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Enlargement

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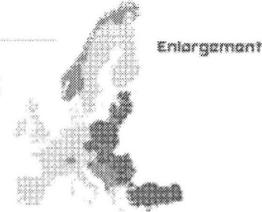
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Welcome to Enlargement Weekly. This weekly bulletin provides an overview of where European Union enlargement has got to, who's doing what in the EU, in the institutions and candidate countries, and how the main challenges are being met.

PARLIAMENT PUTS ON MORE PRESSURE FOR ENLARGEMENT FUNDING

The European Parliament last week adopted another budget resolution insisting on the need for adequate funding for next year's enlargement. This time it was an own-initiative resolution on the Structural Funds, with the title of "Trend in outstanding commitments and requirements for 2004". The resolution, drafted by Italian socialist Giovanni Pittella, focused largely on "what is required for the financial year 2004 in order to... fund additional, enlargement-related expenditure", and insisted that plans for the financial year 2004 should take into account enlargement-related requirements. Among its numerous columns of figures it called clearly for a further €1.76 billion to be provided for enlargement.

The resolution also looked ahead to how the new member states were going to be able to manage their funding. "Following enlargement in May 2004, only two and a half years of the present programming period will remain, and the new member states' administrations will have to implement programmes quickly", it pointed out.

It urges "the adoption of specific measures for implementing the Structural Funds in the new accession countries, bearing in mind that the first programming period is less than three years, and requests that actions are taken to conclude their single programming documents as soon as possible in order to avoid a build-up of delays in the very first year in which their programmes are implemented". And beyond 2004, it recommends that the Commission should "envisage a more ambitious approach which would make it possible to realise structural policy objectives at a lower cost in terms of planning, management and monitoring, and achieve a compromise between current and prospective member states' needs within a revamped structure for economic and social cohesion".

The Parliament resolution also raises the question as to whether "specific measures should not be taken to implement the Structural Funds in the candidate countries, bearing in mind that the first programming period is less than three years, by giving them the option of preparing their single

programming documents as soon as possible in order to avoid a build-up of delays in the first year of implementation of their programmes."

And in view of the radical change that the EU is about to undergo with enlargement, the Parliament also urged a correspondingly radical re-think of the EU's approach to its regional aid programmes. "The enlargement of Union to include ten new countries, whose combined wealth is less than that of an average-sized current member state, drastically changes the regional aid issue. The population of the Union is set to rise by one third, whereas its combined gross national product will increase by only 5%. Given this challenge..., new approaches should be considered", according to the Parliament.

- For the debate on regional development and cohesion in the enlarged European Union, see http://europa.eu.int/comm/regional_policy/debate/forum_en.htm

NO ROOM FOR FRAUD, SAYS SCHREYER IN ROMANIA

Speaking at an anti-fraud seminar in Bucharest last week, the European Commissioner responsible for anti-fraud operations left no doubt about EU determination to establish and implement a "clean hands" policy.

Michaele Schreyer, the member of the European Commission with responsibility for the budget and anti-fraud, was addressing an Anti-fraud Communicators Network training seminar on 20 October.

Thanking the Romanian authorities for hosting the seminar, she stressed "how important it is that such a seminar is taking place in a candidate country". It is, she said, "a signal of how seriously the host country takes fraud problems and the fight against fraud. It is a signal that problems of fraud with public money are not hidden, whether the fraudsters are private persons or officials, but that we fight against them and make public when fraud has been discovered."

"Fraud is an international problem and a growing problem", said Schreyer, and "all should be aware about how dangerous fraud is both in terms of money lost and in terms of damage to the credibility of public authorities."

But while she urged vigorous action against all fraud, the Commissioner also noted that firm action often led to misunderstanding. "The detection of irregularities is not taken by the press and public to be evidence of operating controls, but rather as evidence of the existence of fraud". At EU level, in a member state or a candidate country, "a public authority whose effective controls show up irregularities is seen as riddled with fraud, while in the others who do not publish irregularities nobody speaks about them", said Schreyer.

