation of conformity assessment structures, establishment of a market surveillance system and alignment of technical legislation on industrial products.

- **Justice and home affairs:** improvement of border management systems, capacity to handle asylum and migration questions, fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen acquis.
- **Agriculture:** including the establishment of a land register and functioning land market, alignment with the agricultural acquis (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Fisheries:** development of capacity to implement and enforce the common fisheries policy.
- **Transport:** further efforts on alignment to acquis in particular on maritime, rail and road freight sectors (safety rules and taxation), and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and social affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; development of adequate social protection, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to the air and water sectors. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national sectoral policies.
- **Regional policy and cohesion:** complete establishment of legal basis, development of administrative structures and budgetary procedures. Strengthening financial instruments and control mechanisms in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 284 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. In addition, Romania is eligible for support from the catch-up facility envisaged for 1998 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Romania, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects

relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Romania will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Romania in which Romania will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Romanian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Romania with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Romanian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Romania and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Romania of its commitments

under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Romania will depend on the maturity of projects proposed by the Romanian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Romania cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Romania is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Romania will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Romania, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Romania where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Romania, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Romanian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission presents its first regular report to the Council reviewing the progress made by Romania including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Romania in meeting the objectives set out in this Partnership.

See : [Annex \(Recommendations for Action\)](#)

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Enlarging the European Union

Accession Partnership - Romania

Annex : Recommendations for Action

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Romania will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

1. Political criteria

Continuing attention should be paid to ensuring respect of the primacy of law at all levels of the apparatus of the state.

Further efforts are need to root out corruption, improve the work of the courts and protect individual liberties from the activities of the police and secret service or in the course of criminal proceedings.

Further improvements in the situation of the Roma are needed. Reforms concerning the protection of children need to be pursued.

2. Economic criteria

Sustained and consistent efforts are needed to consolidate the economic situation and implement a comprehensive, consistent and realistic economic reform strategy. Major structural transformation of the economy consistent with and supported by sound fiscal policy management is still necessary. Privatisation and restructuring of large state-owned enterprises need to be accelerated. Price liberalisation needs to be completed in particular as regards energy. Uncertainty about property rights and blockages on land transactions should be removed quickly.

Specific attention must be paid to the restructuring of the financial sector including further privatisation of state-owned banks, strengthening the financial market and setting up effective regulatory mechanisms. Reform of the agriculture sector is needed to increase efficiency and competitiveness.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

- The four freedoms

General framework - In general, efforts to accelerate approximation of legislation need to be intensified. Law reform in the field of public procurement, completion of legislation on data protection and strengthening control mechanisms for intellectual and industrial property need to be undertaken.

Free movement of goods - Progress in adopting framework legislation needs to accelerate to enable Romania to take up the basic principles of the EU system. Framework legislation on industrial products will have to be implemented and independent standardisation and conformity assessment infrastructures will have

to be established. Sectoral legislation needs to be harmonised and a market surveillance mechanism created.

Free movement of capital - the regulatory and administrative environment for foreign direct investment must be streamlined, supported by an overall improvement in the administrative, judicial and macroeconomic framework. Efforts to remedy the structural weakness of the financial system must be stepped up.

Free movement of services - Romania must take additional measures concerning money laundering, the supervision of banks, and limiting the credit risks of credit establishments. To further stabilise the fragile banking sector the privatisation of state-owned banks is crucial. The independence and supervisory capacity of the National Bank needs to be strengthened. The securities market is still embryonic and law reform needs to be intensified, while the market supervision authorities must be strengthened. Insurance legislation and related implementation and supervisory mechanisms need to be established.

Free movement of persons -As regards mutual recognition of professional qualifications, efforts to harmonise legislation and set up implementing structures must be intensified. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- Competition

Effective enforcement of anti-trust legislation must be enhanced. In the field of State aid, a comprehensive inventory of all existing aid must be established and continuously updated in accordance with Community practice. A national legal framework on state aid, covering the monitoring and admissibility of state aid must be created. A review of all existing aid measures should be undertaken and those measures which are not compatible with the Europe Agreement must be modified or abolished. New aid measures must be effectively monitored on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, training and youth

Further reform of the educational system is necessary. In order to achieve progress in competitiveness and quality of production, special emphasis should be placed on higher education, investment in curriculum-reform, teacher training and remuneration, text books, and equipment.

Research and Technological Development

Efforts to strengthen enterprise targeted research and development need to be continued and financial allocations further shifted to private sector activities, aimed at the rationalisation of the current system.

Telecommunications

Substantial changes of policy and regulation are needed to comply with EU Directives and to ensure the efficiency and independence of the regulatory authority. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

Amendments to the existing legislation must be completed, in particular with regard to questions such as promotion of European independent production and certain advertising/sponsorship rules.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Macroeconomic policy should seek to keep inflation and interest rates low and ensure confidence in the economy.

Taxation

Particular efforts are needed as regards the scope of exemption from VAT and the VAT refund scheme to foreign taxable persons. The significant discrepancies between the Romanian excise regime and the EU requirements need to be addressed. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structure and the level of excise rates need to be aligned on the Community model. Control procedures need to be strengthened.

Statistics

Efforts must be made to address sectoral deficiencies in sectors such as regional, household, agricultural and environment statistics, and to improve national quarterly and financial accounts. The quality of business and land registers needs to be improved.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.). Further restructuring is necessary in certain sectors such as food, steel, other heavy industry and mining.

Agriculture

Considerable efforts must be made to adopt the Community acquis for the primary agricultural and agri-food industries. Priority should be given to implementation and enforcement of veterinary and plant-health requirements and upgrading of establishments and management practices to meet EC food hygiene and quality standards. Administrative structures must be strengthened to ensure effective implementation and enforcement of the policy instruments of the CAP including external trade arrangements and associated rural development and diversification measures. The agriculture and the agri-food privatisation should be rapidly completed and measures taken to support increased efficiency and competitive capacity.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in fishery and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Efforts need to be stepped up considerably in particular with regard to legislative alignment, adjustment of monopolies, including import and export issues, energy pricing, state intervention in the solid fuel sector and emergency preparedness including the building-up of mandatory oil stocks. There is a need for rationalisation

and financial transparency in the operation of this sector. Special attention must be paid to energy efficiency and environmental norms. Nuclear safety standards, in particular those related to plant operation should be handled appropriately. The independence of the safety authority should be supported. Longer-term solutions for the storage of waste need to be found. There is a need to develop an overall energy policy.

