Cyprus: accession to the European Union and progress in negotiations

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The Commission has prepared this fourth series of Regular Reports with a view to the Laeken European Council in December 2001. The structure followed by this Regular Report is the same as that used for the 2000 Regular Report. It takes into consideration progress since the 2000 Report. It looks at whether intended reforms referred to in the 2000 Regular Report have been carried out, and examines new initiatives. In addition, this Report provides an overall assessment of the global situation for each of the aspects under consideration, setting out for each of them the main steps which remain to be taken by Cyprus in preparing for accession. In accordance with this approach, the assessment of progress in meeting the political and acquis criteria focuses on what has been accomplished since the last Regular Report. The Report contains a separate section examining the extent to which Cyprus has addressed the Accession Partnership priorities. Firstly, with regard to the pre-accession budget allocated to Cyprus for the period 2000-2004, this adds up to EUR 57 million. One third of the funds should be used for bi-communal projects (activities to contribute to the reconciliation of the two Cypriot communities). The projects foreseen under the 2001 allocation (EUR 11.5 million) include the following activities : bi-communal projects, urban wastewater and participation in the Community programmes. The implementation of these projects is expected to start in 2002. With regard to the Copenhagen criteria for membership: 1) Political Criteria : further efforts have been made to prepare the administration for operation within the EU, and the authorities' record on democratic and human rights remains generally good. 2) Economic Criteria : Cyprus is a functioning market economy. It should be able to cope with competitive pressure and market forces. The macroeconomic situation has continued to be robust, notably within the financial sector, the environment, and healthcare. Both the financial sector and the capital account took major steps towards greater liberalisation. However, the current account deficit increased significantly. The welcome liberalisation of the financial sector and the capital account pose new challenges to the economy. 3) Legislative alignment of the acquis : during the period covered by this Regular Report, Cyprus achieved substantive progress in different areas of the acquis and has continued at a steady pace with further legislative alignment as well as with setting up and upgrading of the necessary administrative institutions. The alignment process has gradually accelerated. However, there remain still a considerable number of laws to be adopted. - internal market : over the last year, there has been progress in important areas of the internal market. Concerning free movement of goods, the adoption of EN standards has been accelerated and new legislation was passed as regards sector specific legislation. However, continuing efforts are required to transpose and implement the acquis, in particular as regards the framework law on the new and global approach principles and subsequent regulations for the transposition of the New Approach Directives. Moreover, an overall strategy for better co-ordination of the authorities responsible for marketsurveillance should be developed. Although Cyprus has undertaken certain measures to abolish inconsistencies with the acquis in the area of free movement of persons in particular as regards the co-ordination of social security systems, important legislative work remains to be done before accession. Concerning financial services good legislative progress can be reported, and the overall standard of supervision appears to be satisfactory. Particular importance should be given to the restructuring of the co-operative and saving societies sector. The liberalisation of capital movements has continued and should be maintained to ensure a proper functioning of the markets upon accession; - agriculture : partial progress has been made in this field but substantial elements and mechanisms of the acquis remain to be applied as regards in particular the Common Market Organisation and the veterinary and phytosanitary sectors; - environment : good progress can be reported. Cyprus has continued with harmonisation measures both as regards legislative alignment as well as strengthening administrative capacity. Particular attention should now be paid to proper implementation and enforcement; - transport : significant progress has been made in nearly all sectors of transport policy; - energy : with regard to the security of supply, the issue of oil stocks (storage capacity needs to be developed) should be addressed as

soon as possible. Cyprus has undertaken to implement the Electricity Directive by the date of accession; - employment and social affairs : although Cyprus has achieved good progress, some parts of the acquis have not yet been fully transposed. In the area of labour law, the Directives on working time, part time work and posting of workers still need to be transposed; - justice and home affairs : progress has been made in particular in the fields of border control, migration and in the fight against corruption and fraud. On asylum, although the administrative capacity has been strengthened with the setting up of a refugee authority, no legislative progress can be reported. In light of increasing numbers of application alignment should be accelerated as regards in particular the criteria for applications and the setting up of an independent appeal authority. 4) Administrative Capacity : overall, the administrative capacity of Cyprus is already largely in place to implement the different aspects of the acquis. Training programmes have been organised in different sectors, such as co-ordination of social security systems, maritime safety, and justice and home affairs. Furthermore, additional staff have been recruited in key areas such as financial services, company law, veterinary and phytosanitary issues, fisheries, transport , taxation, social policy and employment. 5) Accession Partnership : over the last year Cyprus has met the short-term priorities of its Accession Partnership with regard to the free movement of capital, environment and financial control. In most other areas the priorities were partially fulfilled. Cyprus has continued to make good progress in addressing the medium-term Accession partnership priorities, and has partially fulfilled a number of them, such as justice and home affairs, regional policy and co-ordination of structural instrument and issues relating to the internal market.