

## II

(Acts whose publication is not obligatory)

## COUNCIL

## COUNCIL DECISION

of 6 December 1999

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

(1999/850/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 <sup>(1)</sup>, 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 fulfillment of essential elements, and in particular on the respect of the commitments contained in the Europe Agreements and on progress towards fulfillment 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 1999 Commission's Regular Report presented an objective analysis on the Republic of Hungary's preparations for membership and identified a number of priority areas for further work;
- (6) in order to prepare for membership, the Republic of Hungary should 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,

HAS DECIDED AS FOLLOWS:

*Article 1*

In accordance with Article 2 of Regulation (EC) No 622/98, the principles, priorities, intermediate objectives and conditions contained in the Accession Partnership for the Republic of 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.

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

*Article 3*

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

Done at Brussels, 6 December 1999.

*For the Council*  
*The President*  
T. HALONEN

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## ANNEX

**HUNGARY: 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 Hungary towards membership of the European Union, the financial means available to help Hungary 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 States in their preparations for membership. These include, *inter alia*, the revised 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 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. 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 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, the European Council stressed the need for the candidate States 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 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 the progress of the negotiations under way with some States and the opening of new negotiations with the others. The priorities and intermediate objectives in the revised Accession Partnerships are again 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 Hungary 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. The progress made in meeting the priorities of the 1998 Accession Partnership is assessed in the 1999 Regular Report. This assessment has been used in formulating the priorities for the current partnership.

Hungary submitted a revised version of its National programme for the adoption of the *acquis* (NPAA) on 6 July 1999. It sets out a timetable for achieving priorities and intermediate objectives, based on the first 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 Regular Report. It is also important that Hungary fulfils the commitments of legislative approximation and implementation of the *acquis* in accordance with the commitments made under the Europe 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 Hungary.

### 3.1. Short-term (2000)

#### *Political criteria:*

- start implementation of the medium-term Roma action programme including provision for the necessary financial support at national and local levels; implement measures aimed at fighting discrimination (including within police services); foster employment opportunities and increase access to education.

#### *Economic criteria:*

- speed up restructuring of public finances including reform of the health care system,
- implement a plan for restructuring the steel sector in line with European Union requirements,
- establish a functioning land market; finalise the land and property register.

#### *Internal market:*

- free movement of goods: accelerate alignment of European standards, certification and conformity assessment; adopt implementing legislation related to pharmaceuticals, reinforce existing market surveillance and conformity assessment structures with equipment and training,
- free movement of services: amend banking rules to prohibit the opening of new anonymous accounts,
- competition: empower the State aids monitoring authority to control all aid measures; align the State aid inventory,
- telecommunications: ensure full independence of the regulatory authority by June 2000,
- audio-visual: complete alignment of legislation including the introduction of a monitoring system for satellite broadcasting,
- taxation: further align VAT legislation in particular with regard to the cases of reduced rates and exemptions; eliminate discriminatory excise duties on spirits; confirm acceptance of the principles of the code of conduct for business taxation and ensure that new tax measures are in conformity with these principles,
- customs: further align legislation in particular as regards reform of the customs code, the integrated tariff and binding tariff information system.

#### *Economic and monetary union:*

- consolidate the independence of the National Bank in particular with regard to government borrowing.

#### *Agriculture:*

- veterinary and phytosanitary sector: continue alignment and upgrade inspection arrangements, in particular at the future external borders, at Budapest airport and on international waterways,
- continue the modernisation of meat and dairy plants to meet European Union hygiene and public health standards,
- establish a vineyard register.

#### *Employment and social affairs:*

- prepare a national employment strategy with a view to later participation in the European Employment Strategy, with the help of the Joint Employment Review,
- support social partners' capacity-building efforts to develop and implement the acquis, notably through bipartite social dialogue.

#### *Environment:*

- align with the integrated pollution prevention control Directive,
- accelerate the transposition and enforcement of framework legislation for waste management; further align safety standards for radiation protection,
- develop and begin to implement 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,
- complete transposition and enforce the environmental impact assessment Directive.

#### *Justice and home affairs:*

- border management: up-grade border posts and 'green border control'; improve data and telecommunication infrastructure to enable full participation in the Schengen Information System,
- ensure sufficient appropriately trained staff to deal with asylum requests and coordination between those responsible for asylum matters in its different levels of the procedure,

- ratify the European convention on laundering of proceeds of crime and the European criminal law convention on corruption,
- fight against organised crime; further develop the liaison officer network; establish regional forensic (drug) laboratories; develop special training courses for staff responsible for priority areas in the fight against organised crime.

*Reinforcement of administrative and judicial capacity, including management and control of European Union Funds:*

- Phare <sup>(1)</sup>, ISPA <sup>(2)</sup> and Sapard <sup>(3)</sup>: further develop the National Development Plan and the Rural Development Plan; adopt the legal, budgetary and administrative framework (audit manual and audit trail) to programme and manage ISPA and Sapard, including a mechanism for environmental impact assessment and European Union compatible public procurement rules for projects co-financed with Community Funds and the establishment of a functioning paying agency for Sapard,
- improve capacity to programme, implement and monitor Phare assistance project,
- strengthen internal and external financial control; set up a comprehensive information technology system; separate clearly between internal audit and technical monitoring functions; further strengthen functional independence for national internal controllers/auditors at both central and decentralised levels and 'ex-ante' financial control,
- strengthen capacities to deal with money laundering.

