



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

**COUNCIL DECISION**

**On the Principles, Priorities and Conditions contained in the Accession Partnership with  
Croatia**

(presented by the Commission)

{SEC(2005) 1424}

## EXPLANATORY MEMORANDUM

In Thessaloniki, the European Council of 19 and 20 June 2003 reiterated its determination to fully and effectively support the European perspective of the Western Balkan countries. It endorsed the Council's Conclusions of 16 June 2003 on the Western Balkan countries including the annex "The Thessaloniki Agenda for the Western Balkans: moving towards European integration", which introduced the Partnerships as a means to materialise the European perspective of the Western Balkan countries.

In 2004, the Commission presented a first European Partnership with Croatia. It was adopted by the Council on 13 September 2004. The Commission considers it appropriate to update this first Partnership on the basis of its findings in the 2005 Progress Report on Croatia.

On 3 October 2005, the Member States started negotiations with Croatia on its accession to the European Union. The Commission therefore deemed it appropriate to adopt an Accession Partnership; which updates the previous Partnership. The Commission has proposed to modify accordingly Council Regulation (EC) No 533/2004, the legal basis of the present Decision. In anticipation of the adoption of that proposal, the Commission has in parallel drafted the text of the present proposal to the new situation.

This renewed Partnership lists short- and medium-term priorities for the country's preparations for further integration with the European Union. The country is expected to respond to the Accession Partnership by preparing a plan with a timetable and specific measures in terms of how it intends to address the Accession Partnership's priorities. The progress in implementing the priorities will be monitored regularly by the Commission, through the Progress Reports and through other structures set up under the Stabilisation and Association Process.

The Accession Partnership priorities should form the basis for programming the financial assistance of the Community, which will continue to be provided under relevant financial instruments, in particular Council Regulation 3906/89 of 18 December 1989 (PHARE), Council Regulation (EC) No 1267/1999 of 21 June 1999 (ISPA) and Council Regulation (EC) 1268/1999 of 21 June 1999 (SAPARD), as amended by Council Regulation (EC) No 2257/2004 of 20 December 2004, allowing Croatia to benefit from pre-accession instruments.

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

Proposal for a  
**COUNCIL DECISION**

**On the Principles, Priorities and Conditions contained in the Accession Partnership with Croatia**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 533/2004 on the establishment of Partnerships in the framework of the Stabilisation and Association Process<sup>1</sup>, and in particular Article 2 and the proposed new Article 1a thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) The European Council endorsed the introduction of the Partnerships as a means to materialise the European perspective of the Western Balkan countries within the framework of the Stabilisation and Association Process.
- (2) Regulation (EC) No 533/2004 sets out that the Council is to decide on the principles, priorities and conditions to be contained in the Accession Partnerships, as well as any subsequent adjustments.
- (3) The Council adopted on 13 September 2004 a European Partnership with Croatia<sup>2</sup>.
- (4) On 3 October 2005, the Member States started negotiations with Croatia on its accession to the European Union. The advancement of the negotiations will be guided by Croatia's progress in preparing for accession, which will be measured, inter alia, against the implementation of the Partnership, as regularly revised.
- (5) It is therefore appropriate to adopt an Accession Partnership which updates the current Partnership in order to identify renewed priorities for further work, on the basis of the findings of 2005 Progress Report on Croatia's preparations for further integration with the European Union.
- (6) Regulation (EC) No 533/2004 indicated that the follow up of the Accession Partnerships will be ensured within the framework of the mechanisms established under the Stabilisation and Association Process.

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<sup>1</sup> OJ L 86, 24.3.2004, p. 1. Regulation as amended by Regulation (EC) No .... of ... (OJ ..., p. ).

<sup>2</sup> Council Decision 2004/648/EC of 13 September 2004 on the principles, priorities and conditions contained in the European Partnership with Croatia - OJ L 297, 22.9.2004, p. 19.

- (7) In order to prepare for further integration with the European Union, Croatia is expected to develop a plan with a timetable and specific measures to address the priorities of this Accession Partnership.

HAS DECIDED AS FOLLOWS:

*Article 1*

In accordance with Article [1a] of Council Regulation (EC) No 533/2004, the principles, priorities and conditions in the Accession Partnership with Croatia 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 through the mechanisms established under the Stabilisation and Association Process, notably the annual Progress Reports presented by the Commission.