Transport

Steps must be taken to ensure upgrading and extension of the trans-European networks, especially regarding the major road network. Efforts must be made to ensure the necessary legislation and effective implementation in road haulage (road safety, weights and dimensions, taxation), the maritime sector (safety), and air transport. Shipping and road haulage both pose a problem in particular with regard to safety. Romania's administrative structures need to be strengthened, in particular bodies supervising areas such as safety. At a national level there is a need to develop specific strategies for transport infrastructure development and financing.

Small and Medium Enterprises

Steps must be taken to further refine and increase the coherence of SME policy, to simplify legislation and the administrative environment to make it more SME friendly, to strengthen support infrastructures and to develop SME's the access to financing.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be aligned with EU requirements in all areas. Major efforts need to be undertaken in the fields of health and safety at work, public health and labour market and employment policies. Labour inspectorates must be strengthened and the social security system reformed in line with fiscal constraints. The administrative structures must be strengthened to ensure effective implementation of legislation.

Regional Policy and Cohesion

A comprehensive framework for regional development incorporating policy, legislation and instruments needs to be developed as well as the administrative capacity to manage EC funds and conduct an integrated regional development policy after membership. The respective roles and responsibilities of existing authorities have to be clarified.

3.6 Quality of Life and Environment

Environment

Major efforts must be undertaken to advance the very low level of approximation of environmental legislation. There is a need to improve administrative capacity to deal with environmental issues in a market economy. Particular attention should be given to the quick transposition of framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control directives, as well as the establishment of financing strategies for legislation in the water, air and waste sectors requiring major investments.

Overall, Romania will have to place higher priority on environmental issues, significantly increase related finance and develop its administrative and financing capacity. A considerable effort must be made to develop adequate implementation and enforcement structures. Public awareness with regard to the environment field must be stimulated.

Consumer protection

Legislation must be amended in such areas as the indication of prices, sales away from business premises, distant selling, timeshare property, unfair contract terms and consumer credit. Effective application of consumer legislation must be ensured and the necessary financial resources made available to these ends. A strong and

independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Accountability of the JHA authorities needs to be improved in practice. Corruption must be addressed. Substantial progress in all major areas of JHA must be achieved. Progress in this area depends critically on a more general institutional and administrative reform. In terms of legislation, Romania should ratify the Data Protection Convention, sign the international money laundering conventions and ratify the main drugs conventions, change key elements of the law relating to drugs and complete the new law on foreigners, in particular aiming at tackling illegal immigration, clandestine labour, deportation of illegal migrants and to tighten the residence regime. Further key international criminal conventions must be ratified, judicial cooperation with EU countries improved and Romania should accede to the Lugano Convention.

As regards asylum, the special office needs to be staffed properly and requires substantial training. The border management system must be strengthened and the frontier guard reformed. Policy on drugs prevention and supply reduction is at an early stage of development and must be strengthened. Considerable further work needs to be done to increase the professionalism of the police. The fight against organised crime must be intensified in the economic and financial spheres, including also trafficking arms, radioactive materials, counterfeiting, stolen cars, racketeering, drugs and human beings.

Particular attention must be paid to ensuring the necessary resources for institutional development. Considerable effort will have to be made to continue reforms to JHA institutions and the judiciary.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with the other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. A major effort must be made to ensure that the customs services are fully conversant with the legislation. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspension and the administration of tariff quotas and ceilings. Strategic planning needs to take account of the reinforcement of border posts along the external frontier that Romania will have with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial management and control mechanisms must be established to ensure satisfactory implementation of Community policies. Major efforts are essential to strengthen internal financial control functions while the Romanian Court of Auditors should be limited to carrying out external control functions. A central body for the fight against fraud should be established. The existing accounting system as well as the customs system should be amended to ensure the efficient administration

of the "own resources" system. The reliability of the national accounts must be ensured with a view to the accurate calculation of the GNP resource.

4. Administrative Capacity to Apply the Acquis

To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen Romania's administrative structures in virtually all EU relevant sectors. Special efforts must be made to strengthen the authorities ensuring the correct application of Community requirements in the Single Market and the customs authorities. The adoption of the law on the status of civil servants is a prerequisite for successful reform. A comprehensive public administration reform strategy should be developed, to be monitored and supervised by Central Government institutions responsible for steering the process.

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The regulatory and monitoring bodies must be strengthened in such fields as banking, insurance, state aids, telecommunications, transport safety as well as standards and certification, the labour inspectorates, taxation, veterinary and phytosanitary control, food control, financial control, environment, consumer protection, money laundering, asylum and migration, border management, police and judicial cooperation, efficient management and control systems for public expenditure, including provisions to fight fraud.

Increased efforts must be made to upgrade staff qualifications on EU related issues and efficient public management in general. This should include the setting up of a national institute for the training of civil servants and the elaboration of a comprehensive national training strategy.

The judicial system must be strengthened in terms of staffing, resources and relevant expertise. A comprehensive upgrading of judges, in particular in EU matters, must be carried out.

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**The
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Enlarging the European Union Accession Partnership - Slovakia

1. Introduction

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In the Opinion which it has submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission has recommended that negotiations for accession should be opened with Slovakia as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen. This recommendation derives from the analysis contained in the Opinion, in which the Commission is of the view that Slovakia does not fulfil in a satisfying manner the political conditions set out by the European Council in Copenhagen but could satisfy the economic criteria in the medium term and is firmly committed to take on the *acquis*, particularly concerning the internal market even if further progress is still required to ensure its effective application of the *acquis*.

The Europe Agreement will remain the basis for the EU's relations with Slovakia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Slovakia and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Slovakia's application for membership of the European Union, the financial means available to help Slovakia implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Slovakia, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meeting the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Slovakia can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Slovakia will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership will indicate that Slovakia will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Slovakia.

4.1 Short-term (1998)

- **Political criteria:** free and fair Presidential, national and local elections in 1998; ensuring effective opposition participation in parliamentary oversight committees and supervisory boards; the adoption of legislative provisions on minority language use and related implementing measures.
- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe agreement; implementation of policies aimed at tackling internal and external imbalances and sustaining macroeconomic stability; progress on structural reforms, and on privatisation and restructuring of enterprises, finance, banking, and energy intensive heavy industries.

