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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE  
EUROPEAN PARLIAMENT**

**Roadmaps for Bulgaria and Romania**

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## Roadmaps for Bulgaria and Romania

### 1. INTRODUCTION

In the Strategy Paper 'Towards the Enlarged Union'<sup>1</sup>, of 9 October 2002, the Commission announced that it would propose, on the basis of the analysis in the 2002 Regular Reports, detailed roadmaps for Bulgaria and Romania before the Copenhagen European Council.

In the Conclusions of the Brussels European Council of 24-25 October 2002, the Union agreed with the Commission's evaluation of the progress achieved by Bulgaria and Romania. In the light of the inclusive and irreversible nature of the enlargement process and based upon the Commission's Strategy Paper, the Council and the Commission were invited to prepare, in close consultations with Bulgaria and Romania, the necessary decisions at the European Council in Copenhagen concerning first of all detailed roadmaps, including timetables, and increased pre-accession assistance in order to advance the accession process with these countries. The European Council expressed its support for Bulgaria and Romania in their efforts to achieve the objective of membership in 2007.

The roadmaps for Bulgaria and Romania cover the period up to accession. Their purpose is to indicate the main steps that they need to take to be ready for membership. They are based on the commitments made in the negotiations and on what needs to be done to fulfil the Copenhagen and Madrid criteria for membership. They also follow the principles that have guided the accession process from the outset, notably that all candidates participate on an equal footing and all are expected to join the European Union on the basis of the same criteria and depending on their individual progress.

The roadmaps aim to support the two countries' efforts to meet the remaining criteria for membership by identifying the tasks ahead and providing increased financial assistance. There is particular emphasis on administrative and judicial capacity necessary to implement the *acquis* and on economic reform.

For the *acquis* chapters, the roadmaps provide benchmarks against which Bulgaria and Romania's progress can be monitored. These cover both alignment of legislation and development of administrative capacity. A detailed assessment of the remaining challenges is contained in the Overall Assessment and Conclusions of the 2002 Regular Reports on Bulgaria<sup>2</sup> and on Romania<sup>3</sup>. Short and medium term issues are identified in the roadmaps and will be further developed in the revised Accession Partnerships to be presented next year.

The roadmaps are based on the principle that progress in the negotiations is largely determined by progress in putting into place and implementing the necessary reforms. Hence the roadmaps identify the measures which the countries need to adopt in order to move forward towards the conclusion of the accession negotiations. The roadmaps do not entail any

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<sup>1</sup> (COM(2002) 700 final)

<sup>2</sup> (COM(2002) 700 final)

<sup>3</sup> (COM(2002) 700 final)

new conditions or practices in accession negotiations. The closure of negotiating chapters with Bulgaria and Romania will continue to take place according to the established practices of the accession negotiations.

For the chapters where negotiations have been provisionally closed, the challenge now is to ensure that commitments are met on time. For that reason, for chapters provisionally closed, the commitments taken in negotiations and accepted in the Accession Conference form the basis of the roadmap. The roadmaps do not replace negotiation documents, submitted to the Accession Conference.

In chapters where negotiations are still under way, the roadmaps identify key issues that will need to be tackled in order for progress to be made in negotiations. The roadmaps will be updated periodically in view of developments in the countries and progress in negotiations.

## **2. ADMINISTRATIVE AND JUDICIAL CAPACITY**

While alignment of legislation is essential, this needs to be accompanied by appropriate judicial and administrative capacity to implement and enforce the *acquis*. This has been stressed at the European Council in Madrid in 1995 and on a number of subsequent occasions. As regards Bulgaria and Romania, the Gothenburg European Council in 2001 stated that candidate countries must make “continued progress [...] in transposing, implementing and enforcing the *acquis*. They will have to pay particular attention to putting in place adequate administrative structures, to reforming judicial systems and the civil service, [...]. Special efforts will be devoted to assisting Bulgaria and Romania.”

The process of administrative and judicial reform is underway, but preparations for membership in all areas of the *acquis* will benefit from accelerated progress on these issues.

To strengthen support in this area, the Commission will pay special attention to these areas in the programming of future Phare financial assistance. Phare support should also be used to assess the implementation and enforcement of the *acquis* in key areas.

The Commission will continue to support institution building relevant to the implementation of the *acquis* and management of EC funds. Consideration will be given to further projects that address public administration and judicial reform.

## **3. FINANCIAL ASSISTANCE**

As indicated in the Strategy Paper, the Commission proposes that financial assistance to Bulgaria and Romania should be increased considerably from the date of the first round of accessions, linked to progress in implementing the roadmaps and their absorptive capacity. This increase is intended to support Bulgaria and Romania in taking the remaining steps necessary to meet the criteria for membership.

The Accession Partnerships will continue to be the basis for programming pre-accession assistance, but priorities for assistance will also be drawn from the roadmaps, Regular Reports and revised National Development Plans to be prepared by each country in line with Structural Funds requirements.

### **3.1. Needs**

The analyses in the 2002 Regular Reports lead to the conclusion that, whilst Bulgaria and Romania are making progress the countries have a high level of need, in terms of:

- agricultural and rural development,
- transport and environment infrastructure,
- economic and social cohesion,
- investment and institution building related to the implementation of the *acquis*.

The three existing instruments, Phare, ISPA and SAPARD, can support programmes in the areas required so no change in the instruments available is proposed. Additional assistance will also help Bulgaria and Romania prepare for participation in the Structural Funds.

### **3.2. Increased funding**

While the needs are clear, Bulgaria and Romania should improve significantly their capacity to manage and use funds effectively.

Additional assistance will therefore be conditional on making progress in line with the roadmaps and to improving significantly capacity to manage and use funds effectively. In this light, the implementation of extended decentralisation (EDIS) for Phare and ISPA by the end of 2004 should be strongly encouraged.

Bulgaria and Romania have already begun work on extending decentralised implementation systems for both Phare and ISPA, but if required, further support will be provided to accelerate this. SAPARD is already fully decentralised.

Thus Bulgaria and Romania have begun to develop capacities to make improved use of existing funds. If preparations are continued and intensified they should be ready to receive and use additional funds effectively from 2004 onwards.

In the light of the above, the Commission proposes that assistance for Bulgaria and Romania should increase progressively to reach the level of an additional 40% in 2006.<sup>4</sup> The distribution between the three pre-accession instruments should be determined by the specific needs and absorption capacities of each of the countries.

## **4. OBSERVER STATUS**

Bulgaria and Romania already participate in a number of Community committees and agencies<sup>5</sup>. The Strategy Paper stated that after the signature of the Accession Treaty, acceding States should be given the possibility to further participate, wherever legally possible, as observers in all committees set up by the comitology procedure and all other committees. The Commission also considered that acceding States should be able to participate at least as

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<sup>4</sup> This increase will take as its base line the average assistance under Phare/ISPA/SAPARD for the two countries in the period 2001 to 2003.

<sup>5</sup> See Commission communication of 20.12.99 on "Participation of candidate countries in Community programmes, agencies and committees", COM (1999) 710 final

observers in the relevant structures of all Community agencies. It went on to state that the general principles and details of this participation would be defined at a later stage.

These provisions also apply to Bulgaria and Romania.

## **5. MONITORING**

Bulgaria and Romania have provisionally closed many chapters on the basis of the indicative date for membership of 1 January 2007. It is particularly important for the candidate countries and the EU to monitor closely the implementation of these commitments as well as progress in economic reforms.

The Europe Agreement structures, which are used to review progress on all Accession Partnership priorities and on the Action Plans on administrative and judicial capacity, should be used systematically for this purpose. The sub-committees provide the possibility to review implementation of the Accession Partnership priorities as well as progress as regards legal approximation, implementation and enforcement. The Europe Agreement structures remain separate from the negotiation process.

Peer reviews have proved a useful mechanism in some areas and could be further developed.

The Commission will continue to issue Regular Reports, until Bulgaria and Romania have fulfilled the criteria for accession. Future Regular Reports will include an assessment of the implementation of the roadmaps.

## **6. REVISED ACCESSION PARTNERSHIP**

The Commission will propose revised Accession Partnerships for Bulgaria and Romania in the light of the findings of the 2002 Regular Reports and roadmaps. The Accession Partnerships will continue to identify the priority areas for further work, based on the analyses in the Regular Reports. They will complement the roadmaps and taken together, will be the main tools guiding Bulgaria and Romania's work on preparation for accession to the EU.

## **7. THE WAY FORWARD**

The roadmaps, developed in this document, and the methodology outlined above, provide a guide which will permit Bulgaria and Romania to complete their preparations for EU membership and bring the accession negotiations to a successful conclusion. The roadmaps demonstrate the commitment of the European Union to work with Bulgaria and Romania, with additional means of support, to achieve our shared objective of accession to the European Union. Bulgaria and Romania have set the year 2007 as their indicative date for accession and this has been endorsed by the Brussels European Council. On the basis of the principles which have guided the accession negotiations from the outset, the Commission will strongly support Bulgaria and Romania's efforts to achieve this objective.

## ROADMAP FOR BULGARIA

### 1. INTRODUCTION

The analysis in the 2002 Regular Report<sup>6</sup> on Bulgaria's progress towards meeting the criteria for membership is that Bulgaria has made good further progress towards meeting the Copenhagen criteria:

- Bulgaria continues to fulfil the political criteria. Accordingly, while efforts need to be sustained in a number of areas, the roadmap does not address issues related to this criterion.
- Bulgaria partly meets the economic criteria in that it is a functioning market economy, however it is not yet able to cope with competitive pressure and market forces within the Union. For this reason, the roadmap focuses on the remaining steps Bulgaria needs to take in order to meet this criterion.
- Bulgaria does not yet fully meet the *acquis* criteria. In order to complete its preparations successfully, Bulgaria needs to continue its efforts to transpose, implement and enforce the *acquis*. It also needs to continue the reform of public administration and the judiciary in order to have the necessary administrative and judicial capacity for this.

This roadmap aims to support Bulgaria's efforts to meet the remaining requirements for membership by identifying the tasks ahead. There is particular emphasis on administrative and judicial capacity necessary to implement the *acquis* and on economic reform.