For a candidate country, "the challenge and the risk is high in communicating in public on fraud, in particular when EU funds are involved", because it may reinforce negative prejudices, she recognised. But there is no real alternative, she insisted. "The risk is higher not to tackle fraud issues, as they are a risk not only to reputation but to democracy." Hiding or taking a minimalist approach in reporting irregularities and fraud is not an answer. "We cannot and should not avoid reporting irregularities. A pro-active strategy calls for disclosure of detected irregularities and engaging in public debate on how to counter fraud".

And looking ahead to after enlargement, she said: "As the borders across Europe come down it will only be through a co-ordinated Europe-wide approach that we can successfully fight fraud. This is necessary for the co-operation of administrations as much as for judicial authorities and for those responsible for communication. Communicating effectively to the public is not easy, as fraud and economic crime are often complex and difficult to explain to general public. Also for this reason, we must continue to work together to raise public awareness for these issues."

TOUGHER CONDITIONS FOR WORKERS IN FUTURE MEMBER STATES

Workers in the future member states have a tougher time than their counterparts in the EU, according to a new report from the European Foundation for the Improvement of Living and Working Conditions, the Dublin-based EU-agency providing data and analysis on socio-economic issues in Europe.

It says they face work longer hours in less service-related industries, with higher exposure to physical risk factors such as dangerous substances, fumes and noise. The report, "Working conditions in the acceding and candidate countries", claims to provide a first comprehensive overview of working conditions in the 13 acceding and candidate countries.

The average working week is 44.4 hours per week compared to the EU average of 38.2. One in five workers is involved in agriculture, compared to only one in 20 in the EU, and much fewer people (47%) are employed in the services sector than in the EU (66%). 51% of the workforce is over the age of 40, compared to 47% in the current EU member states. And some 40% of workers there believe their health and safety is at risk due to work, compared to only 27% in the EU.

The survey is based on face-to-face interviews with a representative sample of a total of 11,000 workers: 1000 workers in each country, apart from Malta and Cyprus where 500 persons were interviewed. A series of Foundation publications and events over the coming months are aimed at further increasing knowledge, data and analysis on living and working conditions in the new enlarged Europe. A report on living conditions will be published in February 2004, and a conference to promote social dialogue as a tool for conflict resolution in the region will take place in March. The results of a 28-country pan-European Quality of Life monitoring initiative will also be available in May 2004.

CYPRUS MAKING PROGRESS ON THE WAY TO STRUCTURAL FUNDS

"Cyprus has done good work to prepare itself for the future implementation of structural funds. Nevertheless, these efforts have to be maintained to ensure that the programmes can be fully implemented as of 1 January 2004", said Michel Barnier, Member of the European Commission responsible for regional policy and institutional reform, on a visit to Cyprus last week.

He met President Tassos Papadopoulos, foreign affairs minister George Iacovou, finance minister Markos Kyprianou, and Parliament speaker Demetris Christofias. And he reviewed Cyprus' preparations for implementation of structural funds after accession, as well as discussing the future of cohesion policy and issues related to the Intergovernmental Conference (in which Barnier represents the European Commission).

His visit was a follow-up to the mid-September first round of discussions between the Commission and the Cypriot authorities on the structural funds programmes. The aim is to conclude by the end of 2003.

Barnier said two issues need to be addressed urgently: the reinforcement of the administration to manage the Structural Funds, and correct implementation of public procurement legislation. "It is very important that the implementation of the European programmes in Cyprus is a success. This is not only because of the evident needs, which are the most important consideration, but because successful implementation would demonstrate the added value of the European Union's actions", he said.

Cohesion is a particularly important consideration on the still-divided island. Barnier added: "EU cohesion policy will help Cyprus to reduce regional disparities between the north and the southern part of the island." He said it will "promote economic and social convergence of the north with the rest of the EU after a solution of the Cyprus problem". After a political settlement, the

northern part of Cyprus could benefit from €206 million of financial support from the EU, including € 87 million of a special programme for reunification on the model of the peace initiative of the Commission for Northern Ireland.

