

**STABILISATION AND ASSOCIATION  
BETWEEN  
THE EUROPEAN UNION  
AND CROATIA**

**Brussels, 7 June 2012**

**The Stabilisation and Association Council**

**UE-HR 1954/12**

**COVER NOTE**

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Subject: Eighth meeting of the EU-Croatia Stabilisation and Association Council  
(Brussels, 6 June 2012)

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Delegations will find attached the position paper of the European Union tabled on the occasion of the 8th meeting of the Stabilisation and Association Council between the European Union and Croatia.

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**EIGHTH MEETING OF THE**  
**EU-CROATIA**  
**STABILISATION AND ASSOCIATION COUNCIL**  
**(Brussels – 6 June 2012)**

**POSITION OF THE EUROPEAN UNION**

The European Union welcomes the holding of the eighth meeting of the EU–Croatia Stabilisation and Association (SA) Council. The EU considers that this meeting of the SA Council provides a timely opportunity to review Croatia’s progress in the preparations for membership, following the publication in October 2011 of the Commission’s Progress Report and in April 2012 of the Commission’s spring Monitoring report on Croatia’s accession preparations.

**Item 3    Relations under the Stabilisation and Association Process**

**3.1 Accession Strategy, in particular in the light of the Commission’s 2011 Progress Report and the Monitoring report on Croatia’s accession preparations of April 2012**

The EU welcomes that since the signature of the Accession Treaty in December 2011, Croatia is an acceding country with active observer status in the EU institutions. The EU looks forward to welcoming Croatia as a Member State of the EU on 1 July 2013, subject to ratification of the Accession Treaty by all Member States.

The EU stresses the importance it attaches to the monitoring of Croatia’s fulfilment of all the commitments undertaken in the accession negotiations, including those which must be fulfilled before the date of accession, focusing in particular on competition policy, judiciary and fundamental rights as well as justice, freedom and security, and Croatia’s continued preparations to assume the responsibilities of membership upon accession. Building on the progress already made, Croatia must continue its reform efforts, in particular in the above mentioned areas and in pursuing further economic reforms.

The EU encourages Croatia to continue transposing the *acquis* and strengthen the administrative structures to effectively implement it, in order to be able to meet the obligations of membership in good time before accession.

#### – Political criteria

The EU delegation notes that parliamentary elections took place in December 2011 and were conducted in a pluralistic environment and were administered in a transparent manner. However, the EU delegation notes that improvements are necessary with regard to the proper maintenance of the voters' list.

The EU notes that Croatia continued its efforts to reform its public administration. The Civil Service Human Resources Development Strategy (2010–2013) is being implemented, and a new Code of Ethics has been adopted. A State School for Public Administration has been established; however, it is not yet fully operational. The EU notes that further efforts are needed to consolidate efficient implementation of the legal framework in order to complete building a modern, reliable, de-politicised and citizen-oriented public service. The administrative capacity of the Ministry of Public Administration to implement and monitor the complex and demanding public administration reform needs to be enhanced. High level political support has to be maintained for the successful implementation of the reform.

The EU welcomes the progress made in the area of regional cooperation and encourages Croatia to continue its efforts towards good neighbourly relations, which remain key. The EU welcomes in particular the declaration on promoting European values in South-east Europe stating a commitment from Croatia that bilateral issues, such as border issues, should not obstruct the accession of candidate countries.

The EU underlines that Croatia has continued to engage in cooperation on war crimes cases at the bilateral and regional levels. The EU reiterates the importance it attaches to regional cooperation aimed at prosecuting war crimes and urges Croatia to ensure that the conditions for a continued constructive dialogue in the region on war crimes issues are in place.

The EU encourages Croatia to continue working towards finding mutually acceptable solutions to all outstanding bilateral and regional issues with neighbouring countries, including succession issues, and to pursue efforts aimed at reconciliation among citizens in the region. The EU reiterates the importance of regional cooperation and the principle of good neighbourly relations in the process of moving towards the European Union.

#### **– Economic criteria**

The EU notes that Croatia is a functioning market economy. The country should be able to cope with competitive pressures and market forces within the Union in the medium term. The EU urges Croatia to pursue its reform programme with determination in order to reduce structural weaknesses and to improve its competitiveness.

The EU welcomes the Government's commitment to fiscal consolidation. The EU notes the Government's awareness of the need for accelerated reforms and its support for reviving long-term investments. The EU underlines the importance of agreeing the appropriate economic measures and establishing a clear and comprehensive strategy for economic and structural reforms and invites the Croatian authorities to work towards these goals.