For the *acquis* chapters, the roadmap provides benchmarks against which Bulgaria's commitments can be monitored.

### 2. ADMINISTRATIVE AND JUDICIAL CAPACITY

The 2002 Regular Report on Bulgaria concludes that it does not fully meet the *acquis* criteria. It states that "Bulgaria still needs 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. Further efforts are also required to establish the necessary administrative capacity to ensure the sound and efficient management of EC funds". Progress in these areas is also crucial to meeting fully the economic criteria for membership.

#### 2.1. Administrative capacity

The Regular Report 2002 acknowledges that Bulgaria has made further progress on development of administrative capacity but that much remains to be done. Bulgaria has adopted a Strategy for Modernisation of the State Administration and there has been progress with revisions to the legislative framework but serious efforts are now required to develop and implement reforms to ensure an efficient, transparent and accountable public administration.

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<sup>6</sup> (COM(2002) 700 final)

Transparent procedures need to be applied e.g. for recruitment and promotion, providing qualified staff to ensure sustainability of reforms, improving human resource management in the state administration, simplifying and clarifying the legal framework for administrative decision-making, and ensuring legal certainty. Substantial strengthening of administrative structures to ensure that Bulgaria has the capacity for fully effective use of EC funds, including the reinforcement of its anti-fraud structures, is also necessary. More attention needs to be given when the EC *acquis* is transposed, to how this can be adapted to the situation in Bulgaria and to implementation and enforcement capacity at national, regional and local levels.

A first step will be to encourage Bulgaria to prepare a fully comprehensive reform strategy, including an action plan, in 2003. Once this is finalised, Phare projects will be developed to implement specific reforms.

## **2.2. Judicial capacity**

The Regular Report acknowledges that Bulgaria has made significant progress on the judicial reform strategy with the adoption of an Action Plan and major amendments to the Law on the Judicial System. However the judicial system remains weak and there has been little concrete change in its functioning. In order for the Bulgarian judicial system to be able to play its role in the further development of the economy and future enforcement of the *acquis*, the reforms already agreed on in the National Reform Strategy for the Bulgarian Judicial System need to be fully implemented and work on remaining necessary reforms pursued. Special attention should also be given to reforms to the structure of the Bulgarian judiciary. In particular attention needs to be paid to how investigations are carried out. Also, the issue of immunity needs to be addressed.

The Commission will support further reform efforts, in particular with a view to implementation of the Strategy and Action Plan for Reform of the Judiciary. Projects in this field will be financed from Phare in 2003 and subsequent years.

## **3. ECONOMIC REFORM**

This year's Regular Report has concluded that Bulgaria is a functioning market economy and that it should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues implementing its reform programme to remove remaining difficulties.

Bulgaria has achieved a high degree of macroeconomic stability and market mechanisms are now working sufficiently to allow for a better allocation of resources. Good progress has been made in structural reforms, especially as regards procedures for market entry, the restructuring of the financial sector and privatisation, thus setting the microeconomic basis for a process of sustained growth.

However, further efforts are needed to improve the flexibility of markets. In particular, the efficiency of the administrative and judicial system has to be reinforced, to allow economic agents to make decisions in a climate of stability and predictability. Administrative procedures affecting the enterprise sector, including bankruptcy procedures, must be streamlined. The level of financial intermediation continues to be low. Specific deficiencies remaining in the land market affect the performance of this market and of related economic sectors. An implementation of these reform measures should contribute to higher levels of private and public investment which are key requirements for sustained growth and sufficient competitiveness within the Union.

As benchmarks for achieving these improvements, the Commission will, in particular, look for positive developments in the following areas:

- Progress in the privatisation programme
- Development of small and medium-sized enterprises, in particular the number of start-ups
- Implementation of the programme to reduce and simplify licensing procedures
- Reform of customs and tax administrations
- Efficiency of bankruptcy procedures
- Development of financial intermediation and the non-banking financial sector
- Enforcement of property rights
- Number of transactions and prices of agricultural land
- Volume and quality of public investment, including infrastructure, education environment and health.
- Reduction of State Aid, in particular in the energy and transport sectors.

#### **4. THE CHAPTERS OF THE ACQUIS**

##### **Chapter 1: Free movement of goods**

Bulgaria should focus further efforts on in particular the development of a national conformity assessment system. In the field of public procurement, attention should be focused on the establishment of an Agency as scheduled and in line with the commitment made by Bulgaria, as well as on ensuring effective remedies and abolition of the national preference scheme. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

##### Short term

Establish a state agency on public procurement.

Continue transposition of harmonised standards in the field of new approach Directives. Complete progressive alignment on the acquis on food safety.

Ensure that the transposition of New Approach Directives is completed and that the texts fully are in line with EC legislation.

##### Medium term

Transpose 80% of European standards, transposition of the acquis on chemical and wood, by end 2004.

Complete alignment with the acquis for sector specific legislation for areas covered by Old Approach Directives.

Develop administrative capacity on foodstuffs.

In non-harmonised areas, integrate the principle of mutual recognition into relevant Bulgarian legislation on goods and eliminate provisions in breach of Articles 28 -30 of the EC Treaty.

Strengthen administrative capacity in the field of standardisation and develop conformity assessment bodies and laboratories.

##### By accession

Ensure all European harmonised standards are transposed into Bulgarian standards.

## **Chapter 2: Free movement of persons**

Bulgaria should focus further efforts in particular on ensuring that the curricula and training of health professionals covered by the sectoral Directives are in line with the *acquis*. It will also need to prepare, in good time, to meet the financial and administrative obligations that result from the application of the rules on co-ordination of social security. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected. Key steps include:

### Medium term

Complete legislative work on mutual recognition of qualifications and ensure administrative structures are in place.

Revise the Bulgarian Constitution to ensure compliance with the *acquis* on the right to vote, including special legislation on elections of the European Parliament

On co-ordination of social security systems, make preparations to ensure the required level of budgetary and administrative capacity to carry out the required financial transfers by accession.

## **Chapter 3: Freedom to provide services**

Bulgaria should focus further efforts on the field of insurance and securities. Bulgaria has made some progress as regards discrimination in the areas of freedom of establishment and freedom to provide services, but further efforts are still required to identify and implement measures that will ensure full non-discrimination. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Fully align Data Protection Act with the *acquis*.

Further amendment to the Law on foreigners to remove incompatibilities with the *acquis*.

### Medium term

Full compliance with the insurance *acquis* and capital adequacy *acquis* by end 2005.

Align legislation with the securities *acquis*.

Ensure administrative capacity is in place to implement and enforce Data Protection Act.

### By accession

Identify and eliminate legal provisions and administrative practices incompatible with the EC Treaty provisions on right of establishment and freedom to provide services.

For pension funds, strengthen capacity of the supervising authority and corporate governance of pension funds.

## **Chapter 4: Free movement of capital**

Bulgaria should focus further efforts on completing alignment and eliminating all remaining restrictions, completing the administrative structures necessary to properly implement the *acquis* in this area, and reinforcing administrative capacity, paying particular attention to the bodies involved in the fight against money laundering. Negotiations on this chapter are

provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Finalise alignment on capital movements, except where transition periods have been granted.

#### Medium term

Complete alignment of legislation on payment systems

Complete alignment of legislation on money laundering. Reinforce administrative capacity of Bureau of Financial Intelligence. Develop programmes in financial institutions against money laundering.

### **Chapter 5: Company law**

Bulgaria should focus further efforts on full alignment with the *acquis*, intensifying measures to combat piracy and counterfeiting in particular through strengthening border controls and improving co-ordination between the customs, police and judiciary on enforcement of intellectual and industrial property rights. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Medium term

Complete alignment on company law *acquis*, especially on acquisitions, mergers and divisions of companies. Complete alignment on accounting.

Improve enforcement of intellectual and industrial property rights, (in particular border controls and training of law enforcement bodies and the judiciary).

### **Chapter 6: Competition policy**

Bulgaria should focus further efforts in particular on improving the enforcement of State Aid rules and developing administrative capacity in order to develop a credible State Aid enforcement record. Negotiations on this chapter are underway. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Complete the legislative framework in relation to substantive implementing rules for state aid. Upgrade expertise and improve the quality of state aid decisions, as well as state aid transparency.

Improve state aid enforcement record. In particular, assess existing schemes in Bulgaria under which State Aid is being granted to bring them into line with the *acquis* and ensure that through the ex-ante control of all new aid measures, full compatibility with the *acquis* is assured.

Complete the legal antitrust framework, pursue training efforts and further develop record of effective implementation and enforcement of anti-trust rules.

Prepare an overall restructuring plan, along with individual plans, for the steel sector.

#### Medium term

Increase awareness of the rules, in particular among aid grantors, the business community and the judiciary.

## Chapter 7: Agriculture

Bulgaria needs to focus further efforts on enforcement of legislation, in particular in the veterinary sector and ensure appropriate controls. Particular attention should also be paid to developing the administrative capacity necessary to administer and enforce the *acquis*, including preparations for the setting up of the Paying Agency, Integrated Administration and Control System and the Farm Accountancy Data Network (FADN). Bulgaria also needs to ensure the functioning of markets. In the dairy sector in particular, further efforts should be made to ensure organisation of production and processing. With regard to BSE, Bulgaria needs to take action to guarantee full conformity with EC requirements in the field of epidemiological surveillance, animal waste treatment and rendering activities. Negotiations on this chapter are underway. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Provide detailed plans on development of Common Market Organisations.

Introduce EC legal requirements on animal movements.

### Medium term

Establish a Paying Agency fully compliant with the *acquis*.

Prepare for establishment of an Integrated Administration and Control System.

Develop the Farm Accountancy Data Network (FADN).

Implement programme to upgrade agri-food establishments to EC standards.

Develop inter-branch organisations.

Develop Common Market Organisations.

Implement quality policy.

Complete the vineyard register.

Complete the national cadastre and property register. Continue work on consolidation of land.

Concerning *animal welfare*, ensure further training for official vets and control of inspectors. Inform producers' associations of the need to apply animal welfare rules and on enforcement methods.

