COUNCIL DECISION

of 28 January 2002

on the principles, priorities, intermediate objectives and conditions contained in the Accession Partnership with Hungary

(2002/87/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 622/98 of 16 March 1998 on assistance to the applicant States in the framework of the pre-accession strategy, and in particular on the establishment of Accession Partnerships [1], and in particular to Article 2 thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) The Luxembourg European Council stated that the Accession Partnership is a new instrument and the key feature of the enhanced pre-accession strategy.

(2) Regulation (EC) No 622/98 sets out that the Council is to decide, by a qualified majority and following a proposal from the Commission, on the principles, priorities, intermediate objectives and conditions contained in the individual Accession Partnerships, as they are submitted to each applicant State, as well as on subsequent significant adjustments applicable to them.

(3) Community assistance is conditional on the fulfilment of essential elements, and in particular on the respect of the commitments contained in the Europe Agreements and on progress towards fulfilment of the Copenhagen criteria. Where an essential element is lacking, the Council, acting by a qualified majority on a proposal from the Commission, may take appropriate steps with regard to any pre-accession assistance.

(4) The Luxembourg European Council decided that the implementation of the Accession Partnership and progress in adopting the *acquis* will be examined in the Europe Agreement bodies.

(5) The 2001 Commission's regular report presents an objective analysis on Hungary's preparations for membership and identifies a number of priority areas for further work.

(6) In order to prepare for membership, Hungary should continue to update its national programme for the adoption of the *acquis*; this programme should set out a timetable for achieving the priorities and intermediate objectives established in the Accession Partnership.

(7) Hungary needs to ensure that the appropriate legal and administrative structures needed for the programming, coordination, management, control and evaluation of Community pre-accession funds are in place,

HAS DECIDED AS FOLLOWS:

Article 1

In accordance with Article 2 of Regulation (EC) No 622/98, the principles, priorities, intermediate objectives and conditions in the Accession Partnership for Hungary are set out in the Annex hereto, which forms an integral part of this Decision.

Article 2

The implementation of the Accession Partnership shall be examined in the Europe Agreement bodies and by the appropriate Council bodies to which the Commission shall report regularly.

Article 3

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

Done at Brussels, 28 January 2002.

For the Council

The President

J. PIQUÉ I CAMPS

[1] OJ L 85, 20.3.1998, p. 1.

ANNEX

1. **Introduction**

At its meeting in Luxembourg in December 1997, the European Council decided that the Accession Partnership would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the candidate countries within a single framework. In this manner, the Community targets its assistance towards the specific needs of each candidate so as to provide support for overcoming particular problems with a view to accession.

The first Accession Partnership for Hungary was decided in March 1998. As provided for in Regulation (EC) No 622/98 (Article 2), the Accession Partnership was updated a first time in December 1999, taking into account further developments in Hungary. The present revision is based on a proposal by the Commission following consultation with Hungary, and draws on the analysis of the Commission's 2001 regular report on progress made by Hungary towards accession.

2. **Objectives**

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's 2001 regular reports on the progress made by Hungary towards membership of the Union, the financial means available to help Hungary implement these priorities and the conditions which will apply to that assistance. The Accession Partnership provides the basis for a number of policy instruments which will be used to help the candidate States in their preparations for membership. These include *inter alia*, the updated national programme for the adoption of the *acquis* prepared by Hungary, the pre-accession fiscal surveillance procedure, the pre-accession economic programme, the pre-accession pact on organised crime as well as the national development plans, the rural development plans, a national employment strategy in line with the European employment strategy, and sectoral plans necessary for the participation in the Structural Funds after membership and for the implementation of ISPA and Sapard before accession. Each of these instruments is different in nature and is prepared and implemented according to specific procedures and may be supported by pre-accession aid. They are not an integral part of this Partnership but the priorities they contain will be compatible with it.

3. **Principles**

The main priority areas identified for each candidate State relate to their ability to take on the obligations of meeting the Copenhagen criteria which state that membership requires:

— that the candidate State has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities,

— the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union,

— the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid in 1995, the European Council stressed the need for the candidate States to adjust their administrative structures to ensure harmonious operation of Community policies after accession and at Luxembourg, in 1997, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied. The Feira and Gothenburg European Councils in 2000 and 2001 respectively confirmed the vital importance of the applicant countries' capacity to implement and enforce the *acquis*, and added that this required important efforts by the applicants in strengthening and reforming their administrative and judicial structures.

