

## II

(Acts whose publication is not obligatory)

## COUNCIL

## COUNCIL DECISION

of 20 March 2000

**on the principles, priorities, intermediate objectives and conditions contained in the Accession Partnership with the Republic of Cyprus**

(2000/248/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 555/2000 of 13 March 2000 on the implementation of operations in the framework of the pre-accession strategy for the Republic of Cyprus and the Republic of Malta <sup>(1)</sup>,

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 555/2000 complements Regulation (EC) No 622/98 <sup>(2)</sup> which provides 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 will be submitted to each applicant country, 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 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 1999 Commission's regular report presented an objective analysis on the Republic of Cyprus' preparations for membership and identified a number of priority areas for further work.
- (5) In order to prepare for membership, the Republic of Cyprus should prepare a 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,

HAS DECIDED AS FOLLOWS:

*Article 1*

In accordance with Article 1(2) of Regulation (EC) No 555/2000 the principles, priorities, intermediate objectives and conditions contained in the Accession Partnership for the Republic of Cyprus 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 Association Agreement bodies as appropriate, and through the competent Council bodies to which the Commission shall report regularly.

<sup>(1)</sup> OJ L 68, 16.3.2000, p. 3.

<sup>(2)</sup> 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 (OJ L 85, 20.3.1998, p. 1).

*Article 3*

This Decision shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

Done at Brussels, 20 March 2000.

*For the Council*  
*The President*  
J. GAMA

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## ANNEX

## CYPRUS: 1999 ACCESSION PARTNERSHIP

## 1. 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 1999 regular report on the progress made by Cyprus towards membership of the European Union, the financial means available to help Cyprus implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides the basis for a number of policy instruments which will be used to help the candidate countries in their preparations for membership. These include, *inter alia*, the national programme for the adoption of the *acquis*, the joint assessment of medium-term economic policy priorities, the pact against organised crime as well as the national development plans and other sectoral plans necessary for the participation in Structural Funds after membership. Each of these instruments is different in nature and is prepared and implemented according to specific procedures. They are not an integral part of this Partnership but the priorities they contain will be compatible with it.

## 2. PRINCIPLES

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

- that the candidate country 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, the European Council stressed the need for the candidate countries to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, 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.

## 3. PRIORITIES AND INTERMEDIATE OBJECTIVES

The Commission's regular reports have highlighted the extent of the efforts which still have to be made in certain areas by the candidate countries 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 countries concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives are divided into two groups — short- and medium-term. Those listed under the short term have been selected on the basis that it is realistic to expect that Cyprus can complete or take them substantially forward by the end of 2000. The priorities listed under the medium term are expected to take more than one year to complete although work should, wherever possible, also begin on them during 2000.

Cyprus has been invited to prepare a national programme for the adoption of the *acquis* (NPAA). It will set out a timetable for achieving priorities and intermediate objectives, based on the Accession Partnership, as well as necessary administrative structures and financial resources.

The Accession Partnership indicates the priority areas for Cyprus' membership preparations. Cyprus will nevertheless have to address all issues identified in the regular report. It is also important that Cyprus fulfils the commitments of legislative approximation and implementation of the *acquis* in accordance with the commitments made under the Association Agreement, the screening exercise and 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 regular report, the following short- and medium-term priorities and intermediate objectives have been identified for Cyprus.

### 3.1. Short term (2000)

#### *Political criteria*

- maximise efforts to support a settlement under the auspices of the UN.

#### *Economic criteria*

- correct the widening of the fiscal and current account deficits,
- strengthen effectiveness of monetary policy and effective liberalisation of capital movement by abolishing the interest rate ceiling on all lending operations,
- bring the cooperative credit and savings societies sector in line with the *acquis* and international accounting standards.

