

Accession Partnership 1999

Latvia



DG Enlargement

LATVIA: 1999 ACCESSION PARTNERSHIP

1. Introduction

At its meeting in Luxembourg in December 1997, the European Council decided that the Accession Partnership would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the candidate countries within a single framework. In this manner, the EU targets its assistance towards the specific needs of each candidate so as to provide support for overcoming particular problems in view of accession.

The first Accession Partnerships were decided in March 1998 and this current version represents an up-date, as provided for in the Council Regulation 622/98¹ (article 2) on the establishment of Accession Partnerships, taking into account further developments in Latvia. This Accession Partnership has been decided by the Commission, after consulting Latvia and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council. It takes into account the analysis in the 1999 Regular Report on the progress made by Latvia towards membership.

An assessment of the progress made in implementing the 1998 Accession Partnership priorities is included in the 1999 Regular Report.

2. Objectives

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's 1999 Regular Report on the progress made by Latvia towards membership of the European Union, the financial means available to help Latvia implement these priorities and the conditions which will apply to that assistance. This Accession Partnership provides the basis for a number of policy instruments which will be used to help the candidate States in their preparations for membership. These include inter alia the revised National Programme for the Adoption of the Acquis, the Joint Assessment of Medium-Term Economic Policy Priorities, the Pact against organised crime as well as the National Development Plans and other sectoral plans necessary for the participation in Structural Funds after membership and for the implementation of ISPA and SAPARD before accession. Each of these instruments is different in nature and is prepared and implemented according to specific procedures. They are not an integral part of this Partnership but the priorities they contain will be compatible with it.

¹ OJ L 85, 20.3.1998, p. 1

3. Principles

The main priority areas identified for each candidate State relate to their ability to take on the obligations of meeting the Copenhagen criteria which state that membership requires:

- that the candidate State has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

At its meeting in Madrid, the European Council stressed the need for the candidate States to adjust their administrative structures to ensure the harmonious operation of Community policies after accession and at Luxembourg, it stressed that incorporation of the *acquis* into legislation is necessary, but not in itself sufficient; it is necessary to ensure that it is actually applied.

4. Priorities and Intermediate Objectives

The Commission's Regular Reports have highlighted the extent of the efforts which still have to be made in certain areas by the candidate States to prepare for accession. This situation requires the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the States concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some countries and the opening of new negotiations with the others. The priorities and intermediate objectives in the revised Accession Partnerships are again divided into two groups – short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Latvia can complete or take them substantially forward by the end of 2000. The priorities listed under the medium term are expected to take more than one year to complete although work should, wherever possible, also begin on them during 2000. The progress made in meeting the priorities of the 1998 Accession Partnership is assessed in the 1999 Regular Report. This assessment has been used in formulating the priorities for the current partnership.

Latvia submitted a revised version of its National programme for the Adoption of the *Acquis* (NPAA) on 16 June 1999. It sets out a timetable for achieving priorities and intermediate objectives, based on the first Accession Partnership, as well as necessary administrative structures and financial resources.

The Accession Partnership indicates the priority areas for Latvia's membership preparations. Latvia will nevertheless have to address all issues identified in the Regular Report. It is also important that Latvia fulfils the commitments of legislative approximation and implementation of the *acquis* in accordance with the commitments

made under the Europe Agreement and the screening exercise. It should be recalled that incorporation of the *acquis* into legislation is not in itself sufficient; it will also be necessary to ensure that it is actually applied to the same standards as those which apply within the Union. In all of the areas listed below there is a need for credible and effective implementation and enforcement of the *acquis*.

Drawing on the analysis of the Commission's Regular Report, the following short and medium term priorities and intermediate objectives have been identified for Latvia.

4.1. Short-term (2000)

Political criteria

- align the Language Law with international standards and the Europe Agreement;
- implement further concrete measures for the integration of non-citizens including language training and provide necessary financial support.

Economic criteria

- promote competitiveness through market-based enterprise restructuring; take measures to stimulate domestic and inward investment, in particular through simplification of legal and administrative procedures;
- complete privatisation of remaining large companies;
- strengthen land market and finalise the land and property register;
- develop a strong and effective framework for the regulation of utilities.

