

**Comprehensive monitoring report
on
Slovenia's
preparations for membership**

A.	INTRODUCTION	3
B.	ECONOMIC ISSUES	5
1.	Economic developments	5
2.	Implementation of recommendations for improvements	7
C.	COMMITMENTS AND REQUIREMENTS ARISING FROM THE ACCESSION NEGOTIATIONS	9
1.	Administrative and judicial capacity	11
	Public administration	11
	Judicial capacity	12
	Anti-corruption measures	13
	Translation of the acquis into Slovenian	14
2.	The chapters of the acquis	15
	Chapter 1: Free movement of goods	15
	Chapter 2: Free movement of persons	17
	Chapter 3: Freedom to provide services	18
	Chapter 4: Free movement of capital	19
	Chapter 5: Company law	20
	Chapter 6: Competition Policy	21
	Chapter 7: Agriculture	22
	Chapter 8: Fisheries	26
	Chapter 9: Transport policy	27
	Chapter 10: Taxation	28
	Chapter 11: Economic and monetary union	29
	Chapter 12: Statistics	30
	Chapter 13: Social policy and employment	30
	Chapter 14: Energy	32
	Chapter 15: Industrial policy	33
	Chapter 16: Small and Medium-sized Enterprises	34
	Chapter 17: Science and research	34
	Chapter 18: Education and training	34
	Chapter 19: Telecommunications and information technologies	35
	Chapter 20: Culture and audio-visual policy	36
	Chapter 21: Regional policy and co-ordination of structural instruments	36
	Chapter 22: Environment	38
	Chapter 23: Consumer and health protection	40
	Chapter 24: Co-operation in the field of justice and home affairs	41
	Chapter 25: Customs union	44
	Chapter 26: External relations	45
	Chapter 27: Common foreign and security policy	46
	Chapter 28: Financial control	46
	Chapter 29: Financial and budgetary provisions	47
D.	CONCLUSION	49
	STATISTICAL ANNEX	51

A. INTRODUCTION

The accession negotiations with Slovenia were successfully concluded on 13 December 2002 and the Treaty of Accession was signed on 16 April 2003. In a referendum held on 23 March, a majority of Slovenes expressed their support for membership of the European Union. Following ratification of the Treaty of Accession, Slovenia will join the EU on 1 May 2004.

In its Strategy Paper “Towards the enlarged Union”, which accompanied the 2002 Regular Reports, the Commission stated that:

“Acceding countries need to implement the acquis by the date of accession, except in cases where transitional arrangements have been agreed. Commitments undertaken in the negotiations must be fully met before accession. The Regular Reports point to a number of areas where further improvements need to be made in the context of the political and economic criteria and in relationship to the adoption, implementation and enforcement of the acquis. These should be vigorously pursued. In order to analyse progress and to facilitate successful membership of the European Union, the Commission will regularly monitor this and report to Council. The Commission will produce six months before the envisaged date of accession a comprehensive monitoring report for the Council and the European Parliament.”

The Copenhagen European Council in December 2002 concluded that:

“Monitoring up to accession of the commitments undertaken will give further guidance to the acceding states in their efforts to assume responsibilities of membership and will give the necessary assurance to current Member States.”

and the Thessaloniki European Council in June 2003 stated that:

“...the ten acceding States are encouraged to keep up their efforts so that they are fully prepared to assume the obligations of membership by accession. This also includes the necessary translation of the Community acquis. With a view to making a success of enlargement, the monitoring of these preparations has been intensified on the basis of reports submitted regularly by the Commission.”

As the accession date of 1 May 2004 draws closer, this report presents a comprehensive state of play of the findings of the regular monitoring carried out by the Commission, and building upon the findings of the 2002 Regular Report for Slovenia. The report contains two main parts.

The first part deals with economic issues. It describes briefly economic developments in Slovenia, and then goes on to assess the implementation of the necessary economic reforms in the areas highlighted in the conclusions of the 2002 Regular Report for Slovenia as being in need of further improvements.

The second part gives an overview of where Slovenia stands in implementing all commitments and requirements arising from the accession negotiations for each *acquis* chapter, both in terms of legislation and from the perspective of implementing structures, including administrative capacity and enforcement. In view of their importance for the implementation and enforcement of the *acquis*, the overall state of readiness of the public

administration and the judicial system and the development of effective anti-corruption measures are assessed in an introductory section to this part.

This report reflects the situation at the end of September 2003. It records decisions actually taken, legislation actually adopted, measures actually implemented and structures actually in place and functioning by that date.

For each chapter of the *acquis*, this report identifies the areas in which Slovenia is expected to be, or is already, in a position to implement the *acquis* and the areas where further action is still needed. Where relevant, the report also points out issues where lagging or deficient preparations are a cause of serious concern. This assessment starts from the premise that Slovenia must be fully prepared for membership from the date of accession. In cases where transitional arrangements have been agreed in the accession negotiations, their effect on Slovenia's obligations is duly reflected in the assessment.

Numerous sources of information have been used to compile this report. Slovenia was invited to provide information on its state of preparedness. The Report also draws on information provided by Slovenia within the framework of the Association Agreement and the accession negotiations, as well as on peer reviews that have taken place to assess its administrative capacity in specific areas. Council deliberations and European Parliament reports and resolutions have been taken into account in drafting it.¹ Where relevant, the Commission has also drawn on assessments made by various international organisations such as the Council of Europe, the OSCE and the international financial institutions, and by those of non-governmental organisations.

¹ For the European Parliament the rapporteur is Mr Demetrio Volcic.

B. ECONOMIC ISSUES

In its 2002 Regular Report, the Commission concluded that

“Slovenia is a functioning market economy. The continuation of its current reform path should enable Slovenia to cope with competitive pressure and market forces in the Union.

Improvements can be made on reducing the inflation rate by the further elimination of indexation schemes and by directing the macroeconomic policy mix more convincingly towards inflation reduction. The competitiveness of the economy would be supported by speeding up structural reforms, such as the final liquidation of the Slovene Development Corporation and further privatisation in the financial sector.”

The principal purpose of this part of the Comprehensive Monitoring Report is to assess the implementation of recommendations for improvements in the areas identified in last year's Regular Report. The focus is on the change since last year and not on the overall degree of functioning of the market economy or degree of competitiveness. The assessment can be found in Section 2. Section 1 briefly describes recent economic developments in Slovenia including the continuation of the reform path since last year's Report.