- **Reinforcement of institutional and administrative capacity:** including the adoption of a civil service law and development of public administration reform strategy with emphasis on the strengthening of administration dealing with EU accession, institutional strengthening in the area of environment, veterinary and phytosanitary administrations, particularly as regards facilities at the external borders, begin to set up structures needed for regional and structural policy.
- **Internal Market:** including continued legislative alignment in the fields of standards and certification, state aids (progress towards adoption of a law), intellectual property (alignment of legislation), public procurement (including transparency), bankruptcy and agriculture (veterinary and phytosanitary fields), establishment of standardisation and conformity assessment structures.
- **Environment:** continue transposition of framework legislation, establishment of detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** further steps to ensure respect for the Constitution and rights of the opposition, to guarantee the independence of the judiciary, and to foster and strengthen the functioning of the institutions of democracy, NGOs, independence of the media (in particular radio and television) and the policies and institutions protecting the rights of minorities.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Slovakia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** the state audit office, financial control and internal audit functions, customs, banking and financial market supervisory bodies, regional development institutional structures and budgetary mechanisms; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthen the nuclear safety authority, reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.
- **Internal Market:** including further alignment of legislation in the fields of competition (anti-trust and state aids monitoring and transparency), indirect taxation, intellectual property (enforcement), financial services, data protection and audio-visual, reinforcement of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of technical legislation on industrial products, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and Home Affairs:** further development and strengthening of JHA institutions (with a view in particular to ensuring the accountability of the police, and the independence of the judiciary), to further develop effective border management; to fight organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, and to align visa policy with that of the EU and to complete alignment to international conventions, improve capacity to handle asylum and migration questions, notably in view of the Schengen *acquis*.

- **Agriculture:** including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Energy:** implementing a comprehensive long term energy strategy based on efficiency and diversification which foresees the alignment to and implementation of EC energy legislation, the completion of Mochovce nuclear power station according to internationally agreed safety principles, and implementation of a realistic programme for the closure of the Bohunice plant.
- **Transport:** further efforts on alignment to *acquis* in particular on road transport (market access, safety rules and taxation) and rail, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and social affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination of employment policies, alignment of labour and occupational health and safety legislation, in particular early adoption of the framework directive on health and safety at work, further development of an active social dialogue; further development of social protection; enforcement of equal opportunities between women and men, undertake steps to bring public health standards into line with EU norms.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to air, water and the waste sector as well as the integrated industrial pollution control and risk management. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national sectoral policies.
- **Regional policy and cohesion:** establishment of a legal, administrative and budgetary framework for an integrated regional policy in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 95 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. In addition, Slovakia is eligible for support from the catch-up facility envisaged for 1998 to finance projects relating to privatisation/restructuring, promotion of foreign direct investment and the fight against corruption. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Slovakia, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Slovakia will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in

this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Slovakia in which Slovakia will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Slovak government of the commitments made in the NPAA. After the year 2000 the Commission has proposed that, in addition to Phare (1.5 BECU annually), pre-accession aid should be reinforced through the annual provision of an additional 500 MECU aid for agricultural development and 1 BECU for structural aid. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Slovakia with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Slovak infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Slovakia and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect by Slovakia of its commitments under the Europe Agreement further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Slovakia will depend on the maturity of projects proposed by the Slovak Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Slovakia cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Slovakia is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Slovakia will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Slovakia, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Slovakia where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Slovakia, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Slovak national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118. Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission

presents its first regular report to the Council reviewing the progress made by Slovakia including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Slovakia in meeting the objectives set out in this Partnership.

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Slovakia will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

Political Criteria

Although established as a parliamentary democracy the operation of Slovak institutions is characterised by the fact that the government does not sufficiently respect the powers devolved by the Constitution to other bodies or the rights of the opposition. The treatment of the Hungarian minority should be improved and the situation of the Roma needs attention from the authorities. Further steps are therefore necessary to ensure respect for the Constitution and rights of the opposition, to foster and strengthen the functioning of the institutions of democracy, NGOs, an independent media (especially in TV and radio) and the policies and institutions protecting the rights of minorities. Substantial efforts will have to be made to provide better guarantees of the independence of the judicial system and of satisfactory conditions for its operation. The fight against corruption also needs to be made more effective.

2. Economic Criteria

In order to guarantee economic stability, macro economic policies need to be sufficiently restrictive, and they need to be better co-ordinated. Structural problems within the Slovak economy (the bad debt problem, the slow pace of enterprise and financial sector restructuring and the lack of foreign direct investment) need to be tackled in a timely and transparent way. There is a need for more transparent and market based economic policies. Further steps should be taken to facilitate enterprise restructuring and foreign direct investment. The financial sector needs to be reinforced and progress is needed in the regulation of the bankruptcy process and capital markets. The Slovak Price Law and the Enterprise Revitalisation Act represent a major step back from market mechanisms and should be reviewed.

3. Ability to Assume the Obligations of Membership

3.1 Internal Market Without Frontiers

- The four freedoms

General framework - Major efforts are needed to strengthen implementation and enforcement structures in public procurement (in particular the utilities sector and review procedures), intellectual and industrial prosperity rights and data protection.

Free movement of goods - Alignment with the EU system needs to accelerate. Emphasis needs to be put on improving the framework legislation as well as establishing independent standardisation and conformity assessment

infrastructures. New Approach directives need to be adopted. Approximation of other sectoral directives (in particular, foodstuffs, motor vehicles and pharmaceuticals) is necessary. Then, once the sectoral legislation is fully harmonised, a market surveillance mechanism will have to be set up to become fully operational in the longer term.

Free movement of services - further efforts are needed to align legislation in insurance, accountancy and auditing. Although significant progress towards legislative alignment has been achieved in the areas of company law, banking, securities and free movement of capital, further work is needed to achieve full alignment with EC rules and requirements in these areas.

Free movement of persons - amendments to the current legislation on foreigners and on employment of foreigners will have to be adopted to bring legislation fully into line with EU principles on free movement of workers. Concerning mutual recognition of diplomas, further adjustments are needed to bring the legislation fully in line with the acquis. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- **Competition**

Approximation of legislation in the field of anti-trust should be completed. In the field of State aid, the inventory should cover all existing aid which encompasses existing state aid granted by all granting authorities, including aid granted under the Revitalisation Act. This inventory must be continuously updated in accordance with Community practice. A national legal framework on state aid which regulates the monitoring and admissibility of state aid must be created. A review of all existing aid measures should be undertaken and those measures which are not compatible with the Europe Agreement must be modified or abolished. The monitoring authority on state aid needs to have the power, sufficient and qualified staff, the procedures and practical tools to effectively monitor all new aid measures on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Education, Training and Youth

Further reforms are necessary to achieve a qualitative improvement of the Slovak education system at all levels. With a view to the adaptation of the work force to the ongoing process of economic restructuring, and given the need to ensure compatibility of standards with those in the EU Member States, continued reform of the vocational education system is of importance.

Research and Development

The legal and financial framework for research and development needs to be consolidated in order to stabilise the sector and give it a clear perspective for future development.