The EU notes that the global financial and economic crisis has severely affected the Croatian economy since 2009. The decline in economic activity has continued and Croatia is in the fourth consecutive year of contracting GDP. The Economic Recovery Programme, aimed at creating an environment supportive of sustainable economic growth, including by making the labour market more dynamic, has not yielded the desired results. Employment continues to decline and foreign direct investments have come close to a standstill. The EU encourages Croatia to actively implement the measures included in the Programme. Monetary policy continued to support financial stability through the provision of liquidity to the domestic banking system while keeping the exchange rate stable. Structural reforms will be essential to ensure sustainability of public finances, including in the medium term.

The EU notes that trade and current account deficits have narrowed in the context of the recession. External debt continues to increase and remains a constraint on macroeconomic policy and performance.

The investment climate continues to suffer from inefficiencies in public administration and the judiciary. The EU takes note of the recent establishment of an Agency for Investments and Competitiveness. In order to encourage private investment, the EU invites Croatia to improve its business environment, in particular the efficiency of the administrative and judicial systems, decision making of the local authorities as well as the respective regulatory framework applicable to these fields.

Finally, the EU welcomes the submission of the eighth Pre-accession Economic Programme covering the period 2012–2014 on 1 March 2012.

#### – *Acquis*

The EU notes that Croatia has reached a considerable degree of alignment with the *acquis* and that it is making progress towards meeting the commitments and requirements arising from the accession negotiations. In most areas of the *acquis* preparations for membership are well advanced. Nevertheless, a limited number of issues requiring further efforts have been identified. The EU encourages the Croatian authorities to take all necessary measures to ensure that the country is fully prepared for membership by 1 July 2013. The EU invites Croatia to address the issues identified in the Commission's Monitoring report of April 2012 and in particular:

The EU notes that Croatia can be considered broadly on track in its preparations for membership in the field of competition policy. The EU invites Croatia to proceed with the signing of the privatisation contract for Brodosplit/BSO and with finding a solution for 3. Maj and Brodotrogir as a matter of urgency in order to fulfil the requirements of the Treaty Annex on the restructuring of the shipyards by the date of Croatia's accession. As to Kraljevica, the EU takes note of the decision by Croatia to initiate bankruptcy proceedings and invites Croatia to keep the Commission informed about developments in this respect.

Croatia can be considered broadly on track in its preparations for membership in the field of judiciary and fundamental rights.

The EU notes that Croatia has made good progress regarding the *judiciary*. Implementation of the judicial reform strategy and action plan has continued generally in line with foreseen deadlines. However, the entry into force of the new system of public bailiffs, as part of the enforcement reform, which is an important element of the strategy, has been postponed. Implementation of the various measures taken to strengthen the independence, accountability, impartiality and professionalism of the judiciary has continued. However, the EU notes that improvements in the implementation of the transitional system of appointments of judges are needed, that the enrolment of the second annual intake to the State School for Judicial Officials has been delayed and that the State Judicial Council (SJC) and State Prosecutorial Council (SPC) need to be provided with further administrative resources to function more effectively. As regards the efficiency of the judiciary, the EU invites Croatia to continue to implement efficiency measures with vigour, in particular to ensure improved rates of case handling and reductions in the number of old cases.

The EU notes that tackling impunity for *war crimes* remains a major challenge in Croatia, especially as the majority of crimes have yet to reach the final verdict. The EU underlines the importance for Croatia to ensure the effective handling of war crime cases and encourages Croatia to take measures to facilitate the attendance of witnesses at trial, especially in cases relocated to the specialised chambers. The EU encourages Croatia to pursue further the contacts with Serbia and Bosnia and Herzegovina with the aim of addressing the potential negative implications of the Law on invalidation of certain legal acts of the judicial bodies of the Former Yugoslav National Army, the former Socialist Federal Republic of Yugoslavia and of the Republic of Serbia on bilateral cooperation on war crimes cases.

The EU notes that an adequate legal and institutional framework is in place for the *fight against corruption and organised crime*. Law enforcement bodies remain active, especially on higher level cases. The EU stresses the importance for Croatia to continue its efforts to develop the track record of effective handling of corruption cases, especially covering high level corruption, local level corruption and including cases related to public procurement and the judiciary. Also appointments and implementation of police reforms will require close attention, especially to ensure depoliticisation and increased professionalism. The EU calls on Croatia to establish without delay the new Conflict of Interest Commission, in line with the commitment undertaken in the accession negotiations, and stresses the importance of strengthening the system of verification of assets declarations and unjustified wealth. Croatia needs to ensure that a strong system is in place for preventing corruption, including in State owned companies, and to continue developing the concept of political accountability and zero tolerance of corruption.

The EU notes that *protection of minorities* has continued to improve. However, the EU encourages Croatia to pursue the actual recruitment of minorities in the public administration and to continue to foster a spirit of tolerance towards minorities, in particular Croatian Serbs. The EU notes that the Roma minority faces particularly difficult living conditions, and challenges remain in the areas of education, social protection, health care, employment and access to personal documents.