1. Economic developments

Slovenia has exhibited a relatively robust macroeconomic performance. GDP growth in 2002 at 3.2% was pushed mainly by domestic demand. While consumption growth remained moderate, domestic investment registered modest positive growth after a decline in the previous year. At the same time, higher than expected real export growth in 2002 - especially to non-EU markets - combined with some improvement in the terms of trade, helped maintain GDP growth and led to the sharp improvement in the trade - and current account. 2002 saw a marked increase in the current account surplus to 1.7% of GDP, the highest level achieved since 1994. Also, foreign direct investment (FDI) inflows reached record levels again, mostly linked to privatisation in the banking and pharmaceutical sectors, and constituted the main part of capital inflows in 2002. Despite the large capital inflows, growth in monetary mass (M3) was slightly lower compared to the year before but still rather high at nearly 23%. Closely following the European Central Bank, in May 2003 the Bank of Slovenia cut interest rates for the second time in 2003. In 2002, the tolar effective exchange rate appreciated by 2.7% in real terms, but nominally depreciated by 2.9%, adding to inflationary pressure. Although inflation has been inching downward, concern remains about its persistency. For 2002, inflation stood at 7.5%, down from 8.6% in 2001. In the course of 2003 some further decline was registered to 6.3% by August. This is an encouraging development, although it seems more attributable to special factors - mainly related to caps on administered price rises and excise tax changes - rather than co-ordinated policy efforts to lower inflation on a sustained basis. For 2002, the government budget deficit was marginally reduced to 2.6% of GDP, although the original target had been set to 1.6% of GDP. The budget continues to be characterised by a high share of fixed commitments, overshooting of targets, and frequent revisions and budget suspensions, despite the introduction of two-year budgets. Problems persist in flexibly adjusting Slovene fiscal policy to unforeseen changes as both the overshooting and the repeated introduction of supplementary budgets in recent years clearly show. Employment growth in 2002 has been stagnant and the employment rate

stood at 63.4 %, while the unemployment rate rose to 6.0% (see also the Joint Assessment of Employment Policy Priorities and subsequent progress reports). Overall real wage growth followed these modest developments, dropping to 2% in 2002.

Main Economic Trends							
Slovenia		1998	1999	2000	2001	2002	2003 latest
Real GDP growth rate	per cent	3.8	5.2	4.6	2.9	3.2	2.1 Q2
Inflation rate	per cent	7.9	6.1	8.9	8.6	7.5	6.3
- annual average							August ^a
- December-on-December	per cent	6.4	8.1	8.9	7.1	7.1	5.7
Unemployment rate		7.4	7.2	6.6	5.8	6.0	August
- LFS definition	per cent						7.1 Q1
General government budget balance	per cent of GDP	-2.3	-2.2	-3.3	-2.8	-2.6 p	
Current account balance	per cent of GDP	-0.6	-3.5	-2.8	0.1	1.7 p	
	million ECU/Euro						-54 Jan.-
Gross foreign debt of the whole economy	Per cent of exports of goods and services	-109	-661	-576	32	393 p ^b	July ^b
- debt export ratio	million ECU/Euro	25.9	39.0	51.9	53.2	:	
	million ECU/Euro	2 564	3 845	6 001	6 706	:	
Foreign direct investment in flow	Per cent of GDP	1.5	1.9	2.4	2.2	8.3 p	
- balance of payments data	million ECU/Euro	256	351	492	486	1950 p ^b	:

Sources: Eurostat. National sources. OECD external Debt Statistics

^a Moving 12 months average rate of change.

^b Source: Website of the National Bank.

P= provisional figures

The restructuring process has continued to move forward on the reform path, albeit slowly and with a mixed picture in a number of sectors. The government has now decided not to sell its majority share in the three companies of the Slovenian Steelworks referring to the unfavourable state of steel industry world-wide. Equally, the further privatisation of the dominant telecommunications operator has been postponed due to bad market conditions. As regards the privatisation process of the two largest and state-owned banks, Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM), no further developments can be observed as the privatisation plans have been changed. The insurance sector too has so far remained closed and largely unstructured. However, the ruling of the Constitutional Court on the implementation of the Law on the Ownership Transformation of Insurance Companies announced in February 2003 has now opened the way for the largest state-owned insurance company, Triglav, to be privatised. As yet, the government has not started preparing a privatisation plan. Efforts aimed at the introduction of more flexible labour laws, a shift in wage indexation, the further gradual liberalisation and development of financial markets, and the ongoing liberalisation in the utilities sector have so far not had a significant effect. Price liberalisation, in particular, back-pedalled when in March 2003 the government temporarily changed the retail pricing model of oil prices with the aim of avoiding large jumps, thus effectively removing the price further from world price levels. Although this measure has now been lifted, the

temptation to influence price setting still exists. Notably, in May, after the temporary freeze of administered prices was lifted, the government enforced a comprehensive price control plan, according to which rises of prices under its control should not exceed the inflation rate at the end of the year.

Main Indicators of Economic Structure in 2002		
Population (average)	Thousand	1,996
GDP per head ^a	PPS	
	Per cent of EU average	74
Share of agriculture ^b in:		
- gross value added	Per Cent	3.3 ^c
- employment	Per Cent	9.7
Gross fixed capital formation/GDP	Per Cent	22.9
Gross foreign debt of the whole economy/GDP ^c	Per Cent	30.8
Exports of goods & services/GDP	Per Cent	57.8
Stock of foreign direct investment ^d	Million Euro	3080
	Euro per head	1543
Long term unemployment rate	Per Cent of labour force	3.3

Source: Eurostat

a Figures have been calculated using the population figures from National Accounts, which may differ from those used in demographic statistics.

b Agriculture, hunting, forestry and fishing.

c Data refer to 2001.

d Data refer to 2000.

