Hungary: membership application and partnership, 1st April 1994

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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 for this Report is the same as that used for the 2000 Regular Report. This report takes into consideration progress since the 2000 Regular Report. It looks at whether intended reforms referred to in the 2000 Regular Report have been carried out and examines new initiatives. The Report contains a separate section examining the extent to which Hungary has addressed the Accession Partnership priorities. With regard to the pre-accession instruments, for the years 2000-2002, total financial assistance to Hungary amounts annually to around EUR 96 million from Phare, EUR 38.7 million from SAPARD and between EUR 72.8 and EUR 104 million from ISPA. With regard to the main Copenhagen criteria for membership, an overall evaluation presents sector by sector Hungary's progress in the accession negotiations : 1) Political Criteria : Hungary has continued to make good progress in aligning and implementing the acquis in many areas. Further progress in the modernisation of the public administration is apparent from the continued implementation of the 1999 programme. In the area of public administration reform, positive steps were taken with the introduction of a new legal framework increasing accountability and efficiency of the administration. In addition, better salaries and career possibilities have made the civil service more attractive. Within the judiciary, the overall efficiency of Courts further improved after the introduction of additional measures in the area of institution. The scare budgetary resources make it difficult to implement the remaining elements of the judicial reform. The fight against corruption remained high on the political agenda and new legislation on asset declaration and more severe punishment was adopted to address the issue. Corruption remains a problem. New policy instruments and measures were adopted for the Roma minority which was accompanied by increased budgetary means for further implementation of this medium term action programme, already adopted by the Government in 1999. 2) Economic Criteria : Hungary is a functioning market economy. Provided it fully maintains and implements its reform programme in a consistent manner, it should be able to cope with the competitive pressure and market forces within the Union in the near future. The macroeconomic situation continues to be sound. Based on past structural reforms and careful macroeconomic management, economic growth has reached its highest level since the beginning of transition. Although privatisation is nearly completed, foreign direct investment remains the motor of growth and productivity gains. 3) Legislative Alignment with the acquis : Hungary continued to make progress in aligning and implementing the acquis in many areas. In the reporting period, the country has moved steadily towards achieving a degree of administrative capacity needed to satisfactorily implement the acquis. - in the internal market : continued good progress could be noted concerning the internal market. In this area, the major part of the acquis has been gradually adopted, and basic administrative structures are in place. As regards the free movement of goods, the alignment process has continued in respect of harmonised and "new approach" product legislation and Hungary has been able toapply for full membership in the European standard bodies CEN and CENELEC. With regard to public procurement, efforts will be needed to achieve full alignment and to ensure a transparency and enforcement of the current rules at all levels of government and in all sectors, in particular in motorway contruction. In the field of services, banking and insurance legislation has largely been aligned, and the supervisory authority appears to be working satisfactorily. Capital movements were almost fully liberalised. The adoption of an important new law on the fight against money laundering, which aims at, inter alia, phasing out anonymous savings books in order to meet the recommendations of the Financial Task Force (FATF), is pending at Parliament. In the field of company law, the Hungarian legislation with regard to the industrial and intellectual property rights is already largely in line with the acquis; Hungary has a relatively good enforcement record. In competition policy, substantial and procedural rules for state aid control were further aligned with the acquis. Further efforts are needed to align state aid schemes, in particular the fiscal aid schemes. Both anti-trust and state aid enforcement bodies are working satisafactorily. - environment : significant progress was

also made in the area of the environment, notably through the adoption of legislation on Environmental Impact Assessment, on water, waste, industrial pollution control and risk management, on chemicals and on radiation protection; - as to agriculture : progress in the reporting period was limited to te food safety and veterinary and phyto-sanitary areas still need to be updated. Further efforts are needed to establish in time the necessary procedures and structures for Hungary's participation in the CAP; - transport sector : legal alignment needs to be sustained in the area of transport, and efforts are needed to carry out the restructuring of the rail sector that is indispensible to prepare for the the implementation of the market access acquis. In addition, appropriate institutions will have to be set up in order to enforce the acquis adequately; - in the energy sector : only limited progress was made. The necessary legal framework for the participation of Hungary in the internal market still needs to be created. No progress could be noted with regard to the audio-visual sector; - social policy and employment : considerable progress was made in the area of social policy and employment, notably through the adoption of the revised Labour Law. - in the area of Justice and Home Affairs, significant progress was achieved through further alignment with the acquis in the fields of visa policy, migration and asylum. The fight against fraud, corruption, money laundering and organised crime was made more efficient through the adoption of additional legislation and reinforced institutional structures. As regards ewternal borders, a strategy on the integrated development of border crossing points was adopted. The Schengen Action Plan addresses the main issues of the acquis. 4) Administrative Capacity : Hungary made further progress in building up its administrative capacity to apply the acquis in most areas. However, with regard to the administrative and judicial capacity, further efforts will have to be made in particular in areas such as state aid control, audiovisual, market surveillance, transport and agriculture. Further effortsare also required in establishing the necessary administrative capacity to ensure the sound, efficient and controllable management of EC funds. 5) Accession Partnership : Hungary has continued to address its short-term Accession Partnership priorities with the exception of certain items in the field of agriculture, audio-visual policy, free movement of goods and competition policy. In addition, Hungary has implemented a number of medium-term priorities in the areas of social policy and employment, environment and Justice and Home Affairs (on asylum matters and visa policy).