The EU acknowledges that there has been good progress on *refugee return* issues, but notes that efforts to create the economic and social conditions necessary for sustainable returns of refugees need to be accelerated.

The EU notes that overall, *civil and political rights* continue to be generally well respected in Croatia. The EU invites Croatia to continue developing its track record of implementation of the anti-discrimination law and legislation on hate crimes, to address cases of attack and threats to lesbians, gays, bisexual and trans-gender people (LGBT), and to promote a spirit of tolerance.

Finally, the EU notes that Croatia continues to cooperate with the International Criminal Tribunal for the former Yugoslavia (*ICTY*).

The EU notes that Croatia can be considered on track in its preparations for membership in the field of justice, freedom and security. However, the EU notes that a migration strategy ensuring a broader approach to protection of migrants and refugees, including unaccompanied minors, has to be in place and that further efforts are needed to solve the problems related to the construction of the reception centres. In the field of visa, the EU invites Croatia to ensure full alignment and to phase out identity cards issued prior to 2003. The EU stresses the importance of implementing the legislation in the field of border management, as well as of preparations with regard to equipment and infrastructure. Cooperation with neighbouring countries in this field remains crucial, especially with Bosnia and Herzegovina. Construction work on the new Border Crossing Points needs to be accelerated and a comprehensive plan for the renovation of borders' infrastructure should be prepared. The EU recalls the importance of bringing all bilateral agreements with neighbouring countries in line with the *acquis* by the date of accession. In the area of fight against organised crime, the EU notes that Croatia should continue to develop a convincing track record of cases, to ensure coordination between criminal and financial investigations and to implement the legal framework in the field of trafficking in human beings, as well as on seized and confiscated assets. The level of confiscated assets needs to be increased.

The EU notes that Croatia has achieved a good level of alignment, with a limited number of outstanding issues still remaining, in most of the *acquis* chapters.

In the field of free movement of goods, the EU notes that alignment with the *acquis* is well advanced. However, legislative alignment still needs to be completed in the field of horizontal measures, as well as of new and old approach product legislation.

As regards free movement of capital, the EU notes that further attention must be paid to the amendments to the Act on Privatisation of INA and the Act on Privatisation of Telecom. Efforts to implement the action plan against money laundering must continue.



With regard to public procurement, the EU notes that alignment with the *acquis* is on track and nearing completion with the entry into force of the new public procurement legislation in January 2012. The EU underlines that attention must be paid to legislative alignment in secondary legislation, especially in the field of defence procurement and also to the proper implementation of the newly adopted legislation, especially at local level, also in view of the future management of the structural funds.

In the area of information society and media, the EU urges Croatia to abolish the fee / tax measure on mobile services re-introduced in January 2012.

In the field of transport policy, notwithstanding the substantial progress achieved in this field, the EU emphasises the need to pay due attention to further legislative alignment in the areas of combined transport and to improving administrative capacity, in particular in relation to the functioning of the railway safety agency.

With regard to energy, the EU highlights the importance of further legislative alignment in the areas of the internal energy market, and the continuation of the liberalisation process of the electricity and gas markets. The EU encourages Croatia to continue to search for common solutions with Slovenia on the management of low and intermediate level radioactive waste and spent nuclear fuel from the Krško Nuclear Power Plant in line with the principle to avoid imposing undue burdens on future generations.

With regard to taxation, the EU notes that Croatia's tax legislation is largely in line with the *acquis*, but further alignment is needed especially in the field of indirect taxation. Croatia needs also to ensure that all relevant IT systems are in place and able to exchange information with the EU and other Member States as from the date of accession.

The EU further notes that Croatia has achieved a generally good level of alignment in six *acquis* chapters, but increased efforts are needed in some domains.

As regards right of establishment and freedom to provide services, the EU notes that Croatia's legislation is largely aligned with the *acquis* in this area and progress has been made in particular in the field of the Services Directive. However, efforts need to be focused on the implementation of the Services Act.

As for agriculture and rural development, the EU welcomes the good progress made in relation to the establishment of the Paying Agency, the Integrated Administration and Control System including the Land Parcel Identification System as well as the Common Market Organisation. However, the EU emphasises the need to pay due attention to further legislative alignment and strengthening of administrative capacity in the areas of direct payments and rural development.

With regard to food safety, veterinary and phytosanitary policy, the EU welcomes that transposition of the *acquis* is reaching completion in several sectors. However, the EU underlines the importance for Croatia to fulfil its commitments in due time, in particular regarding the construction and equipment of border inspection posts and the special regime for the Neum corridor as well as the upgrading of the establishments for the handling and processing of milk, meat, fish and animal by-products. Continued attention needs to be paid to the further strengthening of administrative and control capacity in this area.