2. Implementation of recommendations for improvements

*Although decreasing slowly, the relatively **high and persistent inflation** remains a key policy concern.* Earlier this year, the government stated that inflation is now considered a policy priority and that the intention is to move toward a generalised de-indexation of the economy. Dismantling backward-looking indexation mechanisms is indeed instrumental in combating inflation. A positive development in this context is a social agreement concluded by the social partners in April 2003, stipulating a new wage system based on projected inflation; a forward-looking adjustment scheme accounting for inflation in Slovenia and the EU has already been transposed into the public sector wage law. Also, formal de-indexation of interest rates (the 'basic interest rate' or TOM) was given an important push forward in May 2003 when parliament adopted an act on the prescribed interest rate for delayed payments. With this, TOM has now been abolished for contracts of over one year while it was already eliminated in 2002 for contracts for less than one year. The Bank of Slovenia announced in July 2003 that Slovenia intends to enter the ERM II in the first half of 2005, thereby revoking the initially planned entry date of 1 January 2005. It has set an inflation objective of 5% for this year and below 4% in 2004 in order to prepare for entry into the ERM II under conditions that would allow the adoption of the euro as soon as possible. However, it is not clear to what extent these inflation objectives constitute a firm and clear commitment to an inflation rate target, and given the inflation track record so far it remains to be seen how these goals will be achieved. In 2002, about half of the price increase was linked to the continuous nominal depreciation of the exchange rate. Inflation was also pushed up by rises in administered prices. Inflationary pressures continue to be fed by still prevalent - although now

weakening - wage and pension indexation, a largely accommodating monetary policy and lack of competition in various sectors. These issues have to be further addressed.

*In order to support competitiveness of the economy, the Government should apply further structural reforms, such as the **final liquidation of the Slovene Development Corporation, set for 2004, and further privatisation in the finance sector.*** In the past, the Slovene Development Corporation (SDC) played a major but not always transparent role in the privatisation and restructuring process. The commitment to closing it down by end-2001 has, however, proven very difficult to put into practice and continues to slip behind schedule. While the SDC has since December 2001 no longer been providing state aid to companies, the corporation remains to be finally closed. After various delays, a formal plan to abolish the SDC was adopted in February 2002. Yet another resolution on the liquidation of SDC was adopted in July 2002, and the 'Consulting and Management Corporation' was established to act as 'liquidation administrator'. The government has indicated that now the liquidation of the SDC is expected to be completed in 2004 but has again refrained from committing itself to a firm timetable. Concerning further privatisation in the banking sector, the second stage privatisation of the NLB, which anticipated the sale of a 9% stake to domestic institutional investors, was cancelled by the government following a lack of investor interest. The bank has thus been kept in mixed ownership. The privatisation of NKBM was halted as political resistance increased. The current official position is that foreign investors are not needed in the privatisation process of the NKBM, and the intention is now that the bank will be merged with the state-owned Postal Bank. Although limited and partial privatisation has taken place in the banking sector, the state remains strongly present in this sector while further privatisation would promote reform conducive to competitiveness. The insurance sector has remained closed and largely unstructured, dominated by one state-owned company. However, the Constitutional Court announced its long-awaited ruling on the implementation of the Law on the Ownership Transformation of Insurance Companies in February 2003. This decision has finally paved the way for the privatisation of the state owned insurance company, after having been stalled for twelve years. The process of ownership transformation is now foreseen to be completed by mid-2004.

C. COMMITMENTS AND REQUIREMENTS ARISING FROM THE ACCESSION NEGOTIATIONS

As we approach the actual date of accession and the entry into force of the mutual rights and obligations enshrined in the Treaty of Accession, it is necessary to focus efforts on ensuring that Slovenia is fully prepared in all areas of the *acquis* from the start of its membership. In other words, Slovenia must meet its commitments and requirements arising from the accession negotiations.

In the 2002 Regular Report on Slovenia, the Commission found that:

“Slovenia is generally meeting the commitments it has made in the negotiations. However, delays have occurred with regard to removing restrictions on foreign direct investment concerning investment funds and management companies, the establishment of the Fishing Vessel Register, creating the legislative basis for restructuring of the railways and transposition of the Integrated Pollution Prevention and Control directive. These issues need to be addressed.

Bearing in mind the progress achieved since the Opinion, the level of alignment and administrative capacity that Slovenia has achieved at this point in time, and its track record in implementing the commitments it has made in the negotiations, the Commission considers that Slovenia will be able to assume the obligations of membership in accordance with the envisaged timeframe. In the period leading up to accession, Slovenia needs to continue its preparations in line with the commitments it has made in the accession negotiations.”

As regards the administrative capacity to implement the *acquis*, the overall findings were as follows:

*“Slovenia’s administrative capacity for the implementation of the *acquis* has been enhanced further in the reporting period. Most of the institutions necessary for the implementation of the *acquis* are now in place and attention should be focussed on providing them with sufficient resources to carry out their work. Slovenia should continue its efforts to improve the administrative capacity, in particular in the areas of freedom to provide services, agriculture, fisheries, rail transport, energy, telecommunications, culture and audio-visual, environment, consumers and health protection, and justice and home affairs. Special attention should be given to the structures necessary to implement the *acquis* which will be applicable only upon accession, in particular as regards sound and efficient management of EC funds.”*

In order to give further guidance to Slovenia in its preparation efforts and to give the necessary assurance to current Member States and other future Member States, this part of the comprehensive monitoring report, in Section 2, gives an overview of where Slovenia currently stands in implementing all commitments and requirements arising from the accession negotiations for each of the 29 chapters of the *acquis*. It covers the whole body of the *acquis*, on a chapter-by-chapter basis, both in terms of legislation and from the perspective of implementing structures, including administrative capacity and enforcement.

The principal commitment undertaken by Slovenia in the accession negotiations is to be fully prepared for membership in all areas by the date of accession. In a number of areas, however, commitments were made to put in place and implement the *acquis* according to

specific timetables even before accession. This report examines the extent to which these commitments have been met, and where delays have occurred, but the principal focus of the assessment remains the requirement that Slovenia must be fully prepared as from accession. Naturally, in cases where transitional arrangements have been agreed, their effect on Slovenia's obligations is duly reflected in the assessment. On the other hand, it should be underlined that, in order for Slovenia to make effective use of its eligibility for Community structural funds from 1 January 2004, the relevant *acquis* in areas such as public procurement, state aid and environmental protection will need to be fully respected from 1 January 2004 in relation to the implementation of structural funds actions².

For each chapter, a conclusion is provided, which is structured in the following way.

Firstly, it identifies those areas where Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations and is expected to be, or is already, in a position to implement the *acquis* from accession. This does not exclude the possibility that certain actions are still to be taken, but these should under foreseeable circumstances not pose particular difficulties.

In a *second* paragraph, the assessment identifies any areas where important further action is still needed in order to complete preparations for membership. In some cases these preparations are on-going, but enhanced efforts or quicker progress may be called for. These are issues which can still be remedied taking into account the accession date of 1 May 2004 but which require the special attention of the authorities.