Extend EUROVET system to cover the whole country and complete loading of data to enable improved surveillance and allow unrestricted trade of livestock and animal products to recommence with the EC. Complete identification of ruminants by double plastic ear-tagging.

Continue work to upgrade slaughterhouses and agri food establishments.

Improve the situation regarding animal waste in particular in rendering plants. Ensure feed ban on processed animal proteins is in line with EC requirements to avoid cross contamination of ruminant feed with animal proteins for ruminants and cross feeding.

Complete upgrading of the 8 long-term Veterinary Border Inspection Posts

Improve investigation of BSE epidemiology and use of approved diagnostic methods. Remove discrepancies in the field of TSE controls compared to the EC system.

Ensure the National Service for Plant Protection has adequate resources to implement *acquis* in the phytosanitary sector.

On food safety, implement and enforce legislation.

On control of animal food stuffs, ensure that sufficient resources are allocated to the chief directorate for food stuff control in order achieve full implementation of the *acquis*.

## **Chapter 8: Fisheries**

Bulgaria should focus further efforts on developing an adequate marketing infrastructure, and on measures to ensure full compliance with EC hygiene and health requirements and to ensure sufficient financing. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Medium term

On market policy, adopt implementing legislation and create market and wholesale infrastructure.

Finalise the Fishing Vessel Register.

Develop administrative capacity to implement fisheries market policy, market infrastructure and market standards ready.

Complete alignment with *acquis* including adoption of necessary secondary legislation.

Implement a control system capable of operating the *acquis*. Ensure National Agency for Fisheries and Aquaculture has adequate administrative capacity and equipment.

Take further steps to bring veterinary cover up to appropriate level.

### By accession

Ensure State Fund for Agriculture has necessary capacity to perform such functions in compliance with EC structural action requirements.

## **Chapter 9: Transport policy**

Bulgaria should focus further efforts on investment, on the implementation of the social/technical *acquis* in the road sector, on the further liberalisation of rail and road transport and on the transposition and implementation of the *acquis* in the aviation and maritime sector. Particular attention will need to be paid to improvement of the maritime safety record, and to further strengthening the maritime safety authorities and guaranteeing their independence. Further efforts will be needed on the reinforcement and strengthening of the newly-established administrative structures in order to ensure adequate administrative capacity for enforcement of the *acquis* and implementation of the investment plans. This chapter is still under negotiation. Attention needs to be given to ensuring that commitments made in that process are respected. Key steps include:

### Short-term

Ensure necessary administrative capacity to prepare for the significant investments needed in rail and road infrastructure.

Improve maritime safety, in particular improve the performance of maritime safety administrative institutions, firstly as a Flag State, and then as a Port State. Further align with EU maritime *acquis* in areas of safety through the Merchant Shipping Code and implementing legislation. Strengthen Bulgarian Maritime Administration.

### Medium-term

Align vehicle taxes and road charges with *acquis*. Ensure administrative capacity in road sector. Take steps to prepare national road transport operators and vehicle fleet to meet *acquis* requirements.

On air transport, complete legislative alignment with the *acquis* and continue with the gradual implementation of the Joint Aviation Requirements and Third Package Regulations.

Strengthen the railway administration, ensure independence of railway managers, implement a rail infrastructure charging scheme and implement business plans focusing on financial stabilisation of the railways.

### **Chapter 10: Taxation**

Bulgaria should focus further efforts on completing alignment – except where transitional arrangements have been agreed - with the *acquis* in the areas of direct and indirect taxation, including intra-Community transactions, and strengthening its administrative capacity, in particular through pursuit of measures to modernise and reinforce the tax administration. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Develop an updated business strategy for the tax administration and approve other linked strategies, such as audit strategies and the creation of a unified National Revenue Agency.

Continue alignment of tax legislation in VAT and excise duties.

#### Medium term

Strengthen the tax administration.

Complete alignment of tax legislation, except where transitional arrangements were agreed, and transpose all provisions of VAT transitional regime one year ahead of accession.

Start to take steps to ensure the computerised tax information system is fully operational, including links to the customs information system and interconnectivity with EC systems ahead of accession.

Ensure compliance with Code of Conduct for Business Taxation.

### **Chapter 11: Economic and Monetary Union**

Bulgaria should focus further efforts on completing alignment of its legislation with the *acquis* in this area. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Medium term

Align legislation with the provisions of the *acquis* regarding central bank independence, the prohibition of privileged access of public sector authorities to financial institutions, and the prohibition of direct financing of the public sector.

Fully harmonise government finance statistics with ESA 95 requirements.

### **Chapter 12: Statistics**

Bulgaria should focus further efforts on strengthening administrative capacity and on upgrading methodology and improving the quality and completeness of data in general. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Carry out agriculture census as planned in 2003.

### Medium term

Strengthen administrative capacity, through particular attention to further staff development in the statistics administration and information technology capacity, notably in regional offices.

Further improve regional statistics, the quality and coverage of national accounts, short-term statistics and the quality and coverage of the business register.

Establish a farm register based on the data from the census.

Carry out preparatory work for the introduction of Intrastat.

### **Chapter 13: Social policy and employment**

Bulgaria should focus further efforts on continuing transposition, particularly in the areas of anti-discrimination, equal opportunities, labour law and occupational safety and health where considerable work remains with regard to transposition of the *acquis*. Furthermore, Bulgaria's efforts need to focus on effective implementation of the *acquis* in these areas. Social dialogue in line with EC practice needs to be fostered. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Undertake an assessment of financial impact of implementing health and safety Directives.

Transpose *acquis* on combating discrimination.

Transpose *acquis* in the area of equal opportunities for women and men.

Implement the priorities and commitments in the Joint Assessment of Employment Policy Priorities.

Transpose and implement the *acquis* on tobacco control.

#### Medium term

Complete transposition of *acquis* on health and safety at work and labour law. Improve implementation and enforcement capacity, in particular of the Labour Inspectorates..

Ensure appropriate capacity for management of European Social Fund type projects in preparation for Structural Funds.

Set up a system for surveillance and control of communicable diseases in line with the *acquis*.

Ensure the development of a health information system which meets Community standards.

Develop a national integrated strategy on promoting social inclusion.

Strengthen the administrative capacity of the social partners with particular regard to new policy areas including employment and social inclusion.

Promote autonomous social dialogue, especially at the enterprise and sectoral level, in order to improve its coverage.

### **Chapter 14: Energy**

Bulgaria should now focus its further efforts on further implementing and refining its overall energy policy, as a first step to full and timely implementation of legislation, in particular with regard to the internal energy market. Bulgaria should set clear timetables for restructuring the energy sector, including the alleviation of related social consequences, and prepare for the closure and decommissioning of certain units of Kozloduy Nuclear Power

Plant. Concrete measures to improve energy efficiency, and strengthening of the administrative capacity of the newly-established bodies, in particular the energy regulator, the body responsible for managing oil stocks and the nuclear safety authority, are needed. Bulgaria also needs to make arrangements to ensure the progressive building up of oil stocks as required by the *acquis*. Negotiations on this chapter are underway. Attention will need to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short term

Adopt a framework law for alignment with the *acquis* on oil stocks.

Ensure all recommendations contained in the Council Report on Nuclear Safety in the Context of Enlargement of June 2001, and in its subsequent Peer Review Status Report of June 2002, are implemented with due regard to the priorities therein, and in accordance with time schedules indicated by Bulgaria.

Close down definitely Units 1 and 2 of Kozloduy Nuclear Power Plant before the year 2003.

Further reinforce administrative capacity and the independence, including financial independence, of the State Energy Regulatory Commission.

Strengthen capacity and independence of the Nuclear Regulatory Authority.

Adopt new framework legislation for stepping up liberalisation of the energy sector, and opening energy markets and legislative alignment with the gas and electricity markets.

Promote further use of renewable energies; align with energy efficiency *acquis* and develop a pro-active policy to reduce the energy intensity of the Bulgarian economy through promoting energy efficiency at all stages of the energy cycle.

#### Medium term

Implement Action Plan for restructuring of the solid fuel sector.

Increase gradually oil stocks according to schedule and set up the necessary administrative capacity to manage these.

Meet closure commitments on Units 3 and 4 of the Kozloduy nuclear power plant.

Ensure full alignment with electricity and gas Directives and continue the gradual opening of the electricity and gas markets.

Ensure compliance with Euratom requirements and procedures.

Pursue implementation of an energy efficiency policy which aims reducing the energy intensity of the Bulgarian economy, including promoting the use of renewable energies.

### **Chapter 15: Industrial policy**

Bulgaria should focus further efforts on the speedy completion of privatisation, the restructuring process of some remaining important industrial sectors, such as steel, further co-ordinating its currently rather fragmented administrative structures and further enhancing the business environment and competitiveness in the enterprise sector so as to achieve full integration into the Single Market. Domestic and inward investment should be stimulated. Great care will have to be taken that the policy of restructuring is implemented in a manner which conforms to the competition and State Aid *acquis* so as to create efficient competitive firms. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 16: Small and medium-sized enterprises**

Bulgaria should focus further efforts on resolving the remaining uncertainties, notably in the legislative and taxation areas, reinforcing delivery mechanisms for promoting entrepreneurship to make them fully operational, and ensuring appropriate co-ordination between the various bodies concerned, including at local level, on implementation and enforcement of legislation. The European Charter for Small Enterprises should be implemented. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 17: Science and research**

Bulgaria should focus further efforts on reinforcing research-related administrative capacity and infrastructure, in order to increase the benefits from association with the relevant Community Framework Programmes, including the 6<sup>th</sup> Framework Programme (2002-2006), for which it has already signed the association agreement. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 18: Education and training**

Bulgaria should focus further efforts on improvement of the financial management of its participation in the Community programmes, better co-ordination between all the bodies involved, effective implementation of the Directive concerning education of children of migrant workers and on a comprehensive reform of the vocational education and training system to ensure that it is flexible and can adapt in line with the needs of the labour market. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 19: Telecommunications and information technologies**

Bulgaria should focus further efforts on completing transposition of the *acquis* and on its effective implementation in time for market opening on January 2003. Particular attention should be paid to the definition of operators with SMP, application of the principle of cost orientation, publication of the Reference Interconnection Offer and unbundled access to the local loop. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Enhance the capacity of the regulator. Improve its financial independence and reinforce administrative capacity.