*Article 3*

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

Done at Brussels,

*For the Council  
The President*

## ANNEX

### **CROATIA: ACCESSION PARTNERSHIP 2005**

#### **1. INTRODUCTION**

The European Council endorsed the introduction of the Partnerships as a means to materialise the European perspective of the Western Balkan countries within the framework of the Stabilisation and Association Process.

A European Partnership with Croatia was adopted by the Council on 13 September 2004. On 3 October 2005, the Member States started negotiations with Croatia on its accession to the European Union. It is appropriate to adopt an Accession Partnership which updates the previous Partnership on the basis of the findings of the 2005 Commission's Progress Report on Croatia. This new Accession Partnership identifies new priorities for action. The new priorities are adapted to the country's specific needs and stage of preparation and will be updated as necessary. The Accession Partnership also provides guidance for financial assistance to the country.

Croatia is expected to develop a plan including a timetable and specific measures to address the Accession Partnership priorities.

#### **2. PRINCIPLES**

The Stabilisation and Association Process remains the framework for the European course of the Western Balkan countries, all the way to their future accession.

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

#### **3. PRIORITIES**

The priorities listed in this Accession Partnership have been selected on the basis that it is realistic to expect that Croatia can complete them or take them substantially forward over the next few years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years. The priorities concern both legislation and the implementation thereof. Taking into account the substantial costs required for the implementation and enforcement of the *acquis* as well as the complexity of the EU requirements in certain areas, this partnership does not include all important tasks at this stage. Future partnerships will include further priorities in line with progress made by the country.

Among the short term priorities, the key priorities have been identified and grouped together at the beginning of section 3.1. The order of these key priorities does not imply a ranking in their importance.

### **3.1. Short-term priorities**

#### **Key Priorities**

- Implement the strategy and action plan for judicial reform in consultation with interested bodies, including the adoption of necessary new legislation.
- Adopt and begin implementation of a national strategy for preventing and combating corruption and provide for the required coordination among the relevant government departments and bodies involved in its implementation, including making the Office for the Suppression of Corruption and Organised Crime fully operational.
- Accelerate implementation of the Constitutional Law on National Minorities. In particular, urgently take steps to ensure proportional representation of minorities in local and regional self government units, in the state administration and judicial bodies, and in bodies of the public administration.
- Complete the process of refugee return, including all cases of repossession, reconstruction and housing care for former occupancy/tenancy rights holder, and further enhance regional cooperation for accelerating the process of refugee return and local integration.
- Maintain full cooperation with the International Criminal Tribunal for the former Yugoslavia.
- Work to find definitive solutions to pending bilateral issues, in particular border issues with Slovenia, Serbia and Montenegro and Bosnia and Herzegovina.
- Ensure proper implementation of all commitments undertaken in the Stabilisation and Association Agreement in areas such as competition policy, in particular the need to adopt and implement a restructuring plan for the steel sector, and the acquisition of real estate. Conclude ongoing and forthcoming negotiations on trade matters linked to the SAA (such as on sugar, the enlargement protocol and further trade concessions on agricultural and fisheries products).

#### **Political Criteria**

##### *DEMOCRACY AND THE RULE OF LAW*

##### *Public administration*

- Fully implement public administration reform measures on recruitment and promotion and improve human resource management in all bodies of the public administration in order to ensure accountability, efficiency, openness, transparency, depoliticisation and a high level of professionalism of the public service.
- Ensure effective follow-up of identified shortcomings with respect to civilian control of all security services.

##### *Judicial system*

- Make headway in reducing the case backlog in courts.
- Make progress in rationalising the organisation of courts including the development of modern information technology systems.
- Establish an open, fair and transparent system of recruitment, evaluation and promotion and enhance professionalism in the judiciary by ensuring adequate state funding for high quality training for judges, prosecutors and administrative staff.

- Take measures to ensure proper and full execution of court rulings.
- Ensure access to justice and legal aid and make available the corresponding budgetary resources; enhance training in EU legislation.