Overall, Cyprus is eligible for more than €100 million in EU funding over the next three years - for rural and urban development, modernisation and fostering education, training and development and new support for the fisheries sector. Nearly €53 million will be allocated under the Structural Funds, and more than €48 million under the Cohesion Fund.

Some €25 million will be devoted to promoting economic development of selected rural and urban areas facing structural difficulties - benefiting nearly a third of the country's population. Another €20 million will be used to support modernisation in education, training and employment. Other activities to benefit from funding will include interregional co-operation, and fisheries.

Enlargement news in brief

ISPA and EBRD team up on Romanian water

The European Bank for Reconstruction and Development is complementing an EU project to improve water supply and treatment in Targu Mures, in central Romania. The EU's ISPA programme of pre-accession aid on environment and transport infrastructure is granting nearly €21 million to support the extension of the sewer network there, improve storm management within the network, and help rehabilitate the water plant. At the same time, EBRD is lending Regia Autonoma Aquaserv, the local water utility, €7 million to help bring clean drinking water and help improve wastewater services for over 160,000 residents across the municipality. The loan is being provided under the Municipal Environmental Loan Facility, set up in 2000 to provide co-financing with the ISPA programme for waste-water-related projects in Romania. More than €52 million of EBRD loans have been extended in concert with ISPA grants. The loan is the EBRD's fifth to Romanian municipalities under this programme and the fifth issued to municipalities without a sovereign guarantee. The benefits of reforming municipal finance in Romania are beginning to show, according to the EBRD: "Continued lending to local utilities without sovereign support is a strong signal of the EBRD's growing confidence in the strength of some of Romania's local authorities".

Interreg III C - building regional partnerships for Europe

The Interreg III C programme is, it says, "smoothing the path to EU enlargement". The programme is involving regions from acceding and other neighbouring countries directly in interregional co-operation projects, and offering particular scope for projects dealing with innovation as part of economic development strategies. Interreg III C has some €300 million of EU funding for 2002-06 to improve the effectiveness of regional development, through large-scale exchanges of information and experience between regions of countries that are not direct neighbours. The new member states will have access to this programme from the beginning of 2004, which should help their regional and local authorities prepare for full-scale involvement in the mainstream Structural Funds. And Interreg III C has a special priority allocation of €15 million for projects linking European Union border regions with the acceding countries on development and transition-related issues. Already Hungary has signed up as a partner to one innovative project - Ecoland, led by the SIPRO development agency in Ferrara, Italy, with Irish and Spanish partners. This project is piloting the development of eco-industrial estates, where firms join forces to improve economic performance and reduce their impact on the environment.

Switzerland negotiates on the enlarged EU

Negotiations are continuing with Switzerland on the accession of the ten new member states to the EU-Switzerland agreement on free movement of persons. The third round of the negotiations (launched last July) took place last week in Brussels, and focused on the Swiss request for additional transition periods. Switzerland wants to maintain existing restrictions for nationals of the new member states for a further seven years. The EU, however, takes the view that discrimination between old and new EU member states is unacceptable; and it says the existing transitional arrangements, based on annual quotas for short and long-term work permits, are sufficient: they already allow Switzerland to maintain quantitative restrictions until 2014 in the event of massive influxes. Instead, the EU is suggesting a unilateral safeguard clause - in line with what has been agreed with Norway and Iceland in the European Economic Area. This, says the EU, should provide ample protection against unsustainable migration movements. And the EU has pointed out yet again that no such large movements of people are, in any case, expected to happen.

The EU is also aiming to start early negotiations with Switzerland on a financial contribution to social and economic cohesion - similar to the recent negotiations with the three non-EU European Economic Area countries of Iceland, Norway and Liechtenstein. The EU has pointed out that **Switzerland** will benefit through a series of bilateral agreements from the enlarged Internal Market, and has suggested that the Swiss contribution could take the form of project financing.