Strengthen the regulatory framework for postal services. Adopt further implementing legislation to achieve full compatibility with the *acquis* (including universal service provision and quality of service).

### Medium term

Accelerate work on network modernisation and price rebalancing.

Make necessary investments to meet spectrum monitoring needs across the country.

## **Chapter 20: Culture and audio-visual policy**

Bulgaria should focus further efforts on the strengthening of the administrative capacity of the national regulatory body in the field of broadcasting. Negotiations on this chapter are

provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 21: Regional policy and co-ordination of structural instruments**

Bulgaria should focus further efforts on strengthening the capacity for future implementation of structural funds assistance in key ministries, including appropriate control, monitoring and evaluation mechanisms. Bulgaria needs to prepare a coherent development plan as required by the Structural Funds regulations and integrate it into the national budgetary and policy-making framework. Negotiations on this chapter are underway. Attention will need to be given to ensuring commitments made in that process are respected. Key steps include:

### Medium term

Implement the Bulgarian National Strategy for preparation on Structural and Cohesion Funds.

Adopt the framework legislation needed to implement the *acquis* under this chapter. The legal framework for the future participation in Structural Funds should be established and adopted as a matter of priority, including provisions for management, monitoring, evaluation, financial and budgetary management and control in relation to the practical implementation of the Structural Funds.

Create necessary institutional structures for the implementation of the Structural Funds and the Cohesion Fund. The administrative structures and procedures, the distribution of responsibilities between the different bodies involved at national and regional level and in particular inter-ministerial co-ordination, will require particular attention.

Bring administrative capacity of the units within the ministries designated or to be designated as future managing or paying authorities up to the level required for efficient and correct implementation of Structural Funds assistance.

Improve the quality of the National Development Plan. Bulgaria needs to put serious efforts in strengthening its strategic capability and operational capacity to improve and implement the National Development Plan, in order to transform it into a comprehensive national planning tool.

Develop capacity to discuss and clarify development priorities at national and regional level and to identify proper projects. Inter-ministerial co-operation and partnership needs to be made more effective and comprehensive, both at national and regional level. Genuine partnership structures at regional level, including the regional and local authorities and other competent public authorities, the economic and social partners and any other relevant bodies must be established, and a strong input of the regions into the programming process taking place at national level needs to be ensured.

Improve capacity at the level of the technical preparation of projects to be co-financed by the Structural and Cohesion Funds

Prepare to ensure compliance with *acquis* requirements for monitoring and evaluation, in particular as regards the *ex-ante* evaluation of the development plan and the collection and processing of the relevant statistical information and indicators. The timely availability and functioning of an effective monitoring and evaluation system will be of crucial importance for the effective and efficient implementation of the Structural Funds programmes.

Establish appropriate systems and procedures for financial management and control, in particular in relation to the structure of the managing and paying authorities, in order to fulfil

the specific requirements of the Structural Funds regulations. Specific attention is to be given to an adequate separation of functions within the whole implementation structure.

Improve regional statistics to the level required for regional policy planning and programming, in particular ex-ante evaluation.

## **Chapter 22: Environment**

Bulgaria should now focus its efforts in particular on environmental impact assessment, waste management, nature protection, industrial pollution and risk management, chemicals and genetically modified organisms, and nuclear safety and radiation protection. Implementation and enforcement of the *acquis* in this area continue to constitute a major challenge for the future, in particular because of the need to increase administrative capacity, especially at regional and local level. In addition, the fact that environmental considerations are not often thoroughly considered in the context of other economic issues is a cause for concern. Relevant investments in the environment sector have produced some positive results, but much still remains to be done. Bulgaria needs to focus on investments, and on reinforcing administrative capacity and implementation within all environment sectors, while continuing progress with transposition. Negotiations on this chapter are underway. Attention will need to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Update the overall assessment of the situation in the environment sector in order to identify gaps to be filled in.

Develop implementation plans together with financing strategies, to outline the steps needed to ensure full implementation in the medium and longer term. These plans should take into account available resources and institutional strengthening, and further elaborate mechanisms to monitor effective implementation.

Focus on planning, identification and availability of financial resources in view of the significant investments needed to ensure the implementation of the *acquis*.

Improve administrative capacity to implement the *acquis*, in particular through further strengthening of regional inspectorates and municipalities. Reinforce staffing of the Ministry and other public bodies. Ensure adequate training and staff development plans.

Adopt secondary legislation to ensure full transposition of environmental impact assessment and access to information Directives.

Ensure that the environmental *acquis*, particularly the Environmental Impact Assessment Directive, is properly implemented in preparing large-scale infrastructure projects.

Continue transposition of legislation in all remaining areas, in particular waste management, nature protection, industrial pollution and risk management, chemicals and genetically modified organisms, and nuclear safety and radiation protection. Ensure full consultation with all relevant stakeholders (other ministries, economic operators, NGOs)

Continue integrating environmental protection requirements into the definition and implementation of all other sectoral policies so as to promote sustainable development, including in the energy sector. Improve inter-ministerial co-ordination on environmental issues.

### Medium term

Close attention needs to be paid to progressive implementation of the *acquis* in all sectors, particularly as regards waste management, water quality, industrial pollution and risk management, chemicals and genetically modified organisms and nature protection. Pursue transposition further.

Enhance the administrative structures necessary for the full implementation of the *acquis* in all sectors, particularly as regards waste management, water quality, industrial pollution and risk management, chemicals and genetically modified organisms and nature protection.

### By accession

Ensure full transposition of the environment *acquis* and implementation in line with negotiations commitments with the EU.

## **Chapter 23: Consumers and health protection**

Bulgaria should focus further efforts on continuing alignment of legislation in particular in the field of sales of consumer goods and associated guarantees, injunctions for the protection of consumer interests, timeshare, consumer credit, distance contracts, comparative advertising, general product safety and product liability and ensuring effective implementation of legislation, in particular through an efficient market surveillance mechanism. Bulgaria should further integrate consumer concerns into other policy areas. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Medium term

Complete the legislative framework in the area of consumer protection, particularly on sales of consumer goods and associated guarantees, injunctions for the protection of consumer interests, timeshare, consumer credit, distance contracts, comparative advertising, general product safety and product liability.

Reinforce capacity of administration responsible for implementing and enforcing consumer protection legislation at all levels.

Ensure an effective level of protection of the economic and legal rights of consumers.

Further develop market surveillance activities. Make further progress on effective access of consumers to justice and out-of-court dispute settlement.

Further promote the capacity of consumer organisations to play an active role in consumer protection.

## **Chapter 24: Co-operation in the field of justice and home affairs**

Bulgaria should focus further efforts on substantially strengthening the capacity of its judiciary and law enforcement agencies and improving co-operation between the different agencies. Particular attention should be given to the bodies in charge of the fight against fraud, corruption, money laundering, Schengen, co-ordination of police activities and anti-drugs policy. Work on legislative alignment (visa policy, migration, money laundering) should continue. Negotiations on this chapter are underway. Attention will need to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Adopt and implement the new Border Security Act and the secondary legislation as well as an integrated border management strategy covering all borders of Bulgaria, with particular attention for the gradual modernisation of the border infrastructure and equipment, the necessary training for professional border guards and customs officers and for the co-ordination and practical co-operation between authorities.

Update on a regular basis the Schengen Action Plan.

Adopt new legislation on migration. Develop a comprehensive migration policy including on the establishment of a national body for its implementation.

Continue to implement the National Anti-Corruption Strategy.

Fully align with the EU *acquis* in the field of criminal law protection of the Communities' financial interests.

Implement the strategy on the fight against crime, with special attention for various forms of transborder and organised crime such as trafficking in drugs, human beings, etc..., and for the co-ordination and practical co-operation between law enforcement bodies.

Adopt an action plan to implement the National Drugs Strategy. Strengthen the administrative capacity of the National Drugs Council.

Improve the capacity of the Bureau of Financial Intelligence to enforce the existing legislation and improve its co-operation with other law enforcement agencies active in the area of combating money laundering.

#### Medium term

Fully align visa policy with EU lists of countries whose nationals are under visa obligations and of those whose nationals are exempt from that requirement. Continue equipping all diplomatic and consular missions with devices to detect forged or falsified documents.

Continue major efforts to establish a Schengen-type border security system based on the full implementation of the Schengen Action Plan.

Increase the capacity of the reception centres for refugees and asylum seekers, improve the conditions for integration of refugees, accelerate screening procedures and strengthen the administrative capacity of the State Agency for Refugees.

Ensure full compliance with the *acquis* and other international standards on the fight against the misuse of the financial system and the financing of terrorism.

Take further measures to ensure implementation of the Community instruments in the area of judicial co-operation in civil matters, notably as regards mutual recognition and enforcement of judicial decisions.

Make legislative amendments necessary in order to accede to and implement the EU Convention on Mutual Assistance in Criminal Matters.

Take steps to remedy the complexity of the penal procedure by making the investigation phase shorter, more efficient and in line with EU practices.

Take the necessary steps to prepare for full implementation upon accession of the instrument applying the principle of mutual recognition and in particular the Framework Decision on the European arrest warrant and the Framework Decision on the execution of orders freezing property or evidence.

## **Chapter 25: Customs union**

Bulgaria should focus further efforts on continued implementation of the business strategy, which is of great importance with a view to ensuring the necessary administrative and operational capacity to implement the *acquis*. Bulgaria needs in particular to focus on further alignment with the Community customs procedures, strengthening information technology and human resource policy, as well as on completing major projects on revenue collection, transit control and risk analysis. Moreover, in order to complete customs reform, Bulgaria needs to improve human resource management in customs and ensure it has a stable and professional body of staff and management. The percentage of staff with civil servant status should increase to align the Customs Agency with best practice in EU Member States. Bulgaria also needs to prepare for the application of measures and provisions that will be introduced only at the time of accession. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Enhance post clearance control.

### Medium term

Strengthen operational and administrative capacity of customs administration and ensure a satisfactory level of IT capacity.