4. **Priorities and intermediate objectives**

The Commission's regular reports have highlighted, besides the progress already made, the extent of the efforts which still have to be made in certain areas by candidate States to prepare for accession. This situation requires the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the States concerned, the achievement of which will condition the degree of assistance granted

and the progress of the negotiations under way with Hungary. The priorities listed in the revised Accession Partnership have been selected on the basis that it is realistic to expect that Hungary can complete or take them substantially forward over the next two years (2002 to 2003). Within this list, issues that require particularly urgent action have been highlighted as such. The progress made in meeting the priorities of the 1999 Accession Partnership is assessed in the 2001 regular report. This assessment has been used in formulating the priorities for the current Partnership.

Hungary submitted an updated version of its national programme for the adoption of the *acquis* (NPAA) in July 2001. The NPAA sets out a timetable for achieving priorities and intermediate objectives, based on the 1999 Accession Partnership, as well as necessary administrative structures and financial resources.

The Accession Partnership indicates the priority areas for Hungary's membership preparations. Hungary will nevertheless have to address all issues identified in the 2001 regular report. It is also important that Hungary fulfils the commitments of legislative approximation and the implementation of the *acquis* in accordance with the commitments made under the Europe Agreement, and in the context of the negotiation process. It should be recalled that incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's 2001 regular report, the following priorities and intermediate objectives have been identified for Hungary. These priorities are presented in accordance with the structure of the Regular Report ([1]).

Political criteria

Democracy and the rule of law

— take measures to reduce further the backlog of cases at the Supreme Court, in order to allow it to carry out its main functions, i.e. the unification of court practice and the provision of judicial guidance to the lower courts; maintain efforts to modernise the judiciary, in particular ensuring adequate funding; widen the availability of free legal aid; continue training of judges in Community legislation,

— ensure implementation of the newly adopted anti-corruption strategy.

Human rights and the protection of minorities

— improve the integration of the Roma minority in the Hungarian society through more efficient implementation and impact assessment of the medium-term Roma action programme, with particular emphasis on promoting access to mainstream education, fighting discrimination in society (including within the police services), fostering employment, and improving the housing situation,

— ensure that an effective system for addressing complaints of police misconduct is in place.

Economic criteria

— develop and implement a comprehensive public health care reform that ensures a high level of health protection at a sustainable cost to the government budget, with a view to ensuring medium-term sustainability of public finances,

— improve government accounting at local level and improve timeliness of data provision to central authorities,

— accelerate railway restructuring to reduce the medium-term impact on public finances,

— create the necessary conditions for an efficient agricultural land market,

([1]) The order of presentation is that used as from the 2000 regular reports.

— continue to promote the development of small and medium-sized enterprises, in particular by improving access to credit.

Ability to assume the obligations of membership

Free movement of goods

— complete implementation of 'New approach' directives and alignment of traditional sectoral legislation; transpose legislation on the provision of information on technical standards and regulations; implement protection of pharmaceutical test data ('data exclusivity'),

— continue implementation of the food *acquis*, and develop and implement an action plan to promote HACCP (Hazard Analysis and Critical Control Points) for the entire food industry.

— complete reinforcement of market surveillance and conformity assessment structures, also in the food industry; ensure effectiveness of implementing structures in all sectors,

— increase transparency of public procurement at all levels, including at lower levels of government, and in all sectors, including major public infrastructure works such as road construction,

— proceed with screening of legislation in the non-harmonised area to ensure that it is in compliance with Articles 28, 29 and 30 of the Treaty and complete administrative arrangements for the future monitoring in this area.

Free movement of persons

— complete alignment of mutual recognition of professional qualifications and diplomas and further develop the required administrative structures, education and training,

— with respect to professional qualifications obtained before harmonisation, Hungary should give priority to introducing measures to ensure that all its professionals can, from accession, meet the requirements laid down by the directives,

— reinforce the administrative structures for the coordination of social security.

Free movement of capital

— in need of particularly urgent action: implement the recommendations of the financial action task force on money laundering; bring forward the phasing out of anonymous saving books, and strengthen the police's financial intelligence unit.

Company law

— continue to strengthen the protection and enforcement of intellectual property rights by all relevant law enforcement bodies, including customs; intensify training for enforcement bodies including judges and prosecutors.

Competition policy

— complete the legislative framework and ensure the full enforcement of the rules in both anti-trust and State aid including the alignment of incompatible aid schemes, in particular fiscal aids. Increase awareness of the rules among all market participants and aid granters. Intensify the training of the judiciary on competition matters.