Telecommunications

Important decisions are needed to establish and implement a satisfactory policy for the telecommunications sector. Far reaching new legislation is needed to secure compliance with EU Directives, in particular to create a properly constituted regulatory authority. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio Visual

Existing Slovak audio-visual legislation will need to be amended in particular with regard to the promotion of European and independent production.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Central bank legislation needs to be made fully compatible with EC rules and the banking sector needs to be restructured, in line with market economy principles and practices.

Taxation

Particular efforts are needed as regards the VAT rate structure and the VAT refund scheme to foreign taxable persons. The significant discrepancies between the Slovak excise regime and EU requirements need to be addressed. In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structures and the level of excise rates need to be aligned on the Community model.

Statistics

Efforts will be needed to address the issues of transparency, confidentiality and dissemination and to register improvement in national and regional accounts and the business register. Improvements are also needed in the regional statistical system following the reform of the territorial division of the country.

3.4 Sectoral Policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.). Further efforts are needed to restructure certain industries, especially those which are energy intensive.

Agriculture

Further alignment to the Community acquis is still necessary. Particular efforts are needed in relation to implementation and enforcement of veterinary and phytosanitary requirements and upgrading of establishments to meet EC standards (this is particularly important with regard to the inspection and control arrangements for protecting the EU external border); strengthening of the administrative structures to ensure the necessary capacity to implement and enforce the instruments of the CAP; and further substantial restructuring of the agro-food sector to improve its competitive capacity.

Energy

Efforts need to be stepped up in particular with regard to compliance with EC energy legislation. In particular, matters such as the adjustment of monopolies including import and export issues, access to networks, energy pricing, emergency preparedness including the building up of mandatory oil stocks, state interventions in the solid fuels sector, and the development of energy efficiency and fuel quality standards need to be addressed. Nuclear safety requires continued particular attention. Safety standards should be tackled appropriately and realistic programmes implemented quickly. Longer term solutions for waste need attention. The independence of the safety authority should be supported.

Transport

Efforts must be made to ensure the adoption of legislation and its effective implementation in regard to road haulage (particularly market access, safety standards and taxation) and railways. Steps must be taken to facilitate investment in TENS. At a national level there is a need to develop specific strategies for transport infrastructure development and financing. Slovak administrative structures, including

inspection bodies should be significantly strengthened at all levels.

Small and medium enterprises

Steps need to be taken to simplify legislation and the administrative environment to make it more SME friendly, strengthen the support infrastructure; improve the tax environment and develop SME access to financing and their ability to penetrate new markets.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Social reforms need to be further developed, the social dialogue needs to be ameliorated and the health system to be improved. Slovakia needs to make substantive progress in the fields of health and safety at work and labour law to ensure alignment with EU standards. Efforts to effectively implement the acquis need to be continued.

Regional Policy and Cohesion

A comprehensive differentiated policy addressing regional disparities should be introduced. The Slovak Republic's administrative capacity to manage integrated regional development programmes needs to be improved. Major efforts are needed to ensure that appropriate administrative and budgetary procedures are in place to facilitate the application of Community rules and the effective use of funds from EC structural policies after membership.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental acquis as well as substantial progress in effective compliance. The Slovak environmental accession strategy should be finalised. Particular attention should be given to the transposition of framework directives dealing with air, waste, water and the Integrated Pollution Prevention and Control Directive (IPPC), as well as the establishment of financing strategies for legislation in the water, air and waste sectors requiring major investments. A considerable effort must be made to ensure implementation of the environmental legislation and to develop effective enforcement structures. A sustained high level of investment and considerable administrative effort will be needed. Public awareness should be stimulated.

Consumer Protection

Further effort is required to reach full compatibility with EC Directives on general product safety, the indication of prices and misleading advertising, consumer credit, unfair contract terms, package travel, sales away from business premises and timeshare. A strong and independent consumer movement, sustained by public authorities, will need to be developed.

3.7 Justice and Home Affairs (JHA)

Some important gaps need to be filled in Slovakia's legislation. The independence of judiciary needs to be ensured. Reforms will have to be undertaken, notably in the development of visa policy toward the NIS, border management and migration control, extradition, The fight against organised crime must be strengthened, including the fight against trafficking in drugs, human beings, arms, nuclear materials, stolen cars and currency, cultural artefacts. Racketeering and money laundering need to be addressed. Particular efforts are needed to ensure police accountability and that corruption is effectively tackled in JHA institutions.

3.8 External Policies

Trade and International Economic Relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in this field must be repealed.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. An effort must be made to introduce computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning has to take account of the reinforcement of border posts along the external frontier that Slovak Republic has with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial management and control mechanisms for public expenditure, with provisions to fight fraud, must be established to ensure satisfactory implementation of Community policies, especially for agriculture and the Structural Funds. Major efforts are needed to strengthen financial control and audit functions. Approximation of legislation is moreover needed to allow the system of "own resources" to be introduced, with satisfactory provision for accounting.

4. Administrative Capacity to Apply the Acquis

To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen Slovakia's administrative structures in virtually all EU relevant sectors. Special efforts must be made to strengthen the authorities ensuring the correct application of internal market requirements, particularly as concerns standards and certification, intellectual property and public procurement. Regulatory and monitoring bodies must be strengthened in fields such as state aid, securities, insurance, banks, capital markets, money laundering, veterinary and phytosanitary control, food administration, environment, transport safety, telecommunications, consumer protection and the labour market. In some areas, such as data protection and capital markets, there is a need to establish independent authorities. In the area of justice and home affairs, the effective administration of the acquis will require improvements to police accountability, the independence of the judiciary, and the strengthening of the institutional framework.

For all levels of the civil service there is an urgent need to upgrade professional capacities, reinforce ethical standards and promote a corporate sense of public service. Language skills will have to be considerably improved in order to facilitate contacts with European institutions as well as to allow for faster and more direct access to documents relating to European integration.

The judicial system must be strengthened in terms of resources and relevant expertise. A comprehensive upgrading of judges, in particular in EU matters, must be carried out.

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Enlarging the European Union Accession Partnership - Slovenia

1. Introduction

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In the Opinion which it submitted to the Council in July 1997, in accordance with the provisions of Article O of the Treaty, the Commission recommended that negotiations for accession should be opened with Slovenia. This recommendation derives from the analysis contained in the Opinion in which the Commission is of the view that Slovenia i) presents stable institutions, guarantees the rule of law, human rights and the protection of minorities, ii) can be regarded as a functioning market economy able to cope with the competitive pressure and market forces within the Union in the medium term, and iii) should be capable in the medium term of applying the acquis provided it continues its efforts on its transposition and intensifies its work on its implementation.