Thirdly, where relevant, the assessment also identifies issues that are of serious concern. These are areas where serious shortcomings exist which are likely to persist after accession unless immediate remedial action is taken. These issues require the urgent attention of the authorities. In view of their importance for the implementation and enforcement of the *acquis*, the *overall* state of readiness of the public administration and the judicial system, and the development of effective anti-corruption measures, together with the question of the translation of the *acquis* into Slovenian, are evaluated in a separate Section 1.

² See also the Commission Communication on the implementation of commitments undertaken by the acceding countries in the context of accession negotiations on Chapter 21 - Regional policy and coordination of structural instruments, 16 July 2003 (COM(2003) 433 final).

1. Administrative and judicial capacity

Public administration

There have been no major changes in the structure of the public administration. However, the Law on Civil Servants, which was adopted in 2002 and entered into force in June 2003, provides for cuts in the number of government offices and ministerial bodies. A decree adopted in June 2003 outlines a reduction in the number of ministerial bodies from 53 to 45 by the end of this year. The number of government offices will be narrowed down to 16 from the current 21 by transferring their functions to line ministries.

The legal basis of the status of civil servants is the Law on Civil Servants, which aims at creating a professional, impartial and accountable civil service. The Law aims at de-politicising public administration by reducing the number of politically appointed officials. It creates a more transparent and harmonised system of recruitment and career structures, and introduces promotion based on performance appraisals. A number of decrees implementing the law were adopted in June 2003. One of them creates a uniform system of posts in different government bodies by setting up a 16-level career structure, specifying the titles of civil servants and the work experience required for them.

An Administrative Council with 12 members was established in May with the responsibility for overseeing politically unbiased selection of senior civil servants. The Law on Civil Servants also introduces disciplinary procedures, and specifies that dismissals have to follow strict legal procedures.

The provisions of the law are now being implemented, but it is at this stage still too early to assess to what extent the legislative changes have brought about the desired improvements in the way the public administration functions. While the aim of creating a more independent and professional civil service is welcome, the legislation on involvement of officials in economic and political activities should be widened to cover all officials, also politically appointed staff.

In addition to this law, the Code of Conduct for Civil Servants, adopted in 2001, and the State Administration Act from May 2002, include provisions on the legality, reliability and predictability of actions taken by civil servants. The Law on General Administrative Procedures has provisions on accountability of administrative decision-making.

The Access to information of public nature act determines the rights of citizens to obtain information of a public nature, and includes the obligation of public bodies to actively provide such information.

Decisions of public administration can be challenged in the administrative courts and in some cases in courts of general jurisdiction. The Ombudsman can inspect all public bodies and can propose disciplinary measures against civil servants. The Ombudsman issues an annual report. The Ombudsman is elected by the Parliament for a period of six years and is an autonomous, independent and impartial institution. The institution is functioning well. The majority of cases filed with the Ombudsman in 2002 concerned the length of court and police proceedings, as was the case also in previous years. The Inspection Supervision Act sets the general framework for inspection of the public administration. It is planned to introduce Inspectors of civil servants in 2004 in order to monitor the implementation of the Law on Civil Servants and the legality and transparency of procedures.

Currently the Slovenian administration lacks a uniform wage system and salaries are determined in different parts of the administration separately. However, the Law on Wages in the Public Sector, adopted in 2002 and entering into force in 2004, aims at creating a transparent system of wages in the public sector. A number of wage-groups are to be set up and performance-related bonuses introduced.

Inter-ministerial co-ordination appears to function well, in particular through the e-government project. New regulations were adopted in May 2003 for co-ordination of EU-related work in the government. The Government Office for European Affairs, led by the Minister for European Affairs, continues to co-ordinate European affairs. In addition, a European Affairs task force has been set up to support the Government Office and to prepare strategic documents for the government.

Civil servants receive training, including on EU related issues, in the Administrative Academy run by the Ministry of the Interior.

Judicial capacity

Slovenia has a three-tier court system consisting of county courts, second instance courts, and four higher (appeal) courts. The Supreme Court and the Constitutional Court form the highest level of the court system.

The judiciary continues to have a high degree of independence and is supervised by the 11-member Judicial Council, which consists of 6 members appointed by the judges and 5 appointed by the National Assembly on a proposal by the President. The election and functioning of the Judicial Council is regulated in the constitution and the Law on Court Service. The Council monitors the work of judges and can make proposals for improving their performance. Immunity of judges is guaranteed in the constitution. The Act on Judicial Service and the Act on Courts include provisions on the transparency and openness of the judiciary.

There are about 774 judges in Slovenia and about 50 further vacancies to be filled. The judges are appointed by the Parliament on a proposal by the Judicial Council. The remuneration and status of judges is relatively high. The number of judges was increased last year through the appointment of 29 new judges.

Implementation of the Government Action Plan to speed up court procedures, adopted in May 2002, has continued. The Hercules Project, set up by the government and the Supreme Court to cut backlogs in courts, continues to provide for the possibility to rotate judges to assist overburdened courts in dealing with caseloads. However, this possibility has still been used only to a limited extent, and it alone will not provide a solution to the problem of backlogs.

Amendments to the Civil Procedure Act, encouraging in-court settlements and introducing a reconciliation hearing, entered into force in November 2002. Furthermore, a pilot project on out-of-court dispute settlement is ongoing.

The measures introduced by the Government so far to reduce the court backlogs have not resolved the problem of long duration of court cases, although the number of backlog court cases (as defined in the Slovenian Court Rules) has decreased slightly, by about 2%. According to Government figures, the average duration of court cases is 13 months;

however, for civil cases in the county courts, it is 22 months and for criminal cases in county courts 20 months.

A more comprehensive approach to the reform of the judicial system is needed to improve the efficiency of courts, including targeted measures in those courts suffering most from backlogs. Measures such as increasing the obligatory workload of individual judges, increasing the number and responsibilities of court support and management staff and further changes in procedural legislation in order to speed up court procedures have been recommended.

The Training Centre for the Judiciary continues to provide training, including in European Law. However, the Centre does not yet have permanent premises.

Free legal aid is available to socially vulnerable people. It covers both civil and criminal cases.

Alongside the continued backlog in courts, the further increase in the number of pending land-register cases also gives rise to considerable concern. Despite the computerisation project for the land register, which started in 2000 and is scheduled to be completed in 2004, the number of backlogs in the land registry is still increasing (by about 2% in 2002). Currently about 70 % of land-registry entries are processed electronically.

Anti-corruption measures

According to surveys, corruption appears to be a rather limited problem in Slovenia. However, public perception seems to regard corruption as more widespread than shown by official statistics. No major corruption cases have been detected recently.

