



European Commission
Directorate-General for Agriculture

EU and enlargement

Pre-accession policies and instruments:

Focus on agriculture

The enlargement process will make an important contribution to securing political stability, democracy and respect for human rights on the European continent as a whole. Indeed, the benefits of enlargement are already visible, stable democracies having emerged in central and eastern Europe.

The financial and technical assistance already being provided to the central and eastern European countries (CEECs) will help to consolidate economic reform and strengthen business by creating a supportive and transparent regulatory environment.

Enlargement will herald an internal market of over 500 million consumers and an open, border-free area where goods and services can circulate freely. Rather than having to contend with many different rules and regulations, manufacturers and service providers will only need to comply with one set of standards to sell their goods and services throughout the expanded internal market.

Enlargement will also strengthen the Community's ability to manage transnational issues such as environmental pollution, the fight against organised crime, corruption and drug trafficking.

The agricultural sector plays an important role in the economic and political life of the 13 countries¹ that have applied to join the European Union. The modernisation of the agricultural sectors in these countries and their integration into the common agricultural policy (CAP) will be a major challenge in the coming years. This factsheet aims to provide background material on the place of agriculture in the economies of the candidate countries, and to describe how the European Union is channelling aid to contribute to the restructuring of the farm sector in central and eastern Europe.

The Agenda 2000 reform, concluded at the Berlin European Council meeting on 24 and 25 March 1999, focussed on increasing the competitiveness of European agriculture on world markets by further reducing support prices for cereals and beef from the year 2000 onwards, and milk prices from 2006. This measure aims at facilitating the convergence of prices between the candidate countries and the EU, and the introduction of the CAP in the new Member States. Also at this meeting, funding was also approved for the first time for enlargement of the Union in the period 2000-2006, in addition to the granting of considerable resources for pre-

accession measures. Finally, at the European Council meeting held in Nice from 7 to 9 December 2000, the Commission's proposed enlargement strategy was endorsed and an undertaking was made to implement the necessary institutional reforms to include the candidate countries fully in the decision-making of the Union. Therefore, in agricultural policy, financial, political and institutional terms there should be no doubt that the EU is prepared for enlargement.

The framework for enlargement negotiations in agriculture

On 8 November 2000 the Commission adopted an enlargement strategy paper, which included a timetable for the negotiation procedure. On the basis of the conclusions of the General Affairs Council of 4 December 2000, this strategy was later endorsed at the Nice European Council. Key elements of the strategy are that the European Council:

- confirmed its support for the concept of differentiation (i.e., each candidate country must be treated on the basis of its own merits, thus giving it the chance to catch up with the more advanced countries);
- stated its belief that the strategy will enable the EU to welcome those new Member States which are prepared for membership by the end of 2002 (see below), in the hope that they will be able to take part in the next European Parliament elections;
- called for candidate countries to continue and to speed up the reforms necessary for enlargement (including adopting the *acquis communautaire* and creating the appropriate administrative structures.)

The European Council held in Gothenburg on 15 and 16 June 2001:

- reiterated its support for the enlargement strategy;
- sanctioned the timetable for the successful completion of the enlargement negotiations;
- affirmed that the enlargement process is irreversible;
- confirmed its support for the principle of differentiation;
- emphasised that negotiations with those candidate countries that are ready should be closed at the end of 2002, provided that progress towards meeting the accession criteria continues at an unabated pace, with the objective that the first candidate countries should be able to participate as Member States in the 2004 European Parliament elections.

¹ Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Turkey.

The enlargement strategy of the European Union in the field of agriculture

On 8 November 2000 the Commission adopted an enlargement strategy paper, part of which incorporates a roadmap for the negotiation procedure. The main elements of this roadmap can be summarised as follows:

- **“Luxembourg group”** (Estonia, Poland, the Czech Republic, Hungary, Slovenia, Cyprus).

According to the timetable, revised EU-positions on agriculture (in particular on veterinary and phytosanitary issues) should be achieved during the second half of 2001. As far as agriculture is concerned, these revised positions are not intended to address important and sensitive questions such as direct payments or quotas that have a major impact on the EU budget. It is expected that such major agricultural issues will be addressed during the first half of 2002. The EU should be in a position to close the negotiations with the most advanced countries (i.e., those fulfilling all criteria for membership) during the course of 2002, thus enabling the EU to welcome new Member States from the end of 2002.

- **“Helsinki group”** (Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia).

The Commission endorses the principle of differentiation and welcomes the opportunity for each candidate country (particularly those within this group) to catch up in the negotiations. It recommends that the countries within the Helsinki group prepare their position papers on those chapters where they consider themselves prepared for negotiation, taking into account their state of preparation and the timetable proposed. It is on this basis that the Commission will assess whether it can recommend the opening of these chapters to negotiation.

Practical issues regarding the enlargement strategy foreseen in the Commission’s paper of 8 November 2000:

- **monitoring** of the incorporation of the *acquis communautaire* by the candidate countries in their legislation and adaptation of their capacity to effectively implement and enforce it, ‘remain the key conditions for progressing in the negotiations’. The Commission will thus continue to monitor negotiating countries’ commitments;
- **the Accession Partnerships** remain the central pre-accession strategy instruments. They form the basis for programming pre-accession assistance in 2001, but a revision is not foreseen at this stage (the Accession Partnerships are normally revised annually). In line with the conclusions of the Helsinki European Council an Accession Partnership for Turkey is proposed for 2001;
- **negotiations for further reciprocal trade concessions**² in the field of agricultural products should be launched within the framework of the Europe Agreements, with a view to enhancing trade relations and to preparing for accession in this important area.