### *Anti corruption policy*

- Continue to develop codes of conduct/ethics for officials and elected representatives as well as action plans to prevent corruption in the relevant law enforcement agencies (border police, police, customs, judiciary).
- Take steps to ensure that the legal framework for tackling corruption is aligned and uniformly implemented and enforced and ensure greater efforts to proactively prevent, detect and effectively prosecute corruption, especially high-level corruption.
- Take concrete actions to raise awareness of corruption as a serious criminal offence.

### *HUMAN RIGHTS AND THE PROTECTION OF MINORITIES*

- Promote respect for and protection of minorities in accordance with the European Convention on Human Rights and the principles laid down in the Council of Europe's Framework Convention for the Protection of National Minorities and in line with best practice in EU Member States.
- Ensure all cases of ethnically motivated crimes are properly investigated and prosecuted.
- Continue to implement the strategy and action plan for the protection and integration of Roma and ensure availability of the necessary means.
- Develop and begin to implement a comprehensive anti-discrimination strategy.
- Review audio-visual media legislation in line with the recommendations formulated in February 2004 by the joint expertise mission of the Council of Europe, the Commission and the OSCE. In particular, review the Electronic Media Act in order to establish a transparent, predictable and effective regulatory framework and ensure political independence of the Council for Electronic Media; ensure that Croatian Radio and Television and its Programme Council work independently and remain stable while the Croatian Radio and Television Act is reviewed. Take further steps to effectively decriminalise libel.

### *REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS*

- Substantially improve the prosecution of war crimes trials, in particular by ensuring an end to the ethnic bias against Serbs.
- As regards refugee return, complete without delay the processing of those requests for housing reconstruction already submitted; reconstruct all houses for which there is a positive decision by end 2005 and reconstruct by end 2006 all other houses for which a positive decision will be forthcoming. Complete the repossession of houses without any further delay.
- Urgently begin and complete implementation of the Housing Care programme for those refugees who lost tenancy/occupancy rights outside the areas of special State concern and speed-up implementation of the Housing Care programme for refugees returning to the areas of special State concern. Ensure an adequate publicity/information campaign.
- Secure adequate coordination and cooperation between all relevant authorities at central and local level on refugee return matters.

- Create social and economic conditions to improve the climate for returnees’ reintegration and the acceptance of returnees by receiving communities, including through regional development programmes in affected areas. Reopen the possibility for convalidation claims and review all applications made since expiry of previous deadline.
- Fully implement agreements with neighbouring countries, notably on trade, the fight against organised crime, border management and readmission, cross-border cooperation, and judicial cooperation and conclude such agreements where they are still outstanding.

## **Economic criteria**

- Implement prudent, stability-oriented macroeconomic policies, including the development of market-based monetary instruments to enhance the effectiveness of monetary policy.
- Strengthen fiscal consolidation on the basis of permanent structural measures, in particular in the area of subsidies and social spending, and resolve the issue of repayment of so-called “old pension debt” in a manner which does not endanger fiscal consolidation. Start implementing further steps towards a comprehensive reform of the health sector with a view to improving its financial situation.
- Continue structural reforms in public finance, particularly in the area of expenditure management. Establish a transparent and efficient debt management capacity.
- Accelerate the privatisation of companies in the portfolio of the Privatisation Fund. Speed up the restructuring and privatisation or liquidation of large state-owned enterprises, in particular in the agriculture, steel and shipbuilding industry. Implement further steps in the restructuring and/or privatisation of public utilities (telecoms, energy, oil, etc.).
- Further improve the business environment by simplifying the rules for market entry and exit. In particular, speed up registration procedures and improve the implementation of bankruptcy rules and improve conditions for the development of private enterprises and foreign direct investment.
- Accelerate land reform, in particular the registration and privatisation of agricultural land, through the establishment of a modern and efficient cadastre and land registry in order to eliminate the current obstacles to the development of land and housing markets.
- Develop macroeconomic statistics.

## *ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP*

### ***Free movement of goods***

- Complete the restructuring of the existing legislative and institutional framework to ensure separation of the regulatory, accreditation, standardisation and product certification functions and to establish acquis-compliant market surveillance structures. Speed up the adoption of European standards. Continue work on the transposition of the old and new approach directives.
- Abolish remaining measures having an equivalent effect to quantitative restrictions on imports from the EU.

### ***Right of establishment and freedom to provide services***

- Start alignment with the acquis on the mutual recognition of professional qualifications, including the establishment of the necessary administrative capacity.



