2004 enlargement: state of preparedness for Union membership of the 10 new countries. Comprehensive monitoring report

2003/2201(INI) - 05/11/2003 - Document attached to the procedure

MONITORING REPORT ON HUNGARY : The overall macro-economic equilibrium of the Hungarian economy has deteriorated, in particular as regards the composition of GDP, external accounts and exchange and interest rate stability. A significant budget deficit in 2002 has been addressed by a tighter albeit very ambitious fiscal policy stance in 2003, while inconsistent monetary and exchange rate policies added to the strain in the policy mix. The economic reform path is being pursued in a credible manner, through the privatisation of some remaining state-owned companies, a stepwise liberalisation of administered prices and the broad completion of the progressive pension reform. As regards the areas, where last year's report suggested improvements, some progress has been made, but challenges remain. The general government deficit is on a downward trend, following a redirection of fiscal policy since 2003, but more progress is needed, also as regards the structure of fiscal reform. Health care sector reform is being addressed in the framework of a ten years' programme, which received a boost through the admission of private general practitioners' practices in 2002, and a new law adopted in 2003 opening the way for large-scale privatisation of healthcare assets, including hospitals. Wage developments in 2003 have started to moderate, coming down from the high growth rates of 2001 and 2002, especially in the corporate sector, with the economy slowly adapting to the new low-inflation environment. Nevertheless, even in 2003 real wage growth continues to exceed productivity growth by a considerable margin. As regards overall administrative and judicial capacity, sufficient conditions are in place for the implementation of the acquis by the Hungarian public administration and judiciary, but there is room for further improvements. In the field of public administration, the general reform should be continued in the fields of regional development, local self-government and state administration, and transparency in personnel matters should be improved. A number of further steps remain to be taken as regards the judicial system, such as to ensure an adequate financing of the judiciary to establish further regional courts and to improve the legal aid system. The fight against corruption should continue to receive high priority, in particular through the rapid implementation of the "glass-pocket" programme that was adopted in April 2003. As regards the implementation of the acquis in specific policy areas, it should be noted that Hungary has reached a high level of alignment with the acquis in most policy areas. The Commission's methodology consists of three categories of areas which are identified in accordance with their degree of alignment with the acquis: 1) areas that cause no or few problems; 2) areas in which Hungary partially meets the commitments and requirements and needs to make enhanced efforts in order to complete its preparations for accession; 3) areas that Hungary must take immediate and decisive action to address. It must take immediate and decisive action to address four issues of serious concern in one chapter of the acquis if it is to be ready by the date of accession. - agriculture chapter, relating to Hungary's preparations to setup its Paying Agency, to implement the Integrated Administration and Control System, to prepare for the implementation of rural development measures and to ensure public health standards in agri-food establishments.