Further strengthening of co-operation with customs authorities of neighbouring countries is required.

## **Chapter 26: External relations**

Bulgaria should focus further efforts on finishing the process of legislative alignment, and in particular on ensuring that the capacity exists to fully implement and enforce the *acquis* in this field upon accession, and on taking decisive steps, as a matter of urgency, towards the renegotiation or abrogation of its bilateral investment treaties in full conformity with its EU membership obligations. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Medium term

Bring bilateral investment treaties into conformity with the Treaty obligations.

Ensure full alignment with the *acquis* where medium and long-term export credits are granted

Develop progressively a development co-operation policy along EC lines.

## **Chapter 27: Common foreign and security policy**

Bulgaria should focus its further efforts on ensuring that its foreign policy orientation remains in line with the Union's developing foreign and security policy, that draft legislation is adopted and implemented and that the development of the necessary administrative structures is finalised. In particular, Bulgaria should ensure that its national policies and practice conform to the EU's common positions, should defend these positions in international fora and should ensure that all sanctions and restrictive measures can be duly implemented. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 28: Financial control**

Bulgaria should focus its further efforts in particular on the continuing amendment of the legal framework and completion and strengthening of the required institutional structures, including in the area of the protection of the EC financial interests where ongoing substantial efforts are still required. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

In the field of external audit, finalise audit manual.

As regards the protection of the Communities' financial interests, take a definite decision on the designation of an operationally independent anti-fraud co-ordinating service or structure responsible for the co-ordination of all legislative, administrative and operational activities related to the protection of the EC financial interests. Start co-operating effectively with OLAF through this structure or service.

Continue to strengthen the capacity of the National Fund, the Central Finance and Contracting Unit (CFCU) and other implementing agencies dealing with pre-accession funds in preparation for the extended decentralisation of Phare and ISPA implementation.

Ensure the professional criteria for and functional independence of the Public Internal Financial Control (PIFC) Agency leadership in compliance with commitments.

### Medium term

Fully implement Public Internal Financial Control Law and make further amendments to implement the Strategy Paper and the Operational Plan for the PIFC Agency. Strengthen further the administrative capacity of the PIFC institutions.

Upgrade external audit functions, especially in terms of systems-based and performance audits, and enhancing training efforts.

Further develop legislative framework and administrative capacity for the protection of the Communities' financial interests against fraud and irregularities.

## **Chapter 29: Financial and budgetary provisions**

Bulgaria should focus further efforts on the legal framework for budgetary management and for the transparency and efficiency of financial flows to and from the EC budget, which is in the process of being created. Bulgaria's efforts need to focus in particular on improving administrative structures and the administrative preparations for the application of the acquis on own resources. Negotiations on this chapter are underway. Attention will need to be given to ensuring commitments made in that process are respected. Key steps include:

### Short term

Further develop the Treasury Single Account, the Financial Management Information System and the System for Electronic Budgetary Payments, and continued strengthening of the drafting procedure for the annual state budget. Further develop an adequately staffed and equipped co-ordinating body in the area of own resources.

### Medium term

Continue efforts to bring the budgetary principles and rules into line with those standards generally applicable in the Community.

Improve compliance of national account statistics with ESA 95 standard and enhance their exhaustiveness.

Build up technical and administrative capacity as regards operational management of own resources and to collect and transfer future EC all own resources to the Community budget in a timely manner.

Further strengthen efforts to set up effective instruments to combat fraud relating to VAT and customs duties.

## ROADMAP FOR ROMANIA

### 1. INTRODUCTION

The analysis in the 2002 Regular Report on Romania's progress towards meeting the criteria for membership is that Romania has made good further progress towards meeting the Copenhagen criteria:

- Romania continues to fulfil the political criteria. Accordingly, while efforts need to be sustained in a number of areas, the roadmap does not address issues related to this criterion.
- Although Romania has continued to make progress towards being a functioning market economy, it does not yet meet the Copenhagen economic criteria. For this reason, the roadmap focuses on the remaining steps Romania needs to take in order to meet this criterion.
- Romania does not yet fully meet the *acquis* criteria. In order to complete its preparations successfully, Romania needs to continue its efforts to transpose, implement and enforce the *acquis*.

Romania needs to continue public administration and judiciary reform in order to achieve the necessary level for administrative and judicial capacity. The roadmap aims to support Romania's efforts to meet the remaining criteria for membership by identifying the tasks ahead. There is particular emphasis on administrative and judicial capacity necessary to implement the *acquis* and on economic reform.

### 2. ADMINISTRATIVE AND JUDICIAL CAPACITY

#### 2.1. Administrative capacity

The 2002 Regular Report on Romania concludes that while "Romania has made steady progress with the adoption of the *acquis* ... in many areas, there has been an increasing gap between progress in legal transposition and the limited ability of the Romanian administration to implement and enforce the newly adopted legislation. The overall *capacity of the public administration* to implement the *acquis* remains limited and represents a major constraint on Romania's accession preparations. These concerns extend beyond adoption of the *acquis* and also apply to the management of EC financial assistance."

At the same time, the 2002 Regular Report recognises that important developments have taken place with regard to launching a reform of the Romanian public administration. These initiatives, if sustained and supported by a clear strategy, could contribute significantly to improving the quality of Romania's public administration.

The 2002 Regular Report and the 2001 Accession Partnership identify several key areas that should be considered as a priority for reform:

- develop the policy framework set by the 1999 Law on Civil Servants by introducing and implementing necessary secondary legislation;

- ensuring that civil service legislation is actually applied in practice by designing implementation mechanisms;
- devising mechanisms to ensure the political independence and accountability of civil servants;
- improving provisions for both initial and in-service training;
- developing a career structure based on transparent promotion and assessment;
- introducing elements of modern human resource management; and
- strengthening of administrative structures in order to ensure that Romania has the capacity for fully effective use of EC funds.
- Further develop its legislative framework and administrative capacity to protect the Communities' financial interests against fraud and irregularities.

The 2002 Regular Report also noted that measures should be taken to improve the legislative process and that in particular, limits should be placed on legislating through ordinances and emergency ordinances.

Additional Phare support for public administration reform will be provided to assist with the implementation of the specific reforms identified above.

## **2.2. Judicial capacity**

While the 2002 Regular Report noted progress in some areas related to the functioning of the judiciary it expressed several serious concerns and identified priority areas for reform:

- measures are needed to guarantee the effective independence of the judiciary;
- the system of extraordinary appeals against final judicial decisions should be revised in line with the European Convention of Human Rights and in order to re-enforce the principle of legal certainty;
- a comprehensive strategy to improve the functioning of the judiciary should be drawn up (key elements of the strategy should be practical measures to guarantee the full independence, enhance the ethics, training, and professionalism of judges, prosecutors and legal professions and improve the inner organisation of Courts and make co-ordination more efficient between State agencies in charge of Judicial matters.

Once a comprehensive reform strategy, including an action plan, has been developed and finalised, Phare projects will be developed to implement specific reforms.

## **3. ECONOMIC REFORM**

The 2002 Regular Report concluded that Romania has continued to make progress towards being a functioning market economy, for which the prospects have improved. Sustained and full implementation of planned measures together with the completion of the reform agenda should allow Romania to be able to cope with competitive pressure and market forces within the Union in the medium term.

Some significant gains on macroeconomic stabilisation have been achieved over the last years. A more appropriate policy-mix is decreasing inflation, while growth has resumed and the external position remains sustainable. Considerable progress has been made on the creation of the necessary market institutions. The ongoing overhaul of the banking sector, the successive improvements in the supervisory and regulatory framework for the financial markets and the advances in privatisation have progressively tightened enterprises financial discipline. Price and trade liberalisation coupled, over the last year, with a significant adjustment of energy tariffs and important reforms of the tax system have set the stage for a more efficient allocation of resources. Restructuring is advancing in a number of sectors.

To allow the authorities to build upon this progress, the Regular Report identified a set of specific priorities. In particular, the authorities were urged to establish a track record on macroeconomic stabilisation grounded on further disinflation, by maintaining an appropriate policy mix and underpinning it with the enforcement of company financial discipline. In this respect, commitments to restrict the total wage bill in the public sector should be respected and the recent sharp growth in money supply and credit calls for careful monitoring and a readiness to take prompt actions. Establishing company financial discipline requires improved tax administration and compliance, a consistent and transparent implementation of the latest measures to reduce the arrears of energy users, a determined and transparent use of the recently approved legal provisions for accelerating privatisation, and a readiness to liquidate loss-making enterprises. Completing privatisation in the banking sector, continuing the reform of public expenditures and budgetary procedures, and ensuring the implementation of improved regulatory and legal frameworks would also 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.

As benchmarks for achieving these improvements, the Commission will, in particular, look for positive developments in the following areas:

- Rate of inflation;
- Development of inter-enterprises arrears;
- Wage bill in the public sector;
- Bill collection rates in the energy sector and the adaptation of regulated prices in line with cost developments;
- Reform of tax regulations and of tax administration;
- Reform of budgetary procedures and public expenditures;
- Efficiency of bankruptcy procedures;
- Development of financial intermediation and the non-banking financial sector;
- Enforcement of property rights;
- Number of transactions and prices of agricultural land;
- Progress in public enterprise reform, including the completion of restructuring plans, the privatisation of viable entities and the liquidation of unviable ones;

- Completion of privatisation in the banking sector;
- Volume and quality of public investment, including infrastructure, education environment and health;
- Reduction of direct and indirect state aid.

#### **4. THE CHAPTERS OF THE ACQUIS**

##### **Chapter 1: Free movement of goods**

Romania should focus further efforts on intensifying the process of alignment. Administrative capacity still needs reinforcement and in some areas the required structures still need to be completed. Negotiations on this chapter continue. Key benchmarks will include:

###### Short term

Ensure that the transposition of all New Approach Directives is completed and that the texts are fully in line with EC legislation. Ensure that the Romanian standardisation system is in line with the European standardisation system and that all European harmonised standards are transposed into Romanian standards.

Conduct a full screening of all legislation in the non-harmonised area to check conformity with Articles 28-30 of the EC Treaty.