Internal market

- *Public procurement*: continue alignment in particular legislation on utilities and remedies;
- *Intellectual and industrial property rights*: enforce copyright, neighbouring rights and trade mark legislation; strengthen implementation of related border and judicial capacities (in particular trademarks and counterfeited or pirated goods);
- *Data protection*: adopt data protection law;
- *Company Law*: adopt Commercial Code and transpose 3rd, 6th, 11th and 12th Company Law Directives;

- *Free movement of goods*: align law on conformity assessment; continue alignment of sectoral legislation (in particular medical devices and pharmaceuticals for veterinary use); accelerate adoption of EN standards; further develop the market surveillance system;
- *Free movement of capital*: align laws on direct investment in sectors still restricted;
- *Free movement of services*: continue transposition of EC rules, especially in view of elimination of the prohibition of establishment of branches by foreign insurance companies;
- *Taxation*: continue alignment of VAT-legislation and harmonise excise duties on alcoholic beverages and cigarettes; ensure that new tax measures comply with the principles of the Code of Conduct for business taxation; continue modernisation of tax administration;
- *Customs*: continue alignment including implementing legislation; continue fight against fraud and corruption; continue modernisation of customs administration.

Agriculture

- continue alignment of veterinary and phytosanitary legislation and up-grade inspection arrangements, in particular at the future external borders;
- modernise meat and dairy processing plants to meet EU hygiene and public health standards.

Transport

- align legislation on maritime safety.

Employment and Social Affairs

- complete the national employment strategy with a view to later participation in the European Employment strategy including through the launched of a joint employment review;
- support the social partners' capacity-building efforts in developing and implementing the social acquis, notably through bipartite social dialogue;
- adopt new Labour Code (i.e. collective redundancies, equal treatment, working conditions).

Environment

- complete transposition and enforce the Environmental Impact Assessment directive;
- accelerate the transposition and enforcement of framework legislation (in particular in the fields of waste, air, water and nature) as well as industrial related sectoral legislation concerning integrated pollution prevention and major industrial hazards;
- strengthen the environmental administration both at national and regional level;
- implement the plan for financing investments (directive specific), based on estimations of costs of alignment and realistic sources of public and private finance year-by-year.

Justice and home affairs

- up-grade border posts and "green border control"; improve data and telecommunication infrastructure;
- upgrade law enforcement bodies and the judiciary (staff numbers, training and equipment) to continue the fight against organised crime, drug trafficking and corruption; ensure better coordination between by law enforcement bodies;
- implement migration and asylum legislation and procedures to prevent illegal immigration and to enable full participation in the Schengen Information System; complete the alignment to international conventions;
- implement concrete measures to fight corruption and improve inter-agency cooperation in the area of anti-corruption; ratify the European criminal law convention, sign the OECD convention on bribery.

Reinforcement of administrative and judicial capacity, including the management and control of EU funds

- accelerate reform of the public administration including strengthening of the relevant administrative institutions; adopt a new civil service law;
- PHARE², ISPA³ and SAPARD⁴: further develop the National Development Plan and the Rural Development Plan; adopt the legal, administrative and budgetary framework (audit manual and audit trail) to programme and manage

² PHARE = Action plan for coordinated aid to Poland and Hungary.

³ ISPA = "Instrument for Structural Policies for Pre-Accession".

⁴ SAPARD = "Special Accession Programme for Agriculture and Rural Development".

ISPA and SAPARD, including the introduction of environmental impact assessments and EU compatible public procurement rules for projects co-financed by Community Funds; establish a functioning paying agency for SAPARD;

- complete the legislative framework for internal and external financial control; introduce "functional independence" for national internal controllers/auditors at both central and decentralised levels and "ex-ante" financial control; enhance coordinating role of Ministry of Finance for harmonising internal audit/control functions; strengthen internal audit/control units in spending centres.

4.2. Medium-term

Political criteria

- pursue integration of non-citizens in particular by extending Latvian language training programmes for non-Latvian speakers.

Economic criteria

- continue promotion of market-driven restructuring in the enterprise sector and improve conditions for the creation and development of private enterprises, with particular attention to small and medium-sized enterprises;
- establish an annual fiscal surveillance procedure aimed at bringing the reporting, monitoring and control of public finances, specifically fiscal positions, in line with EU procedures;
- continue social security financing reform.