Within the framework of the Europe Agreements, the Association Committees³ and the Sub-Committees on Agriculture will in future be used to explain the new *acquis communautaire* and to discuss its adoption and implementation.

State of play of the enlargement negotiations on Chapter 7 (agriculture)

The members of the **Luxembourg group** submitted their negotiating positions on the agricultural chapter in November and December 1999. The Common (negotiation) Positions of the EU (EU-CPs) were approved by the Council in early June and presented to candidate countries at the Accession Conference of 14 June 2000 when the agricultural chapter was opened for negotiation. In the meantime all Luxembourg group members have replied to the EU-CPs and provided most of the additional information requested. The Commission has carried out a thorough analysis of the replies of the candidate countries and revised draft Common Positions have been submitted to the Member States.

With regard to the **Helsinki group**, negotiations with Latvia, Lithuania and Slovakia were opened in June 2001; Bulgaria submitted its negotiating position in June, Malta in July 2001. Romania has not yet tabled its negotiating position.

² The proportion of bilateral agricultural trade exempt from duty after the so-called double-zero agreements is likely to more than double from 36% to 81% for EU imports and from 18% to 39% for EU exports.

³ The Association Committees are high-level meetings held between the EU and the candidate countries that review in more detail all areas covered by the Europe Agreements.

The Belgian Presidency has expressed the opinion that negotiations with Malta should be opened during its term (July to December 2001). Negotiations with Bulgaria could be opened under certain conditions. For Turkey, the negotiating process has not yet begun.

Information campaign

The European Union hopes to promote a greater understanding of the complex issues surrounding the enlargement of the European Union by making information available, for example, on the EU in general, its policies, how it functions and how decisions are taken. To this end, in May 2000, the Commission launched a six-year 150 million euro information campaign.

In the **Member States**, the campaign aims to:

- explain enlargement to the public at large, including its likely impact and the challenges it poses;
- promote dialogue at all levels of society between policy-makers and the public on enlargement-related issues;
- provide information about the candidate countries.

In the **candidate countries** the campaign aims to:

- improve public knowledge and understanding of the European Union;
- explain the implications of accession for each country;
- explain the link between the pace of preparations for membership and the progress of the negotiations.

Economic overview

Summary reports marking the progress made by the candidate countries in the accession process, and adopted by the Commission in November 2000, confirmed an overall improvement in their economic performance. Whilst the average real GDP growth rate for the 10 CEECs in 1999 was 2.2%, economic growth increased in all candidate countries in the first half of 2000, as compared to the same period in 1999. According to the Commission report on prospects for agricultural markets published in June 2001⁴, an annual average increase in GDP of 4% or more is now expected in 2001 and 2002. As this will contribute to rising consumer incomes in the CEECs, it is a trend that should have a positive effect on the demand for agricultural products.

The agricultural sector in the candidate countries

As illustrated in the table on page 4, agriculture plays a major role in the economies of the candidate countries.

To improve consistency and comparability, the employment figures presented in this table are defined according to Eurostat's 'Labour Force Survey' definitions (LFS). Agricultural employment in LFS terms is defined as 'economically active persons who gain a significant part of their income from agriculture'. The agricultural census, which was previously a source in many countries, takes into account all persons nominally active on a farm. There are therefore some significant differences between the new figures and previous figures. More detailed information can be found in the Eurostat publication, 'Central and eastern European countries' employment and labour market review'⁵.

Trade relations in the agricultural sector

The EU is the major trading partner of all 13 candidate countries. For their part, the candidate countries constitute the EU's second major trading partner after the United States.

One of the major topics in bilateral discussions between the EU and the CEECs has been how to progressively liberalise trade flows in agricultural products, which are subject to import duties on both sides. Candidate countries are keen to have better access to EU markets, which would contribute to improving the sector's competitiveness ahead of accession to the EU, by stimulating production geared to the requirements of the EU market. Candidate countries have also been requesting an end to subsidised EU exports to their markets. A gradual opening of the candidate countries' markets before accession would also prepare them in good time for increased post-accession competition.

In March 1999, the Council mandated the Commission to open negotiations with each of the 10 CEECs to widen the scope of bilateral tariff concessions on agricultural products included in the Europe Agreements. The mandate refers to the accession process, and is based on the assumption that the progressive and orderly liberalisation of bilateral trade in agricultural products should be an important instrument in preparing the economic integration of the associated countries into the Community markets. The mandate states that the negotiations should lead to a fair balance between the interests of the European Community and its Member States and those of the associated countries.