Prepare both the administration and the food operators to the principles underpinning the EC food safety system.

###### Medium term

Complete alignment with the *acquis* for sector specific legislation for areas covered by Old Approach Directives.

Improve the overall administrative capacity to implement the *acquis* on industrial products.

Food safety: Develop institutional capacity of conformity assessment bodies and laboratories. Re-structure the food control system. Abolish the pre-market approval system for foodstuffs. Allocate increased resources (both in terms of equipment and of staff), to improve control services.

Reinforce administrative capacity as regards conformity assessment infrastructure.

###### By accession

Amend legislation in the non-harmonised area to ensure conformity with Articles 28-30 of the EC Treaty.

Integrate a clause on mutual recognition into each piece of relevant Romanian legislation on goods.

Adopt implementing legislation in the area of public procurement.

## **Chapter 2: Free Movement of Persons**

Romania should focus further efforts on addressing shortcomings identified in the area of mutual recognition, in particular with respect to curricula and training. Romania is in the process of establishing the required administrative structures and these efforts will need to be maintained. It will also need to prepare, in good time, to meet the financial and administrative obligations, which will result from application of the rules on co-ordination of social security. Negotiations on this chapter continue. Key benchmarks will include:

### Short term

Legislation on professional mutual recognition (in general) and pertaining in particular to nurses, doctors, dentists, midwives and pharmacists needs further revision to overcome identified shortcomings.

### Medium Term

Ensure that legislation is aligned with Community rules, in particular with respect to nationality, residence and language.

The law on aliens' status should be amended in compliance with the *acquis*.

Align with the *acquis* in the field of equal treatment and work permits.

Strengthen public employment services with a view to participate in the EURES network. Emphasis should be put on language training for staff.

Develop administrative structures in the field of social security systems.

## **Chapter 3: Freedom to provide services**

Romania should focus further efforts on completing legislative alignment, strengthening administrative capacity, and establishing a track record of efficient supervision. Further improvements in the institutional framework of financial supervision are still needed, particularly in the area of securities and insurance. The process of screening Romanian law in the area of non-financial services should begin as soon as possible. Negotiations on this chapter have not yet been opened with Romania.

### Medium Term

In the insurance sector, further restructuring and the completion of the legislative framework will be required (in particular regarding motor vehicle insurance).

Make adequate human resources available to implement new legislation in the area of the securities market.

Fully align the data protection act with the *acquis*, with special attention paid to implementation of the act.

## **Chapter 4: Free Movement of Capital**

Romania should focus further efforts on the alignment of legislation. The revision of the legal framework in the area of money laundering needs to be continued. Negotiations on this chapter continue. Key benchmarks will include:

### Short Term

Abolish restrictions on inward direct investment concerning discriminatory provisions in sector specific legislation.

Implement customer identification when opening accounts at credit institutions.

Adopt legislation governing the organisation and operation of the payments system.

### Medium Term

Enforce the European Convention on Laundering, Search, Seizure and Confiscation.

Remove all constraints on the development of free movement of capital in a competitive market.

## **Chapter 5: Company Law**

Romania should focus further efforts on reducing the level of piracy and counterfeiting. Further transposition of the *acquis* is necessary as concerns Economic Interest Groupings, as well as for provisions on the jurisdiction and enforcement of foreign judgements in civil and commercial matters. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected. Key steps include:

### Medium Term

Further alignment should be pursued in order to transpose the Directive on copyright in the information society and the Directive on resale rights.

Improvements in staffing and budgets and improved statistical reporting are necessary for the Copyright Office and the Office for Inventions and Trademarks.

To intercept counterfeit goods, further progress is needed with implementing border controls and enhancing co-operation between the different law enforcement agencies.

Strengthen the inter-institutional network to make progress in the fight against piracy and counterfeiting.

## **Chapter 6: Competition Policy**

Romania should focus further efforts on continued institutional strengthening and on training staff in both the Competition Council and the Competition Office. It should address the questions of the alignment of incompatible state-aid schemes and the enforcement of competition rules in respect of non-notified aid schemes and existing aid. Negotiations on this chapter are ongoing. Key benchmarks will include:

### Short Term

Improve the co-operation between the Competition Council and the Competition Office and strengthen the responsibilities of these two authorities in relation to Romanian Ministries and other relevant authorities.

Competition legislation should take precedence over any anti-competitive legislation. In particular the competition authorities need to be given the right to oppose legislation under which State aid is awarded.

In the field of anti-trust, abolish the individual notification requirement and focus resources on cases representing the most serious distortions of competition. Pursue a more pro-active approach including own-initiative investigations and a deterrent sanctions policy.

Complete the legislative framework in relation to substantive implementing rules for State aid. Upgrade expertise and improve the quality of state aid decisions, as well as State aid transparency.

Improve State aid enforcement record. Take a firmer and a more pro-active approach and ensure the effective application and enforcement of State aid rules, including non-notified aid and the alignment of existing aid and legislation under which authorities at various levels grant aid. In particular align incompatible fiscal aid schemes and convert existing benefits into compatible aid.

Increase transparency as for State aid granted in the steel sector. As for aid granted in the form of tax exemptions/reductions fix a cap on aid.

Raise awareness among administrations granting state aid of the policy and legislative provisions in this area.

#### Medium Term

Pursue training efforts, in particular with regard to the judiciary.

Raise awareness of the rules, in particular among aid grantors, the business community and the judiciary.

### **Chapter 7: Agriculture**

Romania should focus further efforts on reinforcing the administrative capacity to implement and enforce the *acquis*, in particular in the veterinary and phytosanitary fields, and accelerating the structural reform of the agricultural and agri-food sectors. Considerable investments are required to complete cadastre reform and the registration of property titles in the land book offices. Negotiations on this chapter have been opened with Romania but only as regards phytosanitary and veterinary issues. Key benchmarks will include:

#### Medium Term

The new state support policy should be more targeted at the development of a market oriented agricultural policy and should give more consideration to rural development.

Increase staff and other resources so as to be able to fully implement the recently transposed agricultural *acquis*.

Regarding horizontal issues, further efforts are needed in areas such as land registration, inter-branch organisations, quality policy, the Farm Accountancy Data Network (FADN) and for the setting up of Integrated Administration and Control System (in particular the land identification parcel system).

Elaborate enforcement measures for the new wine law need to be elaborated, (in particular regarding the vineyard register).

The National Sanitary Veterinary Agency requires additional human and financial resources to complement the legal adoption of the veterinary *acquis*.

## **Chapter 8 – Fisheries**

Further efforts should focus on implementing the recently adopted legislation governing the functioning of the main administrative structures. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected. Key steps include:

### Short term

Clarify administrative responsibilities between the Ministry of Agriculture, Food and Forestry and the Ministry of Waters and Environmental Protection.

### Medium term

Recruit additional staff for the Fisheries Department within the Ministry of Agriculture, Food and Forestry (MAFF).

Strengthen control activities by putting more emphasis on training fisheries inspectors, providing appropriate equipment, and increasing the number of inspectors for controlling sea fisheries.

Transpose regulations concerning resources management and control.

Transpose Community regulations on structural funds management and set up a Structural Funds Office in the MAFF.

Transpose Community legislation for fish market organisation and establish a Payment Agency.

## **Chapter 9: Transport policy**

Romania should focus further efforts on developing institutions able to enforce the new legislation, and securing the necessary funding to make the heavy investments required by the *acquis*. Further efforts will also be needed to implement the fiscal and social/technical *acquis* in the road sector, to transpose and implement the *acquis* in the aviation and maritime sectors, to considerably improve the maritime safety record, to restructure the inland waterways fleet to meet EC standards, and to strengthen the maritime safety authority while also guaranteeing its independence. Negotiations on this chapter continue. Key benchmarks will include:

### Short term

Ensure that the roadside inspection of vehicles does not give rise to any *de facto* discrimination between Romanian and EC hauliers and/or vehicles.

Strengthen the maritime safety authority while also guaranteeing its independence.

### By accession

Complete restructuring of the national air carrier.

Open the main road network to international traffic complying with the *acquis* on weight and dimensions, before its complete upgrading (even where this would entail the use of secondary non-upgraded road sections for the purposes of loading and unloading) and without imposing prohibitive charges for access to non-upgraded roads.

Ensure adaptation of the Romanian transport fleets to the EU *acquis* through restructuring the inland waterways fleet to EU technical norms, strict application of the maritime safety *acquis* (and improving the safety record of the Romanians flag), and implementing the road transport technical, social, safety and environmental *acquis*.

## **Chapter 10: Taxation**

Romania should focus further efforts on addressing outstanding legislation to complete transposition of the *acquis*, as well as on reinforcing its capacity for implementation and enforcement. Administrative reforms should focus on improving the revenue collection and the refund systems as well as reducing fraud on VAT refunds. Negotiations on this chapter continue. Key benchmarks will include:

### Short Term

Continue the transposition of the VAT legislation, giving particular importance to reducing the scope of the exemptions and to introducing the special VAT schemes.

A major effort in the alignment of legislation concerning excise duties is required.

Adopt the duty suspension regime (in particular the provisions on tax warehouses).

Develop and adopt a Code of Ethics.

### Medium Term

Ensure compliance with the Code of Conduct for Business Taxation.

Administrative capacity in the Tax administration must be increased.

## **Chapter 11: Economic and Monetary Union**

Romania should focus further efforts on pursuing the alignment of its legislation with the *acquis* in this area. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

### Medium Term

Align legislation with the provisions of the *acquis* regarding central bank independence, the prohibition of privileged access of public sector authorities to financial institutions and the prohibition of direct financing of the public sector.

Fully harmonise government finance statistics with the ESA 95 requirements.

## **Chapter 12: Statistics**

Romania should focus further efforts on upgrading statistical methodologies and improving the quality and completeness of data. Further efforts are also needed to develop the capacity

of staff within the statistics administration and care should be taken that levels of staffing are not further decreased. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short Term

Develop the quality and coverage of statistics in the field of macro-economics.

Further streamlining of the tasks and responsibilities of the eight lead regional offices should be ensured.

#### Medium Term

Introduce the Intrastat system.

Define a long-term strategy for statistical development.

Information Technology capacity should be continuously renewed and developed.

Further training for central and regional staff is required in order to make effective use of the equipment and the software applications.

### **Chapter 13: Social Policy and Employment**

Romania should focus further efforts on the adoption of a new labour code, continued transposition and implementation of the health and safety at work *acquis*, further promotion of social inclusion, fully aligning anti-discrimination legislation with the *acquis*, protecting the rights of pregnant women, and providing free access to night work. Further work is also needed with regard to inter-institutional co-operation, decentralising social responsibilities to the local level, budgetary organisation, ensuring adequate staff numbers, and effective training of personnel. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Short Term

Adopt a revised Labour Code.

Clarify the distribution of responsibilities at local level and between local and national levels with regard to the implementation of legislation relating to social assistance and social protection.

Transpose and implement the new EC Directive on tobacco.

Implement the priorities and commitments contained in the Joint Assessment on Employment Policy Priorities (JAP).

#### Medium Term

Complete transposition of *acquis* on health and safety at work and labour law. Improve implementation and enforcement capacity, in particular of the Labour Inspectorates.

Regarding equal treatment for women and men, align legislation with the *acquis* regarding burden of proof, protection of the rights of pregnant women and free access to night work.

Complete transposition of anti-discrimination *acquis*, in particular with regard to indirect discrimination and the burden of proof.

Strengthen the administrative capacity of the social partners with particular regard to new policy areas including employment and social inclusion.

Promote autonomous social dialogue, especially at the sectoral level and in small and medium sized enterprises, in order to improve its coverage.

Ensure appropriate capacity for management of European Social Fund type projects in preparation for Structural Funds.

Develop a common national approach to social inclusion, in line with EU guidelines. A particular priority should be given to developing social statistics on poverty and social exclusion.

Reorganise the national surveillance and control system of communicable diseases in order to comply with the *acquis* and intensify staff training.

Ensure the development of a health information system which meets Community standards.

## **Chapter 14: Energy**

Romania should focus further efforts on addressing the structural problems that are facing the sector: non-payment of energy bills, restructuring of Termoelectrica, and improving the efficiency of its energy networks. It should also move away from its current energy production-oriented policy, and towards a policy based on energy saving. Romania should take the necessary measures to ensure the full and timely implementation of legislation in the energy sector as well as strengthening the administrative capacity of the newly established bodies (in particular the energy regulators, the energy efficiency body and the nuclear safety authority). Romania should ensure compliance with Euratom requirements and procedures and take measures for the progressive building up of oil stocks. Negotiations on this chapter continue. Key benchmarks will include:

### Short term

Address the issue of low salaries at the Nuclear Safety Regulatory Authority that lead to a steady turnover of personnel.

Address issues of spent nuclear fuel and nuclear waste.

Improve the level of energy bill collection, as well as collecting arrears owed to the energy utilities.

Pursue a policy of introducing transparency and removing distortions in energy prices so that all energy prices cover costs.

Promote further use of renewable energies; align with energy efficiency *acquis* and develop a pro-active policy to reduce the energy intensity of the Romanian economy through promoting energy efficiency at all stages of the energy cycle.

## Medium term

Continue restructuring efforts in the solid fuel sector.

Ensure compliance with the *acquis* in the hard coal sector.

In the nuclear sector, continue the national safety improvement programmes, paying particular attention to the 2002 Status Report's recommendations.

Build up levels of stocks of oil products according to a progressive timetable.

Pursue implementation of an energy efficiency policy which aims reducing the energy intensity of the Romanian economy, including promoting the use of renewable energies.

## **Chapter 15: Industrial Policy**

Romania should focus its further efforts on finalising the privatisation process in a fully transparent manner, attracting investment by simplifying and stabilising the business environment, and developing the administrative capacity and structures necessary to implement its Industrial Policy Strategy. Great care will have to be taken that the policy of restructuring is implemented in a manner conforms to the competition and State Aid *acquis* so as to create efficient competitive firms. Negotiations on this chapter have been provisionally closed.

## **Chapter 16: Small and Medium Sized Enterprises**

Romania should focus future efforts on fully implementing the Action Plan for Removing Barriers to SMEs, and on addressing improvements required in the legal and administrative environment. The European Charter for Small Enterprises should be implemented. Measures should also be taken to ensure that there is effective co-ordination between the many different agencies involved in the sector. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected.

## **Chapter 17: Science and Research**

Romania should focus further efforts on reinforcing research-related administrative capacity and infrastructure, in order to increase the benefits from association with the relevant Community Framework Programmes including the 6<sup>th</sup> Framework Programme (2002-2006), for which it has already signed the association agreement. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

## **Chapter 18: Education and training**

Romania should focus future efforts on completing alignment with the *acquis* and ensuring that reform initiatives are supported by adequate levels of funding. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

## Short term

Clarify some aspects of the secondary legislation approved in October 2001 to ensure full alignment with the Directive on education of children of migrant workers (definition of beneficiaries, free teaching of Romanian).

#### Medium term

Extend compulsory school education from 8 to 9 years.

Develop an overall plan to reform the education system.

Develop a structured vocational training system, in particular for continuing training.

### **Chapter 19: Telecommunications and information technologies**

Romania should focus further efforts on developing an efficient and independent regulatory administration and on adopting implementing legislation. It should continue to transpose the updated telecommunications *acquis* and complete the implementation procedures as soon as possible. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. :

#### Short term

Make institution building efforts in order to ensure that the regulatory authority can assume its functions in time for the liberalisation of the fixed-line telephony market.

Increase training and financial investment to ensure adequate administrative capacity for the regulatory authority.

### **Chapter 20: Culture and Audio-Visual**

Romania should focus further efforts on making the final legislative adjustments and should continue to reinforce its administrative capacity. Negotiations on this chapter continue. Key benchmarks will include:

#### Short Term

Ensure that the restructuring made in the Ministry of Culture and Religious Affairs relating to audiovisual affairs will not affect Romania's institutional capacity to secure effective legislative alignment and the sound implementation of the Phare project. Develop the capacity of the National Audio-visual Council to enforce the new Audiovisual Law.

Conduct specialised training courses for National Audio-visual Council staff.

#### Medium Term

Establish and enhance regulatory mechanisms with a view to the full implementation of the audiovisual *acquis* from the time of accession. .

### **Chapter 21: Regional Policy and Co-ordination of Structural Instruments**

Romania should focus further efforts on designing the management and implementation system for the Structural Funds. Particular attention should be given to clarifying the role of the regional levels and strengthening inter-ministerial co-operation and partnership.. Systems and procedures for effective monitoring, financial management and control should be

established. Administrative capacity needs to be significantly improved with regard to programming, including identification and preparation of projects. Negotiations on this chapter continue. Key benchmarks will include:

#### Medium Term

Continue efforts to establish a clear and consolidated cohesion policy.

With regard to programming, develop the capacity to select, discuss and clarify development priorities at both national and regional levels.

Improve co-ordination and co-operation between ministries, as well as between relevant agencies and social and economic partners.

The National Development Plan should be further co-ordinated with the national budgetary and policy-making processes, including multi-annual programming and budgeting.

Address both legislative and administrative aspects relating to EC requirements on financial management and control (control and audit functions, mobilisation and circulation of financial flows, national co-financing).

Intensify efforts to meet Structural Funds requirements for monitoring and evaluation.

Improve project preparation.

#### **Chapter 22: Environment**

Romania should focus further efforts on developing implementation capacities and should ensure that laws include realistic deadlines and cost assessments, and are only proposed following sufficient consultation. At the local level, significant resources are needed to improve the status of existing staff, to recruit new inspectors, and to train them adequately. Co-ordination between ministries on environmental issues needs to be improved and Romania should integrate environment protection requirements into the definition and implementation of all other sectoral policies so as to promote sustainable development. Negotiations on this chapter continue. Key benchmarks will include:

#### Short Term

Complete an overall assessment of the situation in the environment sector in order to identify gaps to be filled.

Develop implementation plans together with financing strategies, to outline the steps needed to ensure full implementation in the medium and longer term. These plans should take into account available resources and institutional strengthening, and further elaborate mechanisms to monitor effective implementation.

Improve administrative capacity to implement the *acquis*, through reinforcement of staffing both in the Ministry and in other relevant bodies, including at local and regional levels.

Improve the manner in which legislation is prepared by allowing for full consultation with stakeholders (including other Ministries, economic operators and NGOs), and giving full consideration to the implementation requirements, including a thorough assessment of the implementation costs.

Adopt secondary legislation on environmental impact assessment and access to information.

Reinforce structures and mechanisms to ensure integration of environmental protection requirements into the definition and implementation of all other sectoral policies so as to promote sustainable development.

#### Medium term

Continue with the complete transposition of legislation in all remaining areas.

Ensure progress with the implementation of the transposed *acquis*, including through securing the necessary financial resources.

Enhance the administrative structures necessary for full implementation of the *acquis*, following commitments made during the negotiations.

### **Chapter 23: Consumers and Health Protection**

Romania should focus further efforts on completing transposition of EC legislation in areas such as consumer credit, time-share, injunctions, sales of consumer goods and associated guarantees. Romania should place particular emphasis on the implementation and enforcement of existing legislation, which means ensuring that the administrative structures are able to operate effectively. This is particularly important with regard to market surveillance, and increasing consumers' and producers' awareness of the new regulations. The role of consumer associations in developing and implementing consumer policy should be further promoted. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected. Key steps include:

#### Medium Term

Complete the legislative framework in the area of consumer protection particularly on advertising, general product safety, consumer credit, time-share, injunctions, sales of consumer goods and associated guarantees.

Ensure an effective level of protection of the economic and legal rights of consumers.

Specific training should be organised for staff of the National Authority for Consumer Protection as well as for personnel from other relevant institutions such as the police, customs and the magistracy.

With respect to market surveillance activities, greater attention should be given to safety aspects of non-food consumer products and more resources need to be devoted to laboratory testing. Co-operation between the relevant actors in this area and a clarification of their respective roles and tasks should be enhanced.

Further promotion of the capacity of consumer organisations to play an active role in consumer protection should be envisaged.