Internal market

- *Intellectual and industrial property rights*: complete alignment;
- *Data protection*: implement data protection legislation, including the establishment of an independent supervisory authority;
- *Free movement of goods*: complete alignment of sectoral legislation and EN standards; upgrade standardisation, conformity assessment and market surveillance structures; globally ensure proper implementing structures for all sectors;
- *Free movement of capital*: align laws on outward portfolio investments by private pension funds and insurance companies;

- *Free movement of persons*: complete alignment of mutual recognition of diplomas;
- *Competition*: ensure full enforcement of competition and State aid rules;
- *Telecommunications*: complete transposition of Community legislation; establish regulatory authority;
- *Audiovisual*: complete alignment of the audiovisual legislation; strengthen the capabilities of the independent television/radio regulatory authority;
- *Taxation*: implement VAT legislation and complete alignment of excise duties systems review existing laws and ensure compatibility with the Code of Conduct for business taxation; complete reform of tax administration (including management of tax audit system); strengthen administrative cooperation and mutual assistance and increase the efficiency of tax audits;
- *Consumer Protection*: continue alignment and strengthen market surveillance and enforcement authorities;
- *Customs*: develop an integrated tariff and apply simplified procedures; reinforce administrative and operational capacity; develop efficient border posts.

Agriculture

- reinforce Common Agricultural Policy management mechanisms and administrative structures (monitor agricultural markets and implement structural and rural development measures, set up bodies and control mechanisms);
- continue restructuring the agri-food sector; reinforce food control administration;
- veterinary and phytosanitary sector: complete system of animal identification; implement , quality control system (Hazard Analysis Critical Control Point), animal waste treatment, residue and zoonosis control programmes; complete inspection systems on future external borders.

Fisheries

- develop the capacity to implement and enforce the common fisheries policy.

Energy

- prepare for the internal energy market, notably the electricity and gas directives (including adaptation of energy prices to cost levels and the establishment of a regulator);
- align oil stock requirements and improve energy efficiency.

Transport

- align road transport (market access, road safety, rules for dangerous goods and taxation), railways, maritime transport legislation and aviation (particularly air safety and air traffic management).

Employment and social affairs

- transpose and implement EU legislation in the field of occupational health and safety (including the framework directive), labour law, equal treatment of women and men, and public health; reinforce the related administrative structures and those required for the coordination of social security;
- establish an independent guarantee fund for employees in the case of employer's insolvency;
- take forward reform of social insurance system.

Economic and social cohesion

- develop national policy for economic and social cohesion in preparing for the implementation of a regional development programme and Community initiatives; improving the administrative structures, in particular clarifying allocation of responsibilities on regional policy issues; organising the budgetary system and its procedures according to structural funds standards, including appraisal and evaluation.

Environment

- complete transposition of the environmental acquis; implement legislation according to directive specific pre-defined timetable in air, waste, noise, water, chemicals, nature protection, radiation protection and integrated pollution control and major industrial hazards;
- integrate sustainable development principles into the definition and implementation of all other sectoral policies.

Justice and home affairs

- continue progressive alignment of visa legislation and practice with that of the EU;
- strengthen police cooperation mechanisms with EUROPOL in fight against organised crime in particular money laundering, drugs and trafficking in women and children;
- implement legislation on corruption and the anti-corruption strategy.

Reinforcement of administrative and judicial capacity, including management and control of EU funds

- develop a professional and stable civil service including strengthening of policy analysis and impact assessment capacity of Ministries, as well as human resource management at all levels of government;
- improve the capacity of the public administration to implement and manage the acquis, in particular through ensuring minimum staffing levels and training;
- strengthen public financial control functions through the provision of adequate staff, training and equipment;
- complete territorial reform and develop concept of regional and municipal management;
- strengthen statistical capacities.

5. Programming

The PHARE allocation for the period 1995-1999 has totalled EUR 186 million. Following the agreement of the European Council in Berlin on 24-25 March 1999, financial assistance to the candidate countries during the period 2000-2006 will also comprise support for pre-accession measures for agriculture and rural development through the pre-accession instrument SAPARD (Council Regulation (EC) No 1268/99; (OJ L 161, 26.6.99, p. 87)) and a structural instrument ISPA (Council Regulation (EC) No 1267/99; (OJ L 161, 26.6.99, p. 73)) which will give priority to measures similar to the cohesion fund in the pre-accession period. Under these national allocations, Latvia can also fund part of its participation in community programmes including in the Fifth Research and Technological Development Framework Programme (OJ L 26, 1.2.1999, p. 1). In addition Latvia will have access to funding from multi-State programmes directly related to the acquis. Joint financing by the candidate countries is systematically required for all investment projects. Since 1998 the Commission has worked with the European Investment Bank and International Financial Institutions, in particular the European Bank for

Reconstruction and Development and the World Bank, with a view to facilitating the co-financing of projects relating to pre-accession priorities.

