

Croatia's 2007 progress report

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PURPOSE: presentation of the Commission's 2007 follow-up report on the progress made by Croatia towards accession.

CONTENT: this report reviews the progress made by Croatia in its preparations during 2007 for accession. It details, in particular, the efforts achieved by this country to conform to the Copenhagen criteria and supports the general strategy document on the European Union's enlargement policy (see [COM\(2007\)0663](#)) which demonstrates the way in which the renewed consensus on accession, adopted by Community leaders at the December 2006 Summit, will be implemented. The renewed consensus on enlargement is based on the principles of consolidation of commitments, fair and rigorous conditionality and better communication with the public, combined with the EU's capacity to integrate new members.

Although progress has been uneven in certain areas in Croatia, the Commission is satisfied with the progress made by this country. Accession negotiations with Croatia are progressing well and are currently entering a decisive phase, which shows that the European perspective of this country is both concrete and tangible. The Commission therefore expects significant progress in the accession negotiations with Croatia in 2008, provided that the country maintains the pace of necessary reforms and fulfils the desired conditions.

Progress in the accession negotiations with Croatia: 14 of 33 negotiation chapters have been opened so far (right of establishment and freedom to provide services, intellectual property law, financial services, information society and media, economic and monetary policy, statistics, enterprise and industrial policy, consumer and health protection, customs union, financial control and external relations) and two of these chapters have been provisionally closed (science and research, and education and culture). Benchmarks have been defined with a view to opening ten additional chapters (these benchmarks are a new tool, introduced as a result of lessons learnt from the fifth enlargement. Their purpose is to further improve the quality of the negotiations, by providing incentives for the candidate countries to undertake the necessary reforms at an early stage. In general, opening benchmarks concern key preparatory steps for future alignment with the EU's legal order, such as strategies or action plans. As a matter of fact, some benchmarks were adopted by the Council with a view to opening the following chapters in Croatia: public procurement; competition policy; justice, freedom and security; social policy and employment; free movement of capital; free movement of goods; agriculture; environment; food safety; regional policy. At this stage, the Commission considers only the opening benchmarks on justice, freedom and security to have been met).

The Commission hopes that Croatia will be able to meet outstanding benchmarks shortly (closing benchmarks primarily concern legislative measures, administrative or judicial bodies, and a track record of implementation of EU laws and standards).

Overall, the 3 main criteria established in Copenhagen to enable a country to accede to the Union have evolved as follows in Croatia, during 2007:

1. **Political criteria:** Croatia continues to meet the Copenhagen political criteria. The implementation of strategies for reforming the judiciary and fighting corruption has continued. The case backlog before the courts has been reduced. Some of the first results are appearing in the fight against corruption. Croatia has taken further steps to address the problems of minorities and, to a lesser extent, refugee return. Croatia continues to fully cooperate with the ICTY. Croatia ratified the new Central European Free Trade Agreement (CEFTA), and continues to participate actively in regional

cooperation, notably in the establishment of the new Regional Cooperation Council. However, considerable challenges remain in key areas, such as reform of the inefficient judicial system, public administration reform and fighting corruption, which remains a widespread problem. Increased attention needs to be paid to minority rights, especially refugee return. More attention must be given to the prosecution of war crimes. Further regional cooperation is vital, as are efforts to solve outstanding bilateral problems with neighbours, especially on border delimitation;

2. **Economic criteria:** as regards economic criteria, Croatia is a functioning market economy. It should be able to cope with the competitive pressures and market forces within the Union in the medium term, provided that it implements its comprehensive reform programme with determination in order to reduce structural weaknesses. Economic growth has increased in Croatia and macroeconomic stability has been maintained. The public administration deficit has been significantly reduced. Inflation remained low and private investment continued to rise. Employment rose and the business environment improved. The stability of the financial sector increased. The government's economic policy capacity was further strengthened. However, rising external imbalances could present risks in the future. Structural reforms, notably in the restructuring of the shipbuilding and steel sectors, only progressed slowly. State intervention in the economy remained significant. Inefficiencies in public administration and the judiciary continued to hamper private sector development. The external debt has not been reduced, highlighting the need for tighter fiscal policies;
3. **EU legal order:** Croatia has improved its ability to take on the obligations of EU membership. Preparations for meeting EU requirements are moving forward at a steady pace and alignment with EU rules has been considerable in some sectors. However, significant efforts will be required in order to reach full alignment. In most areas there has been some progress made, principally in terms of legislative alignment but also as regards administrative capacity building. In some chapters, such as transport and the environment, satisfactory progress made in previous years has been sustained. In other chapters, such as public procurement and taxation, progress has remained limited. As regards the overall level of alignment and administrative capacity, there still remains much to be done.

EU financial assistance via the Instrument for Pre-Accession Assistance (IPA): Croatia should benefit from the following amounts during the 2007-2011 period, in accordance with the financial envelope planned by the IPA:

- 2007: EUR 141.2 million
- 2008: EUR 146 million
- 2009: EUR 151.2 million
- 2010: EUR 154.2 million
- 2011: EUR 157.2 million
- **Total: EUR 749.8 million.**