- Start screening of national legislation to identify restrictions on the right of establishment and the freedom to provide services.
- Strengthen the capacity of the national regulatory authority in the field of postal services and ensure its independence.

### ***Free movement of capital***

- Improve anti-money laundering legislation. Strengthen the administrative capacity of the financial intelligence unit and improve its cooperation with other institutions involved in the fight against money laundering.
- Streamline procedures for authorising the purchase by EU nationals of real estate and substantially reduce the large backlog of applications.

### ***Public procurement***

- Complete the alignment of Croatia’s procurement legislation and implementing regulations, including on the areas of public contracts, concessions and review procedures.
- Strengthen the administrative capacity of the Public Procurement Office to carry out the functions it is assigned by the Public Procurement Law.

### ***Intellectual property law***

- Improve enforcement of intellectual, industrial and commercial property rights notably by strengthening administrative capacity, including in law enforcement agencies and the judiciary.

### ***Competition***

- Ensure further alignment of primary and secondary legislation so as to allow effective anti-trust and State aid control with binding decisions applicable to all economic sectors and, as regards State aid, for both aid schemes and individual aid measures.
- Strengthen the administrative capacity and the independence of the Competition Agency, both in the fields of State aid and anti-trust. Ensure the development and training of the judiciary in competition matters.
- Strengthen the anti-trust enforcement record, in particular through a better focus on preventing serious distortions of competition, and the introduction of a deterrent fining regime. Strengthen the State aid enforcement record, in particular by ensuring respect of notification obligations and a proactive assessment of all aid measures.
- Ensure that existing aid schemes and all fiscal legislation are aligned with the State aid acquis.
- Adopt and start implementing viable restructuring programmes in the steel and shipbuilding sectors, in line with EU requirements.
- Ensure transparency of State aid by establishing a comprehensive inventory and reporting of all aid measures in force at all administrative levels and raise awareness of competition principles.

### ***Financial services***

- Strengthen the regulatory and administrative framework for the supervision of financial services and in particular prepare for the transition towards the planned integrated supervisory authority for non-bank financial services.

- Prepare the introduction of the new capital requirements framework for credit institutions and investment firms.

### ***Information society and media***

- Further strengthen the capacity of the national regulatory authority in the field of telecommunications and ensure its independence.

### ***Agriculture and rural development***

- Ensure a fully-operational SAPARD/IPARD agency.
- Accelerate work to set up of a proper land parcel identification system and a cattle identification and registration system.
- Reinforce the collection and processing of agricultural statistics in line with EU standards and methodology.
- Develop a rural development strategy and policy instruments for the design, implementation, management, monitoring, control and evaluation of rural development programmes.

### ***Food safety, veterinary and phytosanitary policy***

- Continue alignment in the veterinary and phytosanitary sector, upgrade inspection arrangements, modernise agro-food establishments in order to meet EU hygiene requirements.
- Develop a comprehensive strategy in the fields of food safety and veterinary and phytosanitary policy. Strengthen the necessary administrative structures and improve coordination between them to ensure a comprehensive approach to the enhancement of food safety throughout the entire food chain.

### ***Fisheries***

- Strengthen administrative and, in particular, inspection structures for fisheries policy.
- Start establishing a computerised fishing vessel register.
- With regard to the protected ecological and fishing zone, unilaterally declared by Croatia, continue the implementation of the trilateral agreement reached in June 2004.

### ***Transport policy***

- Continue implementation of EU standards in the field of social and technical legislation in road transport and of safety standards in maritime transport.
- Strengthen administrative capacity in the railway sector.
- Ensure the establishment of an independent body for accident investigation and strengthen the national regulatory authorities in the aviation sector.
- Conclude a European Common Aviation Area (ECAA) Agreement with a Protocol on transitional measures for implementation of EU aviation legislation.

### ***Energy***

- Continue implementation of EU acquis on gas and electricity.

- Ensure the operational capacity and independent functioning of the national regulatory authority.
- Start implementing the commitments undertaken in the framework of the Energy Community Treaty.
- Strengthen administrative capacity and improve alignment with the acquis on energy efficiency, renewable energy sources and nuclear energy.