### 3.2. Medium-term

*Political criteria:*

- continue implementation of the medium-term Roma action programme.

*Economic criteria:*

- complete restructuring of public finances including reform of the health care system,
- establish an annual fiscal surveillance procedure aimed at bringing the reporting, monitoring and control of public finances, specifically fiscal positions, in line with European Union procedures,
- continue efforts to improve the conditions for the creation and development of private enterprises, with particular attention to small and medium-sized enterprises.

*Internal market:*

- public procurement: align threshold values by the end of 2001, deadlines for submission of tenders, definition of public works and enforcement and remedies procedures in the utilities sector; abolish by the end of 2002 National Preference Clause for public procurement by introducing access to award procedures in Hungary for all Community companies,
- free movement of goods: complete alignment of standards, certification and conformity assessment,
- free movement of capital: remove remaining restrictions on medium- and short-term capital transactions,
- free movement of persons: complete alignment of mutual recognition of professional qualifications and diplomas,
- free movement of services: eliminate anonymous banking accounts,
- competition: ensure full enforcement of competition and State aid rules, reinforce the anti-trust and State aid authorities, increase training at all levels of administration,
- taxation: complete alignment with VAT common provisions, introducing special schemes (for travel, second-hand goods, and gold) and transitional provisions; increase excise duty rates on alcoholic beverages and cigarettes up to European Union minimum levels; review existing laws and ensure compatibility with the Code of Conduct for business taxation; strengthen administrative cooperation and mutual assistance; increase efficiency of tax audits,
- customs: complete alignment, in particular on free zones, simplified procedures and integrated tariff; reinforce administrative and operational capacity, including computerisation; develop efficient border posts.

<sup>(1)</sup> Phare: Action plan for coordinated aid to Poland and Hungary.

<sup>(2)</sup> ISPA: Instrument for Structural Policies for Pre-Accession.

<sup>(3)</sup> Sapard: Special Accession Programme for Agriculture and Rural Development.

*Agriculture:*

- reinforce common agricultural policy management mechanisms and administrative structures (monitor agricultural markets and implement structural and rural development measures, set up bodies and control mechanisms),
- continue restructuring of the agri-food sector; reinforce food control administration,
- veterinary and phytosanitary sector: complete system of animal identification; implement quality control system (hazard analysis critical control point), animal waste treatment, modernisation of meat and dairy plants residue and zoonosis control programmes; complete inspection systems on future external borders.

*Energy:*

- 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),
- improve energy efficiency,
- continue to ensure high levels of nuclear safety at Paks nuclear power plant,
- strengthen regulatory structures for nuclear safety and radiation protection.

*Transport:*

- complete alignment in road transport (market access, road safety, rules for dangerous goods and taxation), railways, air transport (particularly air safety and air traffic management) and inland waterways (technical requirements for vessels).

*Employment and social affairs:*

- transpose and implement European Union legislation in the fields of occupational health and safety, labour law, equal treatment of women and men, and public health including reinforcement of the related administrative structures and those required for the coordination of social security.

*Economic and social cohesion:*

- develop national policy for economic and social cohesion; prepare for the implementation of regional development programmes as well as Community initiatives; improve administrative structures and procedures, in particular interministerial coordination for structural funds and clarify responsibilities for regional policy issues; improve the budgetary system and procedures to allow for pluriannual commitments and management according to European Union standards, including appraisal and evaluation.

*Environment:*

- complete transposition and enforce legislation in the areas of nature protection, water quality, industrial pollution control and risk management, noise, chemicals and genetically modified organisms, waste management, radiation protection including specific investment programmes,
- develop the air quality monitoring network and strengthen the authorised laboratories (responsible for implementation of legislation),
- integrate sustainable development principles into the definition and implementation of all other sectoral policies.

*Justice and home affairs:*

- further upgrade law enforcement bodies (staff numbers, training and equipment), 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 European Union,
- set up new reception centres for asylum seekers.

*Reinforcement of administrative and judicial capacity, including the management and control of European Union funds:*

- improve the capacity of public administration to implement and manage the acquis, in particular through ensuring adequate staffing levels,
- continue improving the functioning of the judicial system by training of judges in Community law,
- strengthen anti-fraud and public financial control functions through the provision of adequate staff, training and equipment,
- strengthen statistical capacities.

#### 4. PROGRAMMING

The Phare allocation for the period 1995 to 1999 has totalled EUR 497 million. Following the agreement of the European Council in Berlin on 24 and 25 March 1999, financial assistance to the applicant States during the period 2000 to 2006 will also comprise 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 a structural instrument ISPA (Council Regulation (EC) No 1267/1999, OJ L 161, 26.6.1999, p. 73) which will give 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 in the Fifth Research and Technological Development Framework Programme (OJ L 26, 1.2.1999, p. 1). In addition Hungary will have access to funding from multi-State 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 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.

#### 5. 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 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 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 of the *acquis* can be examined, in accordance with the same procedures, irrespective of whether or not negotiations have been opened. The relevant sections of the Accession Partnership are discussed in the appropriate subcommittee. The Association Committee discusses overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the subcommittees.

The Phare Management Committee ensures that financing decisions under all three pre-accessions 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.

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