Until the entry into force of the Europe Agreement, the Interim and Cooperation Agreements will be the basis for the EU's relations with Slovenia. However the pre-accession strategy will be reinforced to enable assistance to be directed towards the specific needs of each applicant so as to provide support for overcoming particular problems identified in the Opinion. As the Commission indicated in Agenda 2000: "The reinforced pre-accession strategy has two main objectives. First, to bring together the different forms of support provided by the Union in a single framework, the Accession Partnerships, and to work together with the applicants, within this framework, on the basis of a clearly defined programme to prepare for membership, involving commitments by the applicants to particular priorities and to a calendar for carrying them out. Second, to familiarise the applicants with Union policies and procedures through the possibility of their participation in Community programmes."

At its meeting in Luxembourg in December 1997 the European Council decided that the Accession Partnerships would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the applicant countries within a single framework. This Accession Partnership has been decided by the Commission, after consulting Slovenia and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's Opinion on Slovenia's application for membership of the European Union, the financial means available to help Slovenia implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides a framework for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These will include inter alia the National Programme for the Adoption of the Acquis to be adopted by Slovenia, the Joint Assessment of Economic Policy Priorities, the Pact against organised crime and the internal market road maps. Each of these instruments is different in nature and will be prepared and implemented according to specific procedures. They will not be an integral part of this Partnership but the priorities they contain will be compatible with it.

3. Principles

The main priority areas identified for each candidate country relate to their ability to assume the obligations of meet the Copenhagen criteria which state that membership requires:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Opinions and the Council's examination of these have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries to prepare for accession and took the view that none of these countries fully satisfies all of the Copenhagen criteria at the present time. This situation will require the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives have been divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Slovenia can complete or take them substantially forward by the end of 1998. In view of the short time span, and taking into account the administrative capacity required to achieve them, the number of priorities selected for the short term has been limited. The priorities listed under the medium term are expected to take more than one year to complete although work may and should also begin on them during 1998.

Slovenia will be invited to draw up a National programme for the Adoption of the *Acquis* (NPAA) by the end of March which should set out a timetable for achieving these priorities and intermediate objectives and, where possible and relevant, indicate the necessary staff and financial resources.

The Accession Partnership indicates that Slovenia will have to address all issues identified in the Opinion. The annex provides a summary checklist of these. Incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Opinion and the Council's examination of this, the following short and medium term priorities and intermediate objectives have been identified for Slovenia.

4.1 Short-term (1998)

- **Economic reform:** establishment of medium-term economic policy priorities and joint assessment within the framework of the Interim/ Cooperation agreement; action on market-driven restructuring in the enterprise, finance and banking sectors and preparation of pension reform.
- **Reinforcement of institutional and administrative capacity:** in particular introduction of civil service act, improvements in the areas of the judiciary, of land registration, phytosanitary and veterinary administration, particularly as regards facilities at the external borders, financial control and audit functions, institutional strengthening in the area of environment, being to set up structures needed for regional and structural policy.

- **Internal Market:** including alignment in the areas of indirect taxation, intellectual and industrial property, adoption of VAT law and preparation for implementation in 1999, standardisation and certification (conformity assessment), technical regulations, and of company legislation and liberalisation of capital movements (in particular currency legislation), establishment of a state aid monitoring authority, a first aid inventory and the creation of a legal framework for state aid control, progress towards adoption of an anti trust law.
- **Property law:** further clarification of the situation pertaining to property legislation with particular regard to the right to purchase property for EU citizens.
- **Environment:** continue transposition of framework legislation, finalising the detailed approximation programmes and implementation strategies related to individual acts. Planning and commencement of implementation of these programmes and strategies.

4.2 Medium-term

- **Political criteria:** pursue efforts to speed up property restitution.
- **Economic policy:** regular review of the joint assessment of economic policy priorities, within the Europe Agreement framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits); while Slovenia is not expected to adopt the euro immediately upon accession, it is expected to pursue policies which aim to achieve real convergence in accordance with the Union's objectives of economic and social cohesion, and nominal convergence compatible with the ultimate goal of adoption of the euro.
- **Reinforcement of institutional and administrative capacity:** as regards public procurement (in particular transparency), supervision of the insurance and security market, the Slovene Competition Office, completion of competition law, development and implementation of agricultural and regional policies, audio-visual policies, customs administration and enforcement of the customs code; improved operation of the judicial system; training for the judiciary in Community law and its application, reinforcement of justice and home affairs institutions (ensuring sufficient and properly trained personnel in particular police, border guards, ministries and courts), strengthening of the nuclear safety authority reform of customs and tax administrations to ensure readiness to apply the *acquis*, the reinforcement of food control administration.
- **Internal Market:** including the alignment of legislation on public procurement, financial services, state aid (in particular alignment of monitoring rules and exclusive and special rights), upgrading of standardisation and conformity assessment structures, establishment of a market surveillance system and alignment of horizontal technical legislation on industrial products, increased efforts to liberalise the capital market and to facilitate foreign investments, further alignment of consumer protection, reinforcement of the competition office and the state aid monitoring authority, efficient enforcement of competition law, promotion of enterprise development, including SME's, alignment with the *acquis* in the fields of telecoms, consumer protection and the internal energy market.
- **Justice and home affairs:** completion of alignment to international conventions, particularly in criminal field, fight against organised crime (in particular money laundering, drugs and trafficking in human beings) and corruption, implementation of migration policy and asylum procedures, and to align visa policy with that of the EU and to complete alignment to international conventions, notably in view of the Schengen *acquis*.
- **Nuclear safety:** nuclear policy and investment plans to be adjusted in line with the results of the seismic risk assessment to be carried out in the surroundings

of the Krsko NPP.