The current legal framework for anti-corruption measures consists of provisions in the Criminal Code, in the Code of Conduct for Civil Servants, and in the Law on Civil Servants. Slovenian legislation includes provisions on conflicts of interest; however, these do not cover all officials. Public procurement in particular remains a vulnerable area, partly due to the small size of the population. Preventing conflict-of-interest situations, especially in public procurement, should be given more attention.

Further progress has been made in the past year in establishing a coherent anti-corruption policy. The Office for the Prevention of Corruption has drafted a comprehensive anti-corruption strategy that has been submitted to the Parliament for approval, and has continued its work on developing the legislative basis for anti-corruption activities. A comprehensive anti-corruption law was drafted and is currently in parliamentary procedure. The draft law provides for the creation of a Commission for Ethics and Integrity, and the replacement of the Office by an expert task force serving this Commission. The Office also directs the work of the inter-ministerial co-ordination group for combating corruption. It does not, however, work on individual cases. It has carried out training for authorities and for the private sector.

The special anti-corruption units in the police, the Organised Crime Section in the Ministry of the Interior and the group of public prosecutors for special assignments have continued their work. Slovenia continues to participate in the Council of Europe Group of States against Corruption (GRECO). Nine out of the twelve recommendations of GRECO) from its 2000 evaluation report have been implemented fully. These include

amendments to the Criminal Procedure Act adopted in May 2003 introducing changes to the pre-trial procedure to clarify the tasks of the police, the state prosecutor and the judge. However, while noting progress made by Slovenia, GRECO noted that the recommendations concerning improvement of the procedures in cases of conflict of interest of civil servants, establishment of an obligation for public prosecutors to report on their assets, and adoption of guidelines for the Parliament concerning the lifting of immunity for judges have been only partially implemented.

Slovenia is a party to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and to both the Civil and Criminal Law Conventions on Corruption. It is a full participant in the OECD Working Group on combating bribery of foreign public officials in international business transactions, and it has ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. (see also *Chapter 24 – Co-operation in the field of justice and home affairs*).

Translation of the acquis into Slovenian

In accordance with Articles 2 and 58 of the Act of Accession, all acts adopted by the Union's institutions and the European Central Bank prior to accession become applicable to the new Member States and are to be published in the Official Journal of the European Union in the new official languages. While the EU institutions take responsibility for the final revision and publication of the translations, it falls to the acceding states to produce the translations and to ensure a thorough legal and linguistic revision.

Since the beginning of 2003, Slovenia has experienced problems in providing texts for finalisation. Translation is progressing well but the revision process is slow, especially the expert revision which takes place in the various ministries. While progress has been made in the area of customs and fisheries, where texts are coming in regularly but in small numbers, there are serious delays in the area of agriculture (which represents more than 30% of the whole *acquis*). At present, there are virtually no revised texts in this area. The quality of the Slovenian version of the *acquis*, insofar as it is available, is satisfactory.

The number of revised texts submitted by Slovenia must increase greatly in the coming weeks, otherwise the publication of the Special Edition of the Official Journal in Slovenian may not be completed in time for accession.

2. The chapters of the *acquis*

As indicated, the following review of Slovenia's ability to assume the obligations of membership has been structured in accordance with the list of 29 *acquis* chapters. Accordingly, this section opens with an assessment of the *acquis* relating to the cornerstones of the internal market which are known as the "four freedoms", and continues with a systematic review of each of the chapters, covering all aspects of the *acquis*, including sectoral policies, economic and fiscal affairs, regional policy, environment, justice and home affairs, external policies, and financial questions.

Chapter 1: Free movement of goods

The principle of the free movement of goods implies that products must be traded freely from one part of the Union to another. In a number of sectors, this general principle is supplemented with a harmonised regulatory framework, following the "old approach" (imposing precise product specifications) or the "new approach" (imposing general product requirements). The transposition of harmonised European product legislation represents the vast majority of the content of this chapter. In addition, efficient administrative capacity to apply horizontal and procedural measures in areas such as standardisation, certification and market surveillance is essential. This chapter also covers detailed EC rules on public procurement, requiring specialised implementing bodies.

The **horizontal and procedural measures** necessary for the administration of the Community product *acquis* in the new approach sector are in place. Legislation has been transposed and is in line with the *acquis*. The implementation structures for standardisation, metrology, accreditation, conformity assessment and market surveillance are all in place. Operational efficiency of training programmes being carried out by these bodies should be ensured by the date of accession. Slovenia's standardisation body is an associated member of CEN, CENELEC and ETSI but must now seek full membership.

Slovenia has transposed the majority of **sectoral legislation** under the **new approach** and in general the legislative transposition has been found to be in line with the *acquis*. Transposition of the *acquis* on electro-medical equipment used in veterinary medicine, lifts, and cableways is still pending.

As regards the **old approach** directives, Slovenia has transposed most of the *acquis* in these product sectors. Minor changes are still required in the areas of textiles and footwear. Changes are still required in the area of fertilisers. Transposition of motor vehicles *acquis* and of drug precursors *acquis* remains partial. Transposition of the pharmaceutical *acquis* is also partial. Legislation was adopted which aims at transposing the *acquis* on cosmetics, legal metrology and pre-packaging, chemicals, aerosol dispensers and round wood. Having recognised that the identification of "new" chemical substances on its market is a matter of priority, Slovenia should provide for the appropriate notification of such substances in accordance with the *acquis*. Slovenia has taken the steps necessary to ensure the creation, reinforcement, and operational capacity of the institutions required to manage the *acquis* in nearly all of the sectors covered by the old approach sector directives.

In the area of foodstuffs, the transposition of the *acquis* is almost complete. Legislation was adopted which aims at transposing the *acquis* on official control, hygiene and contact

materials. Finally, amendments to the Food Act should also be adopted. In June 2003 Slovenia adopted a governmental decree on co-ordination of the Ministries and bodies with responsibility in the area of food safety, defining responsibilities between the various bodies involved in food controls. All procedures for RASFF (Rapid Alert System for Food and Feed) are laid down in the above decree and the national contact point in Slovenia has been designated within the Health Inspectorate. As regards the enforcement of HACCP (Hazard Analysis and Critical Control Point Systems), the system has been in force since 1 January 2003 at all stages for foods in general and since 1 December 2002 for products of animal origin. Accreditation of laboratories is well in progress.

In the course of the accession negotiations Slovenia was granted a transitional period relating to the renewal of marketing authorisations for pharmaceutical products until the end of 2007.