#### *Internal Market*

- public procurement: further harmonise legislation with regard to publication, time limits and review bodies; extend the law to local authorities and bodies governed by public law,
- industrial and intellectual property rights: align and enforce trade mark, copyright and neighbouring rights legislation; reinforce administrative capacity and the fight against counterfeiting especially by strengthening border controls,
- free movement of goods: adopt horizontal legislation on standardisation and certification; transpose sectoral legislation in the field of motor vehicles, pharmaceuticals, chemicals, cosmetics and hygiene requirements in foodstuffs; accelerate adoption of EN standards; strengthen administrative structures in particular on standards, certification and accreditation and continue transposition of new approach Directives,
- free movement of capital: continue to align rules on medium- and long-term capital operations and prepare the way for subsequent liberalisation of short term operations, notably by introduction of market interest rates,
- competition: complete anti-trust legislation; align State aid legislation and increase transparency of indirect aid,
- telecommunications: develop new law on telecommunications to align with the *acquis*; establish an independent regulatory authority,
- taxation: pursue VAT harmonisation diminishing the zero-rate extension and abolishing special VAT regime for offshore companies; abolish all excise duty discrimination against imports from the EU, introduce tax warehouse system and the movement procedures of excisable goods; ensure that new tax measures comply with the principles of the code of conduct for business taxation,
- customs: adopt a pre-accession strategy for the harmonisation of the Cypriot customs legislation; accelerate computerisation process.

#### *Agriculture*

- prepare measures required to implement and establish administrative structures for the common agricultural policy and rural development policies,
- continue alignment of veterinary and phytosanitary legislation; upgrade inspection arrangements, in particular at future external borders.

#### *Fisheries*

- align legislation further with the *acquis* in the field of licensing for fishing vessels under Cypriot flag; further strengthen the administrative capacity notably in the areas of inspection and control of the fishing vessels and the establishment of a separate fishing fleet register.

#### *Environment*

- complete transposition and enforce the environmental impact assessment Directive,
- adopt a strategy and detailed directive-specific programme for the transposition, implementation and enforcement of the EU environmental *acquis*,
- accelerate transposition, particularly in the fields of water quality, waste management and air quality,
- develop a plan for financing investments (directive specific), based on estimations of costs of alignment and realistic sources of public and private finance year-by-year.

#### *Employment and social affairs*

- support social partners' capacity-building efforts to develop and implement the *acquis*,
- strengthen administrative capacity in the fields of labour law, equal opportunities and coordination of social security,
- strengthen enforcement structures in the fields of health and safety at work (in particular the Labour Inspectorate).

*Transport*

- align maritime transport legislation and enforce safety standards (reduce the high detention rate of Cyprus flag vessels); adopt an action plan on monitoring classification societies and improving performance of the Cyprus flag register.

*Justice and home affairs*

- adopt and implement asylum legislation in accordance with the EU *acquis*,
- ensure regular and complete reporting by the offshore banking sector,
- upgrade border control equipment and improve training of personnel to prevent illegal immigration, ensure further progress in the detection of forged documents,
- ratify the European Convention on Mutual Assistance and its protocol and the European Criminal Law Convention on Corruption, sign the OECD Convention on bribery,
- regarding money laundering, reinforce administrative structure; increase resources in the unit for combating money laundering particularly on the prevention side; increase its strategic analysis function especially regarding data on suspicious transactions provided by the Central Bank and other financial institutions.

*Reinforcement of administrative and judicial capacity including capacity to manage and control EU funds*

- complete the legislative framework for internal and external financial control; set up a central organisation within the government for harmonising internal audit/control functions; set up internal audit/control units in spending centres; introduce 'functional independence' for national, internal controllers/auditors at both central and decentralised levels and *ex-ante* financial control; issue an audit manual and develop audit trails for the control of EU funds,
- make available GDP/capita data in accordance with EU methodology.

**3.2. Medium term***Economic criteria*

- implement programme for liberalisation of utilities,
- complete the structural reform programme, in particular in the financial sector,
- liberalise further capital account operations regarding direct investment, real estate investment, portfolio transactions, financial credits and the opening of deposits abroad; liberalise foreign participation in financial services, oil refining, tourism and trading,
- continue efforts to improve the conditions for enterprise creation and development, with particular attention to small- and medium-sized enterprises,
- continue efforts to restructure the textile sector,
- establish an annual fiscal surveillance procedure aimed to bring the reporting, monitoring and control of public finances, specifically fiscal positions, in line with EU procedures.