### ***Taxation***

- Accelerate alignment of tax legislation with the acquis and ensure its effective enforcement, with particular attention to including free zones in the territorial application of the VAT-regime and to abolishing the existing VAT-zero rates.
- Start alignment with the acquis in the field of direct taxation, including provisions on exchange of information with Member States, to facilitate enforcement of anti-avoidance and anti-evasion measures.
- Commit to the principles of the Code of Conduct for business taxation and ensure that new tax measures are in conformity with these principles.
- Significantly strengthen the capacity of the tax and customs administrations, particularly regarding collection and control functions; continue the work on a functioning and adequately staffed excise duty service; simplify procedures to effectively prosecute tax fraud.
- Continue developing the necessary IT systems to allow the exchange of electronic data with the EU and its Member States.

### ***Statistics***

- Strengthen the administrative capacity of the Croatian Bureau of Statistics, reform its regional offices and improve coordination with other producers of official statistics.
- Develop business and social statistics.

### ***Social policy and employment***

- Continue alignment with the acquis in the areas of labour law, health and safety, gender equality and anti-discrimination.
- Strengthen related administrative and enforcement structures and inter-ministerial coordination.

### ***Enterprise and industrial policy***

- Further simplify and accelerate company registration procedures; introduce on-line access to selected government facilities for SMEs; further develop regulatory impact assessments.
- Continue the implementation of the European Charter for Small Enterprises.

### ***Regional policy and coordination of structural instruments***

- Develop a comprehensive and coherent strategy in the field of regional development.
- Select and build up the capacity of key managing authorities and bodies for the implementation of structural instruments.

### ***Justice, freedom and security***

- Strengthen border management, in particular by reinforcing the surveillance of the sea borders; implement the integrated border management strategy; increase investments in technical equipment and infrastructure; recruit additional staff and provide adequate training infrastructure.
- Enhance equipment to detect forged and falsified documents and provide training of the staff in diplomatic missions and consular offices.
- Further align the legislation on asylum to the acquis. Set up a permanent national reception centre for asylum seekers.
- Improve coordination between law enforcement bodies and the judiciary, particularly in connection with economic crime, organised crime, fraud, money laundering and corruption; reinforce the fight against drug trafficking and strengthen drug prevention and drug demand reduction. Provide the necessary specialised training to law enforcement agencies.
- Increase international cooperation on terrorism and implement in full the relevant international conventions; improve cooperation and the exchange of information between the police and intelligence services within the State and with other States; reinforce the prevention of the financing and preparation of acts of terrorism.

### ***Environment***

- Continue to develop horizontal legislation, including on environmental impact assessment and public participation.
- Clearly define responsibilities and strengthen the administrative and operational capacity at national and regional level to ensure planning, including preparation of financial strategies.
- Continue to strengthen the capacity of national and regional inspection services and enable them to effectively enforce environmental legislation.
- Urgently adopt and start implementing a national waste management plan.

### ***Customs union***

- Continue strengthening the administrative and operational capacity of customs services, in particular for the control of preferential rules of origin, and accelerate alignment with the EU acquis. Make the Customs Training Centre fully operational.
- Continue developing the necessary IT systems to allow the exchange of electronic data with the EU and its Member States.
- Adopt and implement a code of ethics for the customs services.

### ***External relations***

- Continue the policy of trade liberalisation with the implementation of the Stabilisation and Association Agreement, WTO-commitments and bilateral FTAs. Work towards the future regional FTA in South-East Europe.
- Ensure that trade defence measures comply with its SAA and WTO obligations.
- Complete negotiations and implement the protocol introducing a tariff quota on sugar into the SAA.

### ***Financial control***

- Adopt a coherent regulatory framework for Public Internal Financial Control on the basis of the strategy paper.
- Continue establishing and reinforcing public internal control functions through the provision of adequate staff, training and equipment.
- Establish effective procedures for the detection, treatment, follow-up and communication to the Commission of the irregularities and cases of suspected fraud affecting the Communities' financial interests and establish the administrative structures necessary for the effective and equivalent protection of those interests and for the cooperation with the European Antifraud Office.

## **3.2. Medium –Term Priorities**

### **Political Criteria**

#### *DEMOCRACY AND THE RULE OF LAW*

##### ***Public administration***

- Continue the process of institution building directly relevant to the acquis and introduce reforms to improve the effectiveness of the public administration generally.

##### ***Judicial system***

- Continue implementation of judiciary reform and take measures to reduce further the backlog of cases in all courts.
- Continue to rationalise the organisation of courts including the development of modern information technology systems.
- Ensure the regular and effective enforcement of court decisions.

##### ***Anti-corruption policy***

- Foster further progress on the fight against corruption and implement related legislation. In particular, establish specialist units for combating corruption within the appropriate services and provide them with adequate training and resources.
- Ensure that the standards set by international instruments will be met, by putting in place the appropriate legislative and administrative measures.

#### *HUMAN RIGHTS AND THE PROTECTION OF MINORITIES*

- Ensure full implementation of the Constitutional Law on National Minorities, particularly as regards proportional representation of minorities.
- Continue implementation of a comprehensive anti-discrimination strategy.
- Continue improving the situation of the Roma through strengthened implementation of the relevant strategy, including the provision of the necessary financial support at national and local levels, anti-discrimination measures aimed at fostering employment opportunities, increasing access to education and improving housing conditions.

- Continue to improve social and economic conditions to improve the climate for returnees' reintegration and the acceptance of returnees by receiving communities.

#### *REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS*

- Ensure smooth implementation of definitive agreements on currently pending bilateral issues, in particular border issues.
- Continue to implement existing bilateral agreements.

### **Economic Criteria**

- Implement a sustainable medium-term fiscal framework through a continuous reduction of overall public spending, general government deficits and debt as a share of GDP. Prioritise public spending to free resources for acquis-related expenditure. Implement a comprehensive reform of the health care and pension systems. Continue to reduce subsidies to large loss-making enterprises.
- Complete the sale of government minority and majority shares in companies held under the Privatisation Fund.
- Further improve conditions for the creation and development of private enterprises and foreign direct investment.
- Make substantial progress in strengthening the financial discipline in large enterprises, in particular in the steel, shipbuilding, and railway sectors.
- Complete land reform with a particular emphasis on the registration and privatisation of agricultural land.
- Continue labour market and education reform with a view to increasing labour force participation and employment rates.

#### *ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP*

##### ***Free movement of goods***

- Make substantial progress in the transposition of old and new approach directives and in fulfilling requirements for membership of the European standardisation bodies CEN, CENELEC and ETSI.

##### ***Freedom of movement of workers***

- Abolish any discriminatory measures towards EU migrant workers and EU citizens.
- Reinforce administrative structures for coordination of social security schemes.

##### ***Right of establishment and freedom to provide services***

- Abolish the remaining barriers to establishment and provision of cross-border services facing natural or legal persons from the EU.
- Make substantial progress in the alignment with the EU acquis on mutual recognition of professional qualifications, including training provisions, and further develop the required administrative structures.

### ***Free movement of capital***

- Make substantial progress in the removal of remaining restrictions on capital movements.
- Complete the establishment of an effective anti-money laundering regime, in particular by ensuring that agencies are fully operational, adequately resourced and well coordinated with domestic and international counterparts.

### ***Public Procurement***

- Implement a public procurement regime with all relevant administrative structures and operational tools, and make substantial progress in the work towards complete alignment with the EU acquis, ensuring that public procurement rules are effectively implemented by all contracting authorities and entities at all levels. Promote the use of electronic means in procurement procedures.

### ***Intellectual property law***

- Complete alignment in the field of intellectual and industrial property rights and strengthen enforcement in the fight against piracy and counterfeiting.
- Continue strengthening the enforcement of IPR and reducing levels of piracy and counterfeiting.

### ***Competition***

- Further reinforce the anti-trust and State aid authority and build up a credible enforcement record. Substantially improve transparency in the field of State aid.
- Develop training on competition law and policy at all levels of the administration and the judiciary.

### ***Financial services***

- Complete the alignment with EU prudential requirements and continue strengthening supervisory practices.
- Complete implementation of the new capital requirements framework for credit institutions and investment firms.

### ***Information society and media***

- Adopt the necessary primary and secondary legislation to complete the regulatory framework and introduce competition in all fields.

### ***Agriculture and rural development***

- Strengthen the administrative structures and capacity needed to implement market and rural development policies.
- Establish a vineyard register in line with EU standards.
- Continue preparations to establish effective and financially sound paying bodies for the management and control of agricultural funds, in line with EU requirements and international auditing standards.

### ***Food safety, veterinary and phytosanitary policy***

- Substantially improve the alignment of foodstuff legislation and strengthen the necessary implementing structures.
- Make significant progress with alignment in the veterinary and phytosanitary sectors, including a system for animal identification, animal waste treatment, modernisation of agro-food establishments, animal disease control programmes, plant protection and quality of seeds and plant propagating material; significantly upgrade inspection structures.

### ***Fisheries***

- Substantially improve administrative structures and equipment to ensure effective implementation of the common fisheries policy, including management of resources, inspection and control of fishing activities, market policy, structural programmes and a management plan for the fleet capacity in accordance with available fish resources.
- Complete the establishment of a computerised fishing vessel register and of a satellite-based vessel monitoring system.

### ***Transport policy***

- Continue work towards complete alignment with the EU acquis in the area of road transport.
- Adopt implementing legislation for rail transport in particular interoperability provisions and the independent allocation of capacity.
- Work towards alignment with the EU acquis in the area of inland waterway transport, in particular as regards the safety of navigation and River Information Services.
- Continue alignment in maritime transport and ensure adequate flag state control.
- Reach full alignment with the EU acquis in the field of aviation.
- Continue implementation of the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network.

### ***Energy***

- Continue to strengthen administrative capacity and alignment with the EU acquis in the fields of energy efficiency and renewable energy sources, the internal energy market (electricity and gas) and nuclear energy.
- Ensure that oil stocks guarantee an adequate security of supply.

### ***Taxation***

- Substantially advance work towards completing alignment with the tax acquis as regards VAT, excise duties and direct taxation, including the Code of Conduct for Business Taxation.
- Continue strengthening the tax administration – including the IT sector – and ensure its proper functioning in order to reach EU standards and IT systems interconnectivity. Develop and implement a Code of Ethics.



### ***Economic and monetary policy***

- Improve monetary policies to expand the use and effectiveness of market-oriented monetary instruments.

### ***Statistics***

- Continue developing the macroeconomic, business and social statistics.

### ***Social policy and employment***

- Further align with the acquis and strengthen the related administrative and enforcement structures, including the labour inspectorates.
- Support the social partners' capacity building efforts, notably through autonomous bipartite social dialogue.
- Develop and implement a comprehensive employment strategy involving all relevant actors in view of participation in the European Employment Strategy. Ensure appropriate analysis, implementation and assessment capacity.
- Develop and implement a national strategy on social inclusion, including data collection, in line with EU practice with a view to future participation in the European Strategy on social inclusion.
- Identify needs for human resources development to prepare for the European Social Fund.

### ***Enterprise and industrial policy***

- Update and articulate better the policy approach concerning financial instruments for SMEs which should allow the Government to move from direct lending towards softer support schemes.

### ***Regional policy and coordination of structural instruments***

- Ensure a clear distribution of responsibilities and strengthen coordination, both at inter-ministerial level and between national and regional authorities.
- Continue to build up capacity in the designated managing and paying authorities.
- Improve the design and implementation of regional development plans.
- Set up proper monitoring and evaluation systems and enhance financial management and control procedures.
- Introduce adequate regional statistics.

### ***Justice, freedom and security***

- Bring national legislation in line with EU rules and best practices and further strengthen border control; develop national databases and registers and ensure coordination between the relevant services.
- Develop a national database for checking asylum seekers' personal data, including fingerprints, with a view to preparing for participation in EURODAC.
- Enhance efforts to integrate refugees.

- Further improve the equipment and infrastructure of the police, including the establishment of a computer-based investigation system; strengthen cooperation between the police and other law enforcement agencies; reinforce the fight against drug trafficking, organised crime, economic crime (including money laundering and counterfeiting of currencies), fraud and corruption; improve alignment of the related national legislation with the acquis in these sectors.
- Prepare for the application of various legal instruments in the field of judicial co-operation in penal and civil matters by providing appropriate training on court to court dealings.

### ***Science and Research***

- Start designing and applying an integrated research policy.

### ***Education and culture***

- Step up efforts to create a modern vocational education and training system and to ensure the implementation of the Bologna criteria in higher education.