In the field of **public procurement**, subject to good progress being maintained Slovenia should have a functioning system for public procurement by accession. However, the Public Procurement Act still needs to be amended, in order to bring the legislation fully in line with the *acquis*, in particular as concerns the scope of the directive on utilities. The Act on the Review of Public Procurement Procedures also requires further amendments. A Public Procurement Office (PPO) has been established and is operational. Slovenia's implementing structure seems to be well organised and efficient although efforts to further strengthen the human resources of the PPO and National Review Commission should continue.

In the **non-harmonised area** Slovenia has conducted an initial screening of its national legislation that could be in contradiction with the principle of free movement of goods, with satisfactory results. A horizontal mutual recognition clause remains to be adopted. Slovenia has not yet announced a contact point for administering the regulation on a rapid intervention mechanism (the so-called "Strawberry Regulation") and for exchange of information on exceptions from the principle of free movement of goods. Transposition of the *acquis* as regards cultural heritage objects is also still pending. Legislation aimed at transposing the arms control *acquis* was adopted. A co-ordination structure for bodies responsible for the checks on product safety for imports from third countries has been created.

Conclusion

Slovenia is essentially meeting the requirements for membership as regards **horizontal and procedural measures** necessary for the management of Community legislation in the new approach sectors. Slovenia is also essentially meeting the requirements relating to **new approach sectoral legislation, public procurement** and the **non-harmonised area**. Once the remaining aspects of the *acquis* in these sectors are put in place, Slovenia should be in a position to implement this *acquis* from accession.

Slovenia is partially meeting the requirements in respect of the **old approach sectoral legislation**. With the notable exception of the area of foodstuffs and food safety, where compliance is good, Slovenia must complete transposition of the remaining sectoral legislation in order to complete preparations for accession. Additional efforts should also be made to provisionally notify "new" chemical substances prior to accession so as to ensure the continued marketing of such substances.

Chapter 2: Free movement of persons

The *acquis* under this chapter provides for non-discriminatory treatment of workers who are legally employed in a country other than their country of origin. This includes the possibility of cumulating or transferring social security rights, which requires administrative cooperation between Member States. In order to facilitate the practice of certain professions, the *acquis* under free movement of persons also includes specific rules concerning mutual recognition of qualifications and diplomas; for certain professions a harmonised training curriculum must be followed to be able to use the professional title. Furthermore, this area also covers the residence and voting rights of EU citizens in any Member State.

In the field of **mutual recognition of professional qualifications**, Slovenia's legislation is not yet fully in line with the *acquis*. A range of issues remains to be solved, affecting both the general system of recognition and the sectoral rules. Legislation on the general system remains to be adopted. As to the sectoral rules, the legislation on architects and in the health care sector still needs to be amended, in particular the Health Services Act concerning pharmacists, nurses and midwives and the Medical Services Act concerning doctors and dentists, co-ordination of training and recognition of qualifications. Furthermore, legislation concerning lawyers and commercial agents should be amended. The main administrative structures for implementation are in place in this area.

In the area of **citizens' rights** legislative alignment has been largely completed. However, a government regulation concerning the right of residence, based on the Aliens Act, still needs to be introduced. The main administrative structures for implementation are in place.

As for **free movement of workers** a transitional arrangement has been agreed. For the first two years following accession, current Member States will apply national measures, or bilateral agreements, to regulate the access of workers from Slovenia to their labour markets. These arrangements may continue up to a maximum of seven years. Slovenia's legislation in the area of free movement is largely in line with the *acquis*. However, implementing legislation based on the Public Servants Act concerning access to employment in the public sector remains to be adopted.

With regard to **co-ordination of social security systems** no transposition into national legislation is needed to achieve alignment with the *acquis*. The administrative capacity and structures are already in place. Bilateral agreements existing with most Member states, which rely on the same principles as the EU rules in this area, show that Slovenia's administration is acquainted with the administrative procedures.

Conclusion

Slovenia is essentially meeting the commitments and requirements in the area of **citizens' rights, free movement of workers** and **co-ordination of social security systems**. Minor legislative adjustments still need to be made.

The requirements relating to the **mutual recognition of professional qualifications** have been met partially. Whereas the *acquis* on lawyers and commercial agents is essentially aligned, the rules on architects still need to be adopted.

There are serious concerns about progress relating to the mutual recognition of professional qualifications in the health care sector and as regards the general system directives. Unless significant additional efforts are made in the transposition of the general system directives and regards the sectoral rules on recognition of qualifications of doctors, dentists, general care nurses, midwives, veterinary surgeons, and pharmacists, Slovenia will not be in line with the *acquis* by the date of accession.

Chapter 3: Freedom to provide services

Under this chapter, Member States must ensure that the right of establishment and the freedom to provide services anywhere in the EU is not hampered by national legislation. In some sectors, the *acquis* prescribes harmonised rules which must be respected if the internal market is to function; this concerns mainly the financial sector (banking, insurance, investment services and securities markets) but also some specific professions (craftsmen, traders, farmers, commercial agents). Harmonised rules concerning personal data protection and certain information society services must also be respected.

In the field of **the right of establishment and the freedom to provide non-financial services**, the screening exercise for conformity with the principle of free provision of services and the elimination of remaining legal and administrative restrictions should be speeded up as a priority. Legislation in many sectors remains to be screened, while the methodology used so far is not satisfactory. The Slovenian authorities should give their urgent attention to this matter and dedicate more human resources with the aim of completing this screening exercise in the nearest future.

In the field of financial services, the *acquis* in the **banking sector** has been transposed although some fine-tuning is still required. Slovenia has committed itself to ensuring the full application of the *acquis* in respect of deposit-guarantee schemes by the end of 2005, in accordance with the transitional arrangement it has been granted. Another transitional period was granted until the end of 2004 regarding the application of Community rules on annual accounts and consolidated accounts of banks and other financial institutions to Slovenian savings and loans undertakings.

In the **insurance sector**, prior authorisation for compulsory transport and supplementary health insurance still exists. All systems of prior authorisation must be abolished, including for these types of compulsory insurance. The requirement to notify certain information to the Slovenian supervisory authority should also be modified. According to the *acquis*, the obligation of notification should concern the home Member State only. The Constitutional Court ruling of February 2003 regarding the act on the ownership transformation of insurance companies paved the way for the restructuring and privatisation of the insurance sector, and thus for increasing the competition in the domestic market. The ownership transformation process is therefore still ongoing.

