

COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL DECISION

on the principles, priorities and conditions contained in the Accession Partnership with Croatia and repealing Decision 2006/145/EC

(presented by the Commission)

EXPLANATORY MEMORANDUM

The Thessaloniki European Council of 19 and 20 June 2003 endorsed the "Thessaloniki Agenda for the Western Balkans", which introduced the partnerships as a means of realising the European perspective of the Western Balkan countries.

On 20 February 2006, the Council adopted the revised Accession Partnership for Croatia, based on the Commission's proposal presented on 9 November 2005. This partnership contained short–term and medium–term priorities. The countries are expected to fulfil the short–term priorities in one to two years.

Therefore the Commission considers it appropriate to present a proposal for an updated partnership for Croatia. This renewed partnership is based on the provisions of Council Regulation (EC) No 533/2004 of 22 March 2004 and takes into account the new developments as described in the 2007 Progress Report. The priorities listed in this partnership have been selected on the basis that it is realistic to expect Croatia to be able to complete them or bring them substantially forward over the next few years.

In order to respond to the Accession Partnership, the competent authorities in Croatia should develop a plan with a timetable and the specified measures Croatia intends to take to this end. The Commission will regularly monitor progress in implementing the priorities.

The Accession Partnership priorities form the basis for programming the financial assistance of the Community, which will continue to be provided under the relevant financial instruments, in particular Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing the Instrument for Pre-Accession Assistance (IPA).

The proposed Council Decision has no financial implications. In view of the above, the Commission invites the Council to adopt the attached proposal for a Council Decision.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 533/2004 of 22 March 2004 on the establishment of partnerships in the framework of the Stabilisation and Association Process[1], as amended, and in particular Article 2 thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) The Thessaloniki European Council of 19 and 20 June 2003 endorsed the introduction of the partnerships as a means to materialise the European perspective of the Western Balkan countries.

(2) Regulation (EC) No 533/2004 provides that the Council is to decide on the principles, priorities and conditions to be contained in the partnerships, as well as any subsequent adjustments. It also states that the follow-up to the Accession Partnerships will be ensured through the mechanisms established under the Stabilisation and Association Process, notably by the annual progress reports.

(3) Following the European Partnership of 2004, the Council adopted on 20 February 2006 the first Accession Partnership with Croatia[2].

(4) On 3 October 2005 the Member States started negotiations with Croatia on its accession to the European Union. The advancement of the negotiations will be guided by Croatia's progress in preparing for accession, which will be measured, inter alia, against the implementation of the Accession Partnership, as regularly revised.

(5) The Commission's Paper on enlargement strategy and main challenges 2006–2007 indicated that the partnerships would be updated at the end of 2007.

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1 OJ L 86, 24.3.2004, p. 1. Regulation as last amended by Regulation (EC) No 269/2006 (OJ L 47, 17.2.2006, p. 7.)

2 Council Decision 2006/145/EC of 20 February 2006 on the principles, priorities and conditions contained in the Accession Partnership with Croatia (OJ L 55, 25.2.2006, p. 30).

(6) On 12 June 2006 the Council adopted Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)[3], which renews the framework for financial assistance to pre-accession countries.

(7) It is therefore appropriate to adopt a revised Accession Partnership which updates the current partnership in order to identify renewed priorities for further work, on the basis of the findings of the 2007 Progress Report on Croatia's preparations for further integration with the European Union.

(8) In order to prepare for membership, Croatia is expected to develop a plan with a timetable and specific measures to address the priorities of this Accession Partnership.

(9) Decision 2006/145/EC should be repealed,

HAS DECIDED AS FOLLOWS:

Article 1

The principles, priorities and conditions in the Accession Partnership with Croatia are set out in the Annex.

Article 2

The implementation of the Accession Partnership shall be examined and monitored through the mechanisms established under the Stabilisation and Association Process, and by the Council on the basis of annual reports by the Commission.

Article 3

Decision 2006/145/EC shall be repealed.

Article 4

This Decision shall take effect on the third day following that of its publication in the Official Journal of the European Union.

Done at Brussels,

For the Council
The President

[3] OJ L 210, 31.7.2006, p. 82

ANNEX : CROATIA 2007 ACCESSION PARTNERSHIP

1. INTRODUCTION

The proposed revised Accession Partnership updates the first one, on the basis of the findings of the 2007 Commission's Progress Report on Croatia. It identifies new as well as remaining priorities for action. The new priorities are adapted to the country's specific needs and stage of preparation and will be updated as necessary. Croatia is expected to develop a plan including a timetable and specific measures intended to address the Accession Partnership priorities. The Accession Partnership also provides guidance for financial assistance to the country.

2. PRINCIPLES

The Stabilisation and Association Process remains the framework for the European course of the Western Balkan countries, all the way to their future accession. The main priorities identified for Croatia relate to its capacity to meet the criteria defined by the Copenhagen European Council of 1993 and the conditions set for the Stabilisation and Association Process, notably the conditions defined by the Council in its Conclusions of 29 April 1997 and of 21 and 22 June 1999, the final declaration of the Zagreb Summit of 24 November 2000 and the Thessaloniki Agenda, and the requirements of the negotiating framework adopted by the Council on 3 October 2005.

3. PRIORITIES

The priorities listed in this Accession Partnership have been selected on the basis that it is realistic to expect that Croatia can complete them or take them substantially forward over the next few years. The priorities concern both legislation and the implementation thereof.

In view of the need to set priorities, it is clear that there are other tasks for Croatia to complete which may become priorities in any future partnership, also taking into account future progress made by Croatia.

Among the priorities, the key priorities have been identified and grouped together at the beginning of the section below. The order of these key priorities does not imply a ranking of their importance.

Key priorities

– Ensure proper implementation of all commitments undertaken in the Stabilisation and Association Agreement.

– Update and implement the strategy and action plan for judicial reform; step up public administration reform.

– Update and implement the anti-corruption programme and related action plans and ensure more coordinated and pro-active efforts to prevent, detect and prosecute corruption, especially at high level.

– Implement the Constitutional Law on National Minorities, with particular attention to its provisions guaranteeing proportional representation of minorities in employment.Tackle discrimination more widely in the public sector.

– Complete the process of refugee return; definitively settle all cases of housing care for former occupancy/tenancy rights holders; complete reconstruction and repossession of property and reopen the possibility for convalidation claims.

– Pursue efforts aimed at reconciliation among citizens in the region and enhance efforts to find definitive solutions to pending bilateral issues, in particular border issues.

– Maintain full cooperation with the International Criminal Tribunal for the former Yugoslavia and ensure integrity of domestic war crimes proceedings.

– Improve the business environment and economic growth potential, in particular by reducing subsidies, restructuring large loss-making enterprises and increasing the efficiency of public spending.

Political Criteria

Democracy and the rule of law

Public administration

– Fully implement public administration reform measures on administrative procedures and on recruitment, promotion, training and depoliticisation; improve human resource management in areas of public administration.

Judicial system

– Substantially reduce the case backlog in courts and ensure an acceptable length of judicial proceedings.

– Rationalise the organisation of courts, including the introduction of modern information technology systems.

– Establish an open, fair and transparent system of recruitment, evaluation and promotion in the judiciary and enhance professionalism through high quality training, including in EU law.

– Take measures to ensure proper and full execution of court rulings.

Anti-corruption policy

– Continue to develop Codes of Conduct/ ethics for officials and elected representatives as well as action plans to prevent corruption in the relevant law enforcement agencies (border police, police, customs, judiciary). Establish specialist units for combating corruption within the appropriate services with an appropriate coordination mechanism between them and provide them with adequate training and resources.

– Take steps to ensure that the legal framework for tackling corruption is uniformly implemented and enforced. Ensure that the standards set by international instruments are met, by putting in place the appropriate legislative and administrative measures.

– Take concrete actions to raise public awareness of corruption as a serious criminal offence.

Human rights and the protection of minorities

– Ensure access to justice and legal aid and make available the corresponding budgetary resources.

– Promote respect for and protection of minorities in accordance with international law and best practice in EU Member States.

– Encourage a spirit of tolerance *vis-à-vis* the Serb and Roma minorities and take measures to protect persons belonging to minorities who may be subject to threats or acts of discrimination, hostility or violence.

– Continue to implement the strategy and action plan for the protection and integration of Roma and ensure availability of the necessary means, especially as regards employment, education and housing.

– Adopt and implement a comprehensive anti-discrimination strategy.

Regional issues and international obligations

– Ensure the integrity of proceedings as regards war crimes, in particular by ensuring an end to ethnic bias against Serbs, including application of a uniform standard of criminal responsibility and improved security of witnesses and informants.

– Secure adequate coordination and cooperation between all relevant authorities at central and local level on refugee return matters.

– Make headway in settling with neighbours all issues arising from lost occupancy and tenancy rights.

– Create the social and economic conditions to improve the climate for reintegration of returnees and the acceptance of returnees by receiving communities, including through regional development programmes in affected areas.

– Contribute to strengthening regional cooperation, including by promoting the transition process from the Stability Pact to a more regionally-owned cooperation framework and the effective implementation of the Central European Free Trade Agreement (CEFTA).

– Fully implement agreements with neighbouring countries, notably the fight against organised crime, border management and readmission, cross-border cooperation, and judicial and police cooperation, including on war crimes, and conclude such agreements where they are still outstanding.

– Continue to implement the trilateral agreement of June 2004 until agreement is reached on Croatia's unilaterally declared protected ecological and fishing zone.

Economic criteria

– Continue to implement prudent fiscal, monetary and financial sector policies with a view to sustaining macro-economic stability, including low inflation, exchange rate stability and a further reduction of general government's spending-to-GDP ratio as well of its deficit and debt ratio.

– Continue institutional reforms in public finance with a view to enhancing fiscal transparency, and improving the efficiency and transparency of public debt management, and completing the planned change of budget reporting to ESA 95 principles.

– Continue the implementation of comprehensive health care reforms to avoid the accumulation of new payment arrears in the health system and to improve the efficiency of health spending. Continue the reform of social security. Ensure the financial sustainability of the pension system's first pillar through adequate parametric reforms.

– Continue to facilitate business entry by further reducing the time and procedures needed and the costs for establishing a business. Improve bankruptcy procedures to speed up market exit.

– Improve the institutional framework for privatisation with a view to significantly advancing the privatisation of companies held under the State Privatisation Fund. Continue with the restructuring of loss-making state-owned enterprises and of the railway system to reduce the amount of subsidies to the enterprise sector as a share of GDP.

– Improve incentive structures and flexibility in the labour market to increase participation and employment rates.

Ability to assume the obligations of membership

Chapter 1: Free movement of goods

– Adopt and implement horizontal framework legislation to complete the necessary infrastructure, and ensure segregation of tasks between the various functions (regulation, standardisation, accreditation, metrology, conformity assessment and market surveillance).

– Adopt and implement a comprehensive strategy for the transposition and implementation of EC legislation for relevant horizontal organisations (standardisation, accreditation, metrology and market surveillance) and in individual sectors, and enhance administrative capacity.

– Adopt and implement an Action Plan for compliance with Articles 28-30 of the EC Treaty, including the introduction of mutual recognition clauses.

– Continue adoption of European standards. Continue preparations towards meeting membership criteria for standardisation bodies.

– Complete transposition of the new and old Approach directives.

Chapter 2: Freedom of movement of workers

– Abolish any discriminatory measures towards EU migrant workers and EU citizens.

– Reinforce administrative structures for the coordination of social security schemes.

Chapter 3: Right of establishment and freedom to provide services

– Complete alignment of legislation with the *acquis* on the recognition of professional qualifications for EU citizens and amend existing legislation to repeal remaining requirements in respect of nationality, language, establishment or business permits for EU service providers.

Chapter 4: Free movement of capital

– Complete the establishment of an effective anti-money laundering regime, in particular by ensuring that enforcement agencies are fully operational, adequately resourced and well coordinated with domestic and international counterparts.

– Make further progress in the removal of remaining restrictions on capital movements; remove all restrictions on the purchase of real estate by EU nationals in line with the SAA and ensure that all applications for permission to purchase real estate submitted in the meantime by EU nationals are handled expeditiously.

Chapter 5: Public procurement

– Give an organisation for procurement the task of guaranteeing a coherent policy and steering its implementation, in all areas related to public procurement.

– Adopt and implement a comprehensive strategy, with time schedules and milestones for legislative alignment and capacity building, in all areas of public procurement (public contracts, concessions, public-private partnerships) as well as for review procedures and bodies. Strengthen enforcement mechanisms of review bodies.

Chapter 6: Company law

– Align the Companies Act with the *acquis* and complete alignment with the directive on take-over bids.

– Align accounting and auditing legislation with the *acquis*. Strengthen the relevant institutional framework.

Chapter 7: Intellectual property law

– Complete the alignment with the *acquis* concerning copyright and related rights and ensure the enforcement of intellectual property rights by strengthening the administrative capacity of the relevant bodies.

– Provide a satisfactory track record of investigation, prosecution and judicial treatment of cases of piracy and counterfeiting.

Chapter 8: Competition policy

– Adopt a National Restructuring Programme for the steel sector that ensures the viabilityand respect for EU rules on state aids. Adopt individual restructuring plans for each of the shipyards in difficulties and incorporate such plans in a National Restructuring Programme, in line with EU rules on state aids.

– Complete legislative alignment with EU state aid rules in the area of fiscal aid and align all other remaining aid schemes identified in the state aid inventory as being incompatible with EU rules. Adopt the regional aid map.

– Adopt legislative measures allowing for effective anti-trust control, in particular as regards fine setting and judicial control.

Chapter 9: Financial services

– Complete the transposition of the *acquis* on capital requirements, electronic money institutions, financial conglomerates, winding-up and reorganisation, bank accounts, branch accounts and deposit guarantee schemes.

– Complete legislative alignment with regard to solvency margins, insurance supervision, reinsurance and insurance mediation, financial market infrastructure, investment and securities markets.

– Establish an investor compensation scheme in line with the *acquis*. Demonstrate enforcement of prudential requirements by establishing a track record.

Chapter 10: Information society and media

– Complete the alignment with the *acquis* concerning electronic communications, commerce, signatures and media, information security and the Television without Frontiers directive.

– Ensure sufficient administrative capacity to enforce the *acquis*, in particular in the field of electronic communications and provide a track record of the enforcement of obligations on operators with significant market power and the rights of new entrants on the electronic communications market, including rights of way, co-location and facility sharing.

– Complete the planned review of audiovisual media legislation on the basis of public consultation, to ensure regulatory independence and guard against undue political interference.

Chapter 11: Agriculture and rural development

– Strengthen the administrative structures and capacity needed to implement market and rural development policies, including collection and processing of agricultural data.

– Establish a vineyard register in line with EU standards.

– Continue preparations to establish effective and financially sound paying bodies for the management and control of agricultural funds, in line with EU requirements and international auditing standards.

Chapter 12: Food safety, veterinary and phytosanitary policy

– Substantially improve the alignment of legislation in the food safety, veterinary and phytosanitary domain and strengthen the necessary implementing structures including control and inspection services.

– Ensure the setting up compliant regimes in the food safety, veterinary and phytosanitary sectors, including a system for animal identification and registration of movements, treatment of animal by-products, upgrading of agri-food establishments, animal welfare and programmes of control of animal diseases, control of animals and animal products at border inspection posts, control of plant health, authorisation of plant protection products and control of their residues as well as quality of seeds and plant propagating material.

Chapter 13: Fisheries

– Strengthen administrative and, in particular, inspection structures for fisheries policy and improve the collection of catch and landing data.

– Complete the computerised fishing vessel register and establish a satellite-based vessel monitoring system.

Chapter 14: Transport policy

– Complete alignment with the EU *acquis* and enhance administrative capacity in the area of road transport (including the implementation of the digital tachograph) aviation and maritime transport and in the area of inland waterway transport, in particular as regards the safety of navigation and River Information Services.

– Adopt implementing legislation for rail transport, in particular interoperability provisions and independent allocation of capacity. Publish a finalised network statement.

– Implement the first transitional phase of the European Common Aviation Area Agreement and ratify it.

Chapter 15: Energy

– Fulfil obligations arising from the Energy Community Treaty.

– Strengthen administrative capacity and complete alignment with the EU *acquis* in the fields of security of supply, energy efficiency and renewable energy sources, the internal energy market (electricity and gas) and nuclear energy.

Chapter 16: Taxation

– Accelerate alignment of tax legislation with the *acquis* with particular attention to including free zones in the territorial application of the VAT-regime, abolishing the existing zero rates of VAT, eliminating the discriminatory taxation of cigarettes and further harmonising the system of excise duties.

– Significantly strengthen the enforcement capacity of the tax and customs administrations, particularly regarding collection and control functions and developing the necessary IT systems; continue the work on building a functioning and adequately staffed excise duty service; simplify procedures and reinforce controls to effectively prosecute tax fraud.

– Commit to the principles of the Code of Conduct for business taxation and ensure that new tax measures are in conformity with these principles.

Chapter 17: Economic and Monetary Union

– Align the legal framework in order to ensure full central bank independence, and to allow for the full integration of its central bank into the European System of Central Banks.

Chapter 18: Statistics

– Strengthen the administrative capacity of the Bureau of Statistics, reform its regional offices and improve coordination with other producers of official statistics.

– Continue developing agricultural, macroeconomic and business statistics.

Chapter 19: Social policy and employment

– Further align with the *acquis* and strengthen the related administrative and enforcement structures, including the labour inspectorates, in association with social partners.

– Implement effectively the Joint Inclusion Memorandum (JIM) and, once adopted, the Joint Assessment Paper on Employment Policy Priorities (JAP).

Chapter 20: Enterprise and industrial policy

– Implement a comprehensive industrial policy strategy, with particular emphasis on the restructuring of key loss-making sectors and individual companies, including steel and shipbuilding.

Chapter 21: Trans European Networks

– Increase gas and electricity interconnections with neighbouring countries.

Chapter 22: Regional policy and coordination of structural instruments

– Adopt and begin implementing an action plan setting out clear objectives and a related timetable in order to meet regulatory and operational requirements deriving from Community cohesion policy, including strengthening capacity at central, regional and local level.

– Ensure a clear distribution of responsibilities and strengthen the capacity of, and coordination between, designated implementing authorities/structures, including local authorities.

– Adopt a Regional Development Act.

– Reinforce capacity for programming, project preparation, monitoring, evaluation and financial management and control, particularly of line Ministries, to implement EU pre-accession programmes as a preparation for Community cohesion policy.

Chapter 23: Judiciary and fundamental rights

– Continue to implement the national law on personal data protection in line with the *acquis* and ensure an efficient monitoring and enforcement.

– *See for other priorities the section on political criteria.*

Chapter 24: Justice, freedom and security

– Complete the revision of key legislation to align with the Schengen *acquis* and extend investments at local level in terms of IT equipment and further training for the police.

– Continue preparations to implement the Schengen *acquis* by increasing staffing levels and training for border guards, further investing in equipment including the extension of the National Border Management Information System and ensuring its compatibility with the second generation Schengen Information System (SIS II). Improve administrative and enforcement capacity of the border police by enhancing inter-agency cooperation.

– Continue alignment to EU visa plicy, including the introduction of biometric identifiers in travel documents and preparations for the Visa Information system.

– Introduce secondary legislation for implementation of the Asylum Act and Aliens Act .

– Ensure compatibility of legislation with the *acquis* in judicial cooperation in civil and criminal matters and strengthen the capacity of the judiciary to apply the acquis.

Chapter 25: Science and research

– Ensure adequate capacity to take up EU-funded research projects.

– Continue to take and implement actions to facilitate the integration into the European Research Area.

Chapter 26: Education and culture

– Ensuring adequate capacity to manage the Lifelong Learning and Youth in Action programmes.

– Align with the *acquis* on non-discrimination between EU and Croatian nationals as regards access to education as well as the directive on the education of the children of migrant workers.

Chapter 27: Environment

– Continue work on transposition and implementation of the EU *acquis*, with particular emphasis on waste management, water quality, air quality, nature protection and integrated pollution prevention and control.

– Adopt and implement a comprehensive plan for putting in place the necessary administrative capacity and required financial resources to implement the environment *acquis.*

– Increase investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply and waste management.

– Start implementing the Kyoto Protocol.

– Ensure integration of environmental protection requirements into the definition and implementation of other sectoral policies and promote sustainable development.

Chapter 28: Consumer and health protection

– Further align with the consumer and health *acquis,* including in the areas of tissues and cells and tobacco, and ensure adequate administrative structures and enforcement capacity.

– In the area of mental health, develop community-based services as an alternative to institutionalisation, and ensure allocation of sufficient financial resources for mental health care.

Chapter 29: Customs union

– Continue to adopt legislation in the limited remaining areas requiring further alignment, in particular on the non-preferential rules of origin and the application of fees.

– Apply customs rules in a consistent and homogeneous manner across customs offices, notably in the areas of declaration processing, origin, simplified procedures, counterfeiting,

selectivity of controls; ensure the application of modern and consistent risk analysis procedures in all offices.

– On the basis of a comprehensive and coherent strategy, make sufficient progress in developing all IT interconnectivity systems.

Chapter 30: External relations

– Prepare for the alignment of all relevant international agreements with third countries and strengthen administrative and control capacities for the common commercial policy.

Chapter 31: Foreign, security and defence policy

– Strengthen implementation and enforcement of arms control and further improve capacity for full implementation of the Common Foreign Security Policy-and European Security and Defense Policy.

Chapter 32: Financial control

– Adopt and implement public internal financial control legislation and inherent policies supported by adequate implementation capacity.

– Safeguard the functional and financial independence of the State Audit Institution by means of amended constitutional provisions or national legislation having equivalent effect, adoption and implementation of necessary accompanying legislation.

– Align the Criminal Code with the *acquis* on protection of the EU's financial interests as well as with the convention on the protection of financial interests and its protocols.

– Set up an effective and efficient coordination service to guarantee fulfilment of the obligations arising from (Article 280 (3) of) the EC Treaty and application of the *acquis* concerning on-the-spot checks and inspections carried out by the Commission, in particular the obligation of assistance to Commission inspectors.

– Take legislative and administrative measures to comply with the *acquis* on the protection of the euro against counterfeiting.

Chapter 33: Financial and budgetary provisions

– Increase administrative capacity and prepare procedural rules to ensure, from accession, the correct calculation, forecasting, collection, payment, control and reporting to the EU on own resources.

4. PROGRAMMING

Community assistance will be provided through the instrument for pre-accession (IPA) and, for programmes adopted before 2007, Council Regulation (EC) No 2666/2000 of 5 December 2000 (CARDS regulation)[4]. Accordingly, this Decision will have no financial implications. The financing agreements serve as legal basis for the implementation of the concrete programmes.

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[4] OJ L 306, 7.12.2000, p. 1. Regulation as last amended by Regulation (EC) No 2112/2005 (OJ L 344, 27.5.2005).

Croatia can also have access to funding from multi-country and horizontal programmes.

5. CONDITIONALITY

Assistance to the Western Balkan countries is conditional on further progress on satisfying the Copenhagen criteria and on meeting the requirements of the Stabilisation and Association Agreement and specific priorities of this Accession Partnership. Failure to respect these conditions could lead the Council to take appropriate measures on the basis of Article 21 of Council Regulation (EC) No 1085/2006 or, in the case of pre-2007 programmes, on the basis of Article 5 of Regulation (EC) No 2666/2000. The assistance is also subject to the conditions defined by the Council in its conclusions of 29 April 1997, in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms. Specific conditions are also included in individual annual programmes. The financing decisions will be followed by a financing agreement signed with Croatia.

6. MONITORING

The implementation of the Accession Partnership shall be examined in the framework of the Stabilisation and Association Process, including through the annual Reports presented by the Commission, in the context of the political and economic dialogues, as well as on the basis of information provided to the accession conference.