Puwak leaves Romanian government

Romania's minister for European integration, Hildegard Puwak, resigned last week, and was immediately replaced on an interim basis by Vasile Puscas, Romania's chief negotiator. Puwak was facing an investigation into mismanagement: her own family had, it is alleged, benefited from €150,000 in EU grants under the Leonardo vocational training programme. Two other Romanian ministers also resigned last week: the health minister, who had been judged to be guilty of academic plagiarism, and the government's co-ordination minister, whose staff were implicated in bribery allegations.

Home-buying help for Bulgarians

Bulgarians are to have better opportunities for buying, building or refurbishing their homes now that the European Bank for Reconstruction and Development has agreed to provide €15 million to Bulgarian Post Bank for long-term mortgage finance. The 12-year loan, the EBRD's first residential mortgage loan in Bulgaria, will enable Postbank to provide its clients with long-term mortgage financing, which is currently limited. The loan will also increase competition in the longer-term residential mortgage lending sector. Bulgaria's mortgage market is still underdeveloped, but it is growing, and this loan will help Postbank provide its clients with the prospect of becoming homeowners. At the same time, the facility will be structured so that the underlying credit assessment procedures, mortgage loan documentation and security will be standardised, and this could later make possible mortgage bond issues and securitisation. Postbank is one of the top five banks in Bulgaria, and its major shareholders include a subsidiary of AIG of New York and Greece's EFG Eurobank Ergasias. The EBRD is the largest **investor** in Bulgaria, with more than €784 million committed to 76 projects, and has helped mobilise more than €2.4 billion in further investment.

Insolvency a long way from harmonised in the future member states

There are wide variations in legal provisions for insolvency across the ten future member states in central and Eastern Europe, according to a new study from the European Bank for Reconstruction and Development. "The insolvency law of one country cannot be singled out as an outstanding example or model", says EBRD, even if "there are some examples of appropriate legislation in some of the areas covered by insolvency." In terms of overall compliance with the accepted international standards that are reflected in the EU acquis, no country is rated 'very high'. But compliance is

judged 'high' in Romania, where the recently-reformed law specifically provides for the establishment of a statutory fund from which the costs of administering the insolvency cases of asset-poor debtors are to be met. Compliance is 'medium' in Bulgaria, the Czech Republic, Estonia, Slovakia and Poland - despite recent reforms of the law there. In Hungary, Latvia, and Slovenia compliance is rated 'low', and it is 'very low' in Lithuania. There is considerable room for improvement to many of the laws, says the **EBRD** - and every country was rated 'low' or 'very low' in at least one of the five core areas assessed in the study.

Romania adopts its EU-ready constitution

55% of Romania's voters turned out for last week's referendum on a new constitution. And nearly 90% of voters said 'yes', which means that Romania can go ahead with changes required for EU membership. The new constitution will incorporate the judicial reforms necessary for EU membership, permit entry into NATO's joint command structure, provide new legal rights for ethnic minorities, and legalise the foreign ownership of land.

Enlargement Mini-Briefs

- The Central Bank of Malta is discussing a strategy for adopting the euro with the Maltese government, to provide a framework for a dialogue with the European Central Bank. Malta is currently engaged with the ECB in technical discussions on all aspects related to eventual participation in Economic Monetary Union, together with the other central banks of the nine acceding countries.
- Lithuania has opened a new checkpoint on the border with Kaliningrad, at Kudirkos Naumiestis, securing a 31.5-kilometre strip. The new post, which was opened by the country's President, Rolandas Paksas, is part of Lithuania's plan to manage the Lithuanian border in line with EU standards.
- One of the priorities at the upcoming EU-Russia summit - in Rome on November 6 - will be to reach agreement on extending the EU's Partnership and Co-operation Agreement with Russia to the new member states. The aim, said European External Relations Commissioner Chris Patten last week, is to adapt the PCA so that it includes the EU's ten new countries by May 2004.
- The European Bank for Reconstruction and Development has published a new strategy document on Hungary. In particular, it warned that Hungary's "fiscal expansion" could create difficulties in the accession process. It also estimates investment needs in transport, environmental and municipal infrastructure at more than €20 billion to meet EU standards over the next 12 years.
- Latvian, Lithuanian and Estonian agriculture ministers have signed an agreement on a joint Baltic position on reform of the EU Common Agricultural Policy. It states that direct payments to the Baltic states should be calculated on the basis of the reference data specified in the EU Accession Treaty, and that they should be entitled to adjust the amount of direct payments allocated per farm, taking into account farm size and land under cultivation.
- Talking of enlargement... The plenary session of the European Parliament is now interpreted into Polish, Czech and Hungarian.