In the field of **investment services** and **securities markets**, minor legislative amendments to the securities markets act are needed in order to transpose the remaining securities directives. In addition, the directives on undertakings for collective investment in transferable securities have not yet been fully transposed and implemented. Slovenia has committed itself to ensuring the full application of the *acquis* in respect of investor compensation schemes by the end of 2005, in accordance with the transitional arrangement it has been granted. The directive on financial collateral remains to be transposed.

As regards administrative capacity, the enforcement powers and resources of certain supervisory authorities, in particular those of the Securities Market Agency, should be appropriately reinforced. Out-of-court redress schemes still remain to be established for banks, insurance companies, as well as for investment firms and stockbrokers.

Transitional arrangements in this area were agreed for savings and loans undertakings established before 20 February 1999. These concern, in particular, initial capital requirements related to safe and prudent management (until the end of 2004), the minimum scope and level of coverage of the deposit guarantee schemes, and investor compensation schemes (until the end of 2005).

Concerning the **protection of personal data and the free movement of such data**, the Personal Data Protection Act of 2001 remains to be fully aligned with the Community *acquis*, including as regards independence of the Data Protection Inspectorate. Slovenia must accelerate progress in this area in order to achieve full alignment, including as regards administrative structures, by the date of accession.

As regards **information-society services**, the directive on conditional access remains to be transposed. In addition, some elements of the directive on e-commerce remain to be transposed. The transparency directive remains to be fully transposed. Enhanced efforts are required to achieve full alignment with the *acquis* in this area.

Conclusion

Slovenia is essentially meeting the requirements for membership and is expected to be in a position to implement the *acquis* in the areas of **banking, insurance and investment services and securities markets** by the time of accession, subject to the adoption of the remaining legislative amendments. Slovenia should complete preparations in the financial services sector.

Slovenia is partially meeting the requirements for accession in the areas of the **protection of personal data, the right of establishment and the freedom to provide non-financial services** as well as **information-society services**. In order to complete preparations for membership, a number of important directives in the area of information-society services remain to be transposed. This work must now be accelerated. Unless Slovenia pays close attention to completing the screening of its legislation and to removing all administrative and legal restrictions on the freedom to provide services and the right of establishment, there is a risk that Slovenia may violate fundamental Treaty principles in this area.

Chapter 4: Free movement of capital

Under this chapter, Member States must remove all restrictions in national law on the movement of capital between themselves, but also with third countries (with some exceptions) and adopt EU rules to guarantee the proper functioning of cross-border payments and transfers of all forms of capital. The *acquis* under this chapter also includes harmonised rules on payments systems and the fight against money laundering, requiring adequate enforcement capacity.

In the area of **capital movements and payments**, Slovenia's legislation is to a large extent in line with the *acquis*. However, restrictions on foreign direct investment

regarding limitations applying to exploitation of natural resources subject to a concession still need to be removed.

In the field of **payment systems**, Slovenia still has to amend the Payment Transaction Act to achieve full alignment on cross border credit transfers and settlement finality directives. The out-of-court redress scheme needs to be established.

In the area of **fight against money laundering**, Slovenia is in line with the most recent *acquis* as well as with the Financial Action Task Force recommendations. The Office for Money Laundering Prevention functions well and the co-operation with other relevant bodies is good (*see also chapter 24 – Justice and home affairs*).

Conclusion

Slovenia is essentially meeting the requirements for membership and is expected to be in a position to implement the *acquis* in the area of **free movement of capital** from accession. A limited number of issues regarding legislative alignment need to be addressed before accession, in particular regarding capital movements and payment systems. The out-of-court redress scheme in the field of payments remains to be set up.

Chapter 5: Company law

Under this chapter, Member States must adopt and apply harmonised rules required for the proper operation of companies in the internal market. They concern five legislative fields: company law in the strict sense, accounting law, intellectual property rights, industrial property rights, and the recognition and enforcement of judgements in civil and commercial matters as well as of contractual obligations.

With regard to **company law** as such, Slovenia has transposed most of the *acquis*. Alignment with the *acquis* of the amended Companies Act, the Companies Financial Operation Act, and the amended Law on Business Registry remains to be confirmed. Administrative capacities are largely in place. However, computerisation and centralisation of the business registry should be enhanced and the maximum duration of company registration must be shortened. Slovenia must also ensure that court fees from the register are just cost-covering.

With regard to **accounting**, Slovenia's commitments have essentially been met. The administrative structures are adequate, although minor adjustments are needed to ensure that the Institute of Auditors is sufficiently prepared to produce accounting standards in accordance with the Act on Accounting. Alignment with the *acquis* of the Slovenian accounting standards remains to be confirmed.

In the field of **protection of intellectual and industrial property rights (IPR)**, Slovenia is essentially meeting its commitments. However, further harmonisation with regard to the recent directive on copyright in the information society is necessary. Minor adjustments are required in relation to the principles of mediation and good faith during the negotiations for cable retransmission concerning the directive on copyright in satellite broadcasting and cable re-broadcasting. As agreed in the accession negotiations, specific transitional rules will apply in relation to pharmaceutical product patents, involving the non-application of Community exhaustion to certain exports from Slovenia, as regards the granting of supplementary protection certificates for medicinal and plant protection products, and in relation to the extension of registered or pending Community trademarks

to the territory of Slovenia. With regard to supplementary protection certificates for pharmaceuticals and plant protection products, the Slovenian Government adopted two regulations in June 2003, which entered into force in July 2003. As regards enforcement of IPR, administrative structures are in place but need to be strengthened. Attention must be paid to combating piracy and counterfeiting, especially to cope with the high level of piracy in music and software. Further efforts are required to strengthen law enforcement capacity, especially as regards border controls, and the effectiveness of the administration and the judiciary. Better co-ordination among enforcement bodies (customs, police and judiciary) needs to be pursued. Staffing has especially been increased and training carried out, but training of judges and prosecutors must continue.

The **Regulation replacing the Brussels Convention** on mutual recognition and enforcement of foreign judgements in civil and commercial matters will be directly applicable upon accession, and accession to the **Rome Convention** will only be possible upon accession. Slovenia should designate the relevant courts or other authorities to ensure swift implementation of these provisions (*see also Chapter 24 - Justice and home affairs*).

Conclusion

Slovenia is essentially meeting the requirements for membership, and is expected to be by accession in a position to implement the *acquis*, in the areas of **company law**, **accounting**, and the **Regulation replacing the Brussels Convention** and the **Rome Convention**.