The negotiations held in 2000 covered three different approaches, according to the nature of the products concerned. The main features of the agreements are set out below:

- **List 1:** For the least sensitive products (i.e. CEEC products facing import duties into the EU of 10% or less), the agreements provide for full and immediate liberalisation with no quantitative restrictions. This list covers over 400 products, and includes, for instance, citrus fruit, olive oil, and horsemeat.
- **List 2:** The so-called 'double-zero' approach provides for the reciprocal elimination of export refunds and the elimination of import tariffs within the framework of tariff quotas. The initial level of the tariff quota has been set, as far as possible, at the level corresponding to the current trade pattern (based on the average of the past three years).

A substantial annual increase of the tariff quotas has been agreed bilaterally, taking into account the sensitivity of the products and potential trade development. At this stage, the approach covers products for which the CAP provides for border protection (import tariffs and export refunds) such as pigmeat, poultry, cheese and some fruits and vegetables. Products for which an internal CAP support system is applied have not been included in the double-zero approach, but could be envisaged at a later stage.

- **List 3:** This involves a limited exchange of ad hoc concessions decided on the basis of specific requests made by the CEECs and agreed on a case-by-case basis.

Progressive trade liberalisation agreements have been agreed with all 10 CEECs. The results differ from one country to another, according to their readiness to liberalise the trade. The first agreement entered into force on 1 July 2000.

⁴ The report is available on http://europa.eu.int/comm/agriculture/publi/caprep/prospects/pros1_en.pdf.

⁵ Eurostat home page: <http://europa.eu.int/comm/eurostat/>.

Member States and applicant countries - the role of the agricultural sector

	Agricultural area		Gross Value Added of agriculture ¹		Agricultural employment ¹		Trade of agricultural products ³		Bilateral agricultural trade		Food expenditure
	UUA ² (000 ha)	% of total area	Million EUR	Share of agric. in GDP	Agric. employ. (000)	as % of total employment	% of total exports	% of total imports	% of agric. exports	% total imports	% of total expenditure
	2000						1999				1998
Bulgaria	5 582	50.3	2 054 c	15.8*	342	11.3	16.2	7.1	37.9	37.6	53.5
Cyprus	134	14.5	329 d	3.5*	14	9.2	38.3	19.0	52.7	46.0	19.0 b
Czech Republic	4 282	54.3	1 846	3.4	193	7.4	4.4	6.5	36.3	48.0	26.8
Estonia	1 001	22.1	254	4.7	32	7.4	9.2	14.3	28.3	57.0	37.5
Hungary	5 854	62.9	1 913 d	3.9*	227	4.8	9.1	3.7	53.1	45.3	42.1
Latvia	2 488	38.5	306	4.0	118	13.5	5.7	13.1	30.7	50.0	44.9
Lithuania	3 489	53.4	836	6.9	262	19.6	12.9	11.5	29.9	45.8	46.0
Malta	12	38.1	78	2.0	2.7*	1.9	2.2	10.3	13.1	73.1	:
Poland	18 220	58.3	4 965 d	2.9*	2 698	18.8	8.9	7.4	45.5	47.7	36.9
Romania	14 811	62.1	4 564	11.4	4 861	42.8 p	5.8	8.1	42.7	37.0	58.0
Slovakia	2 444	49.8	560	4.1	119	6.7	3.8	7.0	23.4	37.2	31.8
Slovenia	491	24.2	847	2.9	81	9.9	4.3	7.0	31.4	50.5	23.5 b
Turkey	41 488	53.5	24 265 d	11.2*	9 149*	34.9	15.9	6.5	43.2	27.8	29.7 a
CEEC-10	58 662	54.4	18 145 *	4.6*	8 933*	20.7*	7.2	7.0	40.2	45.3	36.3 *
CC13	100 296	53.8	42 816 *	6.9*	18 082*	27.8*	8.8	7.1	43.2	34.9	34.1 *
EU-15	131 619	40.6	167 197	2.0*	6 767	4.3	6.6	6.8	12.1	10.4	17.4 b
Belgium	1 396	45.7	3 329	1.4	79	1.9	5.5	8.0	13.3	5.3	17.8
Denmark	2 666	61.9	4 089	2.3	99	3.7	21.4	8.2	7.1	9.8	18.1
Germany	17 067	47.8	22 277	1.1	958	2.6	3.3	5.7	23.6	19.7	16.0
Greece	5 109	38.7	8 030 c	6.6*	671	17.0	24.1	6.3	33.6	18.6	21.3 b
Spain	25 425	50.2	19 889	3.3	992	6.9	11.0	10.9	12.9	4.8	18.6 b
France	29 865	54.4	36 592	2.6	971	4.2	9.0	5.3	5.7	7.1	17.9 b
Ireland	4 418	62.8	2 952 d	2.9*	130	7.9	10.1	3.0	3.6	3.8	19.1
Italy	15 401	51.1	29 992	2.6	1 095	5.2	5.3	7.2	11.9	13.7	18.0
Luxembourg	127	49.2	127	0.6	4	2.2	0.7	2.0	6.6	0.8	18.2 b
Netherlands	1 952	47.0	10 235	2.6	240	3.3	17.1	10.2	12.1	5.6	15.3
Austria	3 399	40.5	3 919 d	1.9*	223	6.1	4.1	4.4	41.3	55.2	15.5
Portugal	3 881	42.2	3 768	3.3	614	12.5	9.6	13.7	1.3	5.4	27.0 b
Finland	2 211	6.5	4 134	3.1	147	6.2	3.4	4.4	18.7	11.5	18.9
Sweden	2 980	6.6	3 863 c	1.6*	120	2.9	2.5	4.8	10.4	11.6	18.4 b
United Kingdom	15 722	64.4	14 001	0.9	424	1.5	5.8	6.3	6.4	4.9	19.9 b

a = 1994 / b = 1997 / c = 1998 / d = 1999 / * = estimate / p=provisional / : = not available.

1 Including forestry, hunting and fishing sector.

2 Utilized Agricultural Area.

3 All agricultural products - less fish and fish products but including UR products.

Sources: DG Agriculture A.II; Eurostat; DG Economic and Financial Affairs; OECD; FAOSTAT.

A new round of negotiations will start in 2001 with the scope to extend the liberalisation process to products for which an internal CAP support system is applied, coupled with high border protection. The new results should enter into force on 1 July 2002.

Overall, in 2000, imports from the CEECs, Cyprus and Malta, were balanced at a level of 3.2 billion euro. Imports from Turkey stand at 1.4 billion euro and exports at only 0.3 billion euro.

WTO negotiations

The Commission believes that a broad round of WTO negotiations will facilitate the outcome of the agricultural negotiations and, with its partners in the candidate countries, is increasingly co-ordinating positions in the WTO.

On 12 November 1999, the Slovak government hosted a conference on the next round of WTO trade talks with all the candidate countries. Franz Fischler, EU Commissioner for Agriculture, Rural Development and Fisheries, stressed there that further cooperation between all partners was essential in order that their common interest in the WTO be fully represented.

To this end, Ministers from the EU and candidate countries issued a Joint Declaration in Ljubljana in May 2001 supporting the launch of a new round of multilateral trade negotiations at the next WTO ministerial meeting. At this meeting, the EU hopes to achieve further reduction in support and protection, provided that all WTO members are submitted to the same disciplines, a process that needs to be both progressive and balanced. The Commission particularly wishes to see non-trade issues such as environment and food safety included in the trade talks, these being vital for gaining and retaining strong public support.

The EU's pre-accession strategy

Europe Agreements

Europe (Association) Agreements⁶ form the basis of trade relations between the EU and the candidate countries and aim to bring down barriers to trade. Trade in agricultural and food products is only partly covered by the agreements. Recently agreed bilateral agreements on further agricultural trade concessions will be important instruments in the gradual liberalisation of bilateral trade in preparation for the full integration of candidate countries into Community agricultural markets.

Agenda 2000

In July 1997, the Commission adopted its proposals to reform major policy areas *inter alia* to help prepare for the challenge of expanding membership of the EU from 15 to up to 28 Member States. The reform package covered the CAP, structural funds and internal policies as well as the EU's budget for the 2000-2006 period and was adopted in 1999 at the European Council in Berlin. As far as the CAP is concerned, reform was driven by the need to make the EU farm sector more competitive in the face of increasingly open global trading regimes; by the need to respond to society's concerns about the relationship between farming and the environment, and by the need to develop new strategies aimed at promoting the economic potential of the Community's rural areas.

Taking this into consideration, the Commission will undertake a mid-term review in 2002 and 2003 to assess whether current measures aimed at achieving these objectives are still the most appropriate.

Accession Partnerships

Where Europe Agreements set the ground rules for trade relations between the EU and the candidate countries, Accession Partnerships⁷ concern measures to be taken by each candidate country in order to make progress towards accession. Accession Partnerships therefore set out the broad priorities in the accession process and identify areas where EU financial assistance is required. The candidate countries have drawn up National Programmes for the Adoption of the Acquis (NPAAs) which specify how they intend to fulfil the priorities of the Accession Partnerships and to prepare for their integration into the EU. In this way, the NPAAs complement the Accession Partnerships: they contain timetables for achieving priorities and objectives and, where possible and relevant, also indicate the human and financial resources to be allocated.

Opening Community programmes and agencies to the candidate countries⁸

Many Community programmes are already open to candidate countries. Examples include Socrates II (education), Leonardo da Vinci II (vocational training), Raphael (culture), and LIFE III (environment). Other programmes will be available to candidate countries in the future.

⁶ The full texts of the Europe Agreements are available on http://europa.eu.int/comm/enlargement/pas/europe_agr.htm.

⁷ The full texts of the Accession Partnerships are available on <http://europa.eu.int/comm/enlargement/docs/index.htm>.

⁸ More information is available on the Europa web site http://europa.eu.int/comm/enlargement/pas/ocp_index.htm.

Towards enlargement – key dates

1989

- The fall of the Berlin Wall.

1990

- The EU's Phare programme begins operations to support the transition to free-market democracies.
- Cyprus and Malta apply to become members of the EU.

1991

- The EU and Member States sign Europe Agreements with Czechoslovakia⁹, Hungary, and Poland. (By 1996, Europe Agreements had been signed with 11 countries.)

1993

- The Copenhagen European Council agrees on the political and economic criteria for membership of the EU.

1994

- Hungary and Poland apply to become members of the EU.

1995

- The EU expands to Austria, Finland and Sweden.
- Bulgaria, Estonia, Latvia, Lithuania, Romania, and Slovakia apply to become members of the EU.