- **Agriculture:** establishment of a functioning land registry, strengthening of structural and rural development policy, including alignment with the agricultural *acquis* (including veterinary and phytosanitary matters, in particular external border controls), attention to environmental aspects of agriculture and biodiversity. Development of the capacity to implement and enforce the CAP, in particular the fundamental management mechanisms and administrative structures to monitor the agricultural markets and implement structural and rural development measures, adoption and implementation of the veterinary and phytosanitary requirements, upgrading of certain food processing establishments and testing and diagnostic facilities, restructuring of the agri-food sector.
- **Fisheries:** development of capacity to implement and enforce the common fisheries policy.
- **Transport:** further efforts on alignment to *acquis* in particular on road transport (market access, safety rules and taxation) and rail, and to provide necessary investment for transport infrastructure, notably extension of trans-European networks.
- **Employment and Social Affairs:** development of appropriate labour market structures and joint review of employment policies as preparation for participation in EU co-ordination; alignment of labour and occupational health and safety legislation and development of enforcement structures in particular early adoption of the framework directive on health and safety at work; enforcement of equal opportunities between women and men; further development of active, autonomous social dialogue; further development of social protection.
- **Environment:** including the development of monitoring and implementation control structures and capacities, continuous planning and implementation of approximation programmes related to individual legal acts. A particular emphasis should be given to the waste water sector and air pollution as well as integrated industrial pollution control and risk management. Environmental protection requirements and the need for sustainable development must be integrated into the definition and implementation of national, sectoral policies.
- **Regional policy and cohesion:** introduce the legal administrative and budgetary framework for a national policy to address regional disparities through and integrated approach, in order to participate in EU structural programmes after membership.

5. Main instruments for Community technical and financial assistance

5.1 Programming of financial resources

The Phare allocation for the period 1995-1997 has totalled 72 mecu. Subject to the approval of the Phare budget for the remaining period, the Commission will confirm the allocations for 1998 and 1999. Financial proposals will be submitted to the Phare Management Committee as provided for in Regulation 3906/89. Joint financing by the applicant countries will be systematically required for all investment projects. The Commission will work with Slovenia, the EIB and International Financing Institutions, in particular the EBRD and World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities. Financial assistance from the year 2000 onwards will comprise aid for agriculture and a structural instrument which will give priority to measures similar to the cohesion fund. In addition Slovenia will have access to funding from multi-country programmes directly related to the *acquis*.

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. Phare's prime objective is to help prepare Central and Eastern European countries for accession by focusing the assistance it provides on the adoption of the Community *acquis* and in particular on the priorities identified in

this Accession Partnership and in the National Programme for the Adoption of the *acquis*. Each year the Commission will sign a Financing Memorandum with Slovenia in which Slovenia will undertake to meet a number of the priorities identified in this Accession Partnership and the Commission will undertake to contribute financially to their realisation. Programming of Community financial assistance will take into account the priorities and timetable of the NPAA.

In addition, the subsequent allocation of financial assistance will be closely tied to the respect by the Slovenian government of the commitments made in the NPAA. Certain pre-accession activities can be reinforced now (e.g. support for institution building) but others, such as the financing of major investment projects designed to meet the requirements of the *acquis* in areas such as environment and nuclear safety will have to be programmed over a period of 5-6 years.

From 1998 Phare assistance will be channelled through the following types of actions:

- **Institution building (around 30%), which involves the strengthening of democratic institutions, rule of law, public administration and all entities responsible for public services in order to establish the necessary institutional and administrative structures and train the people required to apply the *acquis*. Institution building support will be implemented, inter alia, through, training actions, technical assistance and twinning of institutions and administrations in Slovenia with relevant bodies in the Member States. Initially this twinning will focus on priority areas such as finance, agriculture, environment, justice and home affairs.**
- **Investment support (around 70%), in order to make the necessary investments possible for the adaptation of Slovenian infrastructure to the Community *acquis*. This support will concentrate on: i) structural actions, covering in particular agricultural restructuring, regional development and investment in human and intellectual capital, which could include Phare contributions to participation in the research and technological development framework programme; ii) compliance with Community norms, in particular as regards environment, agriculture, industry, occupational safety and health, transport and telecommunications; iii) co-financing of large scale infrastructure and iv) small and medium enterprises development.**

5.2 Role of International Financial Institutions

Cooperation between Slovenia and the International Financial Institutions will receive a new impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership will serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process will be developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

Under a new lending mandate covering the period 1997-1999, the EIB can make available 3.520 million ECU in Central and Eastern Europe. The new pre-accession facility approved by the EIB's governors in early 1998 increases this amount to 7 billion ECU. EIB loans shall be used in all sectors eligible for EIB financing to facilitate the accession process.

6. Conditionality

Community assistance will be conditional on respect of Slovenia of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and progress in implementing this Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation 622/98 of 16 March 1998.

7. Implementation of pre-accession assistance

The provision of financial assistance to Slovenia will depend on the maturity of projects proposed by the Slovenian Government for inclusion in a financing memorandum. Where projects need to be tendered the Commission will only finance those projects which are ready for tendering at the stage of the signature of the financing memorandum. In addition any previous/existing commitments in the same sector must have been fully contracted or be on track. In order to ensure efficient implementation projects to be financed must not, in principle, fall below a threshold of 2-3 MECU, in particular in the case of infrastructure projects. If these principles lead to a situation where Slovenia cannot absorb its full indicative allocation, the allocation will be reduced accordingly. The difference between the indicative and final allocation will be transferred to the horizontal SME and/or the Large Scale Infrastructure Facility. No subsequent compensation of this amount will be made.

The Government of Slovenia is invited to put in place an implementation structure which ensures coherence and complementarity between all types of European Union financial assistance and national resources. A National Co-ordinator will be responsible for ensuring a close link between the general accession process and the programming of the Community Financial assistance.

The Government of Slovenia will establish (preferably in the Ministry of Finance) during 1998 a National Fund for Investment Promotion and Institution Building functioning under the responsibility of a National Authorising Officer (NAO). As the central entity through which Phare and other forms of Community financial assistance will be channelled, the National Fund will be responsible for the management of these funds under decentralised implementation in order to increase transparency and reduce dispersion of funds. It will have overall responsibility for management of funds including respect of provisions of the Financing Memorandum and be accountable to the Commission for the use of the funds. It will also ensure and supervise the flow of national and other co-financing resources as set out in the Financing Memorandum. The detailed functions and responsibilities of the National Fund will be set out in the individual financing memoranda.

In cooperation with the Government of Slovenia, the Commission will pursue a policy of further decentralisation of the implementation of the financial assistance where certain pre-conditions are met, and to the extent permitted by the European Communities' Financial Regulation, in particular article 105 §3. This will be done with the intention to establish, within limits and in a gradual manner, a relationship between the Commission and Slovenia where responsibility is shared along the lines of the relationship existing with the Member States for implementing the Structural Funds.

In this context, the possibility of applying national procurement procedures in the tendering and contracting of Phare projects may be explored by the Commission, if so requested by the Government of Slovenia, in particular in the field of investment. The Commission's decision on this matter will be taken following, inter alia, examination of the Slovenian national procurement law for respect of and compatibility with the basic provisions of the EC's public procurement rules and its Financial Regulation, including equal participation in tenders and the provisions of article 118.

