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CONTINUING ENLARGEMENT

**Strategy paper
and
Report for the European Commission
on the progress towards accession by Bulgaria,
Romania and Turkey**

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TABLE OF CONTENTS

PREFACE	3
A. THE STATE OF THE ENLARGEMENT PROCESS	5
B. BRINGING BULGARIA AND ROMANIA INTO THE UNION	9
1. PROGRESS MADE BY BULGARIA IN MEETING THE MEMBERSHIP CRITERIA.....	9
2. PROGRESS MADE BY ROMANIA IN MEETING THE MEMBERSHIP CRITERIA.....	10
3. PRE-ACCESSION STRATEGY FOR BULGARIA AND ROMANIA.....	11
4. A FRAMEWORK FOR FINALISING THE NEGOTIATIONS.....	12
4.1 <i>Towards the conclusion of negotiations</i>	12
4.2 <i>Outline for a financial framework</i>	13
C. TURKEY IN THE ENLARGEMENT PROCESS – PROGRESS AND CHALLENGES	15
1. PROGRESS MADE BY TURKEY IN MEETING THE MEMBERSHIP CRITERIA.....	15
2. PRE-ACCESSION STRATEGY FOR TURKEY	17
D. CONCLUSIONS AND RECOMMENDATIONS	19
ANNEXES	21
ANNEX 1: REFERENDUMS AND RATIFICATIONS OF THE 2003 ACCESSION TREATY	22
ANNEX 2: CONCLUSIONS OF THE REGULAR REPORTS ON BULGARIA, ROMANIA AND TURKEY	23
Bulgaria	23
Romania.....	27
Turkey	30
ANNEX 3: HUMAN RIGHTS CONVENTIONS RATIFIED BY THE CANDIDATE COUNTRIES ..	37
ANNEX 4: TWINNING PROJECTS AND PEER REVIEWS	38
ANNEX 5: STATE OF PLAY OF NEGOTIATIONS	41
ANNEX 6: MAIN STATISTICAL INDICATORS (2002)	42

PREFACE

The European Union is on the eve of the one of the greatest developments in its history. In six months' time it will extend its membership from 15 to 25 countries, bringing in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia as new members on 1 May 2004. Moreover, negotiations are ongoing with Bulgaria and Romania with a view to their membership in 2007 and a strengthened pre-accession strategy for Turkey is being implemented.

This enlargement, the fifth to take place since the beginning of the European Community 50 years ago, demonstrates once again the attraction of the European model for young democracies.

Yet this enlargement is unlike those that preceded it. Never before have so many accessions taken place at the same time. Never before have they been so thoroughly prepared, with a sweeping transformation of the economies and societies of the applicant countries. Stable democracies and functioning market economies are now well established in Central and Eastern Europe, and the credit for this success lies mainly with the governments and peoples of those countries, aided by the prospect of EU membership.

In a historical perspective, the coming enlargement is more than another extension of the EU: it represents the application on a continental scale of a European model of peaceful and voluntary integration among free peoples. In fact, it is the realisation of a dream of the founders of European integration: the reunification of the European continent, divided in the aftermath of the Second World War.

The acceding countries need also to adjust to their future role as members of the EU, with full and equal rights. Up to now, their work on the way to Europe has been to adopt and implement the common policies: their new work in Europe, beginning with accession, will be to exercise a voice in the making of those policies. The EU institutions and member states, too, must prepare themselves for expansion, by finalising the Constitutional Treaty to give an adequate framework for the operation of the enlarged Union.

Accession negotiations are well advanced with Bulgaria and Romania, and will continue on the basis of the same principles that guided the negotiations with the ten acceding countries, without calling into question the results already achieved. This has also been acted in the Accession Treaty.

Turkey is making significant progress in preparing for membership, and its progress is judged according to the same accession criteria as the other countries.

The accession process, which has already served as a catalyst for change in the acceding countries, offers great benefits in terms of stability and prosperity. The Western Balkan countries have been given a European perspective. Among them, Croatia has recently submitted an application for membership.

The process of enlargement is a challenge that the EU has willingly accepted. The existing members consent to share with others the benefits obtained in Western Europe through the creation of a political and economic area where war has become impossible. The prospective members look to us for guarantees of stability, peace and prosperity, and for the opportunity to share with us in the unification of Europe. For their new democracies, Europe is a powerful symbol, signifying their fundamental values and aspirations.

A. THE STATE OF THE ENLARGEMENT PROCESS

In last year's Strategy Paper entitled "Towards the enlarged Union", the Commission recommended **concluding the accession negotiations** with the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. The Brussels European Council of October 2002, endorsing the Commission's findings and recommendations, confirmed "its determination to conclude accession negotiations with these countries at the European Council in Copenhagen" in December 2002, considering that these countries will be able to fulfil the accession criteria from the beginning of 2004. The Council also took into consideration the overall progress achieved in the accession negotiations, as well as in transposing and implementing the *acquis* and the commitments undertaken in the negotiations by the candidates.

Subsequently, the negotiations with these ten countries were taken into their final phase in the months leading up to the Copenhagen European Council in December 2002. The final package, fair and balanced, was agreed at Copenhagen, the very place where the "Copenhagen criteria" for accession were laid down back in 1993.

The **Accession Treaty** was signed at a ceremony at the Stoa of Attalos in Athens on 16 April 2003.¹ The Treaty was then submitted for ratification by the current Member States and acceding states, in accordance with each state's national ratification procedures. This process must continue without delay in the remaining states so as to ensure the entry into force of the Treaty on 1 May 2004, which was fixed as the date of accession to the Union. Preparatory work for its implementation is ongoing.

As regards **Cyprus**, the European Council has repeatedly underlined its strong preference for accession by a united Cyprus. Regrettably, the efforts of the United Nations Secretary-General to find a solution to the Cyprus problem have not yet succeeded. At the Thessaloniki European Council in June 2003, the Union called for an early resumption of peace talks on the basis of the UN Secretary-General's proposals and welcomed the Commission's willingness to offer assistance for a speedy solution to the Cyprus problem. Taking up the invitation of the Copenhagen European Council, the Commission adopted in June 2003 a Communication aiming at economic development of the north and bringing it closer to the Union. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. The accession of a united Cyprus to the European Union would benefit all Cypriot citizens and promote civil peace and reconciliation. It would also contribute to the overall stability in the region. The EU moreover foresees an amount of €206 million for the northern part of the island in the event of a settlement.

In all acceding countries except Cyprus accession to the EU has been the subject of a **referendum**. The referendums have demonstrated clear public support for accession, putting the seal of popular approval on the results of the negotiations: turnout has been sufficient in all countries to produce valid referendum results with very convincing

¹ Documents concerning the accession, including the Accession Treaty, were published in the Official Journal (OJ L 236, 23.9.2003, p. 1), accessible on the internet at the following address: <http://europa.eu.int/eur-lex>.

majorities. An overview of referendums and ratification is given in *Annex 1: Referendums and ratifications of the 2003 Accession Treaty*.

Governments of current and acceding Member States have undertaken comprehensive information campaigns to inform their citizens about enlargement, while most acceding countries also established dedicated, intensive pre-referendum campaigns. The Commission has provided practical and financial assistance over many years in the framework of its communication strategy for enlargement. Up to €30 million per year has been committed to inform people, via dedicated information centres, partnerships, seminars, brochures, co-operation with media, web-sites, on the process and consequences of enlargement. The Commission will continue to support information efforts on enlargement with a view to the completion of the ratification process.

As the long-awaited date of accession approaches, the ten acceding countries must make their final preparations to join the EU in the best possible conditions. For that purpose, the Commission presents its evaluation, separately from the present document, in a **Comprehensive Monitoring Report**.

Special information and consultation procedures have been put in place to ensure the involvement of the acceding countries' representatives in the development of new *acquis* since the conclusion of the accession negotiations. Among other things, as from the signature of the Accession Treaty, the acceding countries have participated as “**active observers**” in Council bodies, as well as in committees presided over by the Commission. The acceding countries have the right to express their views on the various proposals under discussion, but not to vote. Furthermore, appointed deputies of acceding countries' national parliaments have observer status in the European Parliament.

The acceding and current candidate countries participated in the discussion on the **future of Europe** within the European Convention, which concluded its work with a proposal for a Treaty establishing a Constitution for Europe submitted to the European Council with a view to the Intergovernmental Conference on the future institutional architecture of the Union. The ten acceding countries participate fully in the Intergovernmental Conference launched on 4 October 2003, and the new Treaty is intended to be signed after their accession. As candidate countries for accession Bulgaria, Romania and Turkey participate as observers in the Intergovernmental Conference.

Like many other agreements the Union has with third countries, the **Europe Agreements** with Bulgaria and Romania, and the Association Agreement with Turkey, need to be adapted to take account of enlargement. The Commission will negotiate these adaptations with Bulgaria, Romania and Turkey on the basis of a mandate from the Council. The Protocols to the Agreements reflecting the outcome of these negotiations should be concluded as soon as possible after accession, using a simplified procedure foreseen in the Accession Treaty. One of the main areas to be adapted in the agreements with Bulgaria and Romania are the agricultural trade concessions, both as regards processed and non-processed products. Concessions have been improved twice in recent years as a result of the “double zero” and “double profit” negotiations. To continue this process of gradual market integration in the pre-accession period, the Commission envisages a further round of trade liberalisation. Another area to be developed in the coming period is the mutual recognition of conformity assessment, through Protocols on European Conformity Assessment.

Administrative preparations of the EU institutions for enlargement are ongoing, to ensure that all necessary measures are in place by the date of accession. This includes *inter alia* assessments of staffing needs and recruitment preparations, provision of translating and interpreting in additional languages, preparation of buildings, and schools. The Commission identified in particular its additional human resource needs, to be phased in from 2004 and completed by around 2008.² The European Personnel Selection Office became operational in January 2003 and the first competitions for staff from the acceding countries were launched in the first half of 2003. The Commission has set indicative recruitment targets over a seven-year transitional period. Moreover, in order to meet increased human resource needs prior to accession in certain policy areas such as agriculture, structural policies and the linguistic services, up to 500 non-permanent posts were made available already in 2003. These temporary members of staff, mostly nationals from acceding countries, have now begun to take up their posts in the Commission services.

The Commission's Delegations in the new Member States will be transformed into Press and Representation Offices as of 1 May 2004 and will concentrate on their new role of providing information to citizens and media in their host Member State. Nevertheless, for the purpose of accompanying the phasing out of pre-accession assistance, a certain number of specialised staff will be maintained as required for a limited transitory period.