1996

- The Czech Republic and Slovenia apply to become members of the EU.

1997

- The Luxembourg European Council agrees to open negotiations with Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. The Council also agrees to conclude Accession Partnerships with each of the candidate countries.

1998

- March: The European Conference in London officially launches the negotiating process with the Czech Republic, Estonia, Hungary, Poland and Slovenia.
- Screening of agricultural legislation starts with Bulgaria, Latvia, Lithuania, Romania and Slovakia.
- The Commission adopts its first report on progress made towards accession.
- Screening of agricultural legislation ends with Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia.

1999

- The Commission presents the update of its 1993 Opinion on Malta.
- The Berlin European Council authorises the Commission to open negotiations with the 10 CEECs, with a view to further liberalising trade in agriculture. It also agrees on the financial perspectives for the 2000-2006 period.
- 3.12 billion euro per year is set aside for pre-accession aid and accession-related expenditure.
- The Commission adopts its second report on progress made towards accession.
- December: the Helsinki European Council decides to open negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia and recognises Turkey as a candidate for membership.
- November/December: with a view to opening negotiations in agriculture, the countries in the Luxembourg group present their negotiation positions on Chapter 7 of the *acquis communautaire*¹⁰.
- The European Union adopts its common position and opens negotiations on the agricultural chapter in June 2000.

⁹ Following the division of Czechoslovakia into the Czech Republic and Slovakia, new Europe Agreements were signed with the two countries in October 1993.

¹⁰ The full body of EU legislation, or the *acquis communautaire*, has been broken down into 31 chapters for the purposes of the enlargement talks.

2000

- The Presidency of the Council declares it a priority to open the agricultural chapter.
- Screening of agricultural legislation starts with Malta. Updated screening processes are launched for all negotiating countries.
- Accession negotiations are formally launched with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia.
- Accession Ministerial Conference opens the negotiations on the agriculture chapter for the Luxembourg group.
- Agreements enter into force with eight CEECs (Bulgaria, Estonia, Czech Republic, Latvia, Slovakia, Slovenia and Romania) to further liberalise trade in agriculture.
- Commission adopts Sapard programmes for Estonia, Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia and signs the Multi-Annual Financing Agreement with Bulgaria.
- December: Accession Conference discusses first negotiation positions on the agricultural chapter from Latvia, Lithuania and Slovakia.
- Publication of the timetable for the remainder of the accession negotiations.
- Publication of the third reports on progress towards accession.
- December: Nice European Council, including:
 - Declaration of the common position to be adopted by the Member States at the accession conferences with regard to the distribution of seats at the European Parliament;
 - the weighting of votes in the Council;
 - the composition of the Economic and Social Committee;
 - the composition of the Committee of the Regions.

2001

- Signature of the Sapard Multi-Annual Financing Agreement with the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
- Agreements enter into force with Lithuania and Poland to further liberalise trade in agriculture.
- Signature of the Sapard Annual Financing Agreement with Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
- Conferral of management of Sapard aid to Bulgaria and Estonia. The decision allows the Bulgarian and Estonian authorities to commence implementation of the annual Sapard programme.
- June: Stockholm European Council includes a decision to integrate the candidate countries into the strategies and objectives adopted at the Lisbon Council to transform the EU into the most competitive region in the world.
- Negotiations on the agricultural chapter open for three members of the Helsinki group: Latvia, Lithuania and Slovakia.
- July: Commission submits to the Council the revised draft Common Positions on agriculture for each of the six members of the Luxembourg group.

Streamlining financial assistance - Community programmes

Sapard - The special accession programme for agriculture and rural development

In June 1999, the EU Council of Ministers adopted a regulation¹¹ on assistance to contribute to the restructuring of the farm sectors of the candidate countries in the run-up to accession. The funds available amount to 520 million euro annually (1999 value) until 2006. In July 1999, the Commission adopted a decision on the allocation of the Sapard funds per candidate country. This allocation is based on the following objective criteria: farming population, agricultural area, GDP per capita in purchasing power, and the specific territorial situation in each country.

Sapard funding aims both to contribute to the implementation by the candidate countries of the *acquis communautaire* in the area of the CAP and rural development as well as to address country-specific issues.

In June 2000, the Commission approved the regulation on the financial management of Sapard. These rules are based on three principles:

- full decentralisation of programme management;
- the application of the EAGGF clearance of accounts procedure;
- differentiated appropriations.

¹¹ Council Regulation (EC) No 1268/1999 of 21 June 1999, OJ L 161, 26.6.1999, page 87.

Allocation of Sapard funds	
Country	Annual allocation (million EUR)
Bulgaria	53 026
Czech Republic	22 445
Estonia	12 347
Hungary	38 713
Latvia	22 226
Lithuania	30 345
Poland	171 603
Romania	153 243
Slovakia	18 606
Slovenia	6 447

1999 prices indexed to 2000

Decentralisation

One of the aims of Sapard is to build up the technical capacity of candidate countries' administrations prior to their entry into the EU. With this objective and the large number of projects to be funded under the programme, the Commission decided on a decentralised approach to programme management. Programmes are drawn up by candidate countries and submitted to the Commission for approval. The first programmes were adopted by the Commission in October 2000 and the remainder by the end of the year.