Agriculture

— reinforce the administrative structures needed for the design, implementation, management, monitoring, control and evaluation of Community-funded rural development programmes,

— continue to upgrade the capacity of the agricultural administration and complete the preparations for the practical implementation and the enforcement of the management mechanisms of the common agricultural policy, in particular market information systems (including price reporting), the integrated administration and

control system and the Paying Agency for the management of funds within the common agricultural policy, as well as for the implementation and enforcement of veterinary and phytosanitary and food safety legislation,

— complete the establishment of a vineyard register,

— continue the overall upgrading of food processing establishments with a view to meeting Community food safety standards, in particular in the dairy and meat sector,

— complete transposition of legislation in the veterinary and phytosanitary field (legislation on transmissible spongiform encephalopathies, plant passports, maximum residue levels, animal nutrition) and ensure implementation and enforcement, including testing of animal diseases, in particular transmissible spongiform encephalopathies, in accordance with the *acquis*,

— implement the identification and registration systems for sheep, goats, swine and horses, and adopt the secondary legislation for swine and horses; ensure effective functioning of the bovine identification and registration system,

— complete developments in the veterinary and phytosanitary border inspection posts, in particular at the future external borders,

Transport policy

— complete legal alignment and reinforce administrative capacity in road transport (in particular control of driving time restrictions and taxation with a view to respecting the minimum levels foreseen by the *acquis*, as well as harmonisation with *acquis* on weights and dimensions),

— continue the alignment in the railway sector and proceed with the restructuring of MÁV in order to allow for the implementation of the revised railway *acquis*,

— align further with the air transport *acquis*, notably concerning market access,

— in all subsectors, and particularly in rail and air transport, set up the required administrative and management bodies and strengthen the existing ones, notably the General Transport Inspectorate,

Taxation

— complete legislative alignment, with particular regard to VAT zero-rating and reduced rates, including the transitional VAT regime; continue gradual alignment of excise duty rates,

— strengthen further the administrative capacity in order to ensure effective application of the *acquis*, including the upgrading of equipment, administrative cooperation and, as a matter of particular urgency, the development of IT systems so as to allow for the exchange of electronic data with the Community and its Member States,

— ensure that existing and future legislation comply with the principles of the Code of Conduct for Business Taxation.

Social policy and employment

— complete alignment and ensure proper implementation of the social *acquis*, in particular in the field of health and safety at work. Strengthen the related administrative and enforcement structures, including labour inspectorates. Continue adopting legislation in line with the anti-discrimination *acquis* and prepare for its implementation,

— ensure transposition and implementation of the public health *acquis* and continue measures with regard to surveillance and control of communicable diseases and the health monitoring and information system,

— continue to support social partners' capacity-building efforts, in particular with a view to their future role in the development and implementation of Community employment and social policy, including the European Social Fund. Particular attention should be paid to enhancing the social partners' capacity to conduct social dialogue and to ensuring due process also in the tripartite social dialogue,

— prepare a national strategy, including data collection, with a view to future participation in the European strategy on social inclusion.

Energy

— complete the alignment process for the internal energy market (electricity and gas); eliminate remaining price distortions; strengthen the regulator (Hungarian Energy Office),

— further enhance energy efficiency and promotion of renewable energy sources, and strengthen the relevant institutions in this area,

— implement the recommendations contained in the Council report on nuclear safety in the context of enlargement with due regard to the priorities assigned in the report,

— continue to ensure a high level of nuclear safety at the Paks nuclear power plant.

Telecommunications and information technologies

— complete transposition and implementation of the *acquis* including local loop unbundling. Ensure effective functioning of the liberalised market through effective interconnection and leased lines regulation, and availability of carrier selection facilities and number portability.

Culture and audiovisual policy

— align legislation with the *acquis* on 'television without frontiers',

Regional policy and coordination of structural instruments

— ensure effective interministerial coordination and appropriate partnership at central and regional level with a view to both programming and future implementation of Structural and Cohesion Funds assistance,

— complete the preparation of a development plan in line with the Structural Funds Regulations and establish the structures required for implementing Structural and Cohesion Funds assistance,

— prepare operational programmes in line with the Structural Funds Regulations, including an *ex ante* evaluation,

— put in place the necessary legislative and normative framework to allow early commitments of the necessary national co-financing of Structural and Cohesion Funds assistance; revise and streamline the system of payments of national and Community funding to final beneficiaries so as to ensure efficient and timely utilisation of Funds,

— align financial management and control procedures with the specific requirements of the Structural Funds Regulations,

— ensure that the designated managing and paying authorities will progressively build up their capacity in order to be able, upon accession, to fulfil their responsibilities and deliver the tasks assigned to each of them according to the Structural Funds Regulations,

— define the tasks to be performed by line ministries and other bodies on behalf and under the responsibility of the managing authorities,

— set up evaluation and monitoring systems and establish a system for the computerised exchange of data required to fulfil the management, monitoring and evaluation requirements of the Structural Funds Regulations,

— develop the technical preparation of projects eligible for Structural and Cohesion Funds (project pipeline).