Agenda

See also the new "Enlargement events calendar" on the DG Enlargement web site at <http://europa.eu.int/comm/enlargement/events/calendar.htm>. This gives a run-down of public events related to the enlargement of the EU taking place in all current and future member states.

(note: now that acceding states take part in Council meetings and EP and ESC plenaries, these will from now on be listed in this calendar)

Date	Event
October 2003	
Tuesday 28	<ul style="list-style-type: none"> ■ Member of the Commission responsible for Enlargement and the "Wider Europe", Günter Verheugen visits Russia ■ European Court of Auditors seminar for auditors from Supreme Audit Institutions of acceding and candidate countries, Luxembourg ■ European Ombudsman Nikiforos Diamandouros visits Hungary and meets prime minister Péter Medgyessy and leading parliamentarians, including deputy speaker László Mandur ■ EU Council of Ministers working group on enlargement meets, Brussels ■ European Commission Vice-President Neil Kinnock visits Latvia and meets Latvian president Vaira Vike-Freiberga, prime minister Einars Repse, foreign affairs minister Sandra Kalniete, finance minister Valdis Dombrovskis, and interior minister Aivars Aksenoks
Wednesday 29-Friday 31	<ul style="list-style-type: none"> ■ European Conference of Ministers of Transport Theory and Practice in Transport Economics symposium - "50 Years of Transport Research: Past Experiences and Major Challenges Ahead", Budapest ■ European Court of Auditors President Juan Manuel Fabra Vallés visits Cyprus and meets Cyprus' auditor general Chrystalla Georghadji, Nicosia
Thursday 30	<ul style="list-style-type: none"> ■ European Employment Social Affairs Commissioner Anna Diamantopoulou meets Bulgarian European affairs minister Meglena Kuneva, Brussels
November 2003	
Monday 3 - Tuesday 4	<ul style="list-style-type: none"> ■ European Economic and Social Committee-Turkey joint consultative committee, Brussels
Tuesday 4th	<ul style="list-style-type: none"> ■ 10th EU-Slovenia Joint Parliamentary Committee, Ljubljana ■ Ecofin Council, Brussels
Wednesday 5	<ul style="list-style-type: none"> ■ European Enlargement Commissioner Günter Verheugen presents monitoring reports on the acceding states and regular reports on Romania, Bulgaria and Turkey, European Parliament, Brussels ■ European Economic and Social Committee-Poland/Lithuania/Estonia joint consultative committee meets, Brussels ■ European Enlargement Commissioner Günter Verheugen presents monitoring reports on the acceding states and regular reports on Romania, Bulgaria and Turkey, European Parliament, Brussels
Thursday 6	<ul style="list-style-type: none"> ■ European Economic and Social Committee-Poland joint consultative committee, Brussels ■ European Economic and Social Committee-Estonia joint consultative committee meets, Brussels ■ Justice and home affairs Council, Brussels
Monday 10	<ul style="list-style-type: none"> ■ Member of the Commission responsible for Enlargement and the "Wider Europe", Günter Verheugen and External Relations Commissioner Chris Patten visit Ukraine ■ European Enlargement Commissioner Günter Verheugen and European External Relations