Any decision on the use of national procurement rules will be taken by the Commission on a case by case basis and will be confirmed in the individual financing memoranda.

The monitoring of programme implementation shall be carried out jointly with the Commission through procedures established in the individual financing memoranda. In order to ensure effective monitoring of implementation of assistance under the Phare programme, each Phare programme will incorporate quantified physical and financial objectives which will be specified in the financing memorandum. In order to gauge their effectiveness all operations financed under the Phare programme will be subject to ex post evaluation to appraise their impact with respect to their objectives.

8. Monitoring

The implementation of the Accession Partnership will be monitored in the framework of the Europe Agreement. This will commence in 1998 before the Commission

presents its first regular report to the Council reviewing the progress made by Slovenia including implementation of the Accession Partnership.

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The relevant sections of the Accession Partnership will be discussed in the appropriate sub-committee. The Association Committee will discuss overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees. The Association Committee will report to the Association Council on the implementation of the Accession Partnership.

The Phare Management Committee will ensure that financing decisions are compatible with the Accession Partnerships.

The Accession Partnership will be amended as necessary in accordance with article 2 of Regulation 622/98 of 16 March 1998. The Commission will propose a review of this Partnership before the end of 1999 and at regular intervals thereafter. These reviews will include consideration of the need to further specify intermediate objectives in the light of the progress made by Slovenia in meeting the objectives set out in this Partnership.

See : [Annex \(Recommendations for Action\)](#)

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The European Union in the World

Enlarging the European Union

Accession Partnership - Slovenia

Annex : Recommendations for Action

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Slovenia will have to address all issues identified in the Opinion. The purpose of this Annex is to provide a summary checklist of these issues. These are formulated as recommendations for action. They are listed in the order in which they appear in the Opinion without any ranking in terms of importance or urgency. The priority areas for action by each candidate are set out as priorities and intermediate objectives in the Accession Partnership itself.

□ □ **1. Political criteria**

Efforts should be made to enhance the judicial system, to intensify the fight against corruption, speed up the process of restoring property or providing adequate compensation to former owners of property expropriated by the Communist regime.

Steps must be taken to resolve the problem of stateless people living in Slovenia.

□ □ **2. Economic criteria**

Slovenia should ensure the continuity and reinforcement of progress in liberalisation, and privatisation, to bring about long-term convergence with the European Union. In this context, the Slovene authorities should give particular attention to: the completion of public sector reform, notably by introducing VAT on 1 January 1999, reforming the pension system, and establishing a market based regulatory and governance system for state owned enterprises ; reduction of real interest rates and labour costs, the further liberalisation of prices and, subsequently, the adjustment of inflation to EU levels in the medium term; accelerating enterprise restructuring and modernisation of privatised and state owned companies, in particular through accelerated liberalisation of the capital market and increased attraction of foreign investment, and improvement of corporate governance.

Continued attention is also required as regards banking system reform and the liberalisation and reinforcement of the financial system. High levels of investment will be required in such fields as the environment, energy and transport.

3. Ability to Assume the Obligations of Membership

3.1 Internal market without frontiers

• The four freedoms

General framework - In general efforts must be made to accelerate law reform in the field of public procurement, for instance as regards the utilities sector, the remedies system and the White Paper Stage II measures. In the field of intellectual and industrial property, approximation of legislation should continue especially in the field of audio-visual productions and the pharmaceutical sector. As regards Company Law full compatibility with the Second Directive must be ensured. New legislation on accounting and auditing must be fully enforced and accountants and auditors should be properly trained. Implementation and enforcement of legislation on the protection of personal data must be strengthened.

Free movement of goods - Adoption of the EC New Approach system needs to be accelerated. Independent standardisation and conformity assessment infrastructures will also have to be established, with a clear separation between regulatory, standardisation and product certification functions. EC Legislation on motor vehicles, chemicals, foodstuffs and pharmaceuticals needs to be fully aligned, and New Approach legislation adopted. A market surveillance mechanism will have to be set up and harmonisation of sectoral legislation completed.

Free movement of capital - monetary restrictions adopted by the Bank of Slovenia must be removed and liberalisation of capital movements should be assured. Policies on foreign direct investment should be reviewed in order to be compatible with more liberal movements and to promote higher foreign direct investment.

Free movement of services - full free establishment in the area of banking, securities and insurance in particular with regard to branches of foreign institutions must be introduced. Privatisation in the insurance sector should be speeded up and the sector should be opened up to EU operators and foreign investment. Supervisory function should be strengthened.

Free movement of persons - mutual recognition of diplomas should be adjusted.

From a technical point of view, further adoption of regulations will be necessary. Further efforts must be made to ensure the necessary legislative and enforcement measures as regards the co-ordination of social security schemes.

- Competition

The 1993 Law on the Protection of Competition must be amended to make it compatible with EC competition rules. In the field of State aid, a comprehensive inventory of all existing aid must be established and continuously updated in accordance with Community practice. A national legal framework on state aid, covering the monitoring and admissibility of state aid must be created. A monitoring authority should be set up which has the power to review all existing aid measures for their compatibility with the Europe Agreement and to monitor all new aid on a systematic basis. Certain exclusive rights and state monopolies which are not compatible with the Community acquis must be progressively adjusted and/or abolished.

3.2 Innovation

Research and technological development

Considerable efforts remain to be undertaken to revitalise technological development in the industrial sector and to exploit the potential of national research for economic development.

Education, training and youth

Continued progress in re-orienting the education and training system towards a human resources development policy which is suitable for a small open market economy aiming at international competitiveness. Budgetary resources for education should be re-oriented in line with these new priorities. Links with research and development should be reinforced.

Telecommunications

Additional efforts in policy and regulation are needed to comply with EU Directives and to promote competition. At the same time, the acquis now requires governments to ensure that modern telephone service is available everywhere at an affordable price. Meeting this obligation will require significant investment in the system.

Audio-visual

The existing legislation must be amended, in particular with regard to the questions of freedom of reception, promotion of European works, advertising rules and the protection of minors.

3.3 Economic and Fiscal Affairs

Economic and Monetary Union

Monetary policy should be adjusted to be able to curb excessive speculative capital in flows without resorting to capital controls. On-going reform efforts in terms of monetary policy should be continued. The restructuring of the financial sector should be completed and central bank legislation should be made compatible with EC rules.

Taxation

VAT legislation in accordance EU requirements should be introduced.

The excise duty system must be reformed to avoid discrimination against certain imported commodities in favour of domestically produced products and the scope and rates of duties must be approximated towards the Community legislation.