*Internal Market*

- public procurement: remove the preferential treatment clause in favour of local production by end of 2002,
- company law: transpose second and twelfth company law Directives; further align with the first, third and sixth Directives; implement the *acquis* on balance sheets and profit/loss accounts; align with EU accounting rules for private exempt companies,
- data protection: adopt national legislation, including establishment of an independent supervisory authority,
- free movement of goods: continue transposition in the field of legal metrology and for machines, lifts, construction products, gas appliances, electrical equipment, medical devices and personal protective equipment; complete transposition of new approach directives,
- free movement of capital: abolish remaining restrictions and authorisation procedures,
- free movement of persons: complete alignment of mutual recognition of diplomas,
- competition: reinforce competition authorities; ensure compliance of the State aid legislation,

- telecommunication: complete alignment of regulatory framework, in particular in the fields of licensing, interconnection and universal service, numbering and data protection; complete the creation of an independent regulatory authority by end of 2002; terminate monopoly of voice telephony,
- taxation: complete the alignment of VAT system and increase the excise duties rates to the EU minimum levels; review existing laws and ensure compatibility with the code of conduct for business taxation,
- consumer protection: continue alignment and strengthen market surveillance and enforcement authorities,
- customs: accelerate the legislative harmonisation including introduction of customs regimes with economic impact and simplified procedures; strengthen the institutional and administrative capacity; continue fight against fraud and corruption.

#### *Agriculture*

- continue preparations for implementation of the common agricultural policy and rural development policies.

#### *Environment*

- complete transposition; continue to strengthen the institutional, administrative and monitoring capacity to ensure environmental protection,
- implement waste management strategy,
- integrate sustainable development principles into the definition and implementation of all other sectoral policies.

#### *Energy*

- align oil-stock requirements; incorporate national regulatory energy objectives for emission control in power stations and use of unleaded gasoline, as well as the use of low sulphur diesel into the legal framework; further improve energy efficiency,
- prepare for the internal energy market, notably the electricity and gas Directives (including adaptation of energy prices to cost levels and the establishment of a regulator),
- continue to improve energy efficiency.

#### *Employment and social affairs*

- transpose and implement EU legislation in the field of occupational health and safety, labour law, equal treatment of women and men and public health; reinforce related administrative structures and those required for the coordination of social security,
- prepare a national employment strategy, with the help of the joint employment policy review, with a view to later participation in the European employment strategy.

#### *Economic and social cohesion*

- develop a national policy for economic and social cohesion with a view to diminishing internal disparities and preparing for Structural Funds implementation including pluriannual budgeting procedures and establishing structures for monitoring appraisal and evaluation.

#### *Transport*

- complete alignment and implement legislation on road transport (market access, road safety, rules for dangerous goods and taxation), maritime transport legislation and aviation (particularly air safety and air traffic management).

#### *Justice and home affairs*

- further upgrade law enforcement bodies and the judiciary (staff numbers, training and equipment) to continue the fight against organised crime, trafficking in women and children, drug trafficking and corruption, ensure better coordination between law enforcement bodies,
- continue progressive alignment of visa legislation and practice with that of the EU,
- ensure effective application of international instruments on judicial cooperation, especially the European Convention on Mutual Assistance in Penal Matters and its additional Protocol, the European Criminal Law Convention on Corruption, as well as the Hague Convention on Civil Procedure and on Access to Justice.

#### *Reinforcement of administrative and judicial capacity including capacity to manage and control EU funds*

- strengthen public financial control functions through the provision of adequate staff, training and equipment.

#### 4. PROGRAMMING

The fourth Financial Protocol (30 October 1995 to 31 December 1998) was extended by one year (until the end of 1999). The Protocol is the sole EU financial instrument (apart from EIB loans) to support activities resulting from Cyprus' pre-accession strategy.

In 1998, EUR 4,65 million were committed and for 1999, EUR 5 million are available. Under these national allocations, Cyprus can also fund part of its participation in Community programmes including in the fifth research and technological development framework programme.

Financial assistance from the year 2000 will be determined once the draft regulation on pre-accession finance has been adopted by the Council.

Activities financed as from the year 2000, will focus assistance on the adoption of the Community *acquis* on the basis of the priorities set out in this Accession Partnership as well as on promoting joint activities between the Greek-Cypriot and Turkish-Cypriot communities on the island.

Cyprus is eligible for EIB loan finance under the Euro-Med mandate and the pre-accession facility. Moreover, there are also EUR 50 million of EIB loans available under the fourth Financial Protocol between Cyprus and the EU.

#### 5. CONDITIONALITY

Community assistance for financing projects is conditional on respect by Cyprus of its commitments under the Association Agreement, further steps towards satisfying the Copenhagen criteria and in particular progress in meeting the specific priorities of this Accession Partnership in 2000. 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 is monitored in the framework of the Association Agreement and in particular in the Association Committee. The Accession Partnership will be amended as necessary in accordance with Article 2 of Regulation (EC) No 622/98.

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