5.1. Phare

The Phare programme is the main financial instrument of the reinforced pre-accession strategy. The overall objective of Phare is to help the candidate countries to prepare for accession by focusing the assistance it provides on the priorities identified in this revised Accession Partnership and in particular on the adoption of Community *acquis*.

During the period 2000-2006, Phare support will focus on two main areas, institution building and investment.

- **Institution building** (around 30% of Phare resources) is defined as helping the candidate countries to develop the structures, strategies, human resources and management skills needed to strengthen their economic, social, regulatory and administrative capacity. Institution building support will be given in particular through twinning arrangements between ministries, institutions, professional organisations, agencies, European and regional bodies, in particular through the secondment of officials in Member States. Phare will contribute to the financing of institution building in all sectors to help the candidate countries to
 - a) implement the *acquis* and to prepare for participation in EU policies such as economic and social cohesion
 - b) fulfil the requirements of the first Copenhagen criterion. In this area support may be made available to public authorities or to non-governmental organisations.
- **Investment support** (around 70% of Phare resources) will take two forms :
 - a) investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis* and direct, *acquis*-related investments
 - b) investment in economic and social cohesion through measures similar to those supported in Member States through the European Regional Development Fund and the European Social Fund.

Phare will not support investment projects in the areas of transport, environment or agriculture eligible for ISPA or SAPARD respectively. Exceptions may be made where investments in these sectors form an indispensable part of integrated industrial reconstruction or regional development programmes.

5.2. ISPA

The new pre-accession instrument for structural policies, ISPA, will provide assistance to Latvia during the period 2000-2006 to contribute to the preparation for accession in the area of economic and social cohesion for :

- (a) **environmental measures** enabling the beneficiary countries to comply with the requirements of Community environmental law and with the objectives of the Accession Partnerships;
- (b) **transport infrastructure measures** which promote sustainable mobility, and in particular those that constitute projects of common interest based on the criteria of Decision No 1692/96/EC and those which enable the beneficiary countries to comply with the objectives of the Accession Partnerships; this includes inter-connection and interoperability of national networks as well as with the trans-European networks together with access to such networks.

Measures shall be of a sufficient scale to have a significant impact in the field of environmental protection or in the improvement of transport infrastructure networks. The total cost of each measure shall in principle not be less than € 5 million. In duly justified cases, taking into account the specific circumstances concerned, the total cost of a measure may be less than € 5 million.

5.3 SAPARD

The new pre-accession instrument for sustainable agriculture and rural development, SAPARD, will provide assistance to Latvia during the period 2000-2006 in particular in the following two areas:

- (a) contributing to the implementation of the *acquis communautaire* concerning the common agricultural policy and related policies;
- (b) solving priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in Latvia.

5.4. Role of International Financial Institutions

Cooperation between Latvia and the International Financial Institutions is receiving an impetus and a new focus through the Accession Partnership. The grant resources made available under the Accession Partnership serve as seed money and a catalyst for larger amounts of development finance from the IFIs. This process is developed by the Commission in liaison with the candidate countries, the EIB and the IFIs, in particular the EBRD and the World Bank with a view to facilitating the co-financing of projects relating to pre-accession priorities.

6. Conditionality

Community assistance for financing projects through the three pre-accession instruments PHARE, ISPA and SAPARD is conditional on respect by Latvia of its commitments under the Europe Agreement, further steps towards satisfying the Copenhagen criteria and in particular progress in meeting the specific priorities of this Accession Partnership in 2000. Failure to respect these general conditions could lead to a decision by the Council on the suspension of financial assistance on the basis of Article 4 of Regulation (EC) No 622/98.

7. Monitoring

The implementation of the Accession Partnership is monitored in the framework of the Europe Agreement. As underlined by the European Council in Luxembourg it is important that the institutions of the Europe Agreement continue to be the framework within which the adoption of the acquis, can be examined, in accordance with the same arrangements, irrespective of whether or not negotiations have been opened. The relevant sections of the Accession Partnership are discussed in the appropriate sub-committee. The Association Committee discusses overall developments, progress and problems in meeting its priorities and intermediate objectives as well as more specific issues referred to it from the sub-committees.

The PHARE Management Committee ensures that financing decisions under all three pre-accessions instruments, PHARE, ISPA and SAPARD, are compatible with each other as well as with the Accession Partnerships as laid down in the Coordinating Regulation (Council Regulation (EC) No 1266/99 (OJ L 161, 26.6.99, p. 68)).

The Accession Partnership will continue to be amended as necessary in accordance with Article 2 of Regulation (EC) No 622/98.