In the field of excise duties particular attention should be given to the setting up of a warehousing system for the movement of goods under duty suspension arrangements. Tax structure and the level of excise rates need to be aligned on the Community model.

Statistics

Efforts must be made in the field of official statistics, in particular with regard to financial accounts, agricultural statistics and foreign trade statistics.

3.4 Sectoral policies

Industry

To enhance competitiveness, further efforts should be made to pursue policies aimed at promoting open and competitive markets and taking on the instruments which make up EC industrial policy, relating both to the operation of markets (product specification and market access, trade policy, state aids and competition policy) and measures related to industry's capacity to adapt to change (stable macro-economic environment, technology, training etc.).

Agriculture

Substantial efforts must be made to ensure the alignment of Slovenian legislation with EU requirements. With regard to veterinary and phytosanitary requirements, special attention must be paid to implementation and enforcement of veterinary and plant health requirements and upgrading of establishments to meet EC standards particularly with regard to the inspection and control arrangements for protecting the EU external border. Administrative structures must be strengthened to ensure the implementation and enforcement of the policy instruments of the CAP in particular to ensure a functioning land registration. The agri-food sector must be further restructured to ensure its competitive capacity. Structural and rural development policy should be strengthened.

Fisheries

The fisheries administration must be strengthened to ensure the effective implementation of the Common Fisheries Policy, in particular as regards the conservation and the management of resources, the implementation of a monitoring and control system, the management of the common organisation of the market in the fishery and aquaculture sector, the implementation of a structural policy in the fisheries and aquaculture sector, the keeping of a fishing vessel register, the

collection of statistical data as well as the implementation of EU fishery policy on environmental protection.

Energy

Current efforts for alignment must be maintained, in particular with regard to the adjustment of monopolies, including import and export issues, access to networks, energy pricing, state intervention in the solid fuels sector, development of energy efficiency and fuel quality standards. Special attention must be paid to emergency preparedness including the building up of mandatory oil stocks. Slovenia should adhere to and/or fully implement international nuclear agreements. Long term solutions for nuclear waste from Krsko Plant need to be found. The independence of the safety authority should be supported.

Transport

Additional efforts must be made to ensure the necessary legislation and effective implementation in road haulage (in particular on market access and taxation) and for rail transport. Transparency of financial procedures in the rail sector must be provided. Steps must be taken to ensure the future extension of the trans-European networks. At a national level there is a need to develop specific strategies for transport infrastructure development and financing. Achieving an acceptable level of transport safety and optimal use of transport system are two areas which need attention .

Small and Medium Enterprises

Slovene SME development policy should be improved especially regarding the coherence and the co-ordination of various action programmes.

3.5 Economic and Social Cohesion

Employment and Social Affairs

Legislation must be realigned with EU requirements in such areas as health and safety, and equal opportunities. Labour law must be adapted to ensure full compliance with the *acquis*. Some technical adaptations in the field of social security for migrant workers are necessary. Social reform should continue and social dialogue must be developed.

Regional Policy and Cohesion

A regional development policy addressing regional disparities must be introduced and the administrative and budgetary structures required to manage integrated EC structural actions after membership must be established.

3.6 Quality of Life and Environment

Environment

Steps must be taken to ensure the full transposition of the environmental *acquis* as well as substantial progress in effective compliance. The National Environmental Action Programme and environmental accession strategy must be adopted in the short term. Particular efforts must be made to achieve full EU compatibility of the urban waste water treatment, drinking water, aspects of waste management and air pollution legislation. Investments must be increased. With reference to administrative capacity a considerable effort must be made to develop adequate implementation and enforcement structures.

Consumer protection

Consumer protection should be strengthened, notably in the case of general product safety and consumer credit. The draft "Consumer Protection Act" should be revised to ensure it is complete and fully compatible with EC standards on consumer protection. The development of an independent consumer movement, sustained by the public authorities, will be necessary to accompany the introduction of the *acquis*.

3.7 Justice and Home Affairs (JHA)

Some gaps need to be filled in Slovenia's legislation. Special efforts should be made to reform the judiciary and the legal system and to develop human resources in this sector to enable it to operate effectively. Further progress is needed concerning immigration. The fight against organised crime must be intensified including the fight against trafficking in drugs and human beings, arms and stolen cars. Money laundering needs to be addressed. Steps must be taken to ensure ratification of international conventions particularly in the criminal field.

3.8 External Policies

Trade and international economic relations

Preparations must be made for applying, on accession, the Community's various cooperation and preferential agreements, multilateral and bilateral commercial policy commitments and its autonomous commercial defence instruments. At the same time, national legislation in the field must be repealed. The lack of export controls on dual-use goods must be addressed to ensure effective control mechanisms by time of accession.

Development

Preparations must be made for applying, on accession, the Lomé trade regime to the ACP states and participating, together with the other Member States, in financing the European Development Fund.

Customs

Customs legislation must be aligned on that of the EC and the organisation and duties of staff must be aligned on those of a modern customs administration. An effort must be made to develop computerised systems for full participation in the customs union and the internal market. Particular attention must be paid to preparing the customs administrations for the operation of all the customs procedures with economic impact, the system of tariff suspensions and the administration of tariff quotas and ceilings. Strategic planning has to take account of the reinforcement of border posts along the external frontier that Slovenia has with countries other than EU Member States at the time of accession.

3.9 Financial Questions

The necessary financial control and audit functions mechanisms must be strengthened to ensure satisfactory implementation of Community policies.

4. Administrative Capacity to Apply the Acquis

Enlarging the EU

Accession Partnerships

- Bulgaria A.P. Annex
- Czech Rep. A.P. Annex
- Estonia A.P. Annex
- Hungary A.P. Annex
- Latvia A.P. Annex
- Lithuania A.P. Annex
- Poland A.P. Annex
- Romania A.P. Annex
- Slovakia A.P. Annex
- Slovenia A.P. Annex

To ensure the effective implementation and enforcement of the acquis, major reform efforts must be made to strengthen Slovenia's administrative structures in virtually all EU relevant sectors. Special efforts must be made to properly staff and train Ministries and public authorities which must ensure the correct application of Community acquis. The regulatory and monitoring bodies must be strengthened in such fields as competition, telecommunication, taxation, agriculture, transport, social policy regional policy and cohesion, environment, veterinary and phytosanitary controls, food control, consumer protection, judiciary, customs and financial control.

Increased efforts must be made for the upgrading of staff qualifications on EU related issues and efficient public management in general. This should include the implementation of the master plan for public administration reform.

The judicial system must be strengthened in terms of resources and relevant expertise. A comprehensive upgrading of judges, in particular in EU matters, must be carried out.

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