Once candidate countries have completed the accreditation process and the Commission has taken the decision to confer management, Sapard programmes are implemented by a national management authority (the Sapard agencies). These agencies have two roles: to implement the measures in the programme, and to make payments to beneficiaries.

The agency is, *inter alia*, responsible for:

- ensuring that calls for proposals have been made;
- checking that applications are eligible;
- selecting projects;
- carrying out on-the-spot project checks;
- checking payment claims;
- ensuring timely payments to beneficiaries.

The work of the Sapard agency is supervised in the candidate countries by a competent authority. With the aim of using existing administrative structures, the National Fund has responsibility for managing the flow of funds between the Commission and the candidate countries, as is currently the case with the Phare programme.

As the competent authority, the National Fund is responsible for the accreditation of the Sapard agency. In other words, it ensures that the agency meets internationally accepted standards in administrative, payment, control and accounting procedures. The Commission gives final official approval.

A Certifying Body in each candidate country will carry out an annual check of the agency's accounts.

A monitoring committee composed of representatives of interested parties in the candidate countries will be established to oversee the execution of the programme.

The Commission and the Court of Auditors also retain their right to carry out checks in the candidate countries.

By the end of 2000, rural development programmes had been approved for all 10 candidate countries and by the end of March 2001, Multi-annual financing agreements and Annual financing agreements had been signed with them all.

In order to monitor the process towards decentralisation, the Commission carried out a series of fact-finding visits in all candidate countries from 1999 to 2001. In its first annual report on Sapard, published in July 2001, the Commission acknowledged the 'enormous efforts' that have been made by the candidate countries in constructing systems capable of managing the Sapard instruments correctly. Given that this was a completely new concept for most of the candidate countries, and that this is the first time in EU history that external aid will be managed on a fully decentralised basis, the achievements made during 2000 were remarkable.

Sapard is just one of a number of EU instruments through which funds are being made available for the candidate countries in the run-up to accession. The next two sections give an overview of other sources of finance.

Sapard offers candidate countries the possibility of funding projects in the following areas:

- investments in agricultural holdings;
- improvements to the processing and marketing of agricultural and fishery products;
- improvements to the structures for quality, veterinary and plant-health controls, for the quality of foodstuffs and for consumer protection;
- agricultural production methods designed to protect the environment and maintain the countryside;
- development and diversification of economic activities, providing for multiple activities and alternative income;
- setting up farm relief and farm management services;
- setting up producer groups;
- renovation and development of villages and the protection and conservation of rural heritage;
- land improvement and re-planting;
- establishment and updating of land registers;
- improvement of vocational training;
- development and improvement of rural infrastructure;
- management of agricultural water resources;
- forestry: including afforestation of agricultural areas, investments in forest holdings owned by private forest owners and processing and marketing of forestry products;
- technical assistance for the measures covered by this regulation, including studies to assist with the preparation and monitoring of the programme, information and publicity campaigns.

Clearance of accounts

The Commission will apply the principles of the EAGGF-Guarantee clearance of accounts procedure¹² to Sapard operations. This procedure has proved its worth in the Member States and provides for an independent body to certify the accuracy of the annual accounts of the paying agency. The Commission will also check that expenditure complies with Sapard rules by conducting on-the-spot checks. Financing may be refused for expenditure that is found not to comply with the rules. Moreover, flat-rate corrections will be applied when an agency has not carried out proper controls.

¹² More information is available on the Europa server http://europa.eu.int/comm/agriculture/fin/clearance/index_en.htm.

¹³ Council Regulation (EC) No 3906/89 of 18 December 1989 (amended seven times up to 1999).

¹⁴ TAIEX denotes 'Technical Assistance Information Exchange Office'. It was set up in January 1996 to provide the associated countries of central and eastern Europe with technical assistance on approximation of legislation. The delivery of the TAIEX services is funded out of a Phare multi-country programme at the disposal of the TAIEX office. TAIEX homepage: <http://cadmos.carlbro.be>.

Differentiated appropriations

Another feature of the system is that payments do not need to be made and entered into the accounts when appropriations are committed. This technique, known as 'differentiation of appropriations' is applied as a rule to Structural Funds expenditure in the Member States and to external assistance for multi-annual operations. Under current rules, it enables candidate countries to obtain Community financing up to the end of the second year after the resources have been committed in the Commission accounts. Recourse to such appropriations is warranted by the fact that expenditure by beneficiaries can generally only take place well after the corresponding amount of public expenditure has been determined for each of the candidate countries.

International agreements

The detailed conditions for support and eligibility of expenditure has been laid down in bilateral agreements concluded between the Commission, on behalf of the European Community, and each candidate country.

Every year, the Commission will conclude an Annual financing agreement with the candidate country after both parties have concluded a Multi-annual financing agreement. The Annual agreement will, in particular, determine the level of appropriations from the Community that are available for Sapard to each candidate country.

Phare

The Phare programme, set up in 1990¹³, continues to be the main channel for EU financial and technical support to the CEECs. With an annual budget of 1.5 billion euro for the 2000-2006 period, Phare will focus on two areas: institution-building (accounting for 30% of the budget) and investment support (70%).

