Romania's progress towards accession. Strategy paper and 2003 report

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PURPOSE : to present the Commission's Regular Report on the progress towards accession made by Romania in 2003. CONTENT : this report on the progress made by Romania in 2003 in meeting the membership criteria can be summarised as follows : 1) Political Criteria : Romania continues to fulfil the political criteria. The political will to address administrative and judicial reform exists and a number of positive initiatives have been launched over the last year to reform the public administration and the judiciary. Romania still needs to develop a strategy to address reform of the policy and legislative process. Progress was made with the restriction of the use of emergency ordinances. Laws on the freedom of information and transparency in the legislative process are also positive developments but have only been partially implemented. Corruption in Romania continues to be widespread and affects all aspects of society. A number of high-profile measures were launched over the reporting period - but the implementation of anti-corruption policy as a whole has been limited. Romania continues to respect human rights and fundamental freedoms, and has made good progress in a number of important areas. Further initiatives have been taken to enhance the rights of national minorities. The implementation of the Roma Strategy has continued although a lack of resources has meant that the results have been somewhat limited. Reforms have been launched in a number of other areas: modernisation of the police, improving care for the disabled, reducing social exclusion, improving the social dialogue. To date, the main work in these fields has consisted of developing strategies and preparing framework legislation. The challenge for the future will be the effective implementation of these initiatives. 2) Economic Criteria : Romania can be considered as a functioning market economy once the good progress made has continued decisively. In addition, a vigorous and sustained implementation of its structural reform programme is required in order for Romania to be able to cope with competitive pressure and market forces within the Union in the near term. Further progress towards macroeconomic stability was made as inflation continued to decline from a relatively high level despite further adaptations of regulated prices. Administrative improvements of market entry and exit mechanisms were undertaken along with various initiatives to improve the business environment. The authorities should now consolidate the progress achieved in these areas while addressing more decisively those issues where advances were insufficient. In order to preserve the momentum towards greater macroeconomic stability, the recent tightening in monetary policy should be accompanied by prudent fiscal and wage policies as well as by a continued reduction in the quasi-fiscal deficit. Medium-term fiscal prospects also need to be strengthened by advancing expenditure reform and improving tax compliance. Efforts to improve the workings of the market mechanism must be completed by a greater willingness to liquidate loss-making enterprises and establish natural gas prices that appropriately reflect short and long-term costs. Having moved beyond the initial phases, restructuring and privatisation in key sectors,such as energy, mining and transport, must be brought forward. 3) Romania has made steady progress with the adoption of the acquis: it is now on track to transpose the required legislation before the planned date of accession in 2007 provided the current pace of progress is maintained. Weaknesses in the legislative process mean that the quality of legislation transposed is uneven and in some cases revisions will be needed before laws can be implemented. In the area of the internal market, Romania has continued to make progress with the transposition of sector specific legislation on the free movement of goods and public procurement. Particular attention must be paid to developing the ability to administer the public procurement, the foodstuffs and food safety acquis. Romania should also continue the screening for measures that may be incompatible with the principle of free movement of goods. Progress on the free movement of persons has been limited and additional efforts should now be focused on preparations for implementing the acquis on mutual recognition of professional qualifications. Work to identify barriers to the free movement of services has continued - although only a few restrictions have been removed. While alignment with the acquis on free movement of capital is steadily improving greater efforts are needed to improve payments systems and the fight against money laundering. Romania

has made progress in the field of company law as such. While the Romanian competition legislation is broadly in line with EC anti-trust rules, in the area of state aid there is not yet sufficient control. Further progress has been made in transposing the agricultural acquis and in the restructuring of the agricultural sector. Enforcement of legislation is hampered by limited management and administrative capacity. Particular attention should therefore be paid to reinforcing the administrative capacity to implement and enforce the acquis, in particular in the veterinary and phytosanitary fields. Romania has continued to make good progress with the transposition of the transport acquis and with the establishment of the required administrative structures but maritime safety remains a concern. Priority should be given to developing institutions to enforce the new legislation and securing the funding needed to make the heavy investments required. The adoption of the Labour Code was a major step forward in the transposition of the acquis on social policy and employment. The building blocks for a modern industrial policy are now in place, but the key challenge is its implementation. In the area of the environment, although Romania has transposed a considerable amount of legislation, administrative capacity and financial resources dedicated to the sector remain inadequate. Legislative progress has been made in most areas of justice and home affairs and especially so in migration, organised crime, money laundering, and judicial co-operation in civil matters. However, implementation capacity remains weak in almost all areas and Romania should increase its efforts to develop administrative capacity and inter-agency co-operation. To conclude, in a number of important sectors, there has been a continued gap between progress in legal transposition and the limited overall capacity of the public administration to implement and enforce the newly adopted legislation. This represents a major constraint on Romania's accession preparationsand to address this issue will require a comprehensive, structural reform of both the public administration and the judicial system. These concerns extend beyond adoption of the acquis and also apply to the management of EU financial assistance.