In the field of fisheries, the EU notes the importance of further legislative alignment and implementation of the *acquis* in the areas of resources and fleet management, inspection and control as well as structural measures, in particular as regards the preparation of the management plans, the phasing out of the category of subsistence fisheries, the completion of the satellite based vessel monitoring system and preparation and adoption of the operational programme for structural funds. Continued attention needs to be paid to the further strengthening of administrative capacity, especially as regards the recruitment and training of fisheries inspectors.

With regard to regional policy and coordination of structural instruments, the EU notes that further sustained efforts need to focus on effectively implementing the plans to increase administrative capacity for future cohesion policy implementation and to develop a mature project pipeline. Particular attention needs to be paid to increasing procurement capacity and to meeting capacity-building needs at regional and local level.

With regard to environment and climate change, the EU notes that further efforts are needed to complete legislative alignment and improve implementation in the areas of the horizontal *acquis* and climate change. Further attention needs to be paid to the effective public participation and access to justice in environmental matters, to the timely implementation of the *acquis* in the areas of waste, air quality and industrial emissions and, in so far as climate change is concerned, to completing the legislative alignment and to ensuring implementation, in particular for the EU Emissions Trading System. Continued attention needs to be paid to strengthening administrative capacity throughout all areas, in particular in the field of climate change.

With regard to customs union, the EU encourages Croatia to finalise the preparation and deployment of all the IT systems required for interconnectivity and interoperability with the EU customs systems. Croatia should also abolish the fees charged for access to the customs services at cargo terminals where the customs offices are located.

### **3.2 Bilateral relations under the Stabilisation and Association Agreement**

Implementation of the Stabilisation and Association Agreement has largely continued without major difficulty with some exceptions which require close attention as detailed below. Croatia has contributed to the smooth functioning of the various joint institutions. The seventh meeting of the Stabilisation and Association Committee was held in December 2011, preceded by the traditional full cycle of sub-committees in the course of 2011. Meetings of the Joint Parliamentary Committee comprising representatives of the Croatian and the European Parliament took place in May and October 2011 and in May 2012. In addition, the European Economic and Social Committee held meetings in June 2011 in Brussels, in January 2012 in Zagreb and in June 2012 in Vienna. The Committee of the Regions organised meetings of the Joint Consultative Committee in April and November 2011. The EU welcomes these initiatives which further deepen the dialogue with all sectors of the Croatian administration and civil society.

In the field of free movement of goods, the EU urges Croatia to abolish the requirement imposed by Croatia for additional intermediate storage of imported petroleum products, which constitutes a measure having an effect equivalent to quantitative restriction, and is not in line with the *acquis*.

The EU notes that the system established by Croatia to allocate import quotas for agricultural and food products creates difficulties to operators. The EU invites Croatia to align its system to the EU *acquis* as a matter of urgency and to ensure that the application of the current systems guarantees full transparency and does not discriminate among operators.

In 2011 Croatia continued its participation in the European Union Programmes Fiscalis 2013, CUSTOMS 2013, Culture 2007–2013, Media 2007, Seventh Framework Programme for Research, Technological Development and Demonstration Activities, Europe for Citizens, EU Programme for Employment and Social solidarity (PROGRESS), Competitiveness and Innovation Framework Programme (CIP), Civil protection financial instrument, Second Programme of Community Action in the Field of Health 2008–2013, Marco Polo II, ISA Programme (Interoperability Solutions for European Public Administrations), LifeLong Learning Programme (LLP) and Youth in Action Programme.

Concerning financial cooperation, the IPA national allocations for 2011 totalled € 156.5 million. The assistance was focused on institution-building and preparing for implementation of the EU's common agricultural policy and cohesion policy. The EU notes that, overall, Croatia has demonstrated a satisfactory functioning of the decentralised implementation system under IPA, although some delays were encountered in implementation. The EU encourages Croatia to further increase its administrative capacity to manage EU funds and invites Croatia to keep the Commission regularly informed on any related development. The EU underlines the importance of the European Court of Auditor's recommendation on the need to ensure a sufficient track record in decentralised management without ex-ante control before the date of accession.

Finally, the EU calls on the Croatian authorities to significantly accelerate work on the translation and revision of the *acquis*, which must be completed before the date of accession in order to ensure legal certainty in the implementation of EU legislation.

**Item 4 Exchange of views on developments in the Western Balkans and other international issues of common interest**

As regards the common foreign and security policy (CFSP), the EU welcomes the fact that Croatia has continued to align itself, when invited, with all relevant Council decisions and EU declarations. Based on the positions set out in the most recent relevant Council conclusions, the EU will proceed to an exchange of views regarding developments in the Western Balkans, and other international issues.

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