- Commissioner Chris Patten visit Ukraine
- Monday 10 -
Tuesday 11
- 13th EU-Lithuania Joint Parliamentary Committee, Brussels
 - Competitiveness (internal market, industry and research) Council, Brussels
- Thursday 13 -
Friday 14
- European Economic and Monetary Affairs Commissioner Pedro Solbes visits Slovenia
- Monday 17 -
Tuesday 18
- European Parliament plenary discusses the "Wider Europe" dossier, Brussels
 - European Economic and Social Committee-Romania joint consultative committee meets, Brussels
 - General Affairs and External Relations Council, Brussels
 - Agriculture and Fisheries Council, Brussels
- Monday 17 -
Thursday 20
- European Parliament plenary session, Strasbourg
- Tuesday 18
- European Parliament intergroup for regional or minority languages discusses the accession of the new countries and the situation with regard to minority languages and protection of minorities, Brussels
- Thursday 20
- Transport, Telecommunications et Energy Council, Brussels
- Thursday 20 -
Friday 21
- European Economic and Social Committee and European Foundation for the Improvement of Living and Working Conditions conference on "industrial change in Europe: current situation, prospects, responsibilities", Brussels
 - European Economic and Monetary Affairs Commissioner Pedro Solbes visits Poland
- Friday 21
- Franz Fischler, European Commissioner for Agriculture, Rural Development and Fisheries visits Bulgaria
 - Consumer policy informal Council, Rome
- Monday 24 -
Tuesday 25
- 20th EU-Poland Joint Parliamentary Committee, Brussels
 - Ecofin Council, Brussels
 - Education, Youth and Culture Council, Brussels
- Thursday 27 -
Friday 28
- 16th EU-Romania Joint Parliamentary Committee, Romania
 - European Economic and Social Committee-Slovakia joint consultative committee meets, Brussels
 - Justice and home affairs Council, Brussels
- Thursday 27
- 20th EEA Joint Parliamentary Committee, Romania
 - EU-European Economic Area joint parliamentary committee meets, Brussels
 - Competitiveness (internal market, industry and research) Council, Brussels
- December 2003**
- Monday 1 -
Tuesday 2
- 12th EU-Estonia Joint Parliamentary Committee, Romania
- Tuesday 2 -
Wednesday 3
- 51st EU-Turkey Joint Parliamentary Committee, Romania
- Thursday 4 -
Friday 5
- European Economic and Social Committee-Slovenia joint consultative committee meets, Rome
- Thursday 11 -
Friday 12
- European Economic and Social Committee-Czech Republic joint consultative committee meets, Brussels

2004**Spring 2004**

- European Economic and Social Committee-Hungary joint consultative committee meets, Brussels

**February -
March**

- European Parliament debates Bulgaria, Romania and Turkey regular reports

March 1

- Designation of the Commissioners from the acceding states

April 2004

- European Parliament hearings of the Commissioners from the acceding states who will serve from May to November 2004
- European Commission Opinion on Croatia's accession

May 2004

Saturday 1st

- Entry into force of the accession treaty (according to conclusions of **General Affairs Council, 18.11.02**)
- Accession of the ten new member states (subject to ratification)

Monday 3 -
Thursday 6

- Extraordinary session of the EP, as the observers from the 10 new member states become full members
- Possible European Parliament informal vote of confirmation of the new Commissioners from the new member states

June 2004Thursday 10 -
Sunday 13

- Elections to the European Parliament in 25 member states.

July 2004

Sunday 20

- Constituent session of the new European Parliament
- Confirmation of the designated new President of the European Commission who will take up office from November 2004

September/October

- European Parliament hearings of the 25 designated Commissioners who will take up office from November 2004.

October 25-28

- European Parliament plenary session and confirmation of the new Commission, which will hold office from 1 November 2004 to October 31 2009.

ENLARGEMENT WEEKLY is prepared for the Information Unit of the Enlargement Directorate General of the European Commission. As part of its communication strategy on enlargement, the Commission makes this bulletin publicly available. Comments are welcome and should be addressed by e-mail to enlargement@cec.eu.int.

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