

# **Enlargement Strategy Paper**

**Report on progress towards  
accession by each of  
the candidate countries**

## TABLE OF CONTENTS

### Enlargement Strategy Paper

<b>I.</b>	<b>THE OVERALL CONTEXT</b>	p. 3
	1. The benefits of enlargement	p. 3
	2. A stronger Europe	p. 4
	3. A strategy for progress	p. 4
	4. The need for information	p. 5
	5. The enlargement process and neighbouring countries	p. 7
	a) Western Balkans	p. 8
	b) To the East	p. 8
	c) To the South	p. 9
<b>II.</b>	<b>THE PRE-ACCESSION STRATEGY</b>	p. 9
	1. Priority setting	p. 9
	2. Financial assistance	p. 10
	3. The Association Agreements	p. 12
	4. Participation in Community Programmes and Agencies	p. 13
	5. Analytical examination of the acquis	p. 14
	6. The European Conference	p. 14
<b>III.</b>	<b>PROGRESS BY THE CANDIDATE COUNTRIES IN MEETING MEMBERSHIP CRITERIA</b>	p. 15
	1. Political criteria	p. 15
	a) Overall Development	p. 15
	b) Conclusions	p. 17
	2. Economic criteria	p. 18
	a) Overall development	p. 18
	b) Conclusions	p. 20
	3. Other obligations of Membership	p. 21
	a) Adoption, implementation and enforcement of the acquis	p. 21
	b) Country overview	p. 22
	c) Sector overview	p. 22
	d) EMU and the EURO	p. 24
<b>IV.</b>	<b>THE ACCESSION NEGOTIATIONS</b>	p. 25
	1. Progress to date	p. 25
	2. Towards the conclusions of the negotiations	p. 25
	a) Transitional measures	p. 26
	b) A road map for the negotiations	p. 27
	c) Opening of the remaining chapters	p. 30
	3. Prospects for concluding the negotiations	p. 30
<b>V.</b>	<b>FORMAL CONCLUSIONS</b>	p. 31
<b>Annex 1</b>	Conclusions of the Regular Reports	p. 33
<b>Annex 2</b>	Main statistical indicators (1999)	p. 64
<b>Annex 3</b>	Human Rights conventions ratified by the candidate countries	p. 66
<b>Annex 4</b>	Twinning projects financed in 1998-2000	p. 67

## **I. THE OVERALL CONTEXT**

The project of European construction, begun in the aftermath of the war, which shattered our continent, has led a succession of countries to join it of their own free will and consent. The magnetism of our model of integration has been such that, for most of its life, the European Community, now the European Union, has been in the process of expansion.

In 1993 the Copenhagen European Council made the historic promise that "the countries in Central and Eastern Europe that so desire shall become members of the Union. Accession will take place as soon as a country is able to assume the obligations of membership by satisfying the economic and political conditions". That political declaration, made at the highest level, was a solemn promise that will be honoured.

Thirteen countries have now applied to join, and others can be expected to present, or renew, their applications for membership in the coming years.

The enlargement of the EU now under way on the basis of the Luxembourg (1997) and Helsinki (1999) European Council decisions has an unprecedented political, historical and moral dimension. This is more than just an enlargement. It means, in fact, bringing our continent together. We are moving from division to unity, from a propensity for conflict to stability, and from economic inequality to better life-chances in the different parts of Europe.

### **1. The benefits of enlargement**

This enlargement will change the face of Europe and will affect all Community institutions and areas of policy. The two underlying strategic aims - projecting political stability and strengthening Europe as an economic power - look set to be achieved.

The benefits of enlargement are already visible. Stable democracies have emerged in Central and Eastern Europe. Systemically, they are already so robust that there need be no risk of a relapse into authoritarianism. The credit for this success belongs mainly to the people of those countries themselves. They alone took the decision to follow the difficult path and build open societies, modern democracies and functioning market economies. The speed with which they have accomplished this is a tribute to their own political farsightedness and their courage.

But undoubtedly the process was helped and encouraged by the prospect of European integration. The direction of political and economic reforms and the determination with which they are being pursued reflect the need to meet the EU membership criteria laid down by the Copenhagen European Council in 1993.

Events have amply validated these criteria. The political stability in the Central and East European candidate countries is rooted in common European values - democracy, the rule of law, respect for human rights and the protection of minorities - and that is precisely why it is set to last. The immediate effects are a dramatic improvement in the security situation in Europe and the opening up of a huge potential for economic development. The analysis of progress in individual countries shows that reforms pay off. In several cases the extent of structural change in the economy is already producing rapid growth from new, healthy roots. It looks as though enlargement is that rare thing, a win-win process.

Both the existing EU Member States and the prospective members benefit equally from political stability. Outbreaks of trouble become less likely, causes of conflict, such as minority issues and border problems, are removed, and integration removes the potential for conflict. A stable political framework is a precondition not simply for lasting peace and neighbourly co-existence, but for economic vigour. We are seeing the signs of that too, accompanied by healthy growth prospects for the coming decade.

This means an opportunity for the candidate countries to increase their living standards and improve their prospects in global competition. The advantages for the Member States are already tangible. They run considerable surpluses on their export trade with the candidate countries, and these translate into more jobs, more tax revenue and more money for social security systems.

## **2. A stronger Europe**

The enlargement of the Union will strengthen its ability to confront the challenges of the new century. Past experience has shown that successive enlargements have brought not only new members, but new political and economic dynamism: widening has gone hand in hand with deepening. The present round of enlargement brings in countries that wish to contribute full-heartedly to the European project, and will help to shape the institutions and governance of the future Europe.

This Europe will be in an historically unique position to pursue even better the projects on which the present Union is engaged: the Euro, the development of Europe's common foreign and security policy, the completion of the area of security, liberty and justice for Europe's citizens. The future members, already exposed to the challenge of globalisation, will help us to surmount it.

The inclusion of these countries in the Union, with their acceptance of its rules and policies, will improve our capacity to safeguard Europe's environment, to combat crime, to improve social conditions, and to manage migratory pressures. Without their membership, we would be less capable to solve these problems.

So the political and economic facts explain the benefits of the enlargement project, but they do not tell the whole story. The less tangible moral and psychological factors are also important. This is a question of credibility and setting clear objectives.

## **3. A strategy for progress**

The complex negotiating process, coupled with the difficult preparation for membership, gives rise to uncertainty on the part of the candidate countries about the progress of enlargement. This makes it essential for the EU to project a steady and unambiguous commitment to enlargement. The candidate countries' reactions are understandable and need to be taken seriously. This becomes particularly clear in discussions on the culmination of the process, in other words on setting firm entry dates.

The EU has rightly avoided setting a rigid timetable. There is more to readiness for membership than the completion of negotiations; the entry criteria have to be fulfilled, and that means a sustained effort of reform that often depends on domestic political and economic circumstances and therefore cannot be worked out in advance.

However, it should now become easier to estimate the timing, as the negotiations advance, and the individual countries make further progress in their preparation for accession.

The negotiations are about to enter a much harder and more intensive stage. Before embarking on this we need further improvements to the political framework, in other words we need to create a favourable climate for negotiations.

The most important element here is to respect commitments made. The Helsinki European Council (1999) stated that the Union will take decisions on the necessary institutional reforms by the end of 2000 so as to be able to welcome new members as from the end of 2002. It is crucial to the credibility of the EU's enlargement policy that we keep to this timetable and do not impose any new conditions for membership. With its decisions on Agenda 2000, and the success of the current intergovernmental conference at the next European Council in Nice, the EU will have fulfilled the necessary conditions. The subsequent continuation of the reform process will not alter this fact, for enlargement should not be conditional on its results.

The second crucial element is the recognisable political will to press ahead and resolve a number of difficult outstanding issues in the negotiating process, and thus to move on to a more substantive stage of the talks.

These are the considerations underlying the Commission's recommendations for the future strategy of the enlargement process.

Even if no date has yet been fixed for the finalisation of the process, there is nevertheless time pressure. We must not delude ourselves that the EU has endless time to complete its enlargement project. There is a window of opportunity open now and it needs to be seized.

Over the last ten years society in the candidate countries of Central and Eastern Europe has been placed under enormous strain. These societies have had to make the transition from communist rule and centrally planned economies to democracy and the market, while at the same time gearing themselves up to the sophisticated machinery of European integration. The resultant social stresses cannot be ignored. It is perfectly understandable that people now want to see the light at the end of the tunnel. The appetite for further efforts and reforms might well diminish if these countries start to feel the goal of EU membership will never be in reach. To prevent a possible surge of doubt and frustration, determination and leadership is needed from the EU.

#### **4. The need for information**

An enlargement project on the scale of the one we have embarked on requires a communications strategy spread over a number of years to keep citizens of the EU and the candidate countries informed, ensure their participation in the process and finally win their support for it. This goes beyond satisfying the right of the people concerned to be correctly informed of what enlargement will mean for them. It is the democratic legitimisation of the process itself.

Enlargement can only succeed if it is a social project involving all citizens and not just an elite. Only genuine participation can achieve this. Information is not enough. We have to set in motion a wide-ranging dialogue in our societies to make the risks and benefits clear to people and let them know that their concerns are being taken seriously.

Surveys in the Member States and candidate countries (which should in general be treated with some caution, however) give a varying picture. There are generally majorities in the candidate countries in favour of accession to the EU, and the number of people in favour outnumbers opponents in the Member States as well. But there are significant regional differences, and judgements vary on the individual candidate countries. In contrast to the candidate countries, enlargement is not seen as a priority by public opinion in the Member States, apart from a few exceptions. An effective communication strategy will not be limited to emphasising the objective political and economic benefits of enlargement; rather it should seek, via an interactive process, to allay people's concerns and fears.

These concerns and fears are well known. In the candidate countries they arise from the economic and social changes involved. The conversion of whole systems is still under way in Central and Eastern Europe. Such conversion entails radical changes in the life of each individual, with costs as well as benefits. Uncertainty and fear of the future are the natural consequences. The question of sovereignty and national and cultural identity also plays an important role. For peoples who have only recently regained freedom and self-determination, membership of the EU can appear to be a loss of sovereignty, whereas the experience of those countries involved in European integration is that it augments their capacity to influence events. Of course there are Eurosceptics and even people hostile to Europe in the candidate countries who are ready to blame all the problems of systemic change on Brussels and exploit concerns about loss of identity for their own populist ends.

Concerns in the Member States focus on fears about possible negative impact of enlargement - uncontrollable immigration, unfair competition, particularly for jobs, imported crime, environmental dumping and financial burdens. Another identifiable concern is that the EU might be incapable after an enlargement on such a scale of properly achieving its objectives.

In particular, the people in the regions bordering the candidate countries need to be reassured of the positive effects of enlargement. In order to address fears, the Commission will over the next few months prepare an objective analysis of the situation in border regions and examine how the existing instruments on the Community level reply to such concerns. On the basis of this analysis, the Commission will examine how to optimize existing instruments and how to ensure better co-ordination.

The communication strategy will be credible only if the results of the negotiations show that the perceived risks either do not exist or can be overcome. In this respect, gaining acceptance is part of the negotiation process.

The Commission saw the need for a communications strategy that deals with these issues seriously as soon as it took office; it immediately set to work putting in place the financial and organisational conditions necessary to implement such a strategy. It is guided by the following principles:

- *Decentralisation.* The strategy is developed and implemented in the candidate countries and the Member States in a decentralised manner. It is geared to the specific needs and conditions of the individual countries.
- *Flexibility.* Enlargement is a highly dynamic process with effects on public opinion in individual countries that are difficult to gauge. So the strategy must react to changes of mood and to new issues that arise, and this means reviewing the contents of programmes year by year.

- *Synergy*. What the Commission does must only complement in a sensible way the efforts of the countries themselves. This is why there has to be close and ongoing co-ordination with what is being done by governments, parliaments and groups in society at large. Close co-ordination is likewise needed with the expected activities of the European Parliament.

How to go about this? The means available generally do not allow us to rely on the instruments of mass communication. We should rather seek a multiplier effect by focusing on opinion makers and groups with influence in society, such as political parties, churches, trade unions, trade associations, women's and youth organisations, NGOs and existing European networks. Journalists and the media are a vital link in the chain of information and communication. Nor should we forget schools and establishments of higher education, which should be given the means to deal with the topic of enlargement. It is also important to promote direct meetings and frequent exchanges between the peoples of the Member States and the candidate countries.

This approach can succeed only if the political, economic and cultural groups step forward to act as mediators and engage in dialogue. So motivating and encouraging these groups will also be part of the strategy. In short, we want to bring about a wide-ranging public debate which is informed by the facts and their implications.

## **5. The enlargement process and neighbouring countries**

Enlargement will bring benefits of enhanced security, stability and prosperity not only to the Union but to the wider international community, including the EU's major trading partners. Enlargement will increase the size of the single market where traders and investors will only have to deal with a common external tariff, and a common set of rules and procedures. A wider European Union will stimulate growth and create new investment and trading opportunities, and it will place the Union in a better position to contribute to international efforts to address such cross-cutting issues as migration, environmental pollution, illegal trafficking and organised crime.

Over the past year the neighbouring countries of the future enlarged Union have paid increasing attention to the implications that enlargement will have on them. The EU needs to explain these benefits to its neighbours and to discuss the impact of enlargement so that both they and the Union take full advantage of the new opportunities. Some issues will need sensitive handling. Enlargement negotiations are a matter for the Union and each candidate and do not provide a role for any third party. The Commission is nevertheless ready to provide detailed explanations of the changes which will take place in the run up to enlargement.

For enlargement to proceed smoothly, the EU must continue to develop deep, multi-faceted relationships with its immediate neighbours. The Partnership and Association arrangements which the EU has entered into with its neighbours seek to create conditions for political stability and economic growth to ensure that the future borders of the Union do not create new dividing lines in Europe.

### **a) Western Balkans**

At its meeting in Santa Maria da Feira in June 2000 the European Council agreed that all of the countries in the region are "potential candidates" of the Union. This perspective

should help each country to accelerate the pace of reform and to begin to align its laws and structures with those in the European Union. In many areas, experience gained in the pre-accession process with the candidate countries will be useful in transferring expertise and know-how to the Western Balkan countries.

The **Stabilisation and Association process**, which is the framework for the EU's policy in the Western Balkans, is now better understood in the region and is seen as the "road to Europe". It provides for political dialogue, far-reaching trade liberalisation, important financial assistance and close co-operation in many spheres of economic and social life. This framework allows each country to move at its own pace, with technical and financial support from the Union.

Negotiations for a Stabilisation and Association Agreement with the **FYROM** are nearing completion. The Commission has also proposed to open negotiations with **Croatia** in recognition of the commitment to democratic values demonstrated by the new leadership since the elections there in January 2000, and the far-reaching structural reforms being introduced. The government in **Albania** is working closely with the Commission to introduce the necessary preparatory reforms, in response to the Commission's report on the feasibility of opening negotiations there. With the backing of the wider international community the Commission has set out measures which **Bosnia Herzegovina** needs to introduce to create the conditions for negotiating a Stabilisation and Association Agreement.

The people of **Serbia** have decided to end their isolation and to return to the European mainstream. This momentous decision will help to bring stability and prosperity to the whole region. Work has now been initiated to examine ways of progressing towards a Stabilisation and Association Agreement with the **Federal Republic of Yugoslavia**. Throughout the past year the Union has also been active in providing political and financial support to **Montenegro** to help it to maintain its choice of democracy and reform. In **Kosovo**, the Union has been the leading civilian donor in reconstruction, mainly through the European Agency for Reconstruction. Through its participation in the EU pillar of the UN administration, UNMIK, it has also been helping to shape policy on the future economic structures of the province.

## **b) To the East**

**Russia** has expressed an interest in holding discussions with the EU on the implications of enlargement. Rather than creating a special group for this purpose, the Commission proposes to use the institutions of the Partnership and Co-operation Agreement. Technical discussions in areas such as trade and energy can take place in the Co-operation Committee. Broader discussions on enlargement issues are better suited to the Co-operation Council, where they can take place at Ministerial level.

One Russian region that will be particularly affected by enlargement is **Kaliningrad**. After the accession of Poland and Lithuania, Kaliningrad will become a Russian enclave within the EU. The Union needs to devise a strategy, in co-operation with Russia, Poland and Lithuania, to ensure that Kaliningrad can benefit from the greater prosperity that accession to the EU will bring to its neighbours. Regional co-operation will be an important element of that strategy.

Not least because of its geographical closeness to the future enlarged Union, enlargement will have profound implications for **Ukraine**. Here too the Partnership and Co-operation bodies are the appropriate fora for both political and technical discussions.

A widened Union will also have a stronger interest – and be in a better position – to develop fuller relationships across the whole continent, including the countries of the **Caucasus**.

### **c) To the South**

The Mediterranean neighbours are moving closer to the EU through the Euro-Mediterranean Partnership and the conclusion of Association Agreements. The Commission has recently made proposals to add new impetus to the Barcelona process and hopes that these will be taken up by the Euro-Mediterranean Ministerial meeting at Marseilles in November. With political and economic reforms now higher on the agenda in several Mediterranean countries there is a new opportunity to give full expression to our deep historical ties with the region. We seek to develop even closer political relations and to create an investment-friendly climate, building on the economic and trade advantages offered by the Association Agreements. The benefits of enlargement will be felt by all the Mediterranean partners and the implications of enlargement should be factored into future EU policies towards the region.

\*\*\*\*

In response to the requests of the European Councils of Helsinki and Santa Maria da Feira, the Commission has drawn up reports on the candidates' progress in preparing for accession, observing the same approach as in 1998 and 1999. The European Council in Santa Maria da Feira concluded: 'The European Council at Nice will review progress on enlargement and consider how to take forward the accession process.' The following describes the stage reached in the pre-accession strategy (Part II), draws together the analysis in each regular report (Part III) and combines a short analysis of the stage reached in the negotiations with recommendations on steps to take the accession process forward (Part IV).

## **II. THE PRE-ACCESSION STRATEGY**

The pre-accession strategy consists of a combination of priority setting coupled with financial assistance, Association Agreements, participation in Community programmes and agencies and preparation of the negotiations through analytical examination of the *acquis*. It helps the candidate countries to prepare for their future membership by aligning with the *acquis* before accession.

### **1. Priority setting**

The **Accession Partnerships** are the central pre-accession strategy instrument. The current Accession Partnerships were adopted in December 1999 for candidate countries in Central and Eastern Europe and in March 2000 for Cyprus and Malta. On the basis of the Regular Reports they put forward the short and medium-term priorities for each country to fulfil

the accession criteria. They also indicate the financial assistance available from the Community in support of these priorities and the conditions attached to that assistance.

The EU has not had to invoke the conditionality clause of the Accession Partnership Regulation, which relates to insufficient progress towards meeting the accession criteria or failure to meet Association Agreement obligations. Each Regular Report underlines achievements as well as shortcomings. Any short-term priorities that have not been fully met remain applicable and are closely monitored. The existing medium-term priorities are confirmed by the conclusions of the current Regular Reports and form the basis for programming assistance in 2001. The Commission, therefore, does not consider it necessary to revise the Accession Partnerships at this stage.

This year an **Accession Partnership for Turkey** is proposed for the first time, in line with the Helsinki European Council conclusions. In July 2000, the Commission proposed a Regulation for a single framework for financial co-operation with Turkey with a legal basis for the Accession Partnership. In parallel to this paper, the Commission makes a proposal for the Accession Partnership, setting out short and medium-term priorities which Turkey should implement to progress towards meeting the accession criteria.

In response to the Accession Partnership, ten candidate countries have revised their **national programme for the adoption of the *acquis*** (NPAA), which indicate the human and financial resources, and the timetable needed to meet the accession priorities. Cyprus and Malta adopted NPAA's for the first time in 2000 and Turkey is now preparing its national programme. In some countries the NPAA's now form part of the budgetary process. An assessment of the NPAA is included in each Regular Report.

## **2. Financial assistance**

**Central and Eastern European candidate countries** have benefited from EC financial assistance since the beginning of the transition process. From 2000, the Community has doubled its pre-accession assistance to over € 3 billion a year. The PHARE programme is now accompanied by two new instruments, which prepare for the Structural Funds. ISPA (Pre-Accession Structural Instrument) allocates over € 1 billion a year to investment in environment and transport infrastructure, and SAPARD (Special Accession Programme for Agriculture and Rural Development) allocates over € 500 million a year to agricultural and rural development.

With an annual budget of € 1.5 billion, the PHARE programme co-finances institution building together with associated investment in the infrastructure for the implementation of the *acquis* and support for economic and social cohesion. This concentrates resources on the main challenges facing the candidate countries, an approach confirmed in the Commission's recent PHARE review. This review confirmed the importance of PHARE as a bridge to the structural funds and of handing over the implementation of PHARE to the candidates as soon as possible.

Around one third of PHARE is allocated to **Institution building** which strengthens the candidates' capacity to enforce and implement the *acquis*. TAIEX (Technical Assistance Information Exchange Office) makes experts available for short-term advice. Twinning involves the long-term secondment of officials from Ministries, regional bodies, public agencies and professional organisations in the Member States to corresponding bodies in

the candidate countries, to promote the transfer of technical and administrative know-how. 228 twinning projects are operational with 150 pre-accession advisers already in place. 129 further projects are being initiated under PHARE 2000. The list of twinning projects financed under PHARE in 1998-2000 is contained in **Annex 4**.

Twinning initially applied to agriculture, finance, environment, and justice and home affairs and has now been extended to all Accession Partnership priorities. **Medium term twinning** will be introduced in 2001 to provide more flexibility. SIGMA (Support for Improvement in Governance and Management in Central and Eastern European countries) provides advice on horizontal government functions.

Another third of the PHARE budget co-finances **investment** to help equip the candidate countries to implement the *acquis*. The remaining third of the PHARE budget is now being allocated to **economic and social cohesion**. This helps develop the mechanisms and institutions necessary to implement Structural Funds after accession, supported by investment or grant schemes with a regional or sectoral focus.

**SAPARD** implementation will be fully decentralised. The rural development plans of the beneficiary countries are expected to be approved by the Commission before the end of 2000. On the basis of the approved plans, SAPARD will co-finance rural development projects selected by the countries. The implementation structure for each country includes a SAPARD Agency, responsible for management and payments. Before SAPARD funds may be transferred to a country, the Agency needs to be accredited by the competent authority of the relevant country and the implementation structure must be approved by the Commission. In all countries, the preparation of the accreditation of the SAPARD agency is currently ongoing.

Under **ISPA**, each country has prepared national strategies for transport and environment, and the Commission has approved several projects. These concern i.a. waste water treatment (at Bydgoszcz, Poland and at Győr, Hungary), waste management (at Peatri Neamt, Romania), road rehabilitation (Corridor IXB in Lithuania) and rail improvement (Bratislava-Senkvice rail track). It is expected that the full allocation for the year 2000 will be committed before the end of the year and that an equal share between the two sectors will be attained.

The Commission and the candidates will ensure the co-ordination of PHARE, SAPARD and ISPA.

Co-financing with the **International Financial Institutions** (IFIs) is especially important for large-scale infrastructure projects. The 1998 Memorandum of Understanding between the Commission and the IFIs to enhance co-ordination and co-financing with PHARE was revised in March 2000 to include ISPA and SAPARD.

In 1998 and 1999, PHARE commitments in co-financed projects amounted to € 400 million. The European Investment Bank's (EIB) loans in Central and Eastern Europe amounted to € 2.173 billion in 1999. It has a loan potential of € 16 billion for 2000-2007 in these countries (€ 8.68 billion with Community budget guarantee, € 8.5 billion in a pre-accession facility without this guarantee).

The Council adopted a Regulation for both **Cyprus** and **Malta** on pre-accession operations in March 2000. It provides for a financial contribution of € 95 million over the period 2000-2004 towards meeting the priorities of the Accession Partnerships. The budgetary allocation for 2000 is € 6 million for Malta and € 9 million for Cyprus. These two countries are eligible to the EIB pre-accession facility and to the € 6.425 billion EIB facility for Mediterranean countries. EIB loans to Cyprus amounted to € 200 million in 1999.

Financial assistance to **Turkey** has been doubled. From 2000 onwards the yearly allocation to Turkey has been set at 15% of the MEDA bilateral envelope, in addition to the € 50 million annual average allocation foreseen in the framework of the two 'European strategy/ pre-accession strategy' regulations. These funds are available for structural reforms, institution building and investment in the *acquis*, in line with the approach for the other candidate countries. The Commission will propose a new financial assistance regulation in early 2001 to bring management and procedures closer to those of the PHARE programme. This regulation will provide the legal base for a single budget line, as set out in the Commission's EU budget proposal for 2001, as requested by the European Council of Santa Maria da Feira.

A proposal for a € 450 million EIB loan has been made by the Commission to strengthen the Customs Union. In addition, Turkey is eligible for the € 6.425 billion EIB facility for Mediterranean countries and the Commission has recommended that it becomes eligible for the EIB pre-accession facility. In 1999, the EIB has agreed to a € 600 million loan for reconstruction after the earthquake.

### **3. The Association Agreements**

The **Europe Agreements** (EAs) with the Central and Eastern European candidate countries provide an essential framework for monitoring the adoption of the *acquis* and the implementation of Accession Partnership priorities. The recently re-organised sub-committees provide a suitable forum for this, making further meetings for the analytical examination of the *acquis* unnecessary (see below).

Following an Association Council decision in June 2000, the agreement with Hungary has entered its second stage. This means further liberalisation as regards the provisions on establishment. A similar decision regarding the Czech Republic is expected shortly. The Commission is examining requests for transition to the second stage by other associated countries.

Negotiations for additional reciprocal trade concessions in the field of **agricultural products** have led to agreements with each of the ten Central and Eastern European countries. These concessions entered into force on 1 July 2000 or will enter into force shortly on an autonomous basis, pending the conclusion of additional Protocols to the EAs. They represent a major step forward, further enhancing trade relations between the parties. The proportion of bilateral agricultural trade exempted from duty is likely to more than double, from 36% to 81% for EU imports and from 18% to 39% for EU exports. Further, it was agreed with each of the ten countries to continue with the negotiations in order to broaden the scope of the agricultural bilateral trade concessions.

Framework agreements for a Protocol on **European Conformity Assessment (PECA)** were initialled with the Czech Republic and Hungary. Negotiations with Latvia and Estonia are underway. The PECAs aim at extending internal market rules on conformity assessment for manufactured goods to the candidate countries before accession. Under the PECAs, the candidate countries will introduce the *acquis* for selected sectors. The EC and the candidate country also agree to accept each other's technical bodies for assessing the conformity of goods with the legislation, making technical checks at border crossings unnecessary.

As regards **Turkey**, the Association Council opened negotiations in April 2000 on an agreement aiming at the liberalisation of services and at the mutual opening of public procurement. The implementation of the Customs Union remains the cornerstone of bilateral relations.

#### **4. Participation in Community Programmes and Agencies**

The participation of candidate countries in Community programmes is a key feature of the pre-accession strategy. All candidate countries in Central and Eastern Europe participate in Community programmes, in particular in education, vocational training, youth, research, energy, the environment, small and medium-sized enterprises and public health. In most cases and at the candidate countries' request, the cost of this participation is co-financed by Phare. In 1998-1999, more than 16.000 students from the candidate countries benefited from ERASMUS and 34.000 participated in the YOUTH programme.

Cyprus participates in certain programmes in audio-visual, education, vocational training, youth, scientific research and small and medium-sized enterprises. An agreement has been negotiated with Malta on its participation in programmes dealing with education, vocational training and youth.

Turkey participates in two Community programmes (Life and the 5<sup>th</sup> Framework Programme for Research and Technological Development). Following the Helsinki European Council conclusions, the Commission is preparing for full Turkish participation in education, vocational training and youth programmes. Discussions with the Turkish authorities are underway as for participation in other Community programmes.

Participation in any given programme depends upon either an Association Council decision or an equivalent agreement with Cyprus and, in the near future, Malta and Turkey. As these programmes evolve, numerous decisions or agreements are required on the participation of the candidates. To shorten the procedures, the Commission had recommended to the Council in December 1999 to proceed through a single framework decision (or agreement) for each candidate country, to allow its participation in all Community programmes. The Commission is now proposing ten Framework Decisions to the Council for Central and Eastern European countries as well as three draft negotiating directives with a view to concluding bilateral agreements with Cyprus, Malta and Turkey.

Negotiations for the participation of all 13 candidate countries in the European Environment Agency have recently been concluded. Following ratification of the relevant agreements, most will become members of the Agency in 2001. Turkey will participate in activities of the European Environmental Agency from January 2001. Similar agreements will shortly be negotiated with most candidates on participation in the European

Monitoring Centre for Drugs and Drug-Addiction. Preparations for participation in other Community agencies are also under way.

### **5. Analytical examination of the *acquis***

The analytical examination of the *acquis*, 'screening', which began with the candidate countries of Central and Eastern Europe and Cyprus in March 1998, and with Malta in February 1999, was completed at the end of 1999. It has helped identify issues that may need to be taken up in the negotiations.

The new *acquis* adopted in the course of 1999 was transmitted to the negotiating countries in the first part of 2000. Meetings to explain the new *acquis* were held on certain issues. This will be repeated in early 2001 to present the new *acquis* adopted in 2000. In future the Association committees and sub-committees will be used to explain the new *acquis* and to discuss its adoption and implementation.

In the same way, the Association Council with Turkey set up eight sub-committees in April 2000 to prepare the process of analytical examination of the *acquis* and to monitor the implementation of the Accession Partnership priorities. Three of these sub-committees have met already: agriculture and fisheries, transport, energy and environment and internal market. They will all have met by the end of 2000, with a second series of meetings scheduled for early 2001. The Commission will then 'report to the Council on progress in preparing the process of analytical examination of the *acquis*' as requested by the European Council of Santa Maria da Feira.

### **6. The European Conference**

The European Conference is a forum for political consultation on issues of common interest to the EU member states and the candidate countries. Turkey will participate for the first time in the European Conference in Sochaux on 23 November 2000. This conference, at ministerial level, will be devoted to the EU's institutional reforms. A second one, at the level of Heads of State and government, will be held in Nice on 7 December. Turkey's participation will enable the Conference to function as intended.

The Commission suggests that, after the Nice European Council, the European Conference's working methods be improved and that it continue to be used as the framework for discussing the future of the Union with the candidate countries.

### **III. PROGRESS BY THE CANDIDATE COUNTRIES IN MEETING THE MEMBERSHIP CRITERIA**

The Commission first set out its analysis of the progress made by the candidate countries of Central and Eastern Europe in meeting the accession criteria in its July 1997 Opinions on their applications for membership. These were followed by Regular Reports in 1998 for these countries and also for Cyprus and Turkey, and in 1999 for all the candidate countries including Malta.

The Commission's assessment of the candidate countries' progress is based on the criteria defined by the European Councils in Copenhagen in 1993 and Madrid in 1995. As in previous years, this year's reports highlight legal measures actually adopted rather than those under preparation.

The Commission has examined whether, since October 1999, announced reforms have in fact been carried out. It has also analysed progress in each candidate's capacity to adopt the *acquis* of the European Union, which is now presented in the order of the 29 negotiating chapters. The Commission has continued also to analyse steps taken to adapt administrative structures to the requirements of the *acquis*. This analysis has now been integrated in the relevant *acquis* section, instead of constituting a separate part of the reports. Each chapter now includes not only an assessment of progress achieved since last year's report, but also an assessment of overall progress.

The assessment is based initially on information provided by the candidate countries themselves. The Commission has also taken into account information provided in the screening of the *acquis* and in the context of the accession negotiations as well as in meetings held under the Association Agreements. It has also compared information from these sources with that contained in the new National Programmes for the Adoption of the *Acquis*, which were transmitted to the Commission in the first part of 2000. The Commission has also drawn on the reports of the European Parliament, evaluations from the Member States, the work of international organisations, in particular the Council of Europe and OSCE, and international financial institutions as well as non-governmental organisations.

#### **1. Political criteria**

##### **a) Overall Development**

The Copenhagen European Council stated that "membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, and the respect for and protection of minorities". Article 6 of the Amsterdam Treaty indicates that "The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law".

In the 1999 reports, the Commission concluded that all the currently negotiating candidate countries met the political criteria, even if some still had progress to make in the protection of human rights and minorities. The countries have continued to strengthen the functioning of their democratic systems of government. Free and fair national or local elections were held in Bulgaria, Hungary, Lithuania, Poland, Romania and Slovenia since the last Regular Reports.

Modernisation of **public administration** and strengthening the **judiciary** are of crucial importance in the implementation of the *acquis* and the transition process. Considerable efforts have been made to train civil servants and judges and to reinforce the independence, professionalism and effectiveness of public administration and the civil service. This needs to be sustained.

Last year's reports identified **corruption** as a serious problem 'exacerbated by low salaries in the public sector and extensive use of bureaucratic controls in the economy'. This assessment remains valid. Corruption, fraud and economic crime are widespread in most candidate countries, leading to a lack of confidence by the citizens and discrediting the reforms. Anti-corruption programmes have been undertaken and some progress made, including accession to international instruments in this area, but corruption remains a matter of serious concern.

In last year's composite paper, the Commission had underlined the problems in **childcare institutions** in Romania. Since then, Romania has adopted legislative, administrative and financial measures, with PHARE support, to address this issue. However the living conditions of over 100,000 children have not improved and a policy for structural reform is only now being put in place. Further sustained efforts are therefore required to achieve tangible improvements, as well as addressing the problem of street children, in full respect of human rights.

In spite of legal prohibition, **trafficking in women and children** is a growing problem in certain candidates, which have become countries of origin, transit and destination. The abuse of international adoption schemes is also a matter of concern. Significant efforts are necessary to prevent such trafficking.

Legal protection of **gender equality** has progressed in most candidate countries, through a more appropriate legislative framework and also with the signature of the Optional Protocol to the Convention on the Elimination of all Forms of Discrimination against Women. Law implementation also has progressed, through more effective Labour inspection services or specific bodies set up in some countries, such as the Ombudsman for Equal Opportunities. However, further efforts are needed to promote the economic and social equality of women.

As regards **minorities**, positive developments have occurred since last year's reports. Estonia and Latvia have further progressed in the integration of non-citizens and continue to fulfil all the OSCE recommendations regarding citizenship and naturalisation. In both countries, the language law has been brought into compliance with international standards. The basic treaty between Hungary and Slovakia is being implemented concerning the Hungarian minority in Slovakia. In Romania, following the rejection of appeals against the government's decision to establish a university teaching in Hungarian, German and Romanian, it is hoped that this project will soon be realised.

The **Roma** continue to face widespread discrimination and difficulties in social and economic life, as underlined in last year's reports. In most countries where this situation occurs, measures and programmes have now been adopted, supported by PHARE funding and, in some cases, national budgetary resources. These programmes, which need to be supported by budgetary means in all countries, should be implemented in a more sustained manner, in close co-operation with Roma representatives. To that aim, the EU presidency

organised a conference in Lisbon, in June 2000, in close co-operation with the Commission, with the participation of Roma NGOs.

In its 1999 report, the Commission concluded that **Turkey** did not meet the Copenhagen political criteria. This remains valid. However, over the past year, important changes have occurred: the Government has adopted, in September 2000, a number of 'priority objectives' for reforms and legislation to comply with the Copenhagen political criteria, on the basis of a report of the Supreme Board of Co-ordination for Human Rights. Moreover, the Government has signed two major human rights conventions. Another positive development is the public debate that started in Turkey, since the Helsinki European Council, on the conditions for Turkey's accession to the EU. This debate has been fuelled also by the publication of reports on torture by the Turkish Grand National Assembly Human Rights committee.

The Commission is still concerned about shortcomings as regards respect for human rights and the right of minorities and about the constitutional role that the army plays in political life through the National Security Council.

However, the Commission welcomes the recent initiatives. It strongly encourages the Government to translate its declared intentions into concrete measures and hopes that the Parliament will ratify the recently signed human rights conventions without significant reservations. The Commission has also welcomed the decision to defer the execution of Mr. Abdullah Öcalan. It hopes that the situation in south-east Turkey will further stabilise.

## **b) Conclusions**

The requirements set by the Copenhagen political criteria, and the Commission's regular assessment of progress achieved in meeting them, have led to positive developments in all candidate countries. The overall record in strengthening democratic institutions, in respecting the rule of law and in protecting human rights has improved since last year.

However, the reform or the reinforcement of the judiciary should be accelerated to ensure respect of the rule of law and the effective enforcement of the *acquis*. The continued prevalence of corruption gives cause for concern. Tangible results in this field are also needed to respond to public concern and help ensure a transparent business environment. The growing problem of trafficking in women and children calls for vigorous measures. Sustained efforts are required to improve the situation of the Roma. Turkey should now take the necessary decisions to translate its intentions concerning human rights into concrete measures.

The conclusions of each Regular Report are contained in **Annex 1**. The list of Human Rights conventions ratified by the candidate countries is in **Annex 3**.

## 2. Economic criteria

### a) Overall development

This reporting period's assessment of the progress made in meeting the Copenhagen economic criteria takes place against the background of strong world wide growth, with the pick up of growth in the European Union being particularly beneficial for the candidate countries. Whereas 1999 figures still are influenced by the successive negative effects of the Asian, Russian and Kosovo crisis, these effects are subsiding in the available figures for the year 2000. The overall average real increase in GDP for the ten Central and Eastern European candidates is expected to be around 4% and just below 5% for all thirteen candidate countries.

With few exceptions, the overall economic performance of the candidate countries has improved. As the EU recorded strong growth at the same time, not all of them have shown real economic convergence towards the EU average. Moreover, disparities within the candidate countries tend to widen, in particular between the capitals and the regions bordering the EU, on one side, and the eastern regions on the other side. This is not an uncommon development in catching-up countries. However, future policies should also aim to reduce regional economic and social disparities.

In 1999 average real **GDP growth** for the ten Central and Eastern European countries was 2.2%. Five candidate countries have maintained high growth rates: Slovenia at 4.9%, Cyprus and Hungary at 4.5%, Poland and Malta at 4.2%. Economic growth in Bulgaria has remained positive at 2.4%, but has decreased in comparison to 1998, mainly as a result of the Kosovo and Russian crises. Slovakia's growth rate has decreased to 1.9%. The negative effects of Russian crisis has continued to influence the growth rates of three other countries: Latvia at 0.1%, Estonia at -1.1%, and Lithuania at -4.1%. The insufficiency of structural reforms together with the on-going effect of the Kosovo crisis in Romania have led again to negative growth at -3.2%. The devastating earthquake and the Russian crisis have affected Turkey whose growth has turned to be negative at -5.0%. Recession has come to an end in the Czech Republic with only -0.2% negative growth in 1999. The main statistical indicators are set out in **Annex 2**.

Growth has turned positive and has increased in all candidate countries in the first half of this year compared to the same period in 1999, ranging from around 2% in Lithuania, Romania and Slovakia to around 6% in Estonia, Hungary, Turkey and Poland. Growth rates for Bulgaria, Latvia, Slovenia, Malta and the Czech Republic range from just over 3% to just over 5 %.

**Macroeconomic conditions** have remained sound in most countries, but performance on current account deficits, inflation and fiscal balances is still uneven.

In 1999, with the exception of Romania and Turkey, where **inflation** rates were 45.8% and 64.9%, respectively, inflation has remained under control in the candidate countries with rates close to the average of 10% or lower. However, in Hungary and Poland the slow pace of disinflation remains a cause of concern. Particular attention needs to be paid to the relative large **current account** deficits in Estonia, Latvia, Lithuania and Poland. Current account balances have improved in Cyprus, Estonia, Romania and Slovakia, and worsened in Bulgaria and Slovenia, even though they have remained restrained. The current account

deficits have to a large extent been financed by capital inflows connected with privatisation, but green-field investments are increasing as well in a number of countries. Although efforts have been made in most candidate countries to stabilise **general government balances** in the reporting period, the sustainability of public finances remains a cause of concern in almost all candidate countries, albeit to different degrees.

The **privatisation** of large enterprises has further progressed in Hungary, the Czech Republic, Estonia and Bulgaria and less so in Latvia. In Poland, the pace of privatisation has been very strong, although restructuring is at an early stage in the steel and agriculture sectors. Good progress has been achieved on the privatisation of banks in the Czech republic, Bulgaria, Latvia, Malta and Slovakia. Progress has been made also in the areas of energy supply and telecommunications. However, in a number of countries, privatisation has facilitated the emergence of a new business elite often stemming from the old nomenclatura. Efforts should be made to increase further the transparency of the privatisation process.

**Unemployment** has increased significantly in most candidate countries, both in terms of the registered unemployment rates and if measured according to the definitions of the International Labour Organisation. In most countries, this is still the result of economic restructuring together with the fall in growth due to external crises. In countries such as Bulgaria, Latvia, Lithuania, Poland and Slovakia, where the unemployment rate is relatively high, structural reforms are providing a sound basis for economic growth and employment creation in the future. In Hungary and Slovenia, unemployment rates have decreased this year to 7% and 7.6%, respectively. Cyprus and Malta have relatively low rates at 3.6% and 5.3% respectively. Efforts need to be made in all countries to improve the response of the labour markets to growth opportunities, by increasing labour flexibility and mobility. Once the most painful reforms and restructuring, associated with large employment losses, have been completed, positive net job creation relating to new economic activity could start to reduce unemployment as witnessed in Hungary.

The overall volume of **foreign direct investment** (FDI) into the Central and Eastern European candidate countries continued to increase in 1999. Net inflows were higher than 3% of GDP in most countries, with sharp increases in Slovakia (from 2.8 to 3.7% of GDP), in the Czech Republic (from 4.5% to 9.1%) and in Bulgaria (from 2.8 to 6.1%). The stock of FDI per capita built up since 1989 is still the highest in Hungary, followed by the Czech Republic and Estonia. A high level of investment remains essential to further restructure and modernise the economies of all the Central and Eastern European candidate countries as well as Turkey. In Turkey, FDI inflows have been particularly low since the early 1980s, reflecting a relatively high degree of economic volatility. As a result, the stock of FDI per capita is significantly lower than in most other candidate countries. Cyprus and Malta continue to have much higher levels of FDI per capita.

As investors need a stable, predictable and supportive legal and regulatory framework in order to make long-term investments, candidate countries should complete reforms in this area making improvements whenever needed. They should also make substantial efforts to fight against corruption and to establish a transparent business environment. Domestic investments, in particular for small and medium-sized enterprises, are still hampered by the low level of financial intermediation. In general the financial sector is still underdeveloped and particular attention should be given to completing the regulatory, prudential and supervision framework to provide a sound basis for its future expansion.

The banking sector continues to be the most advanced part of the financial sector and its performance has improved, however there are still deficiencies in the delivery of services throughout the economy.

The European Union is, by far, the most important trading partner of the thirteen candidate countries. Between 1993 and 1999 the total value of **trade** has increased almost threefold to €210 billion. At 13.7% of total trade, the candidate countries together are the EU's second trade partner after the US. The EU's trade surplus with the candidate countries has diminished significantly in 1999, but still was €25,8 billion, of which 45% stems from trade with Poland and 20% with Turkey. It has more than compensated the EU's overall trade deficit (€13.7 billion, which corresponds with roughly 0.2% of EU GDP.). Trade integration of Central and Eastern European candidate countries with the EU has continued to increase. The highest shares are to be found in Hungary, with 64.4% of its imports coming from the EU and 76.2% of its exports going to the EU, and in Estonia, with 65% and 72.7%, respectively. Trade integration has further increased with the other countries, including with those which had the lowest shares in 1998, such as Latvia and Lithuania. An initial analysis of trade figures for the first six months in 2000 confirms the general pattern, with an overall increase of trade of some 26 % (for imports and exports) with the 13 candidate countries.

The free trade provisions established by the Europe Agreements with the ten Central and Eastern European countries have clearly paved the way for economic integration with the EU. The additional agricultural Protocols recently agreed in the framework of the Europe Agreements represent a major step forward which will further enhance trade relations between the EU and Central and Eastern European countries (see above under "Association Agreements"). Negotiations will continue in order to broaden the scope of the agricultural bilateral trade concessions.

As announced in last year's composite paper, the situation regarding the application of competition, state aids and internal market rules in each candidate country has been reviewed by the Commission during 2000, including in the context of the accession negotiations. That examination has shown that progress is not yet sufficient so as to recommend that the EU refrain from using commercial defence instruments for industrial products. The Commission will continue to review this matter.

## **b) Conclusions**

The progress of each country has been assessed according to the sub-criteria of the Copenhagen economic criteria – the existence of a functioning market economy and the capacity to withstand competitive pressure and market forces within the Union. These sub-criteria were more precisely defined in the Commission Communication on Agenda 2000:

The existence of a functioning market economy requires that prices, as well as trade, are liberalised and that an enforceable legal system, including property rights, is in place. Macroeconomic stability and consensus about economic policy enhance the performance of a market economy. A well-developed financial sector and the absence of any significant barriers to market entry and exit improve the efficiency of the economy.

The second criterion ('capacity to withstand competitive pressure and market forces within the Union') depends on the existence of a market economy and a stable macroeconomic

framework, allowing economic agents to make decisions in a climate of predictability. It also requires a sufficient amount of human and physical capital, including infrastructure. State enterprises need to be restructured and all enterprises need to invest to improve their efficiency. Furthermore, the more access enterprises have to outside finance and the more successful they are at restructuring and innovating, the greater will be their capacity to adapt. Overall, an economy will be better able to take on the obligations of membership the higher the degree of economic integration it achieves with the Union prior to accession. Both the volume and the range of products traded with EU Member States provide evidence of this.

Taking the two criteria together, it can be said that Cyprus and Malta are functioning market economies and should be able to cope with competitive pressure and market forces in the Union. Estonia, Hungary and Poland are functioning market economies and should be able to meet the second criterion in the near term provided they maintain their current reform path. The Czech Republic and Slovenia can be regarded as functioning market economies and should be able also to meet the second criterion in the near term, provided that they complete and implement remaining reforms. Latvia, Lithuania and Slovakia can be regarded as functioning market economies and should be able to meet the second criterion in the medium term, provided that they implement current structural reform programmes and undertake further reforms where necessary. Bulgaria does not meet either criterion but has clearly made further progress towards this objective. Romania has made too limited progress towards meeting the criteria. Turkey should continue to improve the functioning of markets and to enhance its competitiveness in order to meet the criteria.

The detailed conclusions on the fulfilment of each sub criterion in each regular Report can be found in **Annex 1**.

### **3. Other obligations of Membership**

The Copenhagen European Council indicated that membership requires ‘the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union’.

#### **a) Adoption, implementation and enforcement of the *acquis***

The ability to take on the obligations of membership requires the adoption, implementation and enforcement of the *acquis*. The European Council of Madrid highlighted the importance not only of incorporating the *acquis* into national legislation, but also of ensuring its effective application through appropriate administrative and judicial structures. This is a key aspect of preparation for membership. Its importance was recalled by the European Council of Santa Maria da Feira which stated: ‘in addition to finding solutions to the negotiating issues, progress in the negotiations depends [...] especially on their [the candidate states’] capacity to effectively implement and enforce it [the *acquis*]. [...] This calls for important efforts by the candidates to continue their domestic reforms, in particular strengthening their administrative and judicial structures’.

In order to effectively implement and enforce the *acquis*, existing structures need to be strengthened and new institutions created, for which the appropriate human and financial resources need to be made available. The NPAs are crucial in this regard. Despite

progress in the adoption of the *acquis*, the candidates' capacity to implement and enforce it properly remains inadequate, in many cases because of weak administrative structures.

*Acquis* preparation and implementation is not only a matter for government and administration but also for business, regional and local bodies and professional organisations. The European Parliament, the Economic and Social Committee and the Committee of Regions have called for the closer involvement of civil society in this process. The candidate countries' national authorities need to enhance dialogue with representative institutions to explain the *acquis* and to facilitate its country-wide adoption and implementation.

## **b) Country overview**

Overall, since the last Regular Reports, the adoption of legislation for alignment with the *acquis* has proceeded well in most candidate countries. In contrast, progress in setting up and strengthening the institutions required to implement and enforce the *acquis* has been uneven. The conclusions of the Regular Reports, country by country, are contained in **Annex 1**.

## **c) Sector overview**

The *acquis*, like national legislation, evolves to meet changing needs and requirements in areas such as telecommunications, electronic commerce, environmental or maritime safety protection. In most cases, the new *acquis* builds on the existing one. Candidate countries should not, therefore, delay adoption of current *acquis* in areas where new texts are under preparation. The adoption and implementation of the existing *acquis* will facilitate any subsequent adaptation.

Significant progress in alignment with the **internal market** *acquis* can be reported for most candidate countries, in particular in the field of standardisation and certification. The same efforts have not been made yet in market surveillance. Most countries have made good progress in the fields of services, capital movement and company law.

Notable achievements in legislative terms were made in several countries as regards intellectual and industrial property protection. However, enforcement remains a problem in many countries, where the fight against piracy and counterfeiting should be strengthened. Additional efforts are also needed in the field of public procurement. While progress has continued in the competition *acquis*, serious efforts should be made as regards state aids control, which remains a cause for concern in several countries. Another area of concern is customs where significant efforts are needed for both *acquis* alignment and implementation.

In the **agriculture** sector, several candidates have made significant progress as regards the adoption and implementation of the *acquis* and the convergence of current national policies with the Common Agricultural Policy, although candidate countries do not have to introduce common market organisation policy instruments before accession.. Nonetheless much remains to be accomplished as regards structural reforms (e.g. farm size, processing sector, marketing channels, land market). They should be initiated and conducted as a matter of priority in countries where they are most needed such as Poland and Romania. In the **veterinary** and **phytosanitary** sectors, although progress can be noted for several candidates as well, efforts should be speeded up to align with this

important *acquis* well before accession. In the area of food safety, the candidates need to ensure coherent transposition, implementation and controls throughout the whole food chain.

In the **transport** sector, good progress has been made in a number of candidate countries. An issue of concern remains maritime safety in several countries with shipping relevance. Whilst important steps have been taken in some of them, these do not always correspond to the most pressing needs. It is all the more essential for the countries concerned that serious efforts be made as the current maritime safety *acquis* is likely to be reinforced in the near future as in the air and railway transport sectors.

With a few exceptions, adoption of the *acquis* continues to be slow in the **social policy and employment** sector, including social dialogue. Social cohesion is at risk if progress is not made in these areas in parallel with reforms and *acquis* adoption in the other parts of this field. It is, therefore, essential that candidate countries accelerate their efforts.

In the **energy sector** certain progress has been made in candidate countries. It is however necessary that preparations continue vigorously particularly as concerns the internal energy market (electricity and gas directives). New *acquis* is expected in these areas after the Lisbon European Council's call for speeding up of liberalisation, aiming at achieving a fully operational internal market.

As concerns **nuclear safety**, successive European Councils have recalled the need to ensure a high level of nuclear safety. The Helsinki Summit called on the Council to consider how to address the issue of nuclear safety in the framework of the enlargement process 'in accordance with the relevant Council decisions'. The Commission is fully supporting this ongoing work. Moreover, the Commission continues to monitor actively the effective implementation of the closure commitments as regards certain nuclear reactors in Bulgaria, Lithuania and Slovakia qualified as non-upgradable at reasonable costs.

In contrast to last year, the transposition of **environment** *acquis* has started to progress faster in a number of countries. Much remains to be done however for both *acquis* alignment and implementation capacity. Efforts are needed in particular in the areas of water, industrial pollution control, chemicals and nature protection, where all countries would need to put more administrative resources into the *acquis* transposition. The ongoing work to prepare specific implementation programmes with corresponding financial plans needs to be accelerated.

Steady progress has been made in most candidate countries in the field of **justice and home affairs**. New legislation has been introduced in several countries on visa policy, asylum and rules of admission of third countries' citizens. Nevertheless, more attention should be paid, on the one hand, to border management where much remains to be done to ensure that the future EU's external borders will be managed according to the Union's standards and, on the other hand, to judicial co-operation in penal matters, especially corruption, where new legislation and international conventions need to be translated into efficient administrative arrangements. Furthermore, important efforts remain to be made to ensure that the *acquis* is acted upon including through the setting up of specialized administrative bodies and vocational training of officials.

The candidate countries have continued to align themselves with the **common foreign and security policy** of the Union, in particular by joining the EU's common positions. They continue to participate in political dialogue.

#### **d) EMU and the Euro**

Economic and monetary union, EMU, is an integral part of the *acquis*. However, a clear distinction should be made between participation in EMU – compulsory for all Member States – and participation in the euro zone. Candidate countries are not expected to adopt the euro directly upon accession. Convergence criteria are not accession criteria. In the run up to accession, the candidates should concentrate primarily on furthering the process of structural, and economic reform while developing the administrative capacity. Participation in the euro zone can only be the final step in what has been, and will remain, a lengthy and successful process of economic integration with the EU.

The process of adopting the euro for candidate countries will consist of three stages: first, the current pre-accession phase during which progress in the transition to well functioning market economies and competitiveness has to be completed, made irreversible, and in which macroeconomic stability must be made sustainable; second, an intermediary phase between accession and the adoption of the euro, where full participation in the Single Market is taking place together with progressive monetary integration towards the euro zone and through participation, at some point, in the exchange rate mechanism; and last, the participation in the euro zone.

For new Member States, as for initial participants in the euro zone, adoption of the euro will be decided following the examination of the achievement of a high degree of sustainable convergence, according to the procedure provided in article 121 of the EC Treaty.

Candidate countries should therefore concentrate, at this stage, on how to meet fully the Copenhagen economic criteria. As regards the pre-accession EMU *acquis*, substantial efforts are presently needed in Romania, Slovakia and Turkey and to a lesser extent in Cyprus to align legislation. The other candidate countries are either in line with this part of the *acquis* to a large extent, or have made significant progress in their alignment.

## **IV. THE ACCESSION NEGOTIATIONS**

### **1. Progress to date**

The negotiations opened on 31 March 1998 with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia, and on 15 February 2000 with Malta, Romania, Slovakia, Latvia, Lithuania and Bulgaria.

In accordance with the guidelines for the negotiations approved by the Luxembourg European Council and confirmed by the Helsinki European Council, each candidate proceeds at its own pace, depending on its degree of preparedness. Each candidate is assessed on its own merits and will join the European Union when it is able to meet the obligations of membership.

The negotiations are conducted in bilateral accession conferences between the member states and each applicant. The *acquis* has been divided into 31 chapters for the negotiations.

The first round of negotiations was held on 10 November 1998 with Cyprus, Hungary, Poland, Estonia, the Czech Republic and Slovenia. The first round of negotiations was held on 14 June 2000 with Malta, Romania, Slovakia, Latvia, Lithuania and Bulgaria.

After two years of negotiation with the six first countries, 29 chapters (all chapters dealing with the *acquis* except 'institutional questions' and 'other questions') have been opened and 11 to 16 chapters have been provisionally closed. By the end of this year, up to 17 chapters may have been opened with the countries which started negotiations in 2000 and 7 to 11 chapters may have been provisionally closed.

Provisional closure depends on credible commitments concerning the alignment of legislation with the *acquis* and the administrative capacity to apply it properly. Such commitments are monitored closely by the Commission. So far, this has not led it to recommend the reopening of any chapters. Certain chapters remain open in the absence of sufficient commitments or because of requests for transitional measures.

The negotiations follow the principle of differentiation and give a possibility for those countries that joined the negotiations at a later stage to catch up.

### **2. Towards the conclusion of the negotiations**

On the basis of the progress made to date, the Commission considers that the time has come to outline a strategy to take the negotiations into a more substantial phase and point the way towards their conclusion. This strategy would enable the member states and the candidates to take up in the accession conferences the key issues which need to be resolved to bring the negotiations to a satisfactory conclusion.

The main elements of the strategy put forward in detail below are:

- An invitation to the member states and the candidates to take up in the negotiations the substantial issues raised by requests for transitional measures

- An analysis of such requests, distinguishing between cases that the Commission considers to be acceptable, negotiable or unacceptable
- A detailed road map providing a clear sequence for tackling these issues in the course of 2001 and 2002
- A proposal to facilitate negotiations by ‘setting-aside’ chapters with a limited number of remaining problems
- An indication of the time needed to complete the negotiations

This strategy is based on the principles laid down at the outset of the negotiations and the progress already achieved. It would confirm the Union’s determination to inject new momentum into the negotiations and to move them forward according to an ambitious but realistic timetable. This will encourage the candidates to intensify their preparations and enhance confidence in the accession process.

#### **a) Transitional measures**

Accession negotiations are based on the principle that candidates accept the *acquis* and apply it effectively upon accession. Transitional measures, whereby the application of part of the *acquis* is delayed for a specified period, are accepted only in well-justified cases. The Commission has registered, up to now, over 170 requests for transitional measures from candidates in fields other than agriculture, and over 340 requests in agriculture.

The general position, which the Union presented to the candidates at the outset of the negotiations, stated that their acceptance of the *acquis* ‘may give rise to technical adjustments, and exceptionally to transitional measures. Such transitional measures shall be limited in time and scope, and accompanied by a plan with clearly defined stages for application of the *acquis*. They must not involve amendments to the rules or policies of the Union, disrupt their proper functioning, or lead to significant distortions of competition. In this connection, account must be taken of the interests of the Union, the applicant country and the other applicant states’.

The Commission expressed the view in last year’s Composite Paper that ‘for the areas linked to the extension of the single market, regulatory measures could be implemented quickly. Any transition periods should therefore be few and short. For those areas of the *acquis* where considerable adaptations are necessary and which require substantial effort, including important financial outlays in areas such as environment, energy and infrastructure, transition arrangements could be spread over a definite period of time, provided candidates can demonstrate that alignment is under way and that they are committed to detailed and realistic plans for alignment, including the necessary investments’.

The Commission will base its assessment of the candidate’s requests on these criteria. The analysis will be made on a case-by-case basis, taking into account the country’s interests and the likely impact of each request on the functioning of the Union and the interests of the other applicant states. The acceptance of a transitional measure in one case will not constitute a precedent for others. Similarly, transitional measures granted in previous accessions do not necessarily create a precedent for the present negotiations.

In preparing common positions, in response to the candidate's requests, the Commission will distinguish between three cases:

1) *Acceptable*. This category includes transitional measures of a technical nature that pose no significant problems. The Commission has, since September 2000, been examining favourably requests for transitional measures that are limited in time and scope, and are considered not to have a significant impact on competition or the functioning of the internal market. Acceptance of this type of request has already advanced negotiations in certain chapters, and will continue to do so.

2) *Negotiable*. This category includes those requests with a more significant impact, in terms of competition or the internal market, or in time and scope. The Commission may recommend that transitional measures can be accepted in this category, under certain conditions and within a certain time horizon. Acceptance may be conditional on the implementation of other parts of the *acquis* without transitional measures or on commitment to well-defined plans for implementation and investment.

Requests in this category will be examined taking into account not only competition and the single market, but also, as appropriate, effects on the economy, health, safety, the environment, consumers, citizens, other common policies and the Community budget.

3) *Unacceptable*. Requests for transitional measures posing fundamental problems will not be accepted

By classifying certain requests as 'negotiable', the Commission does not imply that it will recommend their acceptance, in whole or part, but rather that a solution may be found under certain conditions.

The Commission reserves the possibility, where appropriate, to propose transitional measures in the interest of the Union.

## **b) A road map for the negotiations**

In order to advance the negotiations on the basis of the existing principles and following the methodology for handling transitional measures outlined above, the Commission proposes a 'road map', in the form of a sequenced approach to the chapters in the negotiations. The Commission suggests that the accession conferences take up as far as possible, in the course of 2001, most outstanding substantial issues in the negotiations, except those with the greatest budgetary implications. These, together with the 'institutional' chapter and remaining unresolved issues, would be addressed in the first half of 2002.

The suggested priority schedules proposed below would permit the negotiations to progress on chapters that remain open, notably because of requests for transitional measures. This schedule is indicative and could, in a number of cases, be brought forward when the preparedness of a candidate country so permits: as witnessed by the actual state of negotiations some of the chapters listed below have already been provisionally closed with some of the candidate countries and it may be possible to close other chapters

provisionally earlier than envisaged. Conversely, the schedule may not necessarily be realized for all candidates on all chapters in the given time periods. This approach maintains the principle of differentiation and should permit negotiations with well-prepared countries to advance rapidly.

The road map identifies priorities for the negotiations for the next three semesters. The identification of priorities is based on an analysis of the Commission as to the possibilities to advance with negotiations in certain fields. The proposal would be to move forward early on a number of internal market related matters, to progress with social matters and to push for an ambitious programme related to environment in the first semester, whilst concentrating on provisional closure for chapters needing a longer preparation period in the second semester. The timing is also conditioned on an evaluation of the respective efforts needed to come to definitive answers on the transition periods and to produce detailed and realistic alignment and investment schedules.

The progress of negotiations and the provisional closure of negotiations on chapters will depend on all parties making the necessary contributions. The aim of the 'road map' is to ensure that all parties to the negotiations commit themselves to a realistic timetable. The Commission undertakes, where this is feasible, to make the necessary proposals for chapters remaining open in time to permit the Council to formulate common positions to present to the candidates according to this schedule. It invites member states to be ready to formulate their negotiating positions on the substantial issues at stake in particular chapters, at the latest in the period indicated by the schedules. Candidate countries should also be prepared to give the necessary substantive replies and commitments in this period.

In cases where a chapter cannot be provisionally closed, but the number of remaining problems is very limited, the Commission would propose to modify the approach taken up to now. Instead of leaving such a chapter on the negotiating table, the chapter could be 'set aside' with the mention that it will be revisited in order to find a solution to the few remaining issues at the appropriate moment. This would reduce considerably the number of open chapters and identify more clearly the problems remaining to be resolved.

The road map refers essentially to chapters in which the candidates have requested transitional measures. Certain chapters might need to be identified in addition as the negotiations progress. In line with the approach to introduce a 'road map', the Commission proposes also to adapt the approach to opening chapters (see below) to permit well prepared candidate countries which started negotiations this year to catch up.

Monitoring will continue for all chapters, to establish whether commitments concerning the adoption and implementation of the *acquis* have been fulfilled. Where the actual enforcement track record of each candidate is considered to be primordial for the definitive closure of the chapter, such as in the field of competition, the monitoring process may be reinforced and the Commission reserves the right to recommend the re-opening of the relevant chapter.

#### *Priority schedule for the first half of 2001*

In this period, the Union would have as its priority to define common positions, including positions on requests for transitional measures, with a view to closing provisionally the following chapters:

*Free movement of goods*  
*Free movement of persons*  
*Freedom to provide services*  
*Free movement of capital*  
*Company law*  
*Culture and audio-visual policy*  
*Social policy and employment*  
*Environment*  
*External Relations*

Issues of substance to be considered in this period include, for example, co-ordination of social security schemes; recognition of diplomas; land acquisition; pharmaceuticals; freedom of movement for workers; health and safety at work; quality of water; pollution and treatment of waste; preferential trade regimes etc. as well as general questions related to the capacity to implement and enforce the Community *acquis*.

*Priority schedule for the second half of 2001*

In addition to any element not yet addressed in the previous period, the Union would have as its priority, in this period, to define common positions, including positions on requests for transitional measures, with a view to closing provisionally the following chapters:

*Competition policy*  
*Transport policy*  
*Energy*  
*Taxation*  
*Customs union*  
*Agriculture (in particular veterinary and phytosanitary questions)*  
*Fisheries*  
*Justice and home affairs*  
*Financial Control*

Issues of substance to be considered in this period include, for example, proper implementation and enforcement of state aid legislation; land transport; maritime safety; internal gas and electricity markets; nuclear safety; Customs Code; VAT; excise duties; food safety; visa policy; Schengen *acquis* etc. as well as general questions related to the capacity to implement and enforce the Community *acquis*.

*Priority schedule for the first half of 2002*

In this period, the Union would concentrate on any important questions from other chapters for which solutions have not yet been found and define common positions, including positions on all requests for transitional measures, with a view to closing provisionally the remaining chapters:

*Agriculture (remaining questions)*  
*Regional policy and structural instruments*

**c) Opening of remaining chapters**

Over half the chapters will have been opened by the end of this year with the best prepared countries with which negotiations began in 2000. The European Council of Santa Maria da Feira considered that “it should be feasible to open negotiations in all areas of the *acquis* with the most advanced of these countries as early as possible in 2001”.

In view of this objective, the Commission recommends that Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia should rapidly prepare position papers on those chapters where they consider to be ready for negotiations, basing themselves also on the analysis put forward in the Regular Reports and the road map outlined above. These position papers should be ready in time for the Commission to be able to present draft common positions early next year.

The Commission recalls that real progress in the negotiations depends more on the quality of preparations made by each candidate than on the number of chapters opened. The Commission will therefore base its assessment on whether a chapter should be opened and a draft common position prepared on the substance of each position paper presented.

**3. Prospects for concluding the negotiations**

The proposed strategy for the accession negotiations, combined with the recommendations concerning priorities for each candidate set out in the Accession Partnerships, gives a clear perspective for future accessions. The approach set out above should make it possible to attain the objectives set out by the European Council, the European Parliament and the Commission in a number of key declarations.

The Helsinki European Council declared in December 1999 that, provided the necessary institutional reform is in place, the Union ‘should be in a position to welcome new member states from the end of 2002 as soon as they have demonstrated their ability to assume the obligations of membership, and once the negotiating process has been successfully completed’.

The European Parliament, in its resolution in October 2000, called for member states and candidate countries to ‘do everything in their power to ensure that the European Parliament can give its assent to the first accession treaties before the European Parliament elections in 2004, in order that these countries might have the prospect of participating in those elections’.

The Commission maintains the view expressed in its 1999 Composite Paper, that it should be possible to conclude negotiations with the most advanced candidate countries in 2002.

The three conditions for accomplishing the first accessions are the financial framework, institutional reform, and the conclusion of negotiations with those candidates who fulfil all the criteria for membership:

- As to the financial conditions, the approach envisaged by the Commission should allow the Union to stay within the framework decided by the Berlin European Council.
- Concerning institutional reform, the Commission urges the European Council to take the necessary decisions at its forthcoming meeting in Nice.
- Concerning the accession negotiations and preparations for membership, the Commission considers that if the strategy outlined in this document is effectively pursued, the conditions will be created whereby negotiations can be concluded in the course of 2002 with those candidate countries who fulfil all the criteria for membership, thus putting the Union in a position to welcome new Member States from the end of 2002.

## **V. FORMAL CONCLUSIONS**

In the light of the above the Commission recommends to the European Council to conclude that :

- accession negotiations should progress following the indicative priority schedules for 2001 and 2002 contained in the proposed 'road map', whereby all requests for transitional measures and other outstanding issues will be addressed by the Union with the most advanced countries at the latest by June 2002;
- the "road map" will allow to address requests for transitional measures which are acceptable or negotiable and may include transition measures in the interests of the Union;
- to permit further progress in the accession negotiations when a limited number of problems cannot be solved rapidly, these will be 'set aside' to be revisited later, thus facilitating a clear identification of outstanding issues and permitting the corresponding chapters to be provisionally closed;
- while maintaining the principle of differentiation, this approach should permit the conclusion of negotiations in the course of 2002 with those candidate countries who fulfil all the criteria for membership, thus putting the Union in a position to welcome new Member States from the end of 2002;
- Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia should prepare their position papers on those chapters where they consider to be ready for negotiation, taking into account their state of preparation and the proposed 'road map'. On this basis, the Commission will assess whether the opening of these chapters to negotiation can be recommended. This should allow the most advanced candidates to open negotiations in all areas of the *acquis* as early as possible in 2001 ;
- incorporation of the *acquis* by the candidate States in their legislation, and adaptation of their capacity effectively to implement and enforce it, remain the key conditions for

progressing in the negotiations. The Commission will thus continue to monitor negotiating countries' commitments ;

- the Accession Partnerships remain the central pre-accession strategy instruments. Short-term priorities of the 1999 Partnerships not fully met yet should be implemented rapidly whilst the medium-term priorities are applicable. They will form the basis for programming pre-accession assistance in 2001 ;
- negotiations for further additional reciprocal trade concessions in the field of agricultural products should be launched in the framework of the Europe Agreements, with a view to enhancing trade relations and to preparing for accession in this important area ;
- to facilitate the participation of all candidate countries in the Community programmes, framework decisions should be adopted for Central and Eastern European countries and bilateral agreements concluded with Cyprus, Malta and Turkey ;
- although Turkey does not yet meet the conditions for opening negotiations, the following actions are necessary in order to implement the pre-accession strategy :
  - continuing political dialogue, in line with the Helsinki European Council conclusions ;
  - monitoring the implementation of the Accession Partnership in the context of the Association Agreement mechanisms now in place ;
  - continue preparing the process of analytical examination of the *acquis* and deciding on further steps after reporting to the European Council on progress achieved ;
  - preparing a single financial framework for assistance as soon as possible ;
  - preparing a bilateral agreement for facilitating its participation in Community programmes;
- the European Conference should continue to be used as the framework for discussing the future of the Union with the candidate countries ;
- the Commission's proposed communication strategy should be implemented as a matter of priority in order to allay fears of enlargement, to inform about its benefits and to win over citizens' support.

\* \* \* \* \*

## CONCLUSIONS OF THE REGULAR REPORTS

### **Bulgaria**

Bulgaria continues to fulfil the Copenhagen political criteria.

Bulgaria has made progress in adopting secondary legislation necessary to implement the Civil Service Law, and also to implement this. The adoption of the Child Protection Act in June 2000, which creates a State Agency for Child Protection, is another positive step forward.

However, very little has been done to upgrade the judiciary, which remains weak. Also corruption continues to be a very serious problem and a global, transparent anti-corruption strategy with overt backing from government and parliament would be of benefit. Since the adoption of the framework programme for the integration of Roma last year, some progress has been made but the administrative capacity of the National Council on Ethnic and Demographic Issues to implement the programme remains low, and the limited financial means allocated for implementation make effective performance of its task difficult.

Major efforts are needed to develop a strong, independent, effective and professional judicial system. The fight against corruption needs to be strengthened. In line with the short-term Accession Partnership priority on Roma, further concrete actions and adequate financial resources are still required.

Bulgaria has clearly made further progress towards becoming a functioning market economy. It is not yet able to cope with competitive pressure and market forces within the Union in the medium term.

Bulgaria is establishing a satisfactory track record of macroeconomic stabilisation and performance. Good progress has been made in privatisation, especially as regards banks, and a major reform of health and pension systems has begun.

However, structural reforms still need to be taken further and enterprise restructuring needs to be advanced. Financial intermediation continues to be weak, and much remains to be done in areas such as the functioning of the land market, or the enforcement of bankruptcy cases.

Measures to address the weaknesses in the implementation and enforcement of the legal and regulatory framework need to be taken to improve the business climate. Bureaucratic barriers to foreign and local enterprise creation must be eliminated. A sustained implementation of the existing reform programme and higher levels of investment are key requirements for continued growth, developing the enterprise sector, and building up competitiveness.

Since the last Regular Report, Bulgaria has maintained a good pace of alignment of legislation with the *acquis* but needs to pay more attention to how this will be implemented and enforced. Progress on public administration reform, in particular to implement the Civil Service law, is a positive sign. However, very little has been done to upgrade the judicial system, which remains weak and needs to be strengthened, in particular to ensure future effective participation in the internal market.

Regarding the *internal market*, Bulgaria has made further progress in most areas. In particular in free movement of goods, progress has been made in standardisation to introduce the New and Global Approach principles. Bulgaria has made good progress in liberalisation of movement of capital with the adoption of laws on foreign exchange and securities. Nevertheless, the poor functioning of the land market remains an obstacle for potential investors. Substantial progress has been made on legal alignment of industrial property rights. Good further progress has also been made in consumer protection and statistics. However, further efforts will be needed in the area of data protection, where Bulgaria lacks a framework compatible with the *acquis*. State aids remain a matter of concern and Bulgaria is still only starting to develop and implement a legal framework in this field, an issue that needs to be addressed as a matter of priority. Bulgaria's progress to achieve a substantial degree of alignment on the audio-visual *acquis* can be commended.

In agriculture, Bulgaria has made significant progress in approximation of legislation and some progress on implementation, but as mentioned last year, this remains problematic partly due to lack of funding. Further work is needed on veterinary inspection. Bulgaria has made good progress for the start of the SAPARD programme where it has moved swiftly towards accreditation for its paying agency. Concerning regional policy, Bulgaria has adopted a new territorial organisation, for six planning regions corresponding to level II statistical units. However, more attention needs to be paid to co-ordination and implementation both at national and regional levels. Bulgaria has achieved further progress in terms of transposition of the EC environmental *acquis* and for the preparation of the implementation of EC environmental directives.

Progress in transport has accelerated compared to previous years. Steps have been taken in all sectors and work has started on maritime safety. The long-standing issue of a second bridge across the Danube to Romania has been resolved with an agreement between Bulgaria and Romania in February 2000.

The restructuring of the energy sector has gained momentum during 2000. Particular attention must be drawn to nuclear safety. The commitments for early closure of Kozloduy Units 1 to 4 made by the Bulgarian Government in the Understanding of November 1999 mark an important step forward in Bulgaria's pre-accession course.

In justice and home affairs, further progress has been made on legislation and there has been more focus on implementation. Further resources and investment in modern equipment will be needed to ensure success.

In general, the capacity of the Bulgarian administration and judicial system to ensure application of the *acquis* is still limited. Efforts are focussed on preparation and adoption of legislation with insufficient attention on how this will be implemented and enforced. This means that in areas where an adequate legal framework has been adopted, implementation and enforcement of laws remains poor because of weak administrative and judicial capacity and lack of preparation for implementation.

Bulgaria has fulfilled partially the large majority of short-term Accession Partnership priorities relating to the *acquis*. Concerning administrative capacity, Bulgaria has advanced on priorities with the exception of those on building the capacity to assess the financial and institutional impact of new legislation and on strengthening the judiciary, where little progress has been made.

Bulgaria has already started to address some of the medium-term Accession Partnership priorities.

## Cyprus

Cyprus continues to fulfil the Copenhagen political criteria. The predominant political problem is the continued division of the island, but over the last year important efforts have been made in the search for a political settlement in line with the Accession Partnership. From the fourth round of proximity talks held in September there were encouraging signs that the two sides were engaging in substantive discussion.

Cyprus is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union.

The Cypriot economy continues to grow strongly and is operating at full employment. Some progress is being made in the areas of liberalisation and structural reforms. After many years of delay, Parliament passed legislation providing a timetable for the abolition of the interest ceiling by January 2001. The Cypriot Authorities have started major health sector reform.

However, macroeconomic stability has weakened recently, and the current level and stance of fiscal policy are not sustainable over the medium term. Supervision must be improved in the co-operative banking sector. The completion of price liberalisation is also required. Competitiveness is hampered by a number of structural rigidities and significant state involvement in the economy.

There is a need to develop a credible and coherent approach to fiscal consolidation. With a view to progressive capital liberalisation, monetary policy must be made more efficient and market-oriented by the use of indirect instruments rather than direct interventions. Cyprus must prepare its private sector to operate in the open environment that integration into the EU requires. Greater political consensus is needed to develop a comprehensive structural reform agenda which should limit the extent of state involvement in economic activities, open up key sectors to foreign competition, and resolve important environmental constraints.

During the period covered by this regular report, Cyprus has achieved substantive progress in various areas of the *acquis* and continued with further harmonisation measures. As regards administrative capacity, it continued with the upgrading of the existing infrastructure, including staff recruitment.

Over the last year, there has been progress in adopting legislation in key areas of the internal market. Although new legislation has been adopted in some areas of free movement of goods, further efforts are still needed in respect of standardisation and certification as well as of the framework for the New Approach Directives. In financial services further progress has been achieved in the adoption of appropriate national legislation and enhancing administrative capacity. The steps taken towards liberalisation of capital movements are positive; however, further efforts are still needed for a timely and orderly removal of remaining restrictions on capital movements before accession. Moreover, the already quite high degree of alignment on anti-trust has been further improved by amending legislation on public undertakings and undertakings with special and exclusive rights in respect of the rules of competition. However, as regards State aid, the situation remains unsatisfactory, as there still exists no proper State aid control and no legal basis for it. Cyprus has achieved progress in the field of indirect taxation, as the standard rate of Value Added Tax (VAT) has been increased from 8% to 10% and legislation for further alignment with the VAT *acquis* has been adopted.

During the last year Cyprus has enacted some harmonisation legislation in the field of agriculture, however, what has been done is mainly preparatory work, therefore harmonisation with the *acquis* in the veterinary and phytosanitary fields continues to be partial. Further efforts are still needed regarding veterinary controls at border posts.

In the fields of transport and fisheries, Cyprus has undertaken serious efforts to achieve further alignment with the *acquis* by adopting legislation as well as strengthening its administrative capacity.

As regards alignment with the environment *acquis*, several laws and orders have been adopted, but the emphasis lay on preparatory work. Although more attention has been paid to the allocation of sufficient budgetary and administrative resources to the environmental sector to ensure the implementation of the *acquis*, given the size of the alignment task in this area, this sector still remains a high priority.

In the area of justice and home affairs, Cyprus has made progress with the adoption of legislation on asylum and also with a view to judicial co-operation in criminal and civil matters. However, attention should be paid to the enforcement of border control, with special regard to the fact that Cyprus will be an external border of the EU, as well as to efficient implementation of the existing legislation on money laundering, although in this area considerable efforts have already been undertaken.

Cyprus has further strengthened its *administrative capacity*. Several institutions have already gained experience in several areas of the *acquis*, such as for instance the Department of Social Insurance in the case of the co-ordination of social security. In the fields of regional policy and financial control the required structures are already to a large extent in place. Various measures are being taken to further strengthen the capacity to implement the *acquis* and to upgrade the existing equipment; this applies for example to the area of free movement of goods, company law, fisheries and justice and home affairs. In some of these sectors, and as regards employment and social policy, this also involves administrative restructuring and reorganisation. A concrete example is the efforts undertaken for maritime transport, where in order to improve the safety record of the Cyprus fleet, the last year has seen the number of ships inspected more than double and an increase in the world-wide network of inspectors of Cyprus' ships. Furthermore, additional staff have been recruited/trained, or this is foreseen in the budget, for areas such as taxation and combating money laundering.

However, despite the strong basis of its administrative capacity, the country still has to set up regulatory authorities, and build institutions in the field of free movement of goods, agriculture, energy, telecommunication and justice and home affairs. Further recruitment of staff in several areas such as company law, transport, taxation, environment and justice and home affairs is needed.

During the last year Cyprus has met the short-term priorities of its Accession Partnership with regard to fisheries and transport. In most other areas the priorities were partially fulfilled. However, in some areas of the *acquis* such as the State aid sector in the field of competition and the transposition and enforcement of the environmental *acquis* further harmonisation measures are needed.

Cyprus has made progress in addressing the medium-term Accession Partnership priorities, and has partially fulfilled a number of them, including in such areas as the internal market, energy, and justice and home affairs.

## **Czech Republic**

The Czech Republic continues to fulfil the Copenhagen political criteria. Recent significant developments include, in particular, a more effective collaboration between the government and Parliament.

There has been progress in setting the legal framework for regional government. However, the reform of the public administration has not advanced significantly and therefore the short term priority of the Accession Partnership in this field has not been met. The reform of the judiciary is equally a short term priority of the Accession Partnership. Whilst progress has been made, it is regrettable that certain key parts of the reform have not yet been adopted. Administrative and judicial reform are both essential for effective enforcement of the *acquis* and improved good governance. Thus efforts must be pursued in these fields, in line with the medium term priorities of the Accession Partnership.

Furthermore, the fight against corruption and economic crime has so far been insufficient. Tangible results in this field will respond to public concern and help ensure a transparent business environment.

The Czech Republic continues to respect human rights and freedoms and has developed its internal institutional framework in this field. Nevertheless, areas of concern remain, in particular overcrowding of the prison system and persistence of trafficking in women and children.

Increased and, in some areas, significant efforts have been made since last year regarding the situation of the Roma community, notably with regard to the education system. However, a lasting improvement in the situation of the Roma requires sustained effort over time. Further progress is needed, as indicated in the medium term priorities of the Accession Partnership.

The Czech Republic can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it keeps up and completes the implementation of structural reforms.

Macroeconomic stability has increased. Growth has resumed, while the favourable performance on inflation and the external balance has been maintained. Efforts are being made to increase the transparency of the public accounts. Progress has been made on further restructuring and privatisation of banks.

However, the strengthening of competition and of supervision in the financial sector is crucial in order to reinforce macro-economic policies and to foster economic activity. The sustainability of public finances in the medium-term is not yet assured. The efforts to privatise and restructure the state owned enterprises must continue and corporate governance must improve.

The authorities need to concentrate on developing an environment supportive of business activity – especially in the area of small and medium-sized enterprises. Further improvement of the legal framework, the implementation of the prudential regulations for the financial sector and the continued development of this sector are essential. The restructuring and privatisation of state-owned enterprises and the restructuring of other enterprises must go hand in hand with the strengthening of corporate governance.

Since the previous Regular Report there has been a significant acceleration in the rate of legislative alignment with the EC *acquis* although further efforts are needed in a number of key areas. There has also been some progress in strengthening administrative capacity although the delays in administrative and judicial reform have hampered these efforts.

There has been good progress in legislative alignment in key areas of the *internal market acquis*. Regarding the free movement of goods, legislation has been adopted covering a wide range of sectors from toys to pharmaceuticals. As regards the free movement of capital, the law against money laundering has been strengthened although a clear timetable is needed for the cancelling of existing anonymous bank accounts. In the area of free movement of services, capital market surveillance needs to be further strengthened. In the fields of intellectual property significant progress has been made in aligning with the *acquis* although the effectiveness of the regulatory bodies needs to be improved. As regards competition law some gaps remain on anti-trust but legislation has been further aligned regarding state aids.

Concerning the field of *innovation*, a great deal of progress in transposing the *acquis* has been made concerning the liberalisation of the telecommunications market through the strengthening of the regulatory body and the abolition of the exclusive rights of the current operator. On audiovisual policy, further efforts are needed for alignment with the *acquis* and it is necessary in particular to strengthen the supervisory authority.

Progress has also been made on sectoral policies. As regards industry, the government has promoted enterprise restructuring and accelerated privatisation, in particular through the work of the Revitalisation Agency, with the exception of the steel sector. For transport, alignment has progressed in all sectors; on high-speed rail systems, road transport, air transport, inland waterways and maritime transport.

In the area of *economic and social cohesion*, good progress has been registered. In the field of social policy and employment, employment strategy is in line with EC principles and policy and social dialogue has been strengthened. On regional policy, territorial organisation is in line with EC classification, a new Act regulates regional development and the institutional framework has been clarified.

In the field of *agriculture*, progress has been made to prepare the measures required to implement the *Common Agricultural Policy*, notably with new legislation on the establishment of the State Agriculture Intervention Fund. In the field of *veterinary and phytosanitary* legislation, progress has been made with alignment.

As regards the *environment*, further efforts are needed to transpose the *acquis* in the areas of air pollution, waste management and water quality and Environmental Impact Assessment. Furthermore, more coherent medium term financing strategies need to be established.

In the field of *Justice and Home Affairs*, the effectiveness of border policing continues to be deficient with co-ordination still needing to be improved between ordinary and border policing, as well as with customs authorities. There has been no substantial progress in the fight against corruption and organised crime.

As regards *administrative capacity*, the bodies responsible for standards and certification of goods generally function well. However, in the field of services, the Securities Commission should be further reinforced. As regards competition, the state aid monitoring authority needs to be reinforced whilst the Office for the Protection of Competition is well established. As regards agriculture, progress has been achieved as regards the introduction of an administrative structure for common market organisations, notably with the adoption of the Act on the State Agricultural Intervention Fund. In regional policy, preparation for the structural funds has been taken forward with the establishment of territorial units in accordance with the *acquis* classification. For the environment, approval has been given to

increase the staff in the Ministry of Environment and in the Czech Environmental Inspectorate, although training needs to be improved and financial resources increased. As regards Justice and Home Affairs, visa matters are now overseen by the newly established Department for Immigration and Border Control and a first step in reforming organisational structures was taken to improve border controls. However, overall, insufficient progress has been made in this area, which suffers from insufficient staff and poor equipment as well as organisational weaknesses.

The majority of the priorities of the *Accession Partnership* have been addressed although the efforts made thus far should be built upon in order to meet more fully the set objectives. Progress has been particularly satisfactory on free movement of goods, employment and social affairs and telecommunications. However in some areas the short-term priorities have not been sufficiently pursued. This is the case as regards Company law with respect to minority shareholders, and in the area of the free movement of services where capital market surveillance has not been adequately strengthened. As regards the audio-visual sector, little alignment has taken place. Progress on the environment and Justice and Home Affairs has been limited.

The Czech Republic has already started to address a number of the medium-term Accession Partnership priorities.

### **Estonia**

Estonia continues to fulfil the Copenhagen political criteria. It has addressed most of the short-term priorities of the 1999 Accession Partnership in this area, including the introduction of amendments to the language law, the adoption of the State Integration Programme for non-Estonians, the reinforcement in the training of judges and the reduction in the number of judge vacancies. In addition, steps have been taken to improve the capacity of the Citizenship and Migration Board to handle residence and citizenship applications. Progress towards the modernisation of the public administration has been limited. Efforts should be made to introduce a comprehensive strategy in this area, aiming at addressing the current deficiencies. Measures which have so far been taken to improve the functioning of the judiciary need to be continued, in particular to reinforce the training of judges. Co-ordination between the different justice bodies needs to be reinforced and the reform of the penal and civil law systems needs to be accelerated.

As regards the integration of minorities, Estonia needs to ensure that the implementation of the Language Law takes place in accordance with international standards and the Europe Agreement. The capacities of the ombudsman, in particular as regards the protection of minorities need to be reinforced.

Estonia needs to continue efforts as regards the integration of non-citizens, reinforcing the capacity of the public administration, and improving the judicial system, in order to meet the medium-term priorities of the 1999 Accession Partnership in these areas.

Estonia is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it stays with its present reform path.

It has made considerable progress in strengthening macroeconomic stability, restructuring the enterprise and financial sectors, and in implementing structural reforms in the utilities and energy sectors. The legal, institutional and regulatory framework is in place and enforcement is largely adequate. Enterprises have adapted to economic circumstances and have maintained their external competitiveness.

Nevertheless, the current account deficit remains high, and not enough progress in containing government expenditures has been made, especially in the pension and health-care reform area, in the control of local government expenditure and debt policy. Remaining structural reforms must be completed, particularly the oil-shale and land reforms.

Estonia must continue with fiscal adjustment, further fiscal consolidation and improved expenditure management, including the control of local government expenditure and debt policy. Measures must be taken to reinforce the regulatory framework of the financial sector, complete land privatisation and improve access to market-based credit for agriculture and small and medium-sized enterprises. Initiatives to improve the response of the labour market to economic growth, with a focus on improving education and training, need to be developed.

Overall, Estonia has continued alignment of legislation at a good pace in most areas of the *acquis*. Although some steps have been taken in order to set up administrative structures for most chapters, Estonia still needs to make considerable efforts in this area.

Concerning the *internal market*, considerable progress has been made as regards the adoption of framework legislation and the setting up of administrative structures related to standardisation and conformity assessment. Efforts need to be pursued to introduce a market surveillance system. Considerable progress has also been made in legislative alignment in *telecommunications* and the *audiovisual* sector. Overall, Estonia's legislation is already broadly in line with the *acquis* in the fields of *free movement of capital*, *free provision of financial services* and *company law*. However, efforts to strengthen the administrative capacity in these areas need to be pursued. Special attention should be paid to adequate enforcement of industrial and intellectual property rights, especially the fight against pirated and counterfeited goods. Although alignment of legislation has continued, further efforts need to be made as regards state aid control and mutual recognition of professional qualifications.

As far as *taxation* is concerned, some progress has been made in aligning VAT and excise duty legislation. Considerable efforts still need to be made in order to reinforce the tax administration. In this context, the withdrawal of the envisaged timetable for the gradual alignment of excise duties on fuel constitutes a step backwards in working towards this goal. In the area of *customs*, progress to complete the legal and administrative framework has been limited. Estonia urgently needs to adopt a timetable for the progressive and effective implementation of tariffs and tariff related measures. Substantial efforts still need to be made to enhance the administrative and operational capacity to implement the *acquis*.

In the area of *transport* Estonia has continued progress in completing the legislative framework. Progress made this year in strengthening the implementation of maritime safety standards needs to be continued. In the field of *energy*, progress in alignment of the legislation has been limited.

Concerning *agriculture*, substantial progress has been made as regards the introduction of a legal framework and in setting up administrative structures for the future implementation of the Common Agricultural Policy. However, efforts need to be continued to introduce quality and marketing standards for the different products and market intervention systems in line with the *acquis*. Alignment in the *veterinary and phytosanitary* sectors has continued. Efforts in these fields need to be speeded up. In the *fisheries* sector, Estonia has made some progress in aligning its legislation on fisheries by introducing the legal framework to develop a market policy, implement measures related to resources

management, inspection and control and structural aid. Considerable efforts still need to be made, in particular to strengthen administrative structures and to adopt and implement the existing legislation.

Although progress has been uneven, Estonia has taken steps in most *social policy* areas. Efforts should continue, focusing on the implementation and enforcement of the current framework legislation as well as on strengthening enforcement bodies.

In the area of *regional policy*, progress has been limited. Although steps have been taken to set up the necessary instruments in this area, a number of difficulties still remain, and efforts to complete the legal and administrative framework to apply the EC regional and cohesion policy need to be continued. Furthermore, Estonia has made considerable progress in introducing legislation and setting up the necessary administrative structures in the field of *financial control*. Still, internal financial control remains weak and these efforts need to be continued.

Estonia has speeded up the implementation of the existing framework legislation in most *environment* areas. Furthermore, progress needs to be continued in building the necessary capacity to implement and enforce this legislation, in particular at the local level. Estonia still needs to further develop the plans for financing environmental investments.

Since last year's regular report, Estonia has made further progress in the alignment of legislation in the field of *justice and home affairs*. Efforts need to be continued, in particular as regards asylum, the fight against organised crime, including drug trafficking, the fight against corruption in the police and customs administration, modernisation of the police and upgrading surveillance equipment and infrastructures at the borders.

As regards *administrative capacity*, Estonia has taken steps to set up the necessary structures in most areas of the *acquis*. However, substantial efforts in this area are still needed to ensure that the existing structures are fully capable of enforcing and implementing the *acquis* correctly. In this context, ensuring that the relevant institutions have sufficient powers to undertake their tasks, that coordination between competent bodies is efficient and strengthening the training of staff should be the highest priorities.

Estonia has continued to address, although with some differences, aspects of all sectors indicated as short term priorities of the 1999 Accession Partnership. In particular, Estonia has met the priorities related to telecommunications, audiovisual, standardisation and conformity assessment, veterinary and phytosanitary sectors, transport, occupational health and safety, employment and employment services. Priorities related to public procurement, labour law, penal law, customs and market surveillance have not been met.

Estonia has already started to address some of the medium-term Accession Partnership priorities.

## **Hungary**

Hungary continues to fulfil the Copenhagen political criteria.

Further progress in the modernisation of the public administration is apparent from the continued implementation of the 1999 development programme.

Although the judiciary functions satisfactorily and the training of judges in the EC *acquis* has progressed, the large backlog of cases before the Supreme Court hampers the unification of Court practice and the development of a consistent jurisprudence. Efforts should be made to remedy this. Sustained training programmes for civil servants and

judges should continue, in line with the medium-term priority of the Accession Partnership.

Despite a number of important measures taken to fight corruption, this remains a problem and renewed efforts should be made to address this issue.

Hungary continues to respect human rights and freedoms. However, overcrowding of prisons is a growing problem, which needs to be remedied.

In line with the short-term Accession Partnership priority, Hungary started to implement the medium-term Roma action programme, supported by financial means at national and local levels. This programme facilitates the integration of the Roma and their fight against discrimination in the fields of education, culture, employment, housing, health and social services. However, sustained implementation of this programme is needed in order to obtain concrete results in the medium-term.

Hungary is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it stays with its present reform path.

Considerable progress has been made towards consolidating macroeconomic stability, enhancing current account sustainability and strengthening the institutional basis of the market economy. Hungary has further developed its infrastructure, and proceeded with enterprise restructuring. The creation of new enterprises, particularly those fostered by foreign direct investment, is strong.

However, the slow progress towards price stability is a cause for concern and maintaining external competitiveness will require an appropriate policy mix, including continued fiscal consolidation, in particular in the areas of healthcare, transportation and local government. Although unemployment has fallen, there are significant regional differences and shortages of skilled labour in high growth sectors. The intermediation role of the financial sector needs to improve the delivery of services to domestic small and medium enterprises.

The Hungarian authorities will need to maintain a well-balanced policy mix and pursue a prudent and flexible monetary policy. Financial sector supervision needs to be further improved, in particular for the pension funds. Measures need to be taken to reduce regional disparities and to increase the flexibility and mobility of labour. The implementation of the above-mentioned structural reforms must proceed in order to address fiscal consolidation.

Hungary continued to make progress in aligning and implementing the *acquis* in most sectors thereby reaching a good level of preparation for membership. This process was in general accompanied by satisfactory institution building measures.

Over the reference period good progress could be noted concerning *internal market legislation*, in particular as regards harmonised and “new approach” product legislation, insurance and accounting law and the transparency and alignment of certain State aid schemes. Continued efforts are still needed especially for developing adequate market surveillance and for aligning state aid granted in the form of tax benefits. While the basic structures of the *acquis* related to VAT and excise duty are already in place, further efforts are required in the area of *taxation* with regard to reduced rates, exemptions and direct taxation. The Central Liaison Office, and co-operation and mutual assistance with tax administrations in Member states, will also need to be strengthened. Considerable progress was made in the area of *customs*, and the new law on customs reflects the Community Customs Code to a large extent. In the field of *telecommunications*, where the market is in

principle open to competition, Hungary needs to align further with the terms and conditions of universal service.

In the area of *agriculture* the basic structures of the *acquis* are in place, but the administrative structures required for the implementation of the CAP still need to be put into place. Alignment will need to be speeded up especially in the veterinary and phytosanitary sub-sectors.

In the area of *environment* only little progress in terms of alignment was made over the last year, and the administrative capacity of the Ministry of Environment needs improvement due to the lack of qualified staff and the wide distribution of responsibilities related to environmental issues.

Alignment needs to be speeded up in the area of *transport*, in particular in the road and air sub-sectors, and new institutions will have to be set up in order to enforce the *acquis* adequately. In the *energy* sector, the main principles of the internal energy market were adopted, but will need to be implemented, and the Hungarian Energy Office will need to be further strengthened in order to be able to discharge its tasks in the future internal energy market.

Hungary made significant progress in developing the necessary structures for the implementation of *regional policy* after accession, although the structures in the regions still appear rather weak to guarantee efficient programming and decision making. In the area of *financial control*, the internal and external control bodies, which were already set up some time ago, will need to be strengthened in order to provide the basis for sound financial management and control of EC funds towards regional implementation levels. As to *financial and budgetary provisions*, further efforts are needed in order to meet Community requirements with regard to co-financing and multi-annual programming.

On the other hand, good progress was made in the area of *social policy and employment* in terms of legal transposition, although considerable work remains to be done with respect to the implementation of the *acquis* on health and safety where implementation is to occur gradually. There is also a need to exploit better the new structures for social dialogue. In the area of *economic and monetary union* the main outstanding issue relates to the further consolidation of the independence of the National Bank. As to *industrial policy*, the situation in respect of the restructuring of the Hungarian steel industry is still unsatisfactory and the steel restructuring plan adopted by Hungary will need to be further revised. In the area of *Justice and Home Affairs*, progress was registered mainly in the fields of visa policy, border management, migration and asylum.

Hungary continued to make steady progress in building up its administrative capacity to apply the *acquis* in most areas. Further progress was made towards public administration reform, and continued emphasis was placed on training in EU matters throughout the administration and the judiciary. Most of the key institutions needed for participation in the internal market are in place. Nonetheless, administrative and judicial capacity still needs to be strengthened in specific areas such as state aid control, market surveillance, transport, the environment, veterinary and plant health.

Hungary has satisfactorily addressed most of its short-term Accession Partnership priorities with the exception of agriculture, environment, certain elements related to the internal market, industry policy and economic and monetary union. Hungary has already started to implement a number of medium-term priorities.

## **Latvia**

Latvia continues to fulfil the Copenhagen political criteria. The last year saw progress in carrying forward the Public Administration Reform process, including the adoption of a new Civil Service Law; in improving the functioning of the judicial system; and in designing the framework for the fight against corruption. Several important steps were taken to support the integration of non-citizens into Latvian society, including the adoption of a Language Law and implementing regulations that essentially comply with Latvia's international obligations and the Europe Agreement, as well as a Programme for the Integration of Latvia's Society. Latvia has thereby advanced in addressing the short-term priorities of the 1999 Accession Partnership.

It will be necessary to continue and accelerate the Public Administration Reform process, in particular with the adoption of key legislation; to further strengthen the judicial system; and to continue the fight against corruption on a broad scale. On the basis of the new Civil Service Law, Latvia needs to develop a professional and stable civil service and to improve the capacity of the public administration to implement and manage the *acquis*, as suggested by the relevant medium-term priorities of the 1999 Accession Partnership.

To facilitate and promote the integration of non-citizens, the effectiveness of the Naturalisation process needs to be maintained and Latvian language training needs to continue and be expanded in accordance with the relevant medium-term priority of the 1999 Accession Partnership. It will also be important to ensure that sufficient resources are allocated to measures promoting the integration of non-citizens. The Language Law and its implementing regulations need to only be applied and enforced to the extent required by a legitimate public interest, having regard to the principle of proportionality and in conformity with Latvia's international obligations and the Europe Agreement.

Latvia can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces in the Union in the medium term, provided that it completes and maintains the pace of its structural reforms.

Latvia has preserved macroeconomic stability. Progress has been made also on structural reform. The legislative framework for a market economy is largely in place and market entry and exit mechanisms function in an increasingly satisfactory manner. The financial sector is currently small but functions well.

However, the current-account deficit must be kept under control. Enterprise privatisation has not yet been completed. Considerable efforts are needed to encourage private and public investments and to enhance the market oriented skills of the workforce.

The authorities must continue a policy of fiscal discipline and fiscal consolidation should be pursued. Completion of enterprise privatisation for the remaining large companies should be carried out without any further delays. Latvia should continue to foster domestic enterprise creation by making entry procedures simpler and more transparent, by further improving the environment for foreign investors, and by enhancing infrastructures and access to finance. Financial intermediation needs to increase. Labour market flexibility should also be enhanced.

During the last year, Latvia has continued to make steady progress in aligning its legislation to the *acquis* in most areas. While overall progress in terms of strengthening the administrative capacity has been more limited, Latvia nevertheless undertook efforts to re-structure and reinforce its institutions in several sectors, and decided to establish several new bodies in line with the provisions of the *acquis*.

Good progress could again be noted as concerns the *Internal Market*, in particular with the adoption of legislation on conformity assessment, market surveillance and public procurement, as well as Laws on Personal Data Protection and on Copyrights, the Commercial Code and the liberalisation of many restrictions on capital movements. On this basis and in line with the requirements of the *acquis*, it will now be important to further develop the necessary institutional structures, including a reform of the market surveillance authorities, the establishment of a Public Procurement Surveillance Bureau and an Independent Data Protection Inspectorate. Little visible progress was made during the last year concerning the enforcement of intellectual property rights, which remains an issue of major concern. In the areas of *customs and taxation*, encouraging steps have been taken to strengthen the administrative structures, and these efforts should continue.

While some steps both in terms of alignment and of strengthening the administration were taken in the area of *agriculture* during the last year, only limited progress has been achieved overall, and the preparations for the integration of Latvia's agricultural sector into the EC still remain in the early stages. As concerns *transport*, progress continued during the last year in terms of alignment and also in particular in strengthening the administration, notably by setting up an independent investigation authority for civil aviation accidents and by restructuring the authorities in charge of maritime safety, where efforts need to continue in order to achieve concrete results. For the *environment*, further progress related to the adoption of legislation has been achieved, notably as concerns environmental information, nature protection, waste management and GMOs, and some efforts to strengthen the administration were also made. Much work still lies ahead, however. Good progress in legal alignment was also made in the field of *consumers and health protection*.

Regarding *justice and home affairs*, progress was achieved concerning visas and the upgrading of law-enforcement bodies. Latvia also made considerable efforts in border control during the last year, and these should be sustained. Alignment needs to be completed for migration and asylum, and several international conventions still need to be acceded to. Significant further steps will also be necessary to ensure the full enforcement of all provisions. In the field of *financial control*, Latvia made particular efforts during the last year, especially as concerns internal financial control, for which the administrative structures have also been reinforced. Efforts should continue, most specifically in the field of the control mechanisms for pre-accession funds.

In certain areas, progress in alignment has been less forthcoming. These include the *free movement of persons* and *telecommunications and information technologies*, where the transposition of most of the requirements of the *acquis* is still pending. As to *social policy and employment*, some efforts were made to move forward but key legislation has still not been passed. As concerns *regional policy*, Latvia's preparations for accession to the EU still need to be reinforced.

Latvia has already been relatively successful in building up its administration in a few areas of the *acquis*. These include the Internal Market, where for example the institutions in charge of the banking sector or competition policy and state aids have already gained valuable initial experience. For most sectors, however, important challenges still lie ahead. In areas including agriculture, the environment, social policy, justice and home affairs as well as regional policy, the Latvian authorities responsible are not yet in a position to manage the *acquis* in a satisfactory manner. In general, the strengthening of the Latvian administration needs to continue in all areas in parallel and complementary to the general public administration reform process.

During the last year, Latvia has started to address almost all of the relevant short-term priorities of the 1999 Accession Partnership, and has already achieved a certain degree of success in most cases. This includes in particular the adoption of several pieces of key legislation in the Internal Market and of framework legislation in the environment sector, as well as work on the modernisation of the tax and customs administrations, efforts related to maritime safety and the upgrading border posts. Work should now continue on all short-term priorities in order to fulfil them as soon as possible. Those parts of the short-term priorities for which no visible progress has been made so far should be focused on as a matter of priority. Apart from a few specific aspects in the Internal Market field, this, for example, includes priorities related to employment and social affairs, as well as to justice and home affairs.

Latvia has already started to work towards meeting some of the medium-term priorities of the 1999 Accession Partnership, including in the areas of audiovisual policy, consumer protection, energy and transport.

### **Lithuania**

Lithuania continues to fulfil the Copenhagen political criteria.

As regards public administration reform, in line with the relevant medium-term priority of the Accession Partnership, Lithuania has made progress in implementing the legislation on public administration and civil service. In continuing this reform, further issues need to be addressed, namely, the level of remuneration, additional training and improved inter-ministerial co-ordination.

The reform of the legal system has significantly progressed with the adoption of the Civil Code and the Criminal Code. This reform needs to be completed through the adoption and implementation of new Codes of Civil and Criminal Procedure, which *inter alia* should contribute to the speeding up of court proceedings. Efforts on judicial reform need to be stepped up, in particular with regard to training of judges and prosecutors, filling all vacant positions, and improving the functioning of the courts, especially the administrative courts.

As regards the fight against corruption, the important measures which have already been taken need to be completed through the adoption of a National Anti-corruption Strategy. Enforcement needs to be significantly strengthened by further reinforcing the relevant agencies and effectively ensuring their co-ordination.

Lithuania can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues with the implementation of the current structural reform programme and undertakes further necessary reforms.

Lithuania has preserved macroeconomic stability and managed to reduce the fiscal and external imbalances and state interference. The protective measures introduced after the Russian crisis have been largely removed. Significant progress has been made in the privatisation of the banking sector. Progress has also been achieved with the adoption of important laws to restructure and liberalise the energy market. Land restitution is close to completion.

However, there is a need to maintain fiscal discipline and to keep the current-account deficit under control. The medium-term sustainability of public finances is not yet ensured. Bankruptcy procedures are still not working properly. The physical and human capital has

to be further developed and the financial sector remains weak. There is room for further trade integration with the EU.

The authorities need to pass the amendments to the bankruptcy and restructuring laws and must subsequently ensure their effective implementation. Fiscal discipline must continue and the sustainability of public finances in the medium-term must be ensured. The planned pension reform must now move into the implementation phase. The reforms to enhance the financial sector need to be completed to foster the modernisation of productive capacity. The labour market needs to be made more flexible.

Lithuania has made significant overall progress in terms of transposition and, to a lesser extent, implementation of the *acquis*. Additional progress is required notably in areas such as taxation, agriculture, regional policy and financial control. The strengthening of administrative capacity, which has, in part, been limited by the budgetary constraints, should be continued in a sustained and more coherent manner.

In the field of the *internal market*, Lithuania has made progress in particular as regards the *free movement of goods* (standardisation and market surveillance), although the adoption of European harmonised standards should be accelerated. The implementation of *public procurement* legislation has continued but the administrative capacity and the independence of the Public Procurement Office need to be further strengthened. Significant progress has taken place in the area of *competition* with the adoption of the State aid law, while effective enforcement and strengthening of the relevant administrative structures need to be ensured. Further progress towards complete alignment in the area of *free movement of capital* has been registered but some remaining restrictions need to be abolished. Alignment concerning intellectual property rights has proceeded; however, proper enforcement remains very weak. While progress has been made as regards the strengthening of the administrative capacity in the area of *taxation*, very limited progress can be reported on alignment. Lithuania has made progress in the field of *customs*. However, further efforts are needed as regards implementation and administrative capacity.

Significant progress has taken place in aligning with the *audiovisual acquis*. Developments have taken place in the *telecommunication* sector with the decision to establish an independent regulatory authority. This authority needs to become fully operational.

Lithuania has made some progress in laying the legal and administrative basis to prepare for participation in the *Common Agricultural Policy*, but much progress is still needed in terms of both alignment and administrative capacity. Alignment on veterinary and phytosanitary matters has moved forward, and the veterinary administration has been reorganised. Lithuania has started aligning its legislation with the *acquis* on *fishing* resources management, and has partly streamlined the relevant institutional set-up. The legal framework for market regulation and structural assistance should be developed.

Lithuania has continued to make progress in the field of the *environment*, and has now achieved a fair level of alignment, although there are still major differences across sectors. Implementation is still a major concern, in particular as regards water, waste and industrial pollution and risk management, due to the heavy investments required.

In the area of *transport*, Lithuania has continued to align its legislation and achieved significant progress in particular in the fields of road transport safety, air transport and maritime safety. However, implementation will still require considerable resources. As

regards the *energy* sector, Lithuania has made significant progress in implementing the national energy strategy, notably through the adoption of the law on the decommissioning of Unit 1 of Ignalina NPP and other important laws; this provides a basis for the restructuring of the sector and market liberalisation.

There has been some progress in transposition and implementation of the *social acquis*, notably in the field of health and safety at the workplace. Further efforts are required as regards labour law and social dialogue. Implementation and enforcement remain a cause for concern. The active role played by the Ombudsman for equal opportunities should be noted. In the area of *industrial policy*, Lithuania has developed further the political and legal framework for the in-depth restructuring of its industry. Efforts have, however, focused on conceptual aspects and little has been done in terms of implementation. The adoption of the new legislation on bankruptcy and enterprise restructuring is still outstanding.

In the field of *regional policy*, progress has taken place in establishing the legal framework, although administrative capacity presents serious weaknesses. Despite considerable efforts, *financial control* in Lithuania is not yet in line with internationally accepted practices, in particular with regard to internal audit. Progress has taken place as regards the reform of the *budget* system, which needs to be pursued.

Progress has been made in most areas of *justice and home affairs*, both in terms of legislative alignment and administrative capacity. A general, and serious weakness in most areas of justice and home affairs remains, however, the inability to ensure effective co-ordination among relevant institutions and bodies.

As Lithuania reaches a more advanced level of alignment, greater attention needs to be paid to strengthening administrative capacity, so as to ensure effective implementation and enforcement of the *acquis*. Some efforts have been made in this regard. In particular, certain existing institutions have been reformed, such as veterinary and market surveillance bodies, and the legal basis for the establishment of new institutions has been laid down, for example in the case of the Consumer Protection Council. However, the budgetary constraints Lithuania has experienced during the reporting period have limited the effective operational capacity of new institutions as well as the required reinforcement of existing structures.

Overall, Lithuania has made satisfactory progress in meeting the short-term priorities of the Accession Partnership, especially as regards economic reform. However, in some areas such as agriculture, taxation, administrative capacity (including management and control of EC funds), further progress is still required. Lithuania has already started to address a number of medium-term Accession Partnership priorities.

## **Malta**

Malta continues to fulfil the Copenhagen political criteria. Its institutions are democratic and function smoothly and there are no particular problems with regard to human rights. Basic civil and political rights continue to be respected. The overall situation with regard to economic, social and cultural rights is satisfactory.

However, special attention should be devoted to the issue of the backlog of civil judiciary cases. Malta should also pursue and reinforce the implementation of its policies with respect to the treatment of refugees and gender equality, as well as the reform of its public administration.

Malta is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union.

The Maltese economy is showing the first signs of stronger macroeconomic performance. The government's medium-term fiscal programme generated a first decrease in the public deficit. Progress has been made in developing restructuring and privatisation programmes and initiatives for entrepreneurship.

However, the government deficit remains very high and needs to be further reduced in order to improve the macroeconomic environment. The remaining price controls distort relative prices and produce an inefficient allocation of resources. The influence of the state in the economy is still too high in some areas. The implementation of the restructuring of public utilities and loss-making public enterprises remains slow.

The authorities need to complete the consolidation of public finances, including the reform of the social security system, in order to ensure medium term fiscal sustainability. Market distortions need to be removed and the envisaged structural reforms need to move into the implementation phase. The influence of the state in the economy needs to be further scaled back through the completion of trade and capital liberalisation plans, the further reduction of state aids, the introduction of more competition in a number of sectors, and the implementation of the authorities' privatisation plans.

Since the last Regular Report, the process of aligning legislation with the *acquis* has gained momentum in Malta, and progress has been significant in most areas, although uneven across the different fields. Malta has also speeded up efforts to strengthen its administrative capacity with a view to accession, and the first results are becoming visible.

There has been some progress with respect to the internal market *acquis*. Considerable further progress has been made in aligning with the *acquis* on industrial and intellectual property, and in the area of company law Malta is now close to full alignment. Malta has adopted a new Standardisation Act, but more work is required to align its legislation with the New and Global Approach, and to transpose sector specific directives. Some further adjustments are also needed to put the public procurement legislation in line with the *acquis*. Despite some progress on free movement of capital and services, much remains to be done to align Maltese legislation in these areas. As regards free movement of persons, efforts should be stepped up to ensure that there are no provisions in Maltese legislation which contradict Community rules. With respect to competition, substantial efforts are still needed to develop a proper state aid control system.

The publication of two White Papers on industrial development and privatisation, as well as the setting up of the Institute for the Promotion of Small Enterprises, have created a suitable framework for the development of an industrial and SME policy. However, the implementation of the privatisation programme remains slow.

While Malta has made progress in the area of social policy, further alignment is still needed in this field, in particular with respect to labour legislation and occupational health and safety.

In the field of taxation, the framework for the alignment of taxation legislation has been created with the re-introduction of VAT; however, further efforts are required with respect to both VAT and excise duties. Despite some progress in the area of customs, continued efforts are needed, not only to align Maltese customs legislation with the *acquis* in this domain, but also to develop the administrative capacity to implement it.

Notable progress has been made in the areas of telecommunications and culture and audio-visual policy. If efforts are pursued, alignment with the *acquis* in these areas, through secondary legislation, may be reached in the short-term.

In statistics, the Central Office of Statistics of Malta has made considerable progress and is pursuing its efforts to fully align its methodologies with EC standards. In the field of financial control, the reinforcement of the National Audit Office and the reform of the internal audit system within the Maltese Government have provided Malta with an adequate institutional framework. This progress should be further consolidated through appropriate staff training.

In the field of justice and home affairs, there has been significant progress in particular with the adoption of the new Asylum Act. Efforts are still needed with respect to data protection, immigration, visa policy and judiciary co-operation, as well as to strengthen administrative capacity.

In the areas of agriculture, the environment and regional policy, progress has been very limited. Malta still has to adopt most of the extensive agriculture and environment *acquis*. As regards the environment in particular, an overall strategy for the adoption and implementation of the environmental *acquis* remains to be developed. As far as regional policy is concerned, Malta has not yet taken the necessary steps to prepare itself for managing structural funds. Substantial efforts in these three areas are needed as a matter of priority.

While the Maltese administration appears to be adequately staffed, considerable restructuring and staff training is still needed for it to be able to implement the *acquis* in many areas. Efforts in this direction have started. Over the past year, the administrative capacity in the areas of statistics and financial control has been considerably improved. Important projects have been launched to reinforce the agriculture administration by setting up an Integrated Administrative Control System, as well as to strengthen the tax and customs administrations. Work in these areas must be continued.

Overall, Malta's administrative capacity still needs to be significantly reinforced with respect to market surveillance and certification, the enforcement of intellectual and industrial property rights, and in the area of maritime transport and safety. Considerable efforts are required also in the fields of environment and regional policy. Concerning justice and home affairs, administrative capacity should be strengthened in particular for the handling of Asylum cases, and in the area of police and judicial co-operation. Particular attention should be paid to ensuring the adequate functioning of the newly created State Aids Monitoring Board and the Regulatory Authority for Telecommunications.

The majority of the Accession Partnership short-term priorities have been either partially or completely fulfilled. Progress has been particularly significant in the areas of industrial policy and justice and home affairs. Further efforts are required in particular with regard to state aids and in the area of the environment.

Malta has already started to address a number of medium-term priorities.

## **Poland**

Poland continues to fulfil the Copenhagen political criteria.

With regard the areas for action identified last year, Poland has undertaken initial steps in the reform of the judiciary and in preparing the ground to deal with the most pressing

bottlenecks. Such measures are important, as the existence of an effective judiciary is an essential element in the implementation and enforcement of the *acquis*. Similarly with regard to the fight against corruption, initial steps have been taken but further efforts are needed, including the adoption of the necessary legislation. Developments with regard to equal opportunities have been less marked.

These actions will need to be continued and intensified in order to ensure that the necessary measures have been taken by the time of accession. This is particularly important for judicial reform where the priorities set out in the accession partnership are still to be met in the medium term.

Poland is a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near term, provided it continues and completes its present reform efforts.

It has maintained adequate macroeconomic stability, and its growth performance has again been impressive. The pace of privatisation has been encouraging and there has also been further restructuring in sensitive sectors such as the coal and defence industries.

However, a number of economic imbalances have emerged: inflation is high and the current account deficit has widened to a level that raises the issue of sustainability. Ensuring medium term fiscal sustainability remains a challenge. There are delays in privatisation in the steel sector and the restructuring of agriculture. Large parts of the state-owned enterprise sector still need to be restructured.

Both macroeconomic and structural policy responses are needed. Fiscal adjustment must take place and efforts towards the sustainability of public finances must continue. Among the remaining reforms to enhance the functioning of markets are improvements to bankruptcy procedures and the completion of the regulatory and supervisory framework for non-banking financial institutions. Measures still need to be taken to improve Poland's infrastructure and to improve the response of the labour markets to changing economic conditions.

The fresh impetus which can be noted since the Sejm debate on European integration in February and the creation of the Parliamentary Committee on European Law is already beginning to bear fruit with a marked acceleration in the adoption of the *acquis* in comparison to the last reporting period. While much has been done towards regaining momentum these efforts will have to be further intensified and the flow of legislation likewise increased. The need for further effort applies even more to the strengthening of the administrative capacity to adopt the *acquis*. There have been developments in this regard, in particular in the implementation of civil service legislation, but not commensurate with the progress in adopting legislation.

In contrast to the 1999 regular report, there has been progress in adopting legislation in key areas of the internal market *acquis*, standards and certification and state aid. In both cases the necessary framework legislation has been adopted. The emphasis must now turn to the secondary legislation necessary to implement the *acquis* in these areas and the accompanying administrative capacity. The adoption of new intellectual property legislation is a welcome step although difficulties with the industrial property law remain to be resolved. Legislative progress has also been made in the area of consumer protection. It is still necessary to strengthen the capacity and competence of the relevant structures for enforcement as well as the dissemination of information on the new regulations.

Poland's track record in the free movement of services and capital has been good but there has been little progress over the reporting period. Public procurement and the movement of persons are other areas where progress is urgently required if Poland is to be smoothly integrated into the internal market.

There has been some progress in industrial policy, notably in the automotive sector although the lack of concrete progress in steel restructuring remains a cause for concern.

In the agriculture sector, progress has been made in the elaboration of the rural development plan, however a clear coherent and fully budgetised strategy for the sector remains to be developed. Overall, Poland has not yet launched the substantial transformation which is needed, in terms of policy, *acquis* and structures, in the agriculture and fisheries sectors and in both sectors the necessary legislative work is lagging behind.

In the environment sector despite considerable work on the development of drafts little has been achieved in the way of adopting legislation, similarly for the energy and transport sectors where legislative developments have been limited. Framework legislation has not been transposed. In all three sectors considerable further work is also required to strengthen the administrative capacity.

There have been notable developments with regard to regional policy, again the appropriate structures will need to be developed to implement the national development plan and the application of the NUTS-comparable legislation. In the social field, efforts have been limited and legislative enforcement remains a matter of concern, in particular the capacity of labour institutions.

Some progress has been achieved in justice and home affairs, most notably with regard to the border guards and border management, for which an overall strategy has been developed. Its implementation will require considerable effort and a high degree of co-ordination between the agencies concerned. Efforts are being undertaken to improve the efficiency of the judiciary, these will likewise need to be pursued with vigour. Alignment in some areas remains limited and considerable improvement is required in law enforcement bodies dealing with the fight against organised crime, in particular the police services. In the customs area alignment with the *acquis* and the establishment of an effective implementation capacity both require significant additional efforts as is the case for financial control.

Poland has made notable progress in aligning further its legislation but needs to do more in order to be able to match this effort when adapting and strengthening the structures required with a view to accession. This relates not just to the administrative capacity at the level of central and regional government, although this is clearly primary, but also to the other actors; business operators, NGOs and indeed the public at large, who are all involved in the implementation of the *acquis* in the broadest sense. At the level of the civil service and public administration, it will specifically entail a determined effort to increase the stability, independence, and efficiency of Poland's administrative capacity as a whole.

This is reflected in the extent to which the short-term priorities of the accession partnership have been addressed. There has been progress in meeting the *acquis* based elements, notably certification and state aids but continued efforts are needed to set up or strengthen capacities in intellectual property protection, certification, state aids, agriculture and regional policy, the social field, customs and justice and home affairs.

Poland has already started to address some of the medium-term Accession Partnership priorities.

### **Romania**

Romania continues to fulfil the Copenhagen political criteria.

The government has shown a political commitment to addressing the problems of institutionalised children and progress has been made. Responsibility for the institutions has been transferred to local authorities, a national strategy aimed at structural reform has been adopted, and the necessary budgetary transfers have been made. Romania can therefore be judged as having met the 1999 Accession Partnership's short-term priorities. However, the Commission will continue to monitor the situation closely to ensure that these positive policy developments result in a comprehensive reform as well as an improvement in the actual living conditions in the institutions concerned.

In the case of the treatment of the Roma, the continued high levels of discrimination are a serious concern. The Accession Partnership's short-term priorities still need to be met (elaborating a national Roma strategy and providing adequate financial support to minority programmes) and progress has been limited to programmes aimed at improving access to education.

Continued improvements can be noted with regard to the functioning of the judiciary – although the reform process needs to be continued and consolidated in line with the short-term priorities of the Accession Partnership. Further progress still needs to be made with regard to demilitarisation of the police and other bodies subordinated to the Ministry of Interior (a medium-term Accession Partnership priority).

Romania's democratic institutions are well established, but the process of decision making remains weak. Despite the initiatives taken over the last year the government has continued to rely on legislating by ordinances and consultation on draft legislation should be substantially improved.

In terms of administrative capacity, Romania has met short-term Accession Partnership priorities by adopting a law on the civil service and has set up a civil service agency. These developments should be built upon through the development of a comprehensive, public administration reform programme. Particular care needs to be taken to ensure that decentralised responsibilities are matched by sufficient financial and human resources at the local level. Little progress has been made in reducing the levels of corruption and improved co-ordination is needed between the various anti-corruption initiatives that have been launched.

Romania cannot be regarded as a functioning market economy and is not able to cope with competitive pressure and market forces within the Union in the medium term. It has not substantially improved its future economic prospects.

Romania has made some progress on macroeconomic stabilisation; growth has resumed and exports have increased. Romania has adopted economic programmes and strategies, in agreement with the international financial institutions and the EU. The wide political consensus on the Medium Term Economic Strategy shows that there is a clear awareness of the need for economic reforms.

However, there are serious difficulties in implementing these agreements as well as in deciding on key medium-term reforms. The fragile macroeconomic environment, the uncertain legal and institutional framework and the uneven commitment to reforms,

continue to hinder economic development. Many institutions required to ensure the functioning of a market economy either do not exist or are too weak to be effective. Insufficient reforms and a growing black economy have undermined progress made on macroeconomic stabilisation. The absence of a sound and well functioning financial system hampers economic activity. A very large part of the enterprise sector has yet to start restructuring or is still in the process of doing so. Investment has continued to fall, delaying the required modernisation of the supply side of the economy.

There is an urgent need for the full and timely implementation of the programmes agreed with the international institutions and of the measures to meet the objectives of the Medium-term Economic Strategy. Priority should be given to improving financial discipline, and creating a more transparent and business-friendly environment. The acceleration of large enterprise privatisation and restructuring as well as the implementation of social security and health care reforms are urgently needed to ensure stability of public finances.

Romania has continued to advance with the adoption of the *acquis* – although the achievements over the last year have been mixed. In certain sectors both legal transposition and the setting up of the necessary administrative structures are advanced. At the same time there is a worrying lack of progress in certain key areas.

Those areas where positive developments can be noted include *company law* and *competition* where Romania has achieved a high degree of compatibility with the *acquis*. Romania has also made significant progress with the transposition and implementation of *transport acquis* during the last year (although the questions of fiscal harmonisation in road transport and maritime safety still need to be addressed). Advances have been made with the transposition of the *statistics acquis* although statistical coverage for a number of areas still needs substantial improvement.

Concerning *internal market legislation*, progress has been made in the field of public procurement and positive developments have also taken place with regard to the simplification of the issuance of work permits for EU citizens and the adoption of a new law on social security. Romania has also eased authorisation requirements on capital imports and has made progress in combating the problem of money laundering. Romanian *VAT and excise duties* are broadly in line with the EU principles.

Despite the positive achievements noted above, there are many areas where further progress is needed. For the *internal market*, Romania still needs to develop framework legislation on the principles of the New and Global Approach. A number of crises in the banking industry demonstrate that the effective supervision of financial services still has to be considerably strengthened. Further work is required to ease the authorisations for capital exports and to transpose the *acquis* on cross border credit transfers. Romanian legislation on the protection of personal data remains inadequate and substantial harmonisation is still required in the area of direct taxation.

In the case of *agriculture*, a major structural reform of the sector is needed. The conditions that would allow the implementation of much of the EC agricultural *acquis* do not yet exist. The lack of administrative capacity is acute and the Ministry of Agriculture is not able to either develop the necessary reforms, or to effectively implement those items of legislation that have been adopted. In the case of *social policy*, little legislative progress was made over the period and further measures are needed with regard to the adoption of a new Labour Code, improving the protection of employee rights, and extending legislation on health and safety at work. The structures for social dialogue do exist but need to be

accorded greater importance. In the *environmental sector*, in contrast to previous years, Romania has made progress with preparing strategies for transposing the *acquis* but the status of approximation is still very low. Specific cost assessments and the corresponding financial plans for implementing the environmental *acquis* need to be developed. Romania's approach to *industry policy* is not yet either market-based or predictable and Romania still has to develop an official industrial policy at both national and sectoral level. With *telecommunications*, there has been no substantial progress with the transposition of the *acquis* and further efforts are required to develop the regulatory framework. In the field of *justice and home affairs* positive measures have been taken on visa policy, border management and asylum. This said, Romania still needs to adopt or amend legislation in several important areas (the status of foreigners, the state frontiers, the organisation of the police and the statute of police officers).

The Romanian authorities have not yet elaborated a comprehensive policy framework for internal *financial control*. Policy guidelines still need to be developed for preventive financial control and internal audit functions (this is particularly important at the local level where the capacity to manage and control public funds remains weak). Substantial efforts are still required to develop control mechanisms for pre-accession funds. National *budgetary procedures* are weak and the medium-term programming of expenditure needs to be substantially improved.

A related concern is the ability of Romanian institutions to effectively manage the increased levels of EC funding. A programme-oriented budgeting system needs to be developed and the overall budget execution process strengthened. Romania should also take measures to strengthen public financial control functions through the provision of adequate staff, training and equipment.

The quality of the Romanian administration is very diverse. A number of ministries are well managed and are staffed by qualified professionals. However, in general terms, the *capacity of the public administration* to implement and manage the *acquis* is very limited and represents a major constraint in the accession preparations. Despite the widespread recognition in Romania that this is a fundamental problem there has been little progress in developing administrative capacity since the last regular report. The main conclusions of the 1999 report - that certain key institutions still need to be set up, that in many key sectors (particularly agriculture and environment) the administration lacks the required level of competence, and that there is a need to ensure independence of regulatory and supervisory bodies - remain valid.

With regard to meeting short-term Accession Partnership priorities, Romania has made some progress in the areas of *taxation, customs, transport* and *justice and home affairs* although none of the priorities identified for these sectors have yet been fully met. Some, limited progress has been made in addressing the priorities related to the *internal market*, and the *reinforcement of administrative and judicial capacity*. In the case of *agriculture, employment and social affairs* and *environment* no substantial progress has been made.

Romania has already started to address some of the medium-term Accession Partnership priorities.

## **Slovakia**

Slovakia continues to meet the political criteria for accession which the last report had recognised, for the first time, as having been fulfilled. Slovakia has further advanced in the consolidation of its democratic system and in the normal functioning of its institutions.

However the speed of the reform process has lost some momentum due, in part, to dissension within the ruling coalition.

Certain legal steps were taken to strengthen the independence of the judiciary. However, key parts of the reform, in particular the constitutional amendment with regard to the nomination and probationary system, which were set as a short term priority, have not yet been adopted. Therefore, continued efforts are needed to ensure the independence of the judiciary.

Progress was also achieved in the fight against crime and corruption, mainly in formulating a government policy and transposing international obligations. The translation of good intentions and well thought-out concepts into specific actions should not be delayed, in order to improve Slovakia's otherwise insufficient record in this respect.

Further progress can be noticed in developing approaches to tackle the problems of minorities, but there remains a gap between policy formulation and implementation on the ground. Tangible improvement of the situation of the Roma minority in particular by implementing specific measures, a short term priority of the 1999 Accession Partnership, has therefore not been achieved to a large extent. Increased efforts in implementing legislation in various sectors as well as strengthening policies and budgetary means in line with the medium term priorities of the 1999 Accession Partnership are needed in this respect.

The adoption of the civil service law and starting implementing the strategy of the public administration reform, both short term priorities of the 1999 Accession Partnership, have been delayed. Sustained efforts are required to maintain momentum in these important areas of the reform process.

Slovakia can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that the structural reform agenda is fully implemented and broadened to include remaining reforms.

Macroeconomic stability has presently been restored through measures to reduce the fiscal and external deficits. The legislative framework for business activity is now largely in place. Price distortions are being eliminated and the privatisation of public utilities has been started. The authorities are making good progress in the restructuring and privatisation of the state-owned banks.

However, the progress on macroeconomic stabilisation will need to be consolidated by a continued prudent policy mix. In particular, the current budget proposals for 2001 risk to endanger the stabilisation achievements and the medium-term sustainability of public finances is not yet guaranteed. Ongoing structural reforms still need to be completed and the new legislation will have to be effectively implemented. Banking supervision needs to be further strengthened.

The authorities need to implement the remaining reforms and execute the privatisation in the financial and energy sectors according to plan. Priority should be given to effective implementation of the legal framework and to administrative capacity. Public finances need to be kept under control in the short term and to be consolidated in a medium term framework, specifically in the areas of health, pensions and social security. This would help to create room for the financing of public investment and for measures aimed at reducing the disparities in regional labour markets and enhancing labour mobility.

Slovakia has continued to make significant progress in legislative alignment with the *acquis*, thus furthering its ability to assume the obligations of membership. However, progress has not been uniform across chapters. As already indicated in last year's Regular Report, a number of areas continue to lag behind, such as company law, agriculture, transport, regional policy and co-ordination of structural instruments, the environment and financial control. Also, progress is generally more noticeable in legislative developments than in the strengthening of the institutions responsible for implementation and enforcement. These weaknesses need to be remedied. Appropriate resources should be allocated for this purpose.

Concerning *internal market legislation*, noticeable progress has been achieved in public procurement, financial services and capital movements and in preparing a basis for full alignment in the New Approach area, including standardisation. Little progress has been achieved as regards free movement of persons, as a general framework for the recognition of foreign professional qualifications has not been established. Apart from continuing alignment, a particular challenge is now to provide adequate capacity for the implementation and enforcement of the *acquis*. In *company law*, there has been no substantial progress in alignment with the partial exception of accounting law. Further sustained efforts are needed, in particular with regard to trademarks and patents as well as the fight against piracy and counterfeiting. In competition policy legislative progress means anti-trust rules are largely in line and the focus should now shift to their correct application. Despite some progress in the state aids area further legislative steps are required and the newly created State Aid Monitoring Authority should be strengthened.

Tangible progress has also been reached in the area of *statistics* and efforts should be maintained, especially concerning macro-economic statistics and harmonisation of regional statistics. Substantial progress has been achieved in the *industrial policy* sector through continuing privatisation and restructuring. Particular attention needs to be paid to the respect of EC state-aid rules. Significant progress, notably in terms of legislation, has also been made in the *telecommunication* and *audiovisual* sector. The emphasis must now turn in particular to strengthening administrative capacity. Whilst Slovakia has also advanced well in the field of *consumer and health protection*, both as regards safety related measures and non-safety consumer protection, some further alignment is required and adequate co-ordination and strengthening of those bodies involved in market surveillance activities needs to be ensured.

In the case of *co-operation in the field of justice and home affairs*, significant progress has been achieved mainly in aligning visa policy and asylum legislation. However, considerable progress in all relevant *acquis* areas is needed, with a particular emphasis on migration, border control and fight against crime.

Only limited progress has been achieved in the *agricultural sector*, where efforts have focused on preparations for the SAPARD programme. Despite the progress achieved in the recent years, there is a need for accelerated alignment and implementation with particular emphasis on establishing an Integrated Administration and Control System, on adopting specific market regulations and continuing implementing veterinary and phytosanitary legislation. In the field of *transport*, limited alignment has been achieved in the area of road transport and inland waterways. However, most of the transport areas, notably rail and road transport, still require substantial alignment efforts and the strengthening of relevant administrative structures. Some limited progress has been made in the *energy* sector and in the field of *regional policy and co-ordination of structural instruments*; Slovakia needs still to enhance its alignment effort and to reinforce its administrative

capacity in these sectors. Limited progress has been made in the field of *environment*, where substantial efforts remain necessary as regards legislative alignment, investments and implementation/enforcement capacity. Concerning *customs*, Slovakia had already achieved a considerable degree of legislative alignment, but it has not made significant progress during the period. Further efforts are still necessary to complete the legislative framework and to ensure proper implementation of the customs-related *acquis*. Little progress can be reported in the area of *financial control*, where Slovakia needs to make substantial progress, notably by developing the necessary public internal financial control functions.

As regards *administrative capacity* in general, Slovakia has made little progress, with a few exceptions, in strengthening the relevant institutions. Delays in the adoption of the public administration reform and in the civil service law further contribute to this general weakness.

The fulfilment of the short term priorities varies in a broad range from sector to sector. As regards the internal market, Slovakia has met the relevant priorities to a large extent. Whereas in the area of social policy and employment, energy and co-operation in the field of justice and home affairs the short term priorities have been partially met, they have been fulfilled only to a limited extent in the case of agriculture. Concerning environment and reinforcement of administrative and judicial capacity, the short term priorities have essentially not been met.

Slovakia has taken some initial steps to start addressing a number of medium-term priorities.

## **Slovenia**

Slovenia continues to fulfil the Copenhagen political criteria.

Progress has been made in judicial reform, which is a medium term priority in the Accession Partnership. However, it is still too early to assess the effectiveness of the new measures aimed at reducing the backlog of pending court cases.

Public administration reform is another area requiring attention. Little progress has been achieved in this respect since the last Regular Report as important pieces of legislation which are to provide the basis for reform have not yet been adopted. This area is a short-term priority in the Accession Partnership.

The denationalisation process remains slow and further efforts are needed to speed it up.

Slovenia can be regarded as a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it completes the remaining reforms that would increase competition in the economy.

Continued macroeconomic stability, with fiscal and external balances under control, has provided the basis for steady growth. Some steps to assure the medium-term sustainability of pension reform have been taken. The legal and institutional framework for a market economy is largely in place.