### **Chapter 24: Justice and Home Affairs**

Romania should focus further efforts on legal approximation in areas such as migration, Schengen, co-operation in the field of drugs, and judicial co-operation. Romania should continue efforts to increase the administrative capacity and inter-agency co-operation of law enforcement bodies. Particular attention should be given to bodies in charge of combating fraud and corruption. Finally, major efforts are required to reinforce the capacity of the

judiciary and to ensure its full independence. Negotiations on this chapter continue. Key benchmarks will include:

### Short Term

Implement the National Anti-Corruption Strategy and strengthen the autonomy of the Prosecutor's Office.

Amend and update on a regular basis the Schengen Action Plan.

Implement the integration programmes for asylum seekers and refugees.

Adopt an integrated border management strategy covering all borders of Romania, with particular attention for the gradual modernisation of the border infrastructure and equipment, the necessary training for the (newly recruited) professional border guards and customs officers and for the co-ordination between authorities. Begin recruiting additional border police officers.

Enhance the administrative capacity of the central authority for issuing visas.

Adopt new legislation for full alignment with the EU acquis in the field of criminal law protection of the Communities' financial interests.

Amend the Alien Law and other relevant legislation on migration and bring it fully in line with the acquis. Continue to conclude and implement readmission agreements.

Implement the newly adopted legislation on the reform of the police forces.

Adopt and implement a national strategy to combat various types of organised crime especially those with a transborder character such as trafficking in drugs, human beings, stolen or counterfeited goods, arms, nuclear materials etc..., and pay special attention to increasing the co-ordination between law enforcement bodies based in the principles of the Pre-Accession Pact on Organised Crime.

Adopt and implement a national drugs strategy in line with the EU Drugs Strategy 2000-2004 and continue to take steps to prepare for participation in the Reitox network.

Further strengthen the institutional network with competencies in the area of money laundering with special attention to national inter-agency co-operation and international co-operation.

### Medium Term

Fully align visa policy with the EU lists of third countries whose nationals are under visa obligation and of those whose nationals are exempt from that requirement. Continue equipping diplomatic and consular missions with devices to detect forged or falsified documents. Continue to implement a coherent anti-corruption policy with sufficient attention for prevention.

Continue major efforts to establish a Schengen-type border security system via the full implementation of the Schengen Action Plan.

Continue to implement the integrated border management strategy and the modernisation of the border infrastructure, equipment and continuous training in order to allow upon accession

for a high level of border control, especially at the future external borders of the EU. Complete filling all vacancies in the border police.

Continue efforts to establish an accountable and fully co-ordinated professional police organisation able to efficiently combat ordinary as well as various forms of organised crime such as trafficking in drugs, people, etc... Ensure full compliance with the *acquis* and other international standards on the fight against the misuse of the financial system and the financing of terrorism.

Prepare for full implementation upon accession of the third pillar customs co-operation Conventions.

Take further measures to ensure implementation of the Community instruments in the area of judicial co-operation in civil matters, notably as regards mutual recognition and enforcement of judicial decisions.

Make legislative amendments necessary in order to accede to and implement the EU Convention on Mutual Assistance in Criminal Matters upon accession.

Take the necessary steps to prepare for full implementation upon accession of the instrument applying the principle of mutual recognition and in particular the European arrest warrant and the Framework Decision on the execution of orders freezing property or evidence.

## **Chapter 25: Customs Union**

Romania should now focus further efforts on completing the approximation of the customs legislation, in particular with regard to rules of origin, the status of free zones, and dual-use goods and precursors. Additional efforts are also needed to reduce levels of corruption within the customs administration and to prepare in advance for the application of measures that will be introduced at the time of accession. Negotiations on this chapter are provisionally closed. Attention needs to be given to ensuring commitments made in that process are respected.

### Short Term

Improve co-operation between customs services and other enforcement bodies.

Combat irregularities by increasing the use of risk analysis methods and strengthening the intelligence function within the customs administration.

Combat corruption within the customs service.

### Medium Term

Strengthen operational and administrative capacity of customs administration including IT capacity.

## **Chapter 26: External Relations**

Romania should focus further efforts on ensuring that the capacity exists to fully implement and enforce the EC *acquis* in this field upon accession and on taking decisive steps, as a matter of urgency, towards the re-negotiation or abrogation of its bilateral investment treaties in full conformity with its EU membership obligations. A mechanism should also be established to thoroughly screen all trade-related legislation in order to ensure that it is

compatible with Romania's international obligations. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected. Key steps include:

#### Medium term

Bring bilateral investment treaties into conformity with the Treaty obligations.

Complete alignment of Romania with the EC regulation on dual use goods.

Develop progressively a development co-operation policy along EC lines.

### **Chapter 27: Common Foreign Security Policy**

Romania should focus further efforts on ensuring that its foreign policy orientation remains in line with the Union's developing foreign and security policy, adopting the legislation on economic sanctions, and finalising the development of administrative structures. In particular, Romania should ensure that its national policies conform to the EU's common positions, and should defend these positions in international fora. In this context, particular attention should be given to the bilateral agreement which Romania signed with the USA in August 2002 on the non-surrender of each others' nationals to the International Criminal Court and which does not comply with the guiding principles laid down by the Council on 30 September 2002. Negotiations on this chapter have been provisionally closed. Attention needs to be given to ensuring that commitments made in that process are respected.

### **Chapter 28: Financial Control**

Romania should focus further efforts on implementing sound financial control systems by completing alignment, further developing its legislative framework and administrative capacity to protect the Communities' financial interests, and completing and strengthening the required institutional structures. Negotiations on this chapter continue. Key benchmarks will include:

#### Short Term

Complete the establishment of functionally independent internal audit units in all budget-spending centres, focusing on systems-based procedures and performance-audit functions.

Define appropriate working methods for the Central Harmonising Unit at the Ministry of Finance.

Develop appropriate human resources and training policies for both the internal audit units and the Central Harmonising Unit.

Adopt the draft Internal Audit Law and the draft Preventive Financial Control Act.

Develop manuals for financial management and control systems and internal audit.

Put in place effective co-operation with OLAF through the anti-fraud co-ordinating service.

#### Medium Term

Decentralise ex ante financial control to resident financial controllers in spending units.

Reinforce the independence of members of the Court of Accounts through an amendment to the relevant article of the Constitution.

Develop a comprehensive set of standards for external audit, conforming to internationally accepted external audit standards and in line with the EC *acquis*.

Enhance parliamentary scrutiny of the Court of Accounts' audit findings and improve the dissemination of the Court of Accounts' reports.

As regards the control of structural action expenditure, strengthen national public internal financial control systems and external audit services.

Further develop an effective co-ordination structure and legislative framework for the protection of EC financial interests and strengthen mechanisms for administrative enquiries and for the judicial follow-up of anti-fraud investigations.

### **Chapter 29: Financial and budgetary provisions**

Romania should focus further efforts on preparations for application of the *acquis* on own resources, and on creating a framework for transparent and efficient financial flows to and from the EC budget. Romania should continue implementation of the ESA-95 concepts and pay particular attention to quality and methodology improvements in the calculation of GNP and the national accounts, including enhancing their exhaustiveness. Romania should also work to improve the calculation of the VAT base. Negotiations on this chapter have not yet been opened.

#### Short term

Create the capacity to effectively implement the multi-annual budgetary mechanisms defined in the Public Finance Law, particularly with a view to ensuring co-financing of EC pre-accession instruments.

Strengthen the co-ordination unit on own resources in the Ministry of Public Finance.

#### Medium term

Continue efforts to bring the budgetary principles and rules into line with those standards generally applicable in the Community.

Improve compliance of national accounts statistics with ESA 95 standard.

Ensure adequate administrative capacity to collect and transfer future EC all own resources to the Community budget in a timely manner.

Further strengthen efforts to set up effective instruments to combat fraud relating to VAT and customs duties.

## **ANNEX**

### **FINANCIAL STATEMENT**

	DATE: 11/11/2002
1.	BUDGET HEADING: PHARE: B7-03 ISPA: B7-02

SAPARD B7-01				
2.	TITLE: Roadmaps for Bulgaria and Romania			
3.	LEGAL BASIS: Phare programme (Council Regulation 3906/89, ISPA, (Council Regulation 1267/99) and Sapard (Council Regulation 1268/99), Co-ordination aid to the applicant countries in the framework of the preaccession strategy (Council Regulation 1266/99)			
4.	AIMS: The overall aim of increased financial assistance is to support Bulgaria and Romania in taking the remaining steps necessary to meet criteria for membership. The three existing instruments, Phare, ISPA and Sapard, can support programmes in the areas required on the basis of the analysis in the Commission's 2002 Regular Reports and linked to the absorptive capacity of these countries. Assistance will be conditional on making progress in line with the roadmaps and to improving significantly capacity to manage and use funds effectively.			
5.	FINANCIAL IMPLICATIONS	2004 (EUR million)	2005 (EUR million)	2006 (EUR million)
5.0	EXPENDITURE			
	- CHARGED TO THE EC BUDGET	1228	1330	1432
	Bulgaria	368	399	430
	Romania	860	931	1002
5.2	METHOD OF CALCULATION: The proposal entails a percentage increase over the present baseline of: 2004 – 20%; 2005 – 30%; 2006 – 40%. The baseline for PHARE/ ISPA/ SAPARD for Bulgaria and Romania combined is the average of 2001-2003 allocations (1023 EUR millions) recalculated in 1999 prices consistent with the framework established by the Berlin European Council. The calculation for Phare includes the envelopes for the National programmes (Phare and CBC) and the share of the multicountry programmes. Nevertheless, the figures do not allow for additional assistance to Bulgaria for nuclear decommissioning in the period 2004-2006. As it is impossible to say at this stage of negotiations whether, and if so how much and when, additional EC funds will be offered for this purpose, a separate reserve will need to be established within the ceiling under Heading 7. The division of allocations between Romania and Bulgaria is established at a ratio 70/30.			
6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?			NO
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?			NO
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?			NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?			YES
OBSERVATIONS: Appropriations within the Heading 7 of the financial perspectives 2000-2006.				