The majority of commitments and requirements arising from the accession negotiations in the field of the **protection of intellectual and industrial property rights** have been met. Further legislative adjustments are required in respect of copyright and related rights, and information society rules. Although the legislation is mostly in line, however, enhanced efforts must be made to strengthen enforcement of intellectual and industrial property rights. Better co-ordination among enforcement bodies is required and the efficient functioning of a well-trained judiciary should be given particular attention. Strengthening of border controls is required.

Chapter 6: Competition Policy

The competition *acquis* covers both anti-trust and state aid control policies. It includes rules and procedures to fight anti-competitive behaviour by companies (restrictive agreements between undertakings and abuse of dominant position), and to prevent governments from granting state aid which distorts competition in the Internal Market. Generally, the competition rules are directly applicable in the whole Union, and Member States must fully co-operate with the Commission on the enforcement of these rules.

In the **anti-trust** sector, Slovenia has adopted legislation containing the main principles of the Community anti-trust rules as regards restrictive agreements, abuse of dominant position and merger control. Implementing legislation has also been adopted, but it would be opportune to amend the legislation so as to enable the Competition Protection Office (CPO) to set effective and deterrent fines on anti-competitive behaviour. Preparations should also be made, as appropriate, for the application of the EC's new procedural regulation.

Slovenia has the basic implementing structure in place and has over the years established a generally satisfactory enforcement record. However, urgent priority needs to be given to strengthening the administrative capacity of the CPO in order to ensure its proper functioning and independence, in particular by increasing the level of its resources and decreasing the turnover rate of its staff. This should also help the CPO to carry out the enforcement of competition policy in an effective way, to prepare it to assume its responsibilities under the EC's new procedural regulation and to apply, when appropriate, EC competition rules directly, and to focus on priority cases and on their timely resolution. Moreover, further efforts are needed to raise awareness of the anti-trust rules of all market participants and to build up a credible and transparent competition culture. Special training for judges should be further developed.

In the field of **state aid**, Slovenia has adopted state aid rules covering the main principles of the *acquis*.

The necessary implementing structures are in place, and the State Aid Commission and its secretariat, the State Aid Sector of the Ministry of Finance, are functioning satisfactorily. Further efforts are needed to raise awareness of state aid rules among all market participants and aid grantors. Slovenia should also pay further attention to training the judiciary.

The enforcement record is generally satisfactory. In particular, the assessment of the aid schemes and of the individual aid measures has been carried out in line with the *acquis* and is generally consistent with the Commission's practice. Slovenia should continue to ensure that all aid measures are monitored and controlled. Special attention should be paid to ensuring that any state aid measures granted in connection with the privatisation of individual companies comply with the EU state aid rules.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the **state aid** area and is expected to be in a position to implement the *acquis* from accession.

Slovenia is partially meeting the commitments and requirements arising from the accession negotiations in the **anti-trust** area. In order to complete preparations for membership, Slovenia must as a priority strengthen the administrative capacity so as to ensure credible enforcement of the anti-trust rules. In particular, the overall resources of the CPO as well as its enforcement practice must still be considerably improved in the period leading up to accession.

Chapter 7: Agriculture

The agriculture chapter covers a large number of binding rules, many of which are directly applicable. The proper application of these rules and their effective enforcement by an efficient public administration are essential for the functioning of the common agricultural policy. This includes the setting up of management systems such as a Paying Agency and the Integrated Administration and Control System, which are covered under "horizontal issues" below, and also the capacity to implement rural development actions. The acceding countries must be ready to be integrated into the common market organisations for a range of agricultural products, including arable crops, fruits and vegetables, and meat. Finally, this chapter covers detailed rules in the veterinary field,

which are essential for safeguarding animal health and food safety in the internal market, as well as in the phytosanitary field, including issues such as seed quality, harmful organisms and plant protection products.

Horizontal issues

Slovenia has decided that the tasks of the **Paying Agency** will be performed by the Agency for Agricultural Markets and Rural Development (AAMRD), which has been reinforced accordingly. Preparation of the manuals of procedure to implement the common agricultural policy is proceeding according to plans. National accreditation remains to be granted, but preparatory work is proceeding as scheduled. Nevertheless, attention should be given to ensuring that the timetable for the remaining work is kept to.

The establishment of a functional **Integrated Administration and Control System** (IACS) is well advanced. The Land Parcel Identification System (LPIS) is almost ready and most IT systems are broadly in place. A central register of bovines has been set up. Slovenia has generally made good progress with the implementation of the *acquis* in this area.

The AAMRD will be responsible for the administration of **trade mechanisms**. The relevant control tasks will be under the responsibility of the customs services. Administrative structures are in place or are being completed. In some areas (e.g. non-Annex-I products, manuals for veterinary service, statistics and risk analysis) further detailed work will be necessary.

Following the adoption of new rules on organic bee-keeping, the sectors of **quality policy** and **organic farming** are broadly in line with the *acquis* and administrative capacity is in place.

The system to collect data for the **Farm Accountancy Data Network** (FADN) is in place but Slovenia needs to further develop its administrative capacity in order to process and transmit data to the Commission services.

State aid measures in the field of agriculture remain to be brought in line with the *acquis*.

As concerns direct payments to farmers, Slovenia has not yet decided whether or not to apply the single area payment scheme (SAPS).

Common market organisations

The AAMRD will be responsible for intervention as well as inspection and authorisation of payments for **arable crops**. The necessary legislation has been adopted.

The AAMRD has been designated as the responsible body for most of the elements of the **sugar** common market organisation (CMO). Rules and procedures for the most important mechanisms in the sugar sector have been laid down. However, enhanced efforts are requested to allow for practical implementation of the CMO by accession.

Implementing legislation as regards marketing standards for **fruit and vegetables** as well as the establishment and recognition of producers' organisations has been adopted. Implementing legislation still remains to be adopted regarding the procedures for control of operational funds. Administrative capacity to control marketing standards needs to be strengthened.

In the area of **wine and alcohol**, the CMO for wine remains to be further set up; most legislation is already in place. Legislation needs still to be adopted on quality wines, oenological practices, classification of vines and production potential, and on protection of designations in the spirit drink sector. The implementation of the vineyard register needs to be fully completed. The tasks of the various services in charge of implementing the *acquis* in this area have been clearly defined.

Slovenia has adopted rules on the Register of Olive Growers and on the Register of Olive Processors. Legislative alignment concerning EU quality standards for **olive oil** remains to be completed. Preparation to implement the CMO, and in particular the Geