

# **Enlargement Strategy Paper**

## **Report on Progress Towards Accession by each of the Candidate Countries**

**8<sup>th</sup> November 2000**

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## 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 continue.

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, it 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 re-organised. Lithuania has started aligning its legislation with the *acquis* on *fishery* 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 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**

Candidate Country	Agriculture (incl. Veterinary and Phytosanitary projects)	Environment	Public Finance (incl. Taxation, Customs, Internal Market etc.)	Justice and Home Affairs	Social Policy	Regional Development and Preparation for Structural Funds	Others	Total
<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>

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

Year	A	B	D	DK	E	FIN	F	GR	IRL	I	NL	P	S	UK	Total
<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