### ***Environment***

- Ensure the integration of environmental protection requirements into the definition and implementation of other sectoral policies. Develop an environmental investment strategy based on estimations of the costs of alignment. Continue to implement horizontal legislation.
- Continue work on the transposition of the EU acquis, with particular emphasis on waste management, water quality, air quality, nature protection and integrated pollution prevention and control. Increase investments in environmental infrastructure, with particular emphasis on waste water collection and treatment, drinking water supply and waste management.
- Ratify the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

### ***Consumer and Health Protection***

- Complete alignment with the EU acquis on safety-related measures and strengthen the administrative capacity needed for effective market surveillance.
- Continue alignment with the EU acquis on non-safety related measures.

### ***Customs union***

- Strengthen and consolidate the administrative and operational capacity of the customs services. Expand training of all staff and increase the use of EU-compatible information technologies and continue preparations to ensure interconnectivity with EU systems. Strengthen auditing and the use of risk assessment and selectivity.
- Substantially advance alignment with the acquis, in particular in the areas of free zones, transit, fees, tariff quotas and the surveillance of imports and exports of goods.

### ***Financial control***

- Develop the capacity and alignment of the Public Internal Financial Control system, including decentralised managerial accountability and functionally independent internal audit as well as central coordination and harmonisation.
- Reform and strengthen the external audit function in accordance with international and EU best practice.

#### **4. PROGRAMMING**

Community assistance under the Stabilisation and Association Process to the Western Balkan countries will be provided under the existing financial instruments, in particular by the CARDS Regulation<sup>3</sup> and the PHARE<sup>4</sup> SAPARD<sup>5</sup> and ISPA<sup>6</sup> pre-accession instruments. Accordingly, this Decision will have no financial implications. Croatia can have access to funding from multi-country and horizontal programmes.

#### **5. CONDITIONALITY**

Community assistance under the Stabilisation and Association Process to the Western Balkan countries is conditional on further progress in satisfying the Copenhagen criteria as well as progress in meeting the specific priorities of this Accession Partnership. Failure to respect these conditions could lead the Council to take appropriate measures on the basis of Article 5 of Council Regulation (EC) No 2666/2000<sup>7</sup>. Community assistance shall also be subject to the conditions defined by the Council in its Conclusions of 29 April 1997, and 21-22 June 1999 in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms.

Community assistance for financing projects through the three pre-accession instruments PHARE, ISPA and SAPARD is further conditional on respect by Croatia of its commitments under the Stabilisation and Association Agreement, further steps towards satisfying the Copenhagen criteria and in particular progress in meeting the specific priorities of this 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.

#### **6. MONITORING**

The implementation of the Accession Partnership shall be examined through the framework of the mechanisms established under the Stabilisation and Association Process, notably the annual Reports presented by the Commission.

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<sup>3</sup> Council Regulation (EC) No 2666/2000 (OJ L 306, 7.12.2000, p. 1). Regulation as last amended by Regulation (EC) No 2257/2004 (OJ L 389, 30.12.2004, p. 1).

<sup>4</sup> Council (EEC) No 3906/89 (OJ L 375, 23.12.1989, p. 11). Regulation as last amended by Regulation (EC) No 2257/2004 (OJ L 389, 30.12.2004, p. 1)

<sup>5</sup> Council (EC) No 1268/99 (OJ L 161, 26.6.1999, p. 87). Regulation as last amended by Regulation (EC) No 2257/2004 (OJ L 389, 30.12.2004, p. 1).

<sup>6</sup> Council Regulation (EC) No 1267/99 (OJ L 161, 26.6.1999, p. 73) . Regulation as last amended by Regulation (EC) No 2257/2004 (OJ L 389, 30.12.2004, p. 1)

<sup>7</sup> Article 5 of Council Regulation (EC) No 2666/2000:

"1. Respect for the principles of democracy and the rule of law and for human and minority rights and fundamental freedoms is an essential element for the application of this Regulation and a precondition of eligibility for Community assistance. If these principles are not respected, the Council, acting by qualified majority on a proposal from the Commission, may take appropriate measures.

2. Community assistance shall also be subject to the conditions defined by the Council in its Conclusions of 29 April 1997, in particular as regards the recipients' undertaking to carry out democratic, economic and institutional reforms."