On 20 February 2003, **Croatia** presented its application for accession to the European Union. At its meeting on 14 April 2003, the Council decided to implement the procedure foreseen under Article 49 of the Treaty on European Union, and requested the Commission to submit to the Council its opinion on this application. A series of questions was transmitted to the Croatian authorities in July, aimed at obtaining an accurate picture of the situation, to which the Croatian authorities replied in October. The opinion of the Commission is under preparation and is expected to be delivered in spring 2004.

The Union has affirmed on many occasions that it does not wish enlargement to lead to new dividing lines in Europe. With this concern in mind, the Commission adopted in March 2003 a Communication on a new framework for relations with our **Eastern and Southern Neighbours**³. The Commission put forward an ambitious new vision: the creation of an enlarged area of peace, stability and prosperity encompassing the neighbours to the east and to the south that currently do not have a perspective of EU membership, based on common values and deep integration. In return for concrete progress in the implementation of political, economic and institutional reforms, the EU's neighbourhood is to benefit from the prospect of closer economic and political links with the EU. The Commission proposed to take a differentiated, progressive, and benchmarked approach in implementing the initiative, and to develop country-specific

² See the Commission Communication on Activities and Human Resources of the Commission in the Enlarged EU, 5 June 2002 (COM(2002) 311 final).

³ Communication from the Commission to the Council and the European Parliament - Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours, 11 March 2003 (COM(2003) 104 final). This framework applies to the following countries: Russia, Ukraine, Moldova, Belarus, Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Syria, Tunisia.

action plans. The initiative was broadly welcomed by both the Member States and the neighbouring countries.

In July, the Commission also adopted a Communication on a New Neighbourhood Instrument⁴. It charts the adaptations to the Community's assistance in the border regions to the new neighbourhood policy, based on a two step-approach: the initial phase up to 2006 should seek pragmatic and dynamic solutions which would improve current cooperation between existing instruments and increase the effectiveness and visibility of cross-border and regional co-operation on the basis of the existing legal framework. A more far-reaching solution could then be considered at a later stage for the period from 2007 onwards, following an assessment of relevant legal and budgetary issues.

The Commission will continue to reflect and elaborate an overall methodology to put the Wider Europe - Neighbourhood concept into practice. This includes a thorough review of our current relationships with the countries concerned and the preparation of the first action plans. Based on the Thessaloniki conclusions, the Commission will next year present to the Council a comprehensive report including proposals for concrete actions.

This rest of this report concerns the three candidate countries not included in the accessions taking place on 1 May 2004, i.e. **Bulgaria, Romania and Turkey**. The 2003 Regular Reports on these three countries present a detailed analysis of their progress towards accession over the past twelve months. This progress is assessed by means of the same criteria and the same methodology which has been consistently applied to all candidates. Pursuant to the conclusions of the Copenhagen (1993) and Madrid (1995) European Councils, the report pays attention both to legislative changes and to their administrative capacity to implement and enforce the *acquis*. The Reports show that Bulgaria, Romania and Turkey have moved forward on the three sets of criteria – the political, economic and *acquis* criteria - established by the 1993 Copenhagen European Council.

⁴ Communication from the Commission - Paving the way for a New Neighbourhood Instrument, 1 July 2003 (COM(2003) 393 final).

B. BRINGING BULGARIA AND ROMANIA INTO THE UNION

1. Progress made by Bulgaria in meeting the membership criteria

Bulgaria continues to fulfil the Copenhagen **political criteria**. Progress was made with the adoption of a programme and an action plan for the implementation of the strategy for modernisation of the state administration, but sustained efforts will be necessary to fulfil Bulgaria's aim to have a qualified and efficient civil service in place in the medium term. The overall reform process of the judiciary continued. In particular, the amendments to the Constitution regarding the status of magistrates represent an important step forward. Corruption remains a problem, and Bulgaria should maintain concerted efforts to implement measures in this respect.

Bulgaria continues to respect human rights and fundamental freedoms. The legal framework for asylum, child protection, equal opportunities and anti-discrimination policy improved considerably. However, the living conditions of children and mentally disabled placed in institutions have not improved. Further efforts are also necessary to combat degrading treatment by the police and trafficking in human beings. The new action plan for implementing the framework programme for the integration of Roma into society represents a positive step, but determined and sustained efforts are needed to fight discriminatory attitudes and behaviour. An overview of the human rights conventions ratified by Bulgaria can be found in *Annex 3: Human rights conventions ratified by the candidate countries*.

As regards the **economic criteria**, Bulgaria is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it continues implementing its reform programme to remove remaining difficulties.

The Bulgarian economy has achieved a high degree of stability and has made good progress in structural reforms. This ensures working market mechanisms and an increasingly efficient allocation of resources. However, the flexibility of product and labour markets should be further enhanced. In particular, the efficiency of the administrative and the judicial system should be improved to provide a more stable and predictable framework for economic agents. The privatisation programme needs to be completed and regulations and administrative procedures affecting enterprises further streamlined. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Over the past year, Bulgaria has in most areas continued to make good progress in **adopting the *acquis*** and is on track to complete the required legislative transposition before the planned date of accession if the current pace of progress is maintained. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Bulgaria.

Bulgaria needs to continue to make sustained efforts to develop sufficient administrative and judicial capacity to implement and enforce the *acquis*. As well as continuing horizontal reform of the public administration, it needs to focus in particular on developing the capacity to be part of the internal market and to apply the *acquis* in areas

such as agriculture, environment and regional policy. Continued efforts are required to establish the necessary administrative capacity to ensure the sound and efficient management of EU funds.

The full conclusions of the Regular Report on Bulgaria can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

2. Progress made by Romania in meeting the membership criteria

Romania continues to fulfil the **political criteria**. A number of positive initiatives have been launched over the last year to reform the public administration and the judiciary. Romania needs to focus attention on the effective implementation of these measures and should build further on these efforts to address cumbersome administrative procedures, limited transparency and a limited capacity for policy execution. It needs to develop and implement a strategy to address the reform of the policy and legislative process. Corruption in Romania continues to be widespread. A number of high-profile measures were taken, but substantially increased efforts are needed.

Romania continues to respect human rights and fundamental freedoms, and has made good progress especially as regards anti-discrimination, child protection and national minorities. The implementation of the Roma Strategy needs to continue. Reforms in a number of other areas are being prepared, but the challenge for the future will be the effective implementation of these initiatives. An overview of the human rights conventions ratified by Romania can be found in *Annex 3: Human rights conventions ratified by the candidate countries*.

As regards the **economic criteria**, Romania can be considered as a functioning market economy once the good progress made has continued decisively. In addition, a vigorous and sustained implementation of its structural reform programme is required in order for Romania to be able to cope with competitive pressure and market forces within the Union in the near term.

Further progress towards macroeconomic stability was achieved, privatisation and restructuring of public enterprises were accelerated and market entry and exit mechanisms were improved. However, fiscal and wage policies have to remain prudent, expenditure reform has to be advanced and tax compliance improved. As a priority, enterprise financial discipline must be strengthened, in particular by addressing the continued accumulation of arrears. The restructuring and privatisation in key sectors, such as energy, mining and transport, needs to be advanced. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Romania has made steady progress with the **adoption of the *acquis*** and is on track to transpose the required legislation before the planned date of accession provided the current pace of progress is maintained. Weaknesses in the legislative process mean that the quality of legislation transposed is uneven and in some cases revisions will be needed before laws can be implemented. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Romania.

In a number of important sectors, there has been a continued gap between progress in legal transposition and the limited overall capacity of the public administration to implement and enforce the newly adopted legislation. This represents a major constraint on Romania's accession preparations and to address this issue will require a comprehensive, structural reform of both the public administration and the judicial system. These concerns extend beyond adoption of the *acquis* and also apply to the management of EU financial assistance. Progress in establishing the new institutional structures required by the *acquis* has continued although results to date have been uneven.

The full conclusions of the Regular Report on Romania can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

3. Pre-accession strategy for Bulgaria and Romania

As recommended in last year's Strategy Paper, the Council endorsed detailed roadmaps and adopted revised Accession Partnerships for Bulgaria and Romania. These Accession Partnerships are based on the findings of the 2002 Regular Reports and draw up a list of concrete tasks which must be undertaken in order to continue and complete preparations for EU membership. The purpose of the Accession Partnerships is to set out in a single framework the priority areas for further work identified in the Commission's Regular Report, the financial means available to help candidate countries implement these priorities, and the conditions which will apply to this assistance.

Institution building, together with investment in *acquis*-related development, should continue to be the principal focus of Community assistance, in particular under the Phare programme. In this context, peer review and twinning are the instruments of choice and considerable use is being made of them (see the tables in *Annex 4: Twinning projects and peer reviews*). This should be further sustained.

The second major aim of Community assistance remains the promotion of economic and social cohesion, with a clear focus on preparing Bulgarian and Romanian administrations and beneficiaries for future Structural Funds and Cohesion Fund actions.

The accession roadmaps for Bulgaria and Romania, proposed by the Commission and endorsed by the Copenhagen European Council, provide for considerably increased financial assistance in the period 2004-2006 to both countries (€1 360 million in 2004, €1 502 million in 2005 and €1 650 million in 2006). This increase, which was subsequently incorporated into the modification of the Financial Perspective 2000-2006, decided by the budgetary authorities, is intended to support Bulgaria and Romania in taking the remaining steps necessary to meet the criteria for membership and to continue to prepare for participation in the Structural Funds.

The increased assistance will be conditional on making satisfactory progress in implementing the roadmap and Accession Partnership priorities and on significant improvements in the countries' capacity to manage and use funds effectively. Preparations should continue to implement extended decentralisation (EDIS) for Phare and ISPA by the end of 2004. Furthermore, Bulgaria and Romania should ensure that effective structures exist to prevent, detect and punish possible instances of fraud and corruption.

4. A framework for finalising the negotiations

4.1 *Towards the conclusion of negotiations*

Bulgaria and Romania have set 2007 as their target date for accession. This date has now become a common objective of the Union since the Copenhagen European Council in December 2002, depending on further progress in complying with the membership criteria. The Union's stated objective to welcome Bulgaria and Romania as members in 2007 must remain the firm focus of these two countries' preparations and the Commission will support them in achieving this goal.

The accession negotiations have made steady progress to date. All *acquis* chapters have been opened with Bulgaria and Romania. Out of the 31 negotiating chapters, 26 have been provisionally closed with Bulgaria and 20 with Romania. An overview of the state of play in the negotiations is given in the table in *Annex 5: State of play of negotiations*.