Environment

— complete transposition of the *acquis*, in particular as regards hazardous waste, packaging and packaging waste, and control of major accident hazards involving dangerous substances,

— continue implementation of the *acquis*, in particular as regards air quality (by ensuring air monitoring in accordance with the *acquis*), management of municipal waste, and the discharge of dangerous substances in the aquatic environment (by establishing pollution reduction programmes),

— continue strengthening the administrative capacity and coordination, in particular concerning the environmental inspectorates (both the central and regional ones). Also, particular attention should be paid to increasing human resources of the competent authorities in the sector of chemicals,

— continue integration of environmental protection requirements into the definition and implementation of all other sectoral policies with a view to promoting sustainable development.

Justice and Home Affairs

— ensure due implementation of the Schengen action plan,

— continue to strengthen border management, paying special attention to the Union's future external borders by continuously upgrading equipment, training and enhanced cooperation between the different services involved,

— continue preparation for future participation in the Schengen Information System by developing national databases and registers,

— improve the internal cooperation between police, other law enforcement agencies and the judiciary (from prevention to prosecution), in particular to strengthen the fight against organised crime and money laundering,

— strengthen the administrative capacity of, and coordination between, bodies involved in the implementation of a national drug strategy,

— take the necessary steps in order to ensure the implementation of the most recent Community instruments adopted in the area of judicial cooperation in civil matters.

Customs union

— harmonise the Hungarian system of customs-free zones with the provisions of the *acquis*,

— further strengthen the administrative capacity in order to ensure the effective application of the *acquis*, including continued training of customs officers,

— in need of particularly urgent action: continue the computerisation process of the Hungarian customs administration; develop IT systems so as to allow for the exchange of computerised data between the Community and Hungary.

Financial control

— define and strengthen the managerial accountability in budget spending centres,

— strengthen the administrative framework for internal audits at the level of internal audit services in budget spending centres and ensure their functional independence,

— specify the role and functions of the designated contact point for the protection of the financial interests of the Community and effectively start cooperating with OLAF through this contact point,

— establish adequate functional independence of the decentralised internal audit capabilities,

— strengthen the fight against fraud, notably in the area of VAT,

— continue efforts to ensure the correct use, control, monitoring and evaluation of Community pre-accession funding as a key indicator of Hungary's ability to implement the financial control *acquis*.

5. **Programming**

For the period 2000 to 2006, in addition to PHARE, financial assistance to Hungary comprises support for pre-accession measures for agriculture and rural development through the pre-accession instrument Sapard (Council Regulation (EC) No 1268/1999, OJ L 161, 26.6.1999, p. 87), and support for infrastructure projects in the fields of environment and transport through the structural instrument ISPA (Council Regulation (EC) No 1267/1999, OJ L 161, 26.6.1999, p. 73), which gives priority to measures similar to the Cohesion Fund in the pre-accession period. Under these national allocations, Hungary can also fund part of its participation in community programmes including the research and technological development framework programmes and programmes in the areas of education and enterprise. In addition Hungary will have access to funding from multicountry and horizontal programmes directly related to the *acquis*. Joint financing by the applicant States is systematically required for all investment projects. Since 1998 the Commission has worked with the European Investment Bank and the International Financial Institutions, in particular the European Bank for Reconstruction and Development and the World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities.

6. **Conditionality**

Community assistance for financing projects through the three pre-accession instruments PHARE, ISPA and Sapard, is conditional on respect by Hungary of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and in particular progress in meeting the specific priorities of this revised Accession Partnership. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation (EC) No 622/98.

7. **Monitoring**

The implementation of the Accession Partnership is monitored in the framework of the Europe Agreement. As underlined by the European Council in Luxembourg, it is important that the institutions of the Europe Agreement continue to be the framework within which the adoption and implementation of the *acquis* can be examined. The relevant sections of the Accession Partnership are discussed in the appropriate subcommittee. The Association Committee discusses overall developments, progress and problems in meeting the Partnership's priorities and intermediate objectives as well as more specific issues referred to it from the subcommittees.

The PHARE Management Committee ensures that actions financed under all three pre-accession instruments, PHARE, ISPA, and Sapard, are compatible with each other as well as with the Accession Partnerships as laid down in the Coordinating Regulation (Council Regulation (EC) No 1266/1999, OJ L 161, 26.6.1999, p. 68).

The Accession Partnership will continue to be amended as necessary in accordance with Article 2 of Regulation (EC) No 622/98.