However, implementation of this framework can be improved. Furthermore, the state still has considerable influence in certain areas of the economy. In particular, the continued dominance of the financial sector by state-owned banks holds back development and competition. The slow progress on privatisation and rigid business conditions are keeping foreign direct investment inflows at a low level.

Progress in improving the economic climate, combined with a full and timely completion of privatisation, structural reforms and market liberalisation, would attract more foreign investors and provide better conditions for sustained future growth. In the short term, there is a need to reinvigorate the reform of the financial sector, where competition needs to be encouraged, and to accelerate enterprise restructuring. Labour market flexibility should also be increased. These measures would foster enterprise development and improve market efficiency

Since the last Regular Report, *Slovenia has made good overall progress in transposition of the acquis*. It has made significant progress in some key areas, such as environment, agriculture, free movement of goods, freedom to provide services, and energy. In these areas the preparations for membership are already well advanced. However, only limited progress has been made in other areas, notably on free movement of persons, telecommunications and the audio-visual *acquis*. Slovenia's administrative capacity has been reinforced, however, in some areas it still needs strengthening.

Slovenia has made good progress since the last Regular Report in adopting legislation in the key areas of the internal market *acquis*. Substantial progress has been made in establishing the legislative framework for *free movement of goods*, including in public procurement, and Slovenia should now concentrate on the timely and complete enacting of the remaining legislation and the strengthening of the institutional set-up. Significant progress has also been made in the area of *freedom to provide services*. With the adoption of the insurance legislation, a large part of the legislative work in this area has now been completed. The legislative framework for *free movement of capital* has now been put in place but Slovenia should continue eliminating the remaining administrative restrictions to capital movement. Little progress has been made since the last Regular Report in the field of *free movement of persons*, and further legislative efforts are required in this area. The legislative framework is also quite advanced in the area of *company law*, but some improvements are still needed, for instance concerning intellectual and industrial property rights.

Slovenia has completed the legislative and institutional framework for *competition policy* with the adoption of the State Aid Control Act and secondary legislation as well as setting up of the State Aid Monitoring Commission, and efforts should now be focused on establishing a good track record of enforcement in this area. Steady progress has been made in the *taxation* area, except for the failure of Slovenia to fulfil its commitment on closure of the duty free shops.

In the *transport* sector, the progress has been uneven and the overall situation is mixed: while good progress has been made in the area of land transport, the air and maritime transport areas are characterised by delays in adoption of key legislation in the Parliament. Slovenia has made good progress over the past year in the *energy* sector by setting up the Energy Agency and adopting some key legislation.

Very little progress has been made in the *telecommunications* and *audio-visual* sectors. The Mass Media Law providing the framework for alignment in the audio visual sector still remains to be adopted. The Law on Telecommunications has not been adopted yet and the supervisory authority for the telecommunications sector remains to be set up.

Good progress has been made in *agriculture* sector in particular through the adoption of the Agriculture Act and the establishment of the Agency for Agricultural Markets and Rural Development. Legislative alignment in the phyto-sanitary and veterinary sectors

should be continued. Slovenia has advanced well with adoption of legislation in the *environment* sector, and focus should now be set on implementation and enforcement.

The good overall progress of the previous year has been continued in *Justice and Home Affairs*, where the legislative framework has been developed further. However, efforts are still needed in border control, and this remains a priority to be tackled.

In general, Slovenia's *administrative capacity* for implementation of the *acquis* has been enhanced. Since the last Regular Report, significant progress has been made with the establishment of the supervisory and implementing institutions in the areas of state aids, energy and agriculture, and separation of the institutions for standardisation, accreditation and certification. For telecommunications and data protection, independent regulatory agencies still remain to be established. Attention should now be focussed on strengthening the administrative capacity in some particular areas such as the local level in the environment sector, border control, public procurement, insurance supervision.

*Slovenia has met a significant number of the short-term Accession Partnership priorities*, especially in the areas of the economic criteria, transport, environment, employment and social affairs. In other areas the priorities have been met partially. Slovenia has also already started to implement a number of medium-term priorities.

## **Turkey**

A positive development since the last regular report is the launching in Turkish society of a wide-ranging debate on the political reforms necessary with a view to accession to the EU. Two important initiatives have been taken in this context: the signing of several international human rights instruments and the recent endorsement by the government of the work of the Supreme Board of Co-ordination for Human Rights. However, compared to last year, the situation on the ground has hardly improved and Turkey still does not meet the political Copenhagen criteria.

The basic features of a democratic system continue to exist but Turkey is slow in implementing the institutional reforms needed to guarantee democracy and the rule of law. Changes in the executive have taken place with respect to EU-Turkey relations but a number of basic institutional issues, such as civilian control over the military, remain to be addressed. With regard to the judiciary, the new procedure facilitating the prosecution of civil servants is an encouraging development. The important draft laws related to the functioning of the judiciary referred to in last year's regular report are still pending. No further improvement has taken place concerning the State Security Courts since the last reform of these Courts in June 1999. Corruption remains a matter of concern.

The death penalty is not being carried out, including in the case of Abdullah Öcalan, but many aspects of the overall human rights situation remain worrying. Torture and ill treatment are far from being eradicated, even though the matter is taken seriously by the authorities and the parliament and training programmes on human rights are being implemented. Prison conditions have not improved, although Turkey is embarking on a substantial reform of its prison system. Freedom of expression as well as freedom of association and assembly are still regularly restricted. A positive approach seems to be adopted towards non-Muslim communities with regard to freedom of religion, but this should be developed for all religious communities, including non-Sunni Muslims.

Compared to last year, the economic, social and cultural rights situation has not improved, particularly when it comes to the enjoyment of cultural rights for all Turks irrespective of

ethnic origin. The situation in the Southeast, where the population is predominantly Kurdish, has not substantially changed.

Turkey has made considerable progress in addressing the most urgent imbalances in the economy, yet the process of achieving a functioning market economy is not completed. Considerable parts of the Turkish economy are already able to sustain competitive pressure and market forces in a customs union with the EC.

Turkey has made substantial progress in macroeconomic stabilisation. The privatisation of state enterprises has been successful, and important steps for the reform of the agricultural sector, the social security system and the financial sector have been taken.

However, macroeconomic stability is not yet achieved and a solid basis for sustainable public finances in the medium term remains to be established. There are still too many areas, both in manufacturing and the financial sector, where state dominance implies market distortions. The quality of education, health and infrastructure needs to be improved in order to enhance the competitiveness of Turkish human and physical capital and to allow for a decline in the present social and regional disparities.

The authorities should continue to focus on bringing down inflationary pressures and public deficits, and maintain their commitment to structural reforms and market liberalisation. They need to redefine their priorities, in a medium-term perspective, in order to provide sufficient funding for education, health, and social services. Significant restructuring is still needed in various sectors, such as banking, agriculture and state enterprises, in order to guarantee medium-term competitiveness for the economy as a whole.

Overall, Turkey's alignment with the community *acquis* in the areas covered by the Customs Union is most advanced. However, since the last regular report, progress in transposition of legislation in these areas has been limited.

As a candidate country, Turkey has to start making substantial progress in alignment with the *acquis* in all other fields. Strategies and detailed programmes (including priorities) are necessary for the transposition, implementation and enforcement of these relevant areas of the *acquis*. The results of the preparation of the analytical examination of the *acquis* and the National Programme for the Adoption of the *Acquis* to be established by Turkey will be important tools for this work.

Substantial administrative reforms are necessary in order to implement and adequately enforce the different EC policies. The alignment of the Turkish *statistical* base with that of Eurostat is a very first priority.

Concerning *internal market legislation*, efforts are needed in the areas of free movement of goods, particularly with respect to the alignment of standards and removal of other technical barriers to trade. As a result of the obligations under the Customs Union this process has to be completed by the end of 2000. Trade in agricultural products remains a problem. For the *internal market*, Turkey needs to adopt framework legislation based on the principles of the New and Global approach. Substantial reforms have been conducted in the banking sector. No progress was recorded on the transposition of capital movement legislation. Serious problems in money laundering persist. Alignment in the areas of non-financial services and free movement of persons is at a very early stage. Further work on all other aspects of the internal market remains to be done, as well as with respect to institution building, for example in the state aid sector. Further adjustments to Turkish monopolies are necessary. Turkish company law is subject to further Commission

assessment of compliance with EC legislation. Substantial harmonisation is still required in the area of *taxation*. In the customs area, there is almost full alignment.

In the field of *telecommunications*, substantial progress has been made to introduce competition. Further alignment with the community *acquis* is needed. Piracy of audio-visual materials remains a serious problem.

The first priority in *agriculture* and *fisheries* is to start the introduction of basic mechanisms and structures, (statistics, land register, improved fishing fleet register, combat diseases, plant and animal identification systems, upgrading equipment) to be able to manage these policies. The *maritime* safety record of the Turkish fleet remains a matter of concern. Maritime and *road transport* needs to be adapted to EC standards.

In the *social policy* field, Turkish legislation is still very different from that of the Community in particular in terms of standards, methods and monitoring requirements. In the different areas much remains to be done. The same applies to key *energy* laws reforming the power and gas sectors, which are still pending. In the *environmental* sector, strategies for transposing the *acquis* as a first step are recommended.

Compared to 1999, no major progress has been made in the field of *justice and home affairs*. As regards migration, efforts need to be seriously stepped up to decrease the number of illegal migrants trying to reach Western European countries. It is recommended that the various departments in Turkey are better co-ordinated in order to increase the efficiency of checks, particularly exit checks.

A comprehensive policy framework is needed to further establish *financial control*. Substantial efforts are still required to modernise financial management, with a view also to protecting EC financial interests.

The overall conclusion is that substantial efforts are needed in policy fields outside the Customs Union to further align with the *acquis*, including the establishment of adequate implementation and enforcement mechanisms. This will require important reforms of the administration at all levels. In some cases this will entail the establishment of new structures, for example in the fields of state aids and regional development. Various issues mentioned above are identified as priorities in the Accession Partnership for Turkey.

**CANDIDATE COUNTRIES**  
**MAIN STATISTICAL INDICATORS (1999)**

	Area	Population	Density	GDP in P.P.S. (Purchasing Power Standards)(1)			GDP % Change	Agriculture	
	1000 km <sup>2</sup>	Million inhabitants	Inhab./km <sup>2</sup>	Billion € P.P.S.	€/ inhab. P.P.S.	€/ inhab. % EU average	%	% gross added value	% employment
<b>Bulgaria</b>	111	8,3	75	38,5	4700	22	2,4	17,3	26,6
<b>Cyprus</b>	9	0,7	78	12,0	17100	81	4,5	4,2	9,3
<b>Czech Rep.</b>	79	10,3	130	128,7	12500	59	-0,2	3,7	5,2
<b>Estonia</b>	45	1,4	32	10,8	7800	36	-1,1	5,7	8,8
<b>Hungary</b>	93	10,1	109	108,1	10700	51	4,5	5,5	7,1
<b>Latvia</b>	65	2,4	37	13,9	5800	27	0,1	4,0	15,3
<b>Lithuania</b>	65	3,7	57	22,9	6200	29	-4,1	8,8	20,2
<b>Malta</b>	0,3	0,4	1333	n.a.	n.a.	n.a.	4,2	2,5	1,8
<b>Poland</b>	313	38,7	124	301,9	7800	37	4,2	3,8	18,1
<b>Romania</b>	238	22,5	94	128,2	5700	27	-3,2	15,5	41,7
<b>Slovakia</b>	49	5,4	110	55,6	10300	49	1,9	4,5	7,4
<b>Slovenia</b>	20	2,0	100	30,0	15000	71	4,9	3,6	10,2
<b>Turkey</b>	775	64,3	83	379,4	5900	28	-5,0	14,3	41,3

**Sources :** Eurostat from national sources.

(1) The method for calculating GDP in P.P.S. has been adjusted since last year's reports.

Data are therefore not comparable.

	Inflation rate	Unemployment rate	General Government Spending	External Trade				Current Account	Foreign Direct Investment	
	Annual Average	International Labour Organisation Definition % active population	Balance in GDP %	Trade balance exports/imports in %	exp⇒ EU in % total exports	imp⇐ EU in % total imports	Balance of EU with the countries (Mio €)	Balance % G.D.P.	Stock € per capita (2)	Net inflow % G.D.P. (2)
<b>Bulgaria</b>	2,6	17,0	0,2	72,5	52,6	48,6	424	-5,3	256	6,1
<b>Cyprus</b>	1,3	3,6	n.a.	13,2	50,7	57,3	1748	-2,6	2860(3)	2,1(3)
<b>Czech Rep.</b>	2,0	8,7	-1,6	93,0	69,2	64,0	1482	-2,0	1357	9,1
<b>Estonia</b>	4,6	11,7	-4,6	68,3	72,7	65,0	531	-6,2	1052	4,6
<b>Hungary</b>	10,0	7,0	-3,7	89,3	76,2	64,4	1270	-4,3	1654	2,9
<b>Latvia</b>	2,4	14,5	3,9	58,4	62,5	54,5	244	-10,6	825	5,8
<b>Lithuania</b>	0,8	14,1	n.a.	62,1	50,1	49,7	481	-11,2	511	4,5
<b>Malta</b>	2,1	5,3	n.a.	69,6	48,7	65,4	1221	-3,5	3465(3)	3,4(3)
<b>Poland</b>	7,2	15,3	-2,7	59,6	70,5	64,9	11357	-7,5	485	4,3
<b>Roumania</b>	45,8	6,8	n.a.	81,8	65,5	60,4	536	3,8	220	2,4
<b>Slovakia</b>	10,6	16,2	-0,6	90,2	59,4	51,7	-500	-5,9	366	3,7
<b>Slovenia</b>	6,1	7,6	-0,6	85,8	66,0	68,6	1545	-2,9	532	0,2
<b>Turkey</b>	64,9	7,6	n.a.	65,3	52,6	53,9	5484	-0,7	104(3)	0,4(3)

(2) Source : Transition Report EBRD (1€ = 1,066 US \$).

(3) 1998 source : UNCTAD (1€ = 1,122 US \$).

Sources : Eurostat from national sources.

**HUMAN RIGHTS CONVENTIONS RATIFIED BY THE CANDIDATE COUNTRIES,  
SEPTEMBER 2000**

<i>Parties to following conventions and protocols</i>	<b>BG</b>	<b>CY</b>	<b>CZ</b>	<b>EE</b>	<b>HU</b>	<b>LV</b>	<b>LT</b>	<b>MT</b>	<b>PL</b>	<b>RO</b>	<b>SK</b>	<b>SV</b>	<b>TK</b>
<b>ECHR</b> (European Convention on Human Rights)	X	X	X	X	X	X	X	X	X	X	X	X	X
Protocol 1 (right of property et al.)	X	X	X	X	X	X	X	X	X	X	X	X	X
Protocol 4 (freedom movement et al.)	O	X	X	X	X	X	X	O	X	X	X	X	O
Protocol 6 (death penalty)	X	X	X	X	X	X	X	X	O	X	X	X	O
Protocol 7 (ne bis in idem)	O	X	X	X	X	X	X	O	O	X	X	X	O
<b>European Convention for the Prevention of Torture</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>European Social Charter</b>	O	X	X	O	X	O	O	X	X	O	X	O	X
<b>Revised European Social Charter</b>	X	X	O	X	O	O	O	O	O	X	O	X	O
Additional Protocol to the ESC (system of collective complaints)	O	X	O	O	O	O	O	O	O	O	O	O	O
<b>Framework Convention for National Minorities</b>	X	X	X	X	X	O	X	X	O	X	X	X	O
<b>ICCPR</b> (International Covenant on Civil and Political Rights)	X	X	X	X	X	X	X	X	X	X	X	X	O
Optional Protocol to the ICCPR (right of individual communication)	X	X	X	X	X	X	X	X	X	X	X	X	O
Second Optional Protocol to ICCPR (abolition death penalty)	X	X	O	O	X	O	O	X	O	X	X	X	O
<b>ICESCR</b> (International Covenant on Economic, Social and Cultural Rights)	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>CAT</b> (Convention against Torture)	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>CERD</b> (Convention on the Elimination of All Forms of Racial Discrimination)	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>CEDAW</b> (Convention on the Elimination of All Forms of Discrimination against Women)	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>CRC</b> (Convention on the Right of the Child)	X	X	X	X	X	X	X	X	X	X	X	X	X

X = Convention ratified

O = Convention NOT ratified

BG = Bulgaria; CY = Cyprus; CZ = Czech Republic; EE = Estonia; HU = Hungary; LV = Latvia; LT = Lithuania; MT = Malta; PL = Poland; RO = Romania; SK = Slovakia; SV = Slovenia; TK = Turkey



**NUMBER OF TWINNING PROJECTS FINANCED UNDER PHARE IN 1998-2000**

<b>Candidate Country</b>	<b>Agriculture (incl. Veterinary and Phytosanitary projects)</b>	<b>Environment</b>	<b>Public Finance (incl. Taxation, Customs, Internal Market etc.)</b>	<b>Justice and Home Affairs</b>	<b>Social Policy</b>	<b>Regional Development and Preparation for Structural Funds</b>	<b>Others</b>	<b>Total</b>
<i>Bulgaria</i>	7	11	12	6	4	3	2	<b>45</b>
<i>Czech Rep.</i>	3	5	7	11	9	2	5	<b>42</b>
<i>Estonia</i>	4	2	7	5	3	1	---	<b>22</b>
<i>Hungary</i>	6	5	9	5	4	2	---	<b>31</b>
<i>Latvia</i>	3	2	4	4	1	3	1	<b>18</b>
<i>Lithuania</i>	2	1	6	6	3	1	6	<b>25</b>
<i>Poland</i>	16	5	15	6	4	3	8	<b>57</b>
<i>Romania</i>	7	3	13	8	5	3	3	<b>42</b>
<i>Slovak Rep.</i>	6	6	8	12	6	1	5	<b>44</b>
<i>Slovenia</i>	6	2	7	7	4	2	3	<b>31</b>
<b>Total</b>	<b>60</b>	<b>42</b>	<b>88</b>	<b>70</b>	<b>43</b>	<b>21</b>	<b>33</b>	<b>357</b>

29

**NUMBER OF TWINNING PROJECTS 1998-1999 IN WHICH MEMBER STATES ARE INVOLVED AS LEADERS OR PARTNERS**

<b>Year</b>	<b>A</b>	<b>B</b>	<b>D</b>	<b>DK</b>	<b>E</b>	<b>FIN</b>	<b>F</b>	<b>GR</b>	<b>IRL</b>	<b>I</b>	<b>NL</b>	<b>P</b>	<b>S</b>	<b>UK</b>	<b>Total</b>
<b>1998</b>	18	0	64	7	9	12	47	8	6	6	11	0	8	24	<b>220</b>
<b>1999</b>	10	2	35	10	11	7	30	6	3	13	17	2	24	21	<b>191</b>
<b>Total</b>	<b>28</b>	<b>2</b>	<b>99</b>	<b>17</b>	<b>20</b>	<b>19</b>	<b>77</b>	<b>14</b>	<b>9</b>	<b>19</b>	<b>28</b>	<b>2</b>	<b>32</b>	<b>45</b>	<b>411*</b>

\*) This total does not correspond to the total number of projects, the majority involve more than one Member State