The large volume of directly applicable *acquis* in the agricultural sector requires appropriate administrative structures to be put in place from the date of accession. Institution-building is thus an important part of preparations for accession in the agricultural sector. One of the innovative features of institution-building is the twinning programme. This programme funds exchanges between officials in the EU administrations handling Community policies and officials in the candidate countries. In this way, candidate countries' administrations benefit from a proactive exchange of administrative and technical expertise. This Phare initiative is helping to set up the agencies that will handle Sapard funds. Phare also funds the activities of TAIEX¹⁴, a Brussels-based one-stop information bureau on the accession process.

ISPA

The ISPA (Instrument for Structural Policies for Pre-accession) was established by Council Regulation (EC) No 1267/1999¹⁵ and covers the period 2000-2006. Its aims are similar to the Cohesion Fund, which funds major infrastructure projects in the field of transport and environment in Greece, Ireland, Portugal, and Spain. With an annual budget of 1 040 million euro for 2000-2006, ISPA will fund up to 85% of the cost of environmental infrastructure projects (focussing on investments aimed at bringing up to EU standard legislation on drinking-water supplies, treatment of waste water, solid-waste management and air pollution) and towards improving transport infrastructure, which is essential if the expanded single market is to function smoothly.

ISPA		
	Indicative annual allocation (million EUR)	
	min.	max.
Bulgaria	83.2	124.8
Czech Republic	57.2	83.2
Estonia	20.8	36.4
Hungary	72.8	104.0
Latvia	36.4	57.2
Lithuania	41.6	62.4
Poland	312.0	384.8
Romania	208.0	270.4
Slovakia	36.4	57.2
Slovenia	10.4	20.8
Total	878.8	1 201.2

Conditionality

Community assistance for financing projects through the three pre-accession instruments (Phare, ISPA and Sapard) is conditional on the candidate countries respecting their commitments under the Europe Agreement, taking further steps towards satisfying the Copenhagen criteria and, in particular, progress being made in meeting the specific priorities of the Accession Partnership in 2000¹⁶. Failure to respect these general conditions could lead to the Council deciding to suspend financial assistance¹⁷.

¹⁵ See OJ L 161, 26.6.1999, page 73.

¹⁶ Council Decisions of 6 December 1999, OJ L 335, 28.12.1999.

¹⁷ Suspensions can be made on the basis of Article 4 of Council Regulation (EC) No 622/98 of 16 March 1998, OJ L 85, 20.3.1998, page 1.

¹⁸ EBRD, the World Bank, the Nordic Investment Bank, the Nordic Environment Finance Corporation and the Council of Europe Development Bank.

International financial institutions and other sources of finance

The European Investment Bank

The European Investment Bank (EIB) provided loans totalling 4.75 billion euro between 1998 and 1999. The EIB works in close partnership with the Phare programme in the region, and collaborates with the EBRD and the World Bank. The EIB's investment support will focus on environmental protection, the development of transport, telecommunications, energy links, industrial competitiveness, and regional development.

The European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was set up in 1991 to support the development of market economies in central and eastern Europe and in the Commonwealth of Independent States. The EBRD is one of the biggest single investors in the region, with 2.1 billion euro committed in 1999 alone, bringing total EBRD financing to the region to 11 billion euro since 1995.

In the agri-business sector, the EBRD has commitments amounting to 1.9 billion euro covering over 100 initiatives. EBRD loans support business projects all along the production chain, from input manufacturers right through to producers, primary processors, distributors and consumers. Examples of EBRD activity in 1999 included a co-financing agreement with a major Slovak agricultural bank, investment in a seed processing plant in Bulgaria, and a 10.5 million euro equity investment in one of Lithuania's biggest dairies.

Cooperation with international financial institutions

In March 2000, the Commission signed an updated Memorandum of Understanding (MoU) on pre-accession preparation of central and eastern European countries with five international financing institutions (IFIs)¹⁸ which are also active in providing assistance to the candidate countries. The objective of this MoU is to improve cooperation in order to increase the overall impact of the various programmes, and to ensure that all activities undertaken contribute to the goal of preparing the CEECs to participate as full members of the EU.

Foreign Direct Investment flows

FDI flows into the region continue to increase. According to the 2000 summary report on progress towards accession by the candidate countries, FDI flows into the CEECs increased in 1999, with net inflows of GDP higher than 3% in most countries (see table below).

FDI flows per CEEC (million EUR)			
CEEC	1999	1998	1997
Bulgaria	723	479	445
Cyprus	113.9	61.3	1 148
Czech Republic	4 792	2 416	235
Estonia	284	513	:
Hungary	1 552	1 259	313
Latvia	352	318	71
Lithuania	456	826	460
Malta	830	238	4 328
Poland	6 821	5 677	1 071
Romania	977	1 812	414
Slovakia	366.4	608.6	
Slovenia	78	178	710
Turkey	763	838	

: = not available

The pre-accession strategy with Cyprus, Malta and Turkey

Cyprus

The agricultural sector in Cyprus shares many of the characteristics of other countries in the Mediterranean region. Fruit and vegetable production dominates the sector, with major export markets being Germany, Greece, Israel, Lebanon, Russia, and the United Kingdom.