The negotiations must advance to their overall conclusion on the basis of the existing principles set at the beginning of the negotiations. As declared by the Thessaloniki European Council, negotiations "will continue on the same basis and principles that applied to the ten acceding states".

The basic principle of the negotiations is that each country progresses on the basis of its own merits. On this basis, the pace of the negotiations will, as in the past, be determined principally by progress on the ground: progress by the negotiating countries in incorporating the *acquis* into their legislation and in building the capacity to implement and enforce it effectively. Measuring this progress is precisely the purpose of the Commission's Regular Reports which serve as a basis to decide on the conduct of negotiations. The Commission will continue to monitor the fulfilment of the negotiating countries' commitments. Progress in the negotiations will continue to go hand in hand with progress on the ground.

In addition, the actual progress in the negotiations and the provisional closure of negotiating chapters depends on all parties making the necessary contributions. This implies, for the candidate countries, the submission of substantive position papers reflecting progress in the transposition and implementation capacity over the period since the previous round of negotiations in each chapter, and credible commitments for what remains to be done. For its part, the Commission will continue to make the necessary proposals for chapters remaining open to permit the Union to formulate common positions to be presented to the candidates.

In order for accession to take place in 2007, a common Accession Treaty for Bulgaria and Romania should be signed at the latest towards the end of 2005, which would require that the negotiations be finalised in due time before that. This is to be preceded by the Commission's final recommendation on the readiness of Bulgaria and Romania for accession. The Thessaloniki European Council supported Bulgaria and Romania in their efforts to achieve the objective of concluding negotiations in 2004, inviting them to step up their preparations on the ground. Meeting this objective will depend on the real progress made on the ground and in the negotiating process on the basis of each country's own merits.

4.2 *Outline for a financial framework*

As was the case for the negotiations with the ten acceding countries in 2002, one of the first and principal tasks in preparing the ground for the completion of negotiations is to establish a coherent financial framework. This will open the way to finalising negotiations in the chapters on agriculture and regional policy which have important budgetary implications and which are related to the chapter on financial and budgetary provisions.

In the case of the acceding countries, the financial package for accession was largely determined by the financial framework for the period 2000-2006 agreed at the Berlin European Council in March 1999. In the case of Bulgaria and Romania, there is not yet such an overall financial framework in which to place the budgetary implications of their accession. However, the European Council meeting in Thessaloniki in June declared that “discussions or agreement on future policy reforms, or the new financial perspective, shall neither impede the pursuit and conclusion of accession negotiations nor be prejudged by the outcome of these negotiations”.

The Commission’s proposals will therefore be based on the existing *acquis* as well as on the principles and methodology underlying the financial framework developed for the negotiations with the ten acceding countries. In particular:

- In the field of agriculture, the objective of gradually introducing direct payments for farmers in the new Member States over a period of 10 years starting at 25% of the level then applicable to the EU-15, should be maintained. The negotiating position of the EU should reflect the reform of the common agricultural policy which has taken place in the meantime. The rural development envelope for Bulgaria and Romania will be calculated on the basis of the same criteria as those used for dividing the rural development envelope among the ten acceding countries. The additional market-related expenditure resulting from the accession of Bulgaria and Romania will need to be added to the total EU-25 ceiling for Heading 1.A.⁵
- The structural actions should be based on a share of one third of the funds for the cohesion fund and on an overall envelope fixed following a similar approach as for the ten acceding countries, *inter alia* taking into account the progressive phasing-in of the structural funds in order to reflect the progressive increase of absorption capacity in these countries. This includes the capping of transfers to 4% of expected gross national income in any given year. Once this overall envelope is agreed, the individual amounts per country and per policy will be determined largely on the basis of the methodology applied for current Member States for the period 2000-2006. These would be indicative allocations, liable to change depending on the outcome of policy reform, without changing the reserved total financial envelope.

⁵ As laid down in the Decision of the Representatives of the Governments of the Member States, meeting within the Council, of 18 November 2002.

- In addition to providing for full participation by Bulgaria and Romania in the Community's internal policies, additional funds should be allocated for institution building similar to those agreed for the acceding countries (in particular, the "transition facility").
- Bulgaria and Romania should not find themselves in a net budgetary position on accession which is worse in comparison with their situation in the year before accession as beneficiaries of pre-accession funds.
- Funds should be allocated to deal with specific problems, notably the decommissioning of installations at the Kozloduy nuclear power plant.

The continuity implied in this approach is fair to both the present and future acceding countries and is justified taking into account the need to avoid prejudging future policy reforms and the future overall financial perspective. Given that this proposal will be based on the same principles and methodology as applied for the ten acceding countries, the negotiations could be considerably simplified.

Although it would be desirable from the point of view of enlargement that the new overall financial perspective for the Union starting in 2007 preserves this continuity, at least as a starting point, it cannot be excluded that the financial framework for Bulgaria and Romania will need to be adapted in important respects to reflect future policy reforms or fundamental changes to the overall financial perspective as compared to the current perspective. It is therefore prudent and appropriate to limit the financial framework for Bulgaria and Romania in time to a period of three years from their accession. This is in fact the same period as was covered by the negotiations with the ten acceding countries, which was limited to the current financial perspective expiring in 2006.

If the financial framework for the accession of Bulgaria and Romania were to require adaptation after the conclusion of the negotiations, a procedure would need to be available to involve these countries as appropriate in this decision-making. If necessary, this procedure should be included in the Accession Treaty.

The Commission will ensure that the Council can debate these issues, at the beginning of 2004, in a common financial framework for the accession of Bulgaria and Romania. On this basis, the Commission will then propose to the Council common negotiation positions in the fields of agriculture, regional policy and budgetary issues in accordance with the approach set out above.

C. TURKEY IN THE ENLARGEMENT PROCESS – PROGRESS AND CHALLENGES

1. Progress made by Turkey in meeting the membership criteria

The European Council in Copenhagen in December 2002 recalled its decision in 1999 in Helsinki that Turkey is a “candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate States”. It strongly welcomed “the important steps taken by Turkey towards meeting the Copenhagen criteria” and encouraged it to pursue the reform process energetically. It concluded that “if the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay”.

At its meeting in Thessaloniki in June 2003, the European Council welcomed “the commitment of the Turkish government to carry forward the reform process, in particular the remaining legislative work by the end of 2003”, and supported its “on-going efforts made in order to fulfil the Copenhagen political criteria for opening accession negotiations with the Union.”

Over the past year the Turkish government has shown great determination in accelerating the pace of legislative reforms in the areas covered by the **political criteria**. It has also taken important steps to ensure their effective implementation, in order to allow Turkish citizens to enjoy fundamental freedoms and human rights in line with European standards. These efforts constitute significant progress towards achieving compliance with the Copenhagen political criteria.

Some of the reforms impinge upon sensitive issues, such as freedom of expression, freedom of peaceful assembly, cultural rights and civilian control of the military, and demonstrate the determination of the Turkish government to move ahead. Turkey has ratified two major UN Covenants on Civil and Political rights as well as on Social and economic rights. Several prisoners sentenced for non violent expression of opinion have been released. The legislation on combating torture has been considerably strengthened and incommunicado detention has been abolished. Many priorities under the political criteria in the revised Accession Partnership have been addressed.

However, in spite of the determination of the government, the Commission considers that Turkey does not yet fully meet the Copenhagen political criteria. A clear framework for guaranteeing political, civil, economic, social and cultural rights is not fully established, and more efforts are needed to enhance the coherence of legal provisions and practice.

As regards the legislative and regulatory framework, particular attention should be given to the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), further alignment of civil-military relations with European practice and the situation in the Southeast. Cultural rights should be guaranteed for all Turkish citizens regardless of their origin.

Implementation of the reforms has to be strengthened, which requires that all institutions and persons involved accept the spirit of the reforms. Responsibility for enforcing reformed legislation related to fundamental freedoms, provisions for re-trial, respect of European Court of Human Rights judgements, and measures to combat torture, lies largely with judges and prosecutors. On the other hand, executive bodies at all levels are also responsible for implementation of the political reforms. In a number of cases, for example in relation to cultural rights and freedom of religion, such bodies have narrowed the scope of the reforms by establishing restrictive conditions, hindering the objectives initially pursued. The setting up by the government of a Reform Monitoring Group in order to ensure the effective implementation of the reforms and to overcome bureaucratic resistance is encouraging in this respect.

The far-reaching changes to the Turkish political and legal system over the past year are part of a longer-term historical process, and the full benefit of these reforms will accrue to the Turkish people over a number of years. It will take time before the spirit of the reforms is fully reflected in the attitudes of executive and judicial bodies, at all levels and throughout the country, ensuring a track record of effective implementation. Nonetheless, there are already clear signs of improvement in terms of enjoyment of human rights and basic freedoms. It is, however, of great concern that Turkey has not executed many judgements of the ECtHR, by means of ensuring payment of just satisfaction or reversing decisions made in contravention of the ECHR.

The Commission recalls that efforts to resolve the Cyprus problem form part of the enhanced political dialogue between the European Union and Turkey. As repeatedly stressed by the European Council, Turkey, together with all parties concerned, has a decisive interest in providing determined support for efforts towards a comprehensive settlement of the Cyprus problem. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. The absence of a settlement could become a serious obstacle to Turkey's EU aspirations.

The Commission also recalls the Helsinki European Council conclusions urging candidate countries to make every effort to resolve any outstanding border dispute and other related issues on the basis of the principle of peaceful settlement of disputes in accordance with the United Nations Charter.

As regards the **economic criteria**, Turkey has significantly improved the functioning of its market economy, while macroeconomic imbalances remain. Further decisive steps towards macroeconomic stability and structural reforms will also enhance the Turkish capacity to cope with competitive pressure and market forces within the Union.

Economic stability has increased with the continuation of the disinflation process, and structural reforms and the modernisation of Turkey's market regulations and institutions have advanced. The disinflation and reform process should be maintained, in particular by maintaining fiscal discipline, by restructuring and further privatising the banking sector and by deregulating markets. In order to enhance the growth potential of the economy, the inflow of foreign direct investment should be encouraged by removing remaining barriers. A selection of statistical indicators can be found in *Annex 6: Main statistical indicators (2002)*.

Turkey's **alignment with the *acquis*** has progressed in most areas but remains at an early stage for many chapters. It is most advanced in chapters related to the EC-Turkey Customs Union but in this respect Turkey is not fully meeting its obligations. Alignment is also more advanced in areas where other international obligations exist which are similar to the *acquis*. Further legislative work is required in all areas, and Turkey should focus on implementing its National Programme for the Adoption of the *Acquis*, in line with the Accession Partnership priorities, more consistently across all chapters. Also, new legislation should not move away from the *acquis*. Details on progress in the different chapters of the *acquis* can be found in the conclusions of the Regular Report on Turkey.

In many fields implementation is weak. Administrative capacity in different areas needs to be strengthened to ensure that the *acquis* is implemented and enforced effectively. In some cases, administrative reform should entail the establishment of new structures, for example in the field of state aid and regional development. Where new regulatory bodies have been set up, their autonomy should be assured and they should be provided with sufficient staff and financial resources.

The full conclusions of the Regular Report on Turkey can be found in *Annex 2: Conclusions of the Regular Reports on Bulgaria, Romania and Turkey*.

2. Pre-accession strategy for Turkey

Over the past twelve months the European Union has significantly strengthened the pre-accession strategy for Turkey. The Commission will continue to implement this strategy in its different areas, particularly in view of the report and recommendation that it will present next year on Turkey.

A revised Accession Partnership was adopted by the Council on 19 May 2003. Its purpose is to assist the Turkish authorities in their efforts to meet the accession criteria with particular emphasis on the political criteria. It also forms the basis for programming pre-accession assistance from Community funds.

The enhanced political dialogue has continued intensively under the Danish, Greek and Italian Presidencies. Among the items discussed are the political reforms in Turkey, human rights, Cyprus, and the peaceful settlement of disputes, as well as wider international issues. As from 2003 the Commission is supplementing the enhanced political dialogue with regular detailed consultations with the Turkish authorities on Turkey's progress in complying with the political criteria. This approach will be further developed in order to ensure a better mutual understanding of the issues involved. The enhanced economic dialogue between the EU and Turkey covering issues of macroeconomic performance and stability and economic reforms is being pursued intensively.

The process of legislative scrutiny, carried out in the sub-committees of the Association Agreement, is being supplemented by TAIEX seminars and technical meetings or workshops on specific subjects.

The negotiations for the extension of the EC-Turkey Customs Union to services, and the mutual opening of public procurement markets, are continuing with a view to their finalisation in 2004.

In 2003 Turkey has started to participate in the European Environment Agency and the following *Community programmes*: Enterprise and Entrepreneurship, Gender Equality, Combating Discrimination, Combating Social Exclusion, Incentive Measures in the field of Employment, and the Sixth Framework Programme on Research. Preparations for participation in a number of other programmes, including full participation in the educational programmes in 2004, are under way.

In April 2003 agreement was reached between the European Parliament, Council and Commission to include Turkey in the pre-accession heading of the financial perspectives and to provide substantially increased financial assistance for the period 2004-2006, amounting to €1 050 million over the three years. Particular attention will be paid to providing assistance to both government and non-governmental bodies in areas related to the political criteria.

Overall the impact of Community assistance to Turkey is increasingly positive. As from October 2003 implementation of pre-accession financial assistance programmes has been devolved to the Turkish authorities under the “Decentralised Implementation System” (DIS). Meanwhile the Commission continues to take responsibility for a large number of on-going projects. The backlog in commitments of EU finance for Turkey has been further reduced in 2003. The Commission will verify whether Turkey is meeting its obligations under DIS and continue to strengthen its Representation in Turkey to ensure the continued success of its financial co-operation programmes.

D. CONCLUSIONS AND RECOMMENDATIONS

In the light of the above, the European Commission's conclusions and recommendations are the following:

- (1) This year's Regular Reports show that the Bulgaria and Romania have continued to make significant progress over the last year in implementing the accession criteria. They continue to fulfil the political criteria and are closer to fulfilling the economic and *acquis* criteria.
- (2) Accession negotiations with Bulgaria and Romania will continue on the same basis and principles that applied to the ten acceding states, in particular the own merits principle. As in the past, the pace of the negotiations will be determined principally by progress made by the negotiating countries in incorporating the *acquis* into their legislation and in building the capacity to implement and enforce it effectively. The Commission will continue to monitor the fulfilment of the negotiating countries' commitments.
- (3) The Union's stated objective is to welcome Bulgaria and Romania as members in 2007, depending on further progress in complying with the membership criteria. This objective must remain the firm focus of these two countries' preparations and the Commission will support them in achieving this goal. In order for accession to take place in 2007, a common Accession Treaty for Bulgaria and Romania should be signed at the latest towards the end of 2005, which would require that the negotiations be finalised in due time before that. This is to be preceded by the Commission's final recommendation on the readiness of Bulgaria and Romania for accession. The Thessaloniki European Council supported Bulgaria and Romania in their efforts to achieve the objective of concluding negotiations in 2004, inviting them to step up their preparations on the ground. Meeting this objective will depend on the real progress made on the ground and in the negotiating process on the basis of each country's own merits.
- (4) The Commission will present to the Council, at the beginning of 2004, a three-year common financial framework for the accession of Bulgaria and Romania in order to prepare the ground for the completion of negotiations. In line with the conclusions of the Thessaloniki European Council, discussions or agreement on future policy reforms, or the new financial perspective, shall neither impede the pursuit and conclusion of accession negotiations nor be prejudged by the outcome of these negotiations. The Commission considers that in order to ensure fairness vis-à-vis both present and future acceding countries and to simplify the negotiations, this financial framework should be based on the principles and methodology developed for the negotiations with the ten acceding countries. On this basis, the Commission will then propose to the Council common negotiation positions dealing with the financial implications in the fields of agriculture, regional policy and budgetary issues.

- (5) Over the past year, by accelerating the pace of reforms, Turkey has made determined efforts and significant progress towards achieving compliance with the Copenhagen political criteria and has made considerable progress towards meeting the economic criteria. Turkey has also continued progress towards meeting the *acquis* criteria, although much remains to be done in many areas. Many priorities under the political criteria in the revised Accession Partnership have been addressed. However, further efforts are needed. This concerns in particular the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), the further alignment of civil-military relations with European practice, the situation in the Southeast and cultural rights. Turkey should ensure full and effective implementation of reforms to ensure that Turkish citizens can enjoy human rights and fundamental freedoms in line with European standards.
- (6) The Commission will next year assess the progress made by Turkey towards meeting the accession criteria as requested by the Copenhagen European Council. The Commission will issue a report and a recommendation before the end of October 2004 on whether Turkey fulfils the Copenhagen political criteria. This should allow the European Council to decide, at its meeting in December 2004, on the possible opening of accession negotiations with Turkey.
- (7) As regards Cyprus the European Council has repeatedly underlined its strong preference for accession by a united Cyprus. The Commission considers that there are favourable conditions for the two communities to reach a comprehensive settlement of the Cyprus problem before Cyprus' accession to the EU on 1 May 2004. To this end the EU should reiterate its call to all parties concerned, in particular Turkey and the Turkish Cypriot leadership, to resume the talks on the basis of the UN Secretary General's proposal. The absence of a settlement could become a serious obstacle to Turkey's EU aspirations. The Thessaloniki European Council stated the Union's willingness to accommodate the terms of a settlement in line with the principles on which the EU is founded. The Commission is ready to assist in finding a speedy solution.

ANNEXES

ANNEX 1: REFERENDUMS AND RATIFICATIONS OF THE 2003 ACCESSION TREATY

(as at end of October 2003)

	Referendum	Ratification	Comments
Belgium	–		Ratification notification pending
Czech Republic	YES		Referendum 13-14 June 2003 (Yes: 77.33 %; No: 22.67 %; turnout: 55.21 %); ratification notification pending
Denmark	–	✓	Ratification notified 11 June 2003
Germany	–		Ratification notification pending
Estonia	YES		Referendum 14 September 2003 (Yes: 66.92 %; No: 33.08 %; turnout: 63.9 %); ratification notification pending
Greece	–		Ratification notification pending
Spain	–		Ratification notification pending
France	–		Ratification notification pending
Ireland	–		Ratification notification pending
Italy	–		Ratification notification pending
Cyprus	–	✓	Ratification notified 6 August 2003
Latvia	YES		Referendum 20 September 2003 (Yes: 66.69%; No: 32.3%; turnout: 72.53%); ratification notification pending
Lithuania	YES	✓	Referendum 10-11 May 2003 (Yes: 91.04 %; No: 8.96 %; turnout: 63.3 %); ratification notified 10 October 2003
Luxembourg	–		Ratification notification pending
Hungary	YES		Referendum 12 April 2003 (Yes: 83.76 %; No: 16.24 %; turnout: 45.62 %); ratification notification pending
Malta	YES	✓	Referendum 8 March 2003 (Yes: 53.65 %; No: 46.35 %; turnout: 91 %); ratification notified 29 July 2003
Netherlands	–		Ratification notification pending
Austria	–		Ratification notification pending
Poland	YES	✓	Referendum 7-8 June 2003 (Yes: 77.45 %; No: 22.55 %; turnout: 58.85 %); ratification notified 5 August 2003
Portugal	–		Ratification notification pending
Slovenia	YES		Referendum 23 March 2003 (Yes: 89.61 %; No: 10.39 %; turnout: 60.29 %); ratification notification pending
Slovakia	YES	✓	Referendum 16-17 May 2003 (Yes: 92.46 %; No: 6.20 %; turnout: 52.15 %); ratification notified 9 October 2003
Finland	–		Ratification notification pending
Sweden	–		Ratification notification pending
United Kingdom	–		Ratification notification pending

ANNEX 2: CONCLUSIONS OF THE REGULAR REPORTS ON BULGARIA, ROMANIA AND TURKEY

Bulgaria

Bulgaria continues to fulfil the Copenhagen political criteria.

Progress was made with the adoption of a programme and an action plan for the implementation of the Strategy for Modernisation of the State Administration, which aim at consolidating the legal framework in this area. Sustained efforts will be necessary to further implement the public administration reform and to fulfil Bulgaria's aim to have a qualified and efficient civil service in place in the medium term, to ensure the effective application and enforcement of the acquis when Bulgaria joins the Union.

The overall reform process for the judiciary continued in line with the 2002 Action Plan. In particular, the amendments to the Constitution regarding the status of magistrates, represent an important step forward. Other legislative measures aim at reducing the duration of court proceedings and strengthening judicial control of decisions of the executive. However, further efforts are necessary to re-organise the investigation service as part of the executive in line with best practice in Member States. Bulgaria also needs to ensure that the judicial budget is adequate for the smooth functioning of the judicial system.

Corruption remains a problem, and Bulgaria should maintain concerted efforts to implement measures in this respect. The fight against corruption remained high on the political agenda and further measures in this context were adopted.

Bulgaria continues to respect human rights and fundamental freedoms.

The legal framework for asylum and child protection improved considerably. However, the living conditions of children placed in institutions changed little during the past year. As regards the mentally disabled, the required legal framework is still missing, notably to ban arbitrary detention. Despite some efforts to address the situation, the living conditions in institutions for mentally disabled are difficult and opportunities for rehabilitation and therapy are scarce. Further efforts are necessary to address the situation as regards degrading treatment by the police and trafficking in human beings. In the area of social and economic rights, progress can be reported notably as regards equal opportunities and anti-discrimination.

The new Action Plan for the implementation of the "Framework Programme for Equal Integration of Roma into Bulgarian Society" represents a positive step, as specific budgetary support is provided for measures in the areas of anti-discrimination, education, culture, housing, employment and social protection. Determined and sustained efforts are needed to fight discriminatory attitudes and behaviour and to address the widespread social disadvantage affecting the Roma community.

Bulgaria is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union in the near term, provided that it continues implementing its reform programme to remove remaining difficulties.

The Bulgarian economy has achieved a high degree of macroeconomic stability due to a good policy-mix brought about by the currency board arrangement, a tight fiscal stance and wage moderation. Economic stability and good progress in structural reforms allow market mechanisms to provide a more efficient allocation of resources which, in the absence of the nominal exchange rate as an instrument for adjustment, is setting the basis for a process of sustained growth. This holds in particular for the increasing role of the private sector through privatisation and the reduction of state aid, the positive development of the banking sector and some improvements in the regulatory environment.

However, the flexibility of product and labour markets needs to be further enhanced. In particular, the efficiency of the administrative and judicial system has to be improved, providing economic agents a more stable and predictable framework and better allow to enforce their property rights. The privatisation programme needs to be completed. Regulations and administrative procedures affecting enterprises must be further streamlined, also to provide more viable conditions for small and medium-sized enterprises. The restructuring and liberalisation of the network industries needs to further advance in order to reduce subsidies, to enhance quality and allow for a reduction of the prices of their services. The ongoing reduction in unemployment should be further supported by addressing rigidities in the labour market and improving the education system. Implementing these reform measures should contribute to higher levels of private and public investment, thereby contributing to sustained growth and competitiveness within the Union.

Over the past year, Bulgaria has continued to make good progress in most areas of the *acquis* and is on track to complete the required legislative transposition before the planned date of accession if the current pace of progress is maintained.

Regarding the internal market, Bulgaria made further progress in most areas. In *free movement of goods*, progress continued with the adoption of sector specific legislation in the area covered by new approach directives. In the sectors covered by old approach directives, progress was recorded notably as regards data protection for pharmaceuticals. While progress is recorded in the area of food safety, further efforts are needed both on transposition and administrative capacity. In the non-harmonised area, Bulgaria should continue the screening for measures that may be incompatible with the principle of free movement of goods. As to public procurement, further efforts are necessary to align with the *acquis* and to build up the necessary administrative capacity.

As regards *free movement of persons*, progress was limited and considerable further work is needed concerning mutual recognition of qualifications (especially as regards curricula and training requirements) and the establishment of the necessary administrative bodies for the future co-ordination of social security systems. Concerning the right of establishment and *freedom to provide services*, Bulgaria made further progress as regards the non-discriminatory regime of national treatment for foreigners performing economic activities in Bulgaria. The establishment of the Financial Supervision Commission is an important step towards strengthening supervision. Further efforts are required as regards data protection and information-society services. In the area of *free movement of capital*, Bulgaria has made good progress in adopting new legislation on capital movements and payments, and anti-money laundering.

Company law was further aligned with the *acquis*. The focus should now be put on the enforcement of legislation on the protection of intellectual and industrial property rights, notably through better co-ordination between competent authorities. Further progress was recorded in the field of *competition policy*, where the legal framework for both antitrust and state aid was consolidated. Further efforts are required to enhance the state aid enforcement record. Bulgaria also needs to restructure its steel sector in line with the relevant provisions of the Europe Agreement.

Regarding *agriculture*, Bulgaria has made considerable progress in adopting legislation in particular in the veterinary and phytosanitary sector. Administrative structures have been further consolidated and strengthened although further improvements are needed. Substantial work is still ahead in order for Bulgaria to meet EU veterinary and phytosanitary control and hygiene standards. Bulgaria has achieved a reasonable degree of legislative alignment in field of *fisheries*. However, further progress is needed with regard to technical capacity of inspection and control systems as well as with regard to compliance with EU hygiene and health requirements.

Bulgaria has continued to make progress in aligning *transport* legislation with the *acquis* and has made efforts to improve its maritime safety record. These efforts should continue. The administrative structures in the road, railway and maritime areas need to be strengthened. Attention needs to be paid to ensuring the financing for important investments necessary in this sector, notably for upgrading the road network.

As regards *taxation*, positive developments could be reported in the areas of VAT and excise duties, where new legislation was adopted. However, significant further efforts are needed to strengthen the tax administration. Attention should be paid to improve tax collection, enhance internal control, ensure that the computerised tax information system is fully operational, and that interconnectivity with EU IT systems is prepared.

On *social policy and employment*, some progress has been made, particularly in the area of anti-discrimination. However, further work remains on legal transposition, particularly in the areas of labour law, health and safety at work and public health. The administrative capacity needs to be strengthened.

Reforms in the *energy* sector progressed, although important legislation preparing for the internal market and setting up a framework for energy efficiency have not yet been adopted. The preparation for privatisation of the distribution companies has advanced. Bulgaria must continue to respect its commitments on nuclear safety, notably as regards closure commitments for Kozloduy nuclear power plant and to ensure a high level of nuclear safety in its installations.

Bulgaria has significantly progressed in aligning with the *telecommunications acquis* through the adoption of a new telecommunications law. Efforts should now focus on implementation and further enhancing the capacity of the regulator.

Concerning *regional policy and co-ordination of structural instruments*, Bulgaria has made some progress with regard to preparations for the implementation of Structural and Cohesion Funds, notably with institutional structures and programming. Considerable efforts are still needed to develop, consolidate or complete institutional structures and to bring administrative capacity (including staffing and training) and procedures up to the

level required. Priority should also be given to the introduction of efficient and fully transparent procurement and financial management and control systems as well as to monitoring and evaluation system and to the strengthening of inter-ministerial co-ordination.

Bulgaria has reached a good level of alignment of the *environmental acquis* and has developed directive-specific implementation plans and financing strategies. The continuous efforts to develop administrative capacities, notably at local level, and further elaborate mechanisms to monitor effective implementation should be maintained. Implementation remains a major challenge, as is the need for increased administrative capacity and the cost of alignment.

Some progress has been made in further aligning Bulgaria's legislation with the *acquis* in the area of *consumer and health protection*. Bulgaria needs to finalise its legislative framework, particularly in the area of non-safety related measures. Further efforts are needed to put in place an efficient market surveillance mechanism.

Further good progress could be noted in the area of *justice and home affairs*. The new legislation adopted in the areas of data protection, visa, migration, asylum and money laundering almost completed alignment with the *acquis*. Substantial further efforts are needed to further strengthen the judicial system, through a continuation of the reforms. Particular attention should be given to combating drugs and illegal migration.

For *customs*, a good degree of legal alignment has been reached and progress was noted concerning the administrative and operational capacity and concerning computerisation. These efforts should continue. Measures were taken in the framework of the anti-corruption strategy.

Significant further progress has been made in strengthening *financial control* in Bulgaria, developing further the entire legal basis and the necessary administrative capacity. Further work should now focus on implementation of legislation and further strengthening of the required institutional structures, including for the protection of the EU financial interests.

Steady progress is being made in the other chapters of the *acquis*.

Bulgaria needs to continue to make sustained efforts to develop sufficient administrative and judicial capacity to implement and enforce the *acquis*. As well as continuing horizontal reform of the public administration, it needs to focus in particular on developing the capacity to be part of the internal market and to apply the *acquis* in areas such as agriculture, environment and regional policy. Continued efforts are required to establish the necessary administrative capacity to ensure the sound and efficient management of EU funds.

In the accession negotiations, 26 chapters have been provisionally closed. The commitments made in the negotiations are with a view to accession in 2007. They are generally being met, although delays have been noted in certain specific areas.

Romania

Romania continues to fulfil the political criteria.

The political will to address administrative and judicial reform exists and a number of positive initiatives have been launched over the last year to reform the public administration and the judiciary. For example, the Civil Servant Statute was revised and a major reorganisation of the court system was launched. However, the reform process is at an early stage. The Romanian civil service remains characterised by cumbersome procedures, limited transparency and a limited capacity for policy execution. The judicial system needs to improve the management of cases and the consistency of judgements as well as to increase the independence of the judiciary. These key issues must be urgently addressed.

Romania still needs to develop a strategy to address reform of the policy and legislative process. Progress was made with the restriction of the use of emergency ordinances. Laws on the freedom of information and transparency in the legislative process are also positive developments but have only been partially implemented. Constitutional reform of the parliamentary system should be accompanied by measures to increase parliamentary capacity to effectively scrutinise draft legislation.

Corruption in Romania continues to be widespread and affects all aspects of society. A number of high-profile measures were launched over the reporting period - but the implementation of anti-corruption policy as a whole has been limited. The measures taken have yet to have an impact and substantially increased efforts are needed.

Romania continues to respect human rights and fundamental freedoms, and has made good progress in a number of important areas.

Structures have been established to implement anti-discrimination legislation and a number of cases of discrimination were sanctioned. The capacity of the Ombudsman's office was strengthened. The good progress noted in last year's report in reforming the system of child protection has continued and further initiatives have been taken to enhance the rights of national minorities. The implementation of the Roma Strategy has continued although a lack of resources has meant that the results have been somewhat limited. Similarly, the process of property restitution has continued, but remains far from complete.

Reforms have been launched in a number of other areas: modernisation of the police, improving care for the disabled, reducing social exclusion, improving the social dialogue. To date, the main work in these fields has consisted of developing strategies and preparing framework legislation. The challenge for the future will be the effective implementation of these initiatives. While the proposals to reform the Penal Code are positive developments, further efforts are needed to strengthen the freedom of expression. Additional measures are also needed to further reduce prison overcrowding.

Romania can be considered as a functioning market economy once the good progress made has continued decisively. In addition, a vigorous and sustained implementation of its structural reform programme is required in order for Romania to be able to cope with competitive pressure and market forces within the Union in the near term.

Further progress towards macroeconomic stability was made as inflation continued to decline from a relatively high level despite further adaptations of regulated prices. The external position remained sustainable and fiscal policy prudent. Measures to improve tax administration are being progressively put into place. The commitments to control the total wage bill in the public sector were broadly respected and some actions were taken to enforce enterprises' financial discipline, most notably a somewhat higher disposition to disconnect energy users in arrears. Privatisation and restructuring of public enterprises accelerated. Public ownership also decreased in a banking sector that continued to develop its intermediation role. Administrative improvements of market entry and exit mechanisms were undertaken along with various initiatives to improve the business environment.

The authorities should now consolidate the progress achieved in these areas while addressing more decisively those issues where advances were insufficient. In order to preserve the momentum towards greater macroeconomic stability, the recent tightening in monetary policy should be accompanied by prudent fiscal and wage policies as well as by a continued reduction in the quasi-fiscal deficit. Medium-term fiscal prospects also need to be strengthened by advancing expenditure reform and improving tax compliance. This would help strengthening enterprise financial discipline which remains a key, unresolved issue. Measures should focus on the root causes of the continued accumulation of arrears to the budget and the energy sector. Efforts to improve the workings of the market mechanism must be completed by a greater willingness to liquidate loss-making enterprises and establish natural gas prices that appropriately reflect short and long-term costs. Having moved beyond the initial phases, restructuring and privatisation in key sectors, such as energy, mining and transport, must be brought forward. This would greatly support the establishment of a functioning market economy and the development of Romania's capacity to cope with competitive pressure and market forces within the Union.

Romania has made steady progress with the adoption of the *acquis* and is on track to transpose the required legislation before the planned date of accession provided the current pace of progress is maintained. Weaknesses in the legislative process mean that the quality of legislation transposed is uneven and in some cases revisions will be needed before laws can be implemented.

In the area of the internal market, Romania has continued to make progress with the transposition of sector specific legislation on the *free movement of goods* and public procurement. Particular attention must be paid to developing the ability to administer the public procurement, the foodstuffs and food safety *acquis*. Romania should also continue the screening for measures that may be incompatible with the principle of free movement of goods. Progress on the *free movement of persons* has been limited and additional efforts should now be focused on preparations for implementing the *acquis* on mutual recognition of professional qualifications. Work to identify barriers to the *free movement of services* has continued - although only a few restrictions have been removed. While alignment with the *acquis* on *free movement of capital* is steadily improving greater efforts are needed to improve payments systems and the fight against money laundering.

Romania has made progress in the field of *company law* as such. Implementation of new accountancy and auditing rules should be prioritised. Greater efforts to protect industrial

and intellectual property rights are needed. While the Romanian *competition* legislation is broadly in line with EC anti-trust rules, in the area of state aid there is not yet sufficient control. In the steel sector, Romania's obligations for transparency with regard to direct and indirect state aid should continue to be respected.

Further progress has been made in transposing the *agricultural acquis* and in the restructuring of the agricultural sector. Enforcement of legislation is hampered by limited management and administrative capacity. Particular attention should therefore be paid to reinforcing the administrative capacity to implement and enforce the *acquis*, in particular in the veterinary and phytosanitary fields. Only limited progress has taken place in the *fisheries* sector and delays have occurred with regards to the transposition of the *acquis*, in particular on the Fishing Vessel Register. The administrative capacity needs to be considerably reinforced.

Romania has continued to make good progress with the transposition of the *transport acquis* and with the establishment of the required administrative structures but maritime safety remains a concern. Priority should be given to developing institutions to enforce the new legislation and securing the funding needed to make the heavy investments required.

Romania has made some progress in aligning with the *acquis* on *taxation* and particular attention should now be paid to the modernisation of the tax administration and improvement of IT systems. The adoption of the Labour Code was a major step forward in the transposition of the *acquis* on *social policy and employment*. The main focus of future efforts should be ensuring the implementation of the various initiatives that have been taken and to strengthen the administrative capacity. Legislative progress in the *energy* sector needs to be matched by establishing effective implementation structures, carrying through with structural reforms and improving the functioning of the internal energy market.

The building blocks for a modern *industrial policy* are now in place, but the key challenge is its implementation as structural weaknesses limit the capacity for enforcement. Considerable efforts have been made to improve the business environment although the situation facing *Small and medium-sized enterprises*, remains difficult. Romania has made significant progress in the area of *telecommunications* with the establishment of a regulatory body, the liberalisation of the telecommunications market and the transposition of the new telecommunication *acquis*.

The institutional framework for *regional policy and co-ordination of structural instruments* is still not clearly defined and specific arrangements for financial management and control have still to be made. Considerable further efforts are needed to bring the administrative capacity up to the level required. In the area of the *environment*, although Romania has transposed a considerable amount of legislation, administrative capacity and financial resources dedicated to the sector remain inadequate.

Legislative alignment on *consumer and health protection* has continued and Romania has made some progress as regards market surveillance activities and the co-ordination of control activities between competent ministries and authorities.

Legislative progress has been made in most areas of *justice and home affairs* and especially so in migration, organised crime, money laundering, and judicial co-operation in civil matters. However, implementation capacity remains weak in almost all areas and Romania should increase its efforts to develop administrative capacity and inter-agency co-operation.

Progress has also been made in the area of *customs* although additional efforts should address corruption within the Customs Administration and prepare in advance for the application of measures that will be introduced at the time of accession. Considerable progress has been made in the *financial control* area. Further efforts should concentrate on implementing sound financial control systems, completing legislative alignment, and strengthening the administrative capacities.

Steady progress is being made in the other chapters of the *acquis*.

In a number of important sectors, there has been a continued gap between progress in legal transposition and the limited overall *capacity of the public administration* to implement and enforce the newly adopted legislation. This represents a major constraint on Romania's accession preparations and to address this issue will require a comprehensive, structural reform of both the public administration and the judicial system. These concerns extend beyond adoption of the *acquis* and also apply to the management of EU financial assistance. Progress in establishing the new institutional structures required by the *acquis* has continued although results to date have been uneven.

In the accession negotiations, 20 chapters have been provisionally closed. The commitments made in the negotiations are with a view to accession in 2007. They are generally being met, although delays have been noted in certain specific areas.

Turkey

Over the past year the Turkish government has shown great determination in accelerating the pace of reforms, which have brought far-reaching changes to the political and legal system. It has also taken important steps to ensure their effective implementation, in order to allow Turkish citizens to enjoy fundamental freedoms and human rights in line with European standards. Four major packages of political reform have been adopted, introducing changes to different areas of legislation. Some of the reforms carry great political significance as they impinge upon sensitive issues in the Turkish context, such as freedom of expression, freedom of demonstration, cultural rights and civilian control of the military. Many priorities under the political criteria in the revised Accession Partnership have been addressed.

Progress is being made in streamlining the functioning of public administration and government. The government has, in particular, started reforms with a view to promoting a more transparent management of human resources in the public service. This also serves to strengthen the fight against corruption.

The duties, powers and functioning of the National Security Council (NSC) have been substantially amended, bringing the framework of civil-military relations closer to practice in EU member states. The role of the Secretary General of the NSC has been reviewed and its executive powers have been abolished. There are still representatives of the NSC in civilian boards such as the High Audio Visual Board (RTÜK) and the High Education Board (YÖK). Full parliamentary control over military expenditures must be ensured both in terms of approving the budget and in terms of auditing.

More efforts are still needed to enhance the efficiency and the independence of the judiciary. Already, the judicial system has been strengthened with the establishment of a new system of family courts. The competence of military courts to try civilians has been abolished. Positive changes have been made to the system of State Security Courts, in particular the abolition of incommunicado detention. However, the functioning of these courts still needs to be brought fully in line with the European standards in particular with the defence rights and the principle of fair trial.

On the ground, implementation of the reforms is uneven. In some cases, executive and judicial bodies entrusted with the implementation of the political reforms relating to fundamental freedoms adopted by Parliament have narrowed the scope of these reforms by establishing restrictive conditions, hindering the objectives initially pursued. The government has recognised that the reforms are not being put into practice systematically and has set up a Reform Monitoring Group in order to ensure their implementation.

Turkey has ratified the Civil Law Convention on Corruption, so that on 1 January 2004 it will become a member of the Council of Europe's Group of States against corruption (GRECO). However, in spite of several initiatives, corruption remains at a persistently high level and affects many spheres of public life.

Turkey has ratified major international as well as European Conventions such as the International Covenant on Civil and Political Rights, on Social and Economic Rights as well as Protocol 6 of the European Convention on Human Rights.

It is, however, of great concern that Turkey has not executed many judgements of the ECtHR, by means of ensuring payment of just satisfaction or reversing decisions made in contravention of the ECtHR. One example is the *Loizidou* case, as it is now five years since the ECtHR ruled on this matter.

The fight against torture and ill-treatment has been strengthened and the Turkish legal system has come closer to European standards in this respect. The scale of torture has declined but there are still reports about specific cases, which continues to cause concern.

The reform of the prison system has continued and rights of detainees have been improved. In practice, the right to access a lawyer is not always ensured.

The possibility of retrial has been introduced but in practice few cases have been subject to retrial. In the case of *Zana* and others, retrial has so far largely resulted in a repetition of the previous trial, leading to persistent concerns about the respect for the rights of defence.

The adoption of the reform packages has led to the lifting of several legal restrictions on the exercise of freedom of expression. The enforcement of the revised provisions of the Penal Code has led to many acquittals although cases against persons expressing non-violent opinion continue to occur. A number of persons imprisoned for non-violent expression of opinion, under provisions that have now been abolished, have been released.

Notable progress has been achieved in the area of freedom of demonstration and peaceful assembly where several restrictions have been lifted. Nevertheless, in some cases of peaceful demonstration, the authorities have made a disproportionate use of force.

As regards freedom of association, some restrictions have been eased, but associations still experience cumbersome procedures. Cases of prosecution against associations and particularly human rights defenders continue to occur.

The law on political parties has been amended to make closure of parties more difficult. However, HADEP has been banned by the Constitutional Court and DEHAP is facing proceedings in view of its closure.

Concerning freedom of religion, the changes introduced by the reform packages have not yet produced the desired effects. Executive bodies continue to adopt a very restrictive interpretation of the relevant provisions, so that religious freedom is subject to serious limitations as compared with European standards. This is particularly the case for the absence of legal personality, education and training of ecclesiastic personnel as well as full enjoyment of property rights of religious communities.

Measures have been taken to lift the ban on radio and TV broadcasting and education in languages other than Turkish. So far, the reforms adopted in these areas have produced little practical effect.

The lifting of the state of emergency in the Southeast has in general eased tensions amongst the population. There has been greater tolerance for cultural events. The programme for the return to villages proceeds at a very slow pace. Serious efforts are needed to address the problems of the internally displaced persons and the socio-economic development of the region in a comprehensive fashion and of cultural rights in general.

In the conclusions of the Thessaloniki European Council, and the Accession Partnership, Turkey is encouraged to strongly support the efforts of the UN Secretary General towards a settlement of the Cyprus problem. Turkey has expressed its support on different occasions for a settlement to the Cyprus problem. Turkey has indicated that an agreement aiming to establish a customs union with the northern part of Cyprus will not come into effect.

Relations between Turkey and Greece have continued to improve. Efforts are continuing to put in effect new confidence building measures. Exploratory contacts on the Aegean between the two foreign ministries have also continued.

Turkey decided to give its agreement as a NATO member to the modalities of participation of non-EU European allies in EU-led operations using NATO assets. This

has solved a problem which had hitherto hindered the effective launch of the European Security and Defence Policy.

Overall, in the past 12 months Turkey has made further impressive legislative efforts which constitute significant progress towards achieving compliance with the Copenhagen political criteria. Turkey should address the outstanding issues highlighted in this report, with particular attention to the strengthening of the independence and the functioning of the judiciary, the overall framework for the exercise of fundamental freedoms (association, expression and religion), the further alignment of civil-military relations with European practice, the situation in the Southeast and cultural rights. Turkey should ensure full and effective implementation of reforms to ensure that Turkish citizens can enjoy human rights and fundamental freedoms in line with European standards.

Furthermore, Turkey should provide determined support for efforts to achieve a comprehensive settlement of the Cyprus problem.

Turkey has significantly improved the functioning of its market economy, while macroeconomic imbalances remain. Further decisive steps towards macroeconomic stability and structural reforms will also enhance the Turkish capacity to cope with competitive pressure and market forces within the Union.

Economic stability and predictability have increased with a continued decline in inflationary pressures, although still high, and the modernisation of Turkey's market regulations and institutions. The positive effects of adopted and gradually implemented structural reforms have helped to withstand the effects of the Iraq crisis without a major economic setback. The independent regulatory and supervisory agencies played a crucial role in this respect. Financial sector surveillance has been strengthened and the base for a modern foreign direct investment legislation has been laid. Transparency and efficiency of public finance management has been improved.

The current reform process should be maintained. Fiscal discipline and a stability-oriented economic policy are cornerstones for strengthening market confidence and sustainable public finances. In order to achieve a well-balanced and sound economy, the disinflation process has to be maintained. The restructuring in the banking sector is not yet sufficiently advanced and the process of aligning the sector's surveillance and prudential standards with international norms should be completed. The privatisation of state-owned banks and enterprises as well as market deregulation has to be accelerated, and structural distortions should be addressed. Sufficient public and private investment into productive uses and devoting particular attention to education are important to increase the competitiveness and the growth potential of the economy. The inflow of foreign direct investment has to be encouraged by removing remaining barriers.

Turkey's alignment has progressed in most areas but remains in an early stage for many chapters. It is most advanced in chapters related to the EC-Turkey Customs Union but in this respect it is not fully meeting its obligations. Alignment is also more advanced in areas where other international obligations exist which are similar to the *acquis*. Further legislative work is required in all areas, and Turkey should focus on implementing its National Programme for the Adoption of the *Acquis*, in line with the Accession Partnership priorities, more consistently across all chapters. Also, new legislation should not move away from the *acquis*.

On the *free movement of goods* Turkey has made progress, particularly on sector-specific legislation, but substantial efforts are needed in terms of both alignment and implementation of the new and old approach legislation on product safety and product specifications, both as regards industrial and processed food products, including food safety. There has been only limited progress in establishing conformity assessment and market surveillance mechanisms and institutions, and the system of legal metrology needs to be reinforced. Through amendments to the public procurement law, Turkey has reduced the level of compliance with the *acquis*. In the short term, Turkey should seek to adopt instruments to remove technical barriers to trade. Much work remains to be done to ensure correct implementation of the *acquis* and compliance with the obligations ensuing from the Customs Union Decision applicable on 31 December 2000.

On *free movement of persons*, there has been some progress in the reporting period, mainly in the area of free movement of workers, but Turkey's alignment remains limited. With regard to the *free movement of services*, Turkey has made some progress in relation to the banking sector, and to investment services and securities markets. In the field of professional services, limited progress has been made. In the insurance sector, a substantial effort is needed to harmonise legislation with the *acquis* and to strengthen administrative capacity. Efforts to adopt legislation concerning data protection should be continued and further legislation concerning information-society services should be adopted in accordance with the *acquis*. On *free movement of capital* the alignment with the *acquis* is progressing, notably as regards the liberalisation of capital movements, but further efforts are necessary.

Despite the measures taken in previous years, alignment in the field of *company law* including intellectual and industrial property rights, remains limited. Both legislative and enforcement measures are needed to tackle piracy and infringements of intellectual and industrial property rights. On *competition*, efforts are needed to strengthen the provisions for state aid monitoring and to establish a state aid monitoring authority.

As regards *agriculture*, some progress has been made in the veterinary and phytosanitary fields particularly as regards animal disease control, identification and registration of bovine animals and harmful organisms related to potatoes. Further substantial efforts aimed at increasing the administrative capacity and upgrading control and inspection systems, and the upgrading of food processing establishments, will be required if full compliance is to be achieved in these sectors. A strategy for rural development should be put in place. In the area of *fisheries*, limited progress has been made but some preparatory work, especially in the area of inspection and control, has been completed. However, the alignment of key legislation with the *acquis* and the institutional reform still lie ahead.

On *transport*, progress remains very limited. In certain sectors, particularly road transport and maritime safety, the level of alignment achieved relates to the transposition of various international conventions. Substantial efforts are needed in the area of maritime safety and on road and rail transport. Limited progress has been achieved on *taxation*, both in terms of legislation and administrative capacity. As regards legislation, further alignment is required on VAT, where due attention should be paid to the scope of exemptions and application of reduced rates. As for excises, although some approximation of alcohol and tobacco duties has been achieved, the applied duties are still lower than the EU minimums. Turkey also needs to implement the duty-suspension movement regime.

Turkey has made some progress in all *statistical* areas, but more efforts are needed in order to meet the main requirements as regards alignment. The existing legislation needs to be brought into line with the *acquis* in order to implement the fundamental principles of impartiality and reliability of data, transparency of statistics and confidentiality of personal data. On *social policy and employment*, Turkey has made some progress. Administrative capacity has been strengthened and measures have been adopted to promote gender equality in the field of labour law and on employment policy. Further efforts are required in the field of social dialogue and health and safety. As regards *energy*, significant progress has been achieved via the adoption of various provisions implementing the framework laws on electricity and gas markets. Alignment in the areas of energy efficiency and renewables has also progressed. In all energy fields, further efforts are needed to ensure completion of alignment.

On *industrial policy*, Turkey has made progress in the field of public sector reform, as well as with the adoption of a new foreign direct investment law. Further efforts are required to restructure state-owned enterprises. Steel industry restructuring remains a high priority. Turkey has made some progress as regards *small and medium-sized enterprise* policy. The introduction of simplified procedures to register and establish a company is a positive development. Turkey is well endowed with technology development centres. Turkey's full association with the Sixth Framework Programme demonstrates positive engagement on *science and research*, although Turkey's participation to EU programmes has only recently begun. Turkey should increase levels of investment in science and research. Some progress has been achieved in the area of *education and training*. Turkey should increase efforts to complete its preparation for participation in the three Community programmes, and ensure that measures are being implemented.

Despite some progress, the legislative alignment with the *telecommunications acquis* is still insufficient and further efforts are necessary, particularly with regard to universal service, numbering, leased lines and data protection. Implementation and enforcement of the existing legislation should be improved. Considerable efforts are needed to liberalise the market for postal services. Turkey has made legislative progress on *culture and audio-visual policy*, in particular, through authorising broadcasts in languages other than Turkish. However, further substantial efforts are required to align with the *acquis* and Turkey is encouraged to adopt implementing measures on broadcasting in other languages.

In the field of *regional policy*, some progress has been achieved since the last regular report but considerable efforts are still necessary to ensure implementation of regional policy at central and regional level. Appropriate institutions need to be created and endowed with adequate human and financial resources. In the *environmental* area, Turkey has made limited progress in a number of areas, and overall the level of alignment with the *acquis* remains low in most areas. Greater efforts are needed as regards both legislation and implementation on all aspects of environment policy.

Alignment on *consumer and health protection* has progressed, notably with the adoption of a framework law. However, an effective safety surveillance regime should be established and adequate resources are needed to ensure a high level of consumer protection. In adopting initial strategies for alignment in the area of *justice and home affairs*, Turkey has made important progress. Co-operation has improved in many fields,

such as the fight against illegal migration and organised crime. Turkey should start implementing the strategies already adopted and intensify its efforts to align its legal and institutional framework. Turkey should start to negotiate a readmission agreement with the EU.

In the *customs union* chapter, the following outstanding issues should be given priority: legislation on the customs aspects of control; counterfeit and pirated goods; cultural goods and non-customs legislation relevant to the application of customs provisions on free zones and customs procedures with economic impact. Administrative capacity has been improved, but Turkey should continue to strengthen inter-institutional co-operation, post clearance audits and border control, in order to achieve satisfactory implementation and enforcement of the aligned legislation.

Turkey has made very limited progress on *external relations*, where long outstanding obligations, particularly in the area of the Generalised System of Preferences, remain to be fulfilled. In the context of bilateral agreements, Turkey should continue its efforts to conclude free trade agreements with partners with whom the EU has such arrangements. In the field of the *common foreign and security policy*, Turkey's policy has largely continued to position itself along the lines of that of the EU. Turkey should ensure that its national policies and practice conform to the EU's common positions, and should ensure that all sanctions and restrictive measures can be duly implemented.

Due to the delay in passing the Public Financial Management and Financial Control Law, little progress has been made on *financial control*. Turkey should adopt this law and focus on improving budget transparency and accounting standards and implementing the new budget code structure.

In many fields implementation is weak. Administrative capacity in different areas needs to be strengthened to ensure that the *acquis* is implemented and enforced effectively. In some cases, administrative reform should entail the establishment of new structures, for example in the field of state aid and regional development. Where new regulatory bodies have been set up, their autonomy should be assured and they should be provided with sufficient staff and financial resources.

ANNEX 3: HUMAN RIGHTS CONVENTIONS RATIFIED BY THE CANDIDATE COUNTRIES

(as at end of October 2003)

<i>Adherence to following conventions and protocols</i>	Bulgaria	Romania	Turkey
ECHR (European Convention on Human Rights)	✓	✓	✓
Protocol 1 (right of property)	✓	✓	✓
Protocol 4 (freedom movement et al.)	✓	✓	
Protocol 6 (death penalty)	✓	✓	✓ ¹
Protocol 7 (ne bis in idem)	✓	✓	
European Convention for the Prevention of Torture	✓	✓	✓
European Social Charter	n/a	n/a	✓
Revised European Social Charter	✓	✓	
Framework Convention for National Minorities	✓	✓	
ICCPR (International Covenant on Civil and Political Rights)	✓	✓	✓
Optional Protocol to the ICCPR (right of individual communication)	✓	✓	
Second Optional Protocol to ICCPR (death penalty)	✓	✓	
ICESCR (International Covenant on Economic, Social and Cultural rights)	✓	✓	✓
CAT (Convention against Torture)	✓	✓	✓
CERD (Convention on the Elimination of All Forms of Racial Discrimination)	✓	✓	✓
CEDAW (Convention on the Elimination of All Forms of Discrimination against Women)	✓	✓	✓
Optional Protocol to the CEDAW			✓
CRC (Convention on the Rights of the Child)	✓	✓	✓

¹ Not yet notified to the Council of Europe.

ANNEX 4: TWINNING PROJECTS AND PEER REVIEWS

Number of twinning projects 1998-2003* in which Member States are involved as leaders or partners															
Country	Austria	Belgium	Germany	Denmark	Spain	Finland	France	Greece	Ireland	Italy	Netherlands	Portugal	Sweden	United Kingdom	Total**
Bulgaria	8	–	25	2	9	–	12	8	2	1	8	–	4	13	92
Cyprus	–	–	–	1	1	–	–	1	–	–	–	–	–	–	3
Czech Rep.	7	–	37	5	10	2	16	2	5	6	16	1	3	29	139
Estonia	–	–	12	5	1	15	6	2	4	1	5	–	8	6	65
Hungary	11	1	24	7	11	5	16	3	1	4	12	–	8	13	116
Latvia	1	1	10	6	3	5	3	1	–	–	2	–	9	7	48
Lithuania	3	3	20	13	6	10	7	1	–	3	3	–	18	9	96
Malta	1	–	–	–	2	–	1	–	2	4	1	–	–	7	18
Poland	8	–	45	14	21	7	45	2	3	12	21	1	10	34	223
Romania	4	1	24	4	20	–	33	11	–	15	11	–	5	14	142
Slovakia	13	–	22	2	8	4	14	7	2	7	8	–	6	8	101
Slovenia	13	–	18	–	12	–	6	1	2	2	4	1	6	6	71
Turkey*	–	–	3	1	2	–	1	2	–	2	1	–	–	2	14
Total	69	6	240	60	106	48	160	41	21	57	92	3	77	148	1,128

*) Selections for 2003 are not finalised

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

Peer reviews being carried out through the TAIEX Office of the European Commission

October 2002 – September 2003

Candidate or acceding country	Chapter 1¹ Free Movement of Goods	Chapter 3² Freedom to provide services	Chapter 7³ Agriculture	Chapter 9⁴ Transport	Chapter 13⁵ Social Policy	Chapter 19⁶ Telecommunications and information	Chapter 22⁷ Environment	Chapter 24⁸, 25, 28 Justice and home Affairs, customs union, financial	Total
Bulgaria	1	1	3		1				6
Cyprus	1	1	3	1			1	1	7
Czech Rep.	1	1	8	2			1	1	14
Estonia	1	1	8	1			1	1	12
Hungary	1	1	9	2			1	1	15
Latvia	1	1	8	3		1	1	2	17
Lithuania	1	1	9			1	1	3	17
Malta	1	1	3	1			1	1	8
Poland	1	1	9	2		1	1	2	17
Romania	1	1	3		1				6
Slovakia	1	1	7	1			1	2	13
Slovenia	1	1	9			1	1	1	13
Total	12	12	79	13	2	4	10	15	147

Notes:

¹ Hazard Analysis and Critical Control Points; market surveillance, metrology

² Financial services

³ Bovine database, milk quotas, veterinary establishments, wine, animal feedingstuffs, animal welfare, zoonoses, beef carcass classification, Paying Agencies, trade mechanisms (not all topics in all countries)

⁴ Maritime, road and rail transport

⁵ Communicable diseases

⁶ Postal services

⁷ Industrial pollution prevention and control, nature protection, water quality

⁸ Justice and home affairs, including topics such as: implementation of the Schengen Action Plan and external borders, judiciary, asylum, drugs, visa policy, money laundering, fight against economic and financial crime, fraud and corruption, police co-operation, counterfeiting of the euro

TAIEX Peer reviews: number of expert mobilisations per Member State

Member State	Total number of expert mobilisations
Austria	22
Belgium	20
Denmark	47
Finland	31
France	48
Germany	47
Greece	7
Ireland	30
Italy	19
Luxembourg	4
Netherlands	45
Portugal	18
Spain	18
Sweden	25
United Kingdom	71
Total	452

Note: Figures refer to total number of mobilisations, not total number of experts used.

ANNEX 5: STATE OF PLAY OF NEGOTIATIONS

(as at 31 October 2003)

N°	Chapter	Bulgaria	Romania
1	Free movement of goods	Closed	Closed
2	Freedom of movement for persons	Closed	Open
3	Freedom to provide services	Closed	Open
4	Free movement of capital	Closed	Closed
5	Company law	Closed	Closed
6	Competition policy	Open	Open
7	Agriculture	Open	Open
8	Fisheries	Closed	Closed
9	Transport policy	Closed	Open
10	Taxation	Closed	Closed
11	Economic and monetary union	Closed	Closed
12	Statistics	Closed	Closed
13	Social policy and employment	Closed	Closed
14	Energy	Closed	Open
15	Industrial policy	Closed	Closed
16	Small and medium sized enterprises	Closed	Closed
17	Science and research	Closed	Closed
18	Education and training	Closed	Closed
19	Telecommunications and information technologies	Closed	Closed
20	Culture and audiovisual policy	Closed	Closed
21	Regional policy and coordination of structural instruments	Open	Open
22	Environment	Closed	Open
23	Consumers and health protection	Closed	Closed
24	Cooperation in the fields of justice and home affairs	Closed	Open
25	Customs union	Closed	Closed
26	External relations	Closed	Closed
27	Common foreign and security policy	Closed	Closed
28	Financial control	Closed	Closed
29	Financial and budgetary provisions	Open	Open
30	Institutions	Closed	Closed
31	Other	Not yet opened	Not yet opened
Chapters opened		30	30
Chapters closed		26	20
Chapters still to be negotiated		5	11

ANNEX 6: MAIN STATISTICAL INDICATORS (2002)

	Area	Population		GDP in purchasing power standards (PPS)			GDP growth	Share of agriculture	
	1 000 km ²	Million inhabitants	Inhabitants/km ²	Billion €	Per capita, in €	Per capita, as % of EU average	% change	As % of gross added value	As % of employment
Bulgaria	111	7.9	71	47.4	5 900	25	4.8	12.5	10.7
Cyprus	9	0.8	86	14.0	17 400	72	2.2	4.3	5.3
Czech Rep.	79	10.2	130	146.9	14 400	60	2.0	3.7	4.9
Estonia	45	1.4	30	13.5	10 000	42	6.0	5.4	6.5
Hungary	93	10.2	108	138.2	13 600	57	3.3	4.3 ⁽¹⁾	6.0
Latvia	65	2.4	36	19.9	8 500	35	6.1	4.7	15.3
Lithuania	65	3.5	53	34.3	9 400	39	6.7	7.1	18.6
Malta	0.3	0.4	1 259	4.6 ⁽²⁾	11 700 ⁽²⁾	55 ⁽²⁾	1.2	2.8	2.3 ⁽¹⁾
Poland	313	38.2	122	363.0	9 500	39	1.6	3.1	19.6
Romania	238	21.8	92	128.9	5 900	25	4.9	13.0	37.7
Slovakia	49	5.4	110	61.3	11 400	47	4.4	4.5	6.6
Slovenia	20	2.0	99	35.3	17 700	74	3.2	3.3 ⁽¹⁾	9.7
Turkey	775	69.6	90	382.9	5 500	23	7.8	11.5	33.2
EU15	3234	378.4	117.0	9166.5	24 010				
Acceding 10	739	74.3	100.5	831.0 ⁽³⁾	11 150 ⁽³⁾				
EU 25	3973	452.7	113.9	9997.5 ⁽³⁾	21 910 ⁽³⁾				

Sources : Eurostat from national sources.

(1) 2001

(2) 1999

(3) This figure is an approximation based on PPS calculated for the EU15; PPS is at this stage not yet available on the basis of EU25.

	Inflation rate	Unemployment rate	General government budget	External trade				Current account	Foreign direct investment	
	Year-on-year, in %	% of labour force	Balance in % of GDP	Exports in % of imports	Exports to EU in % of total exports	Imports from EU in % total imports	Balance of EU with country, in million €	Balance, in % of GDP	Stock in € per capita ⁽²⁾	Net inflow in % of GDP
Bulgaria	5.8	18.1	-0.6	78.2	55.6	50.2	606	-4.7	273	3.9
Cyprus	2.8	3.8	-3.5	12.5	48.0	55.8	2 173	-5.3 ⁽¹⁾	n.a.	4.3
Czech Rep.	1.4	7.3	-3.9	94.4	68.4	60.2	1 673	-6.3	2 289	13.4
Estonia	3.6	9.1	1.3	71.6	68.0	57.9	847	-12.3	2 092	4.4
Hungary	5.2	5.6	-9.2	91.4	75.1	56.3	-68	-4.0	n.a.	1.8
Latvia	2.0	12.8	-3.0	56.4	60.4	53.0	620	-7.7	978	4.6
Lithuania	0.4	13.1	-2.0	71.0	48.4	44.5	1 290	-5.3	723	5.3
Malta	2.2	7.4	-6.2	74.1	46.6	67.0	1 575	-3.9	6 418	8.8 ⁽¹⁾
Poland	1.9	19.9	-4.1	74.4	68.7	61.7	9 165	-3.6	963	2.2
Romania	22.5	7.0	-2.2	77.6	67.1	58.4	1 003	-3.4	252	2.9 ⁽³⁾
Slovakia	3.3	18.6	-7.2	87.1	60.5	50.3	-982	-8.2	903	17.0
Slovenia	7.5	6.0	-2.6	94.7	59.4	68.0	1 806	1.7	1 543	8.3
Turkey	45	10.4	-10.0	69.1	51.5	45.5	2 178	-0.8	296	0.6

Sources : Eurostat from national sources.

(1) 2001

(2) 2000

(3) 1999