On 13 March 2000, the Council adopted the regulation on the implementation of operations in the framework of the pre-accession strategy for Cyprus¹⁹.

The pre-accession strategy for Cyprus is based on the establishment of an Accession Partnership with Cyprus, on support for priority operations to prepare for accession and on participation in certain Community programmes and agencies.

In order to prepare for membership, Cyprus must prepare a national programme for the adoption of the *acquis* which should set out a timetable for achieving the priorities and intermediate objectives established in the Accession Partnership.

¹⁹ Council Regulation (EC) No 555/2000 of 13 March 2000, OJ L 68, 16.3.2000, page 3.

Malta

The agricultural sector in Malta also shares many of the characteristics of other countries in the Mediterranean region. Production of fruit, vegetables and potatoes dominates the sector, and agriculture makes a relatively small contribution to the Maltese economy, at 2.8% of gross value added.

The screening procedure with Malta began in February 1999. On 13 March 2000, the Council adopted a regulation on the implementation of operations in the framework of the pre-accession strategy for Malta.

As with Cyprus, Malta's pre-accession strategy is based on the establishment of an Accession Partnership, on support for priority operations to prepare for accession and on participation in certain Community programmes and agencies.

In order to prepare for membership, Malta prepared a national programme for the adoption of the *acquis* which sets out a timetable for achieving the priorities and intermediate objectives established in the Accession Partnership.

In July 2001, Malta prepared a position paper enabling the opening of the agricultural chapter in the negotiation process.

Turkey

The European Council, held in Helsinki on 10 and 11 December 1999, confirmed Turkey's status as a candidate for membership of the EU. The pre-accession strategy with Turkey will include enhanced political dialogue with the EU on a wide range of issues, participation in Community programmes and the work of Community agencies, and participation in meetings between the candidate countries and the EU in the context of the accession talks. The Council concluded that an Accession Partnership would be drawn up with Turkey and invited the Commission to prepare the process of screening the Community *acquis*. Finally, the Council invited the Commission to come forward with proposals for a single framework to coordinate all forms of financial assistance to Turkey.

The pre-accession strategy for Turkey is based on the establishment of an Accession Partnership, on support for priority operations to prepare for accession and on participation in certain Community programmes and agencies.

In order to prepare for membership, Turkey prepared a national programme for the adoption of the *acquis* which sets out a timetable for achieving the priorities and intermediate objectives established in the Accession Partnership.

Agricultural sub-committees of the Association Agreement were held in June 2000 and in March 2001 to hold an exchange of views on the CAP, fisheries policy, and veterinary and phytosanitary issues.

For more information

Community legislation

- Council Regulation (EC) No 1266/1999 of 21 June 1999;
- Commission Regulation (EC) No 2759/1999 of 22 December 1999;
- Commission Decision (EC) No 229/2000 of 7 March 2000 (ISPA);
- Council Decision (EC) Nos 248 and 249/2000 of 20 March 2000;
- Commission Decision (EC) 503/2000 of 22 June 2001 (Phare).

Commission Reports

- Agricultural Situation and Prospects in Central and Eastern European Countries: elaborated in 1998 separately for Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia;
- Overview of the Phare programme and the new pre-accession funds 2000;
- Phare 2000 Review: Strengthening Preparations for membership;
- Prospects for agricultural markets 2001-2008;
- Agenda 2000 - Enlargement - Composite paper 1999 - Reports on progress towards accession by each of the candidate countries;
- Sapard Annual Report 2000;
- Enlargement Strategy Paper: report on the progress towards accession by each of the candidate countries, 2000.

Commission web sites

- DG Agriculture http://europa.eu.int/comm/dgs/agriculture/index_en.htm;
- DG Enlargement http://europa.eu.int/comm/dgs/enlargement/index_en.htm;
- DG Regional Policy http://europa.eu.int/comm/dgs/regional_policy/index_en.htm.

Financial institutions' web sites

- European Investment Bank <http://eib.eu.int/obj.htm>;
- European Bank for Reconstruction and Development <http://www.ebrd.com/english/>;
- World Bank <http://www.worldbank.org>.

Candidate countries' web sites:

- Bulgaria <http://www.bulgaria.govrn.bg/eng/index.html>;
- Cyprus http://www.pio.gov.cy/ir/cyprus_eu/recent_developments.htm;
- Czech Republic <http://www.czech.cz/>;
- Estonia <http://www.vm.ee/euro/english/>;
- Hungary <http://www.fvm.hu/aindex.html>;
- Latvia <http://www.mfa.gov.lv/eframe.htm>;
- Lithuania <http://www.zum.lt/europa/eng/index.htm>;
- Malta <http://www.magnet.mt/fac004.htm>;
- Poland <http://www.kprm.gov.pl/menu/>;
- Romania <http://domino.kappa.ro/guvern/ehome.nsf>;
- Slovakia <http://www.foreign.gov.sk/>;
- Slovenia <http://www.sigov.si/>;
- Turkey <http://www.mfa.gov.tr/grupa/ad/ad/default.htm>.



European Commission
Directorate-General for Agriculture

Published by: Eugene LEGUEN de LACROIX, EC DG Agriculture A.II.1.
This publication does not necessarily express the official views of the Commission.
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Printed on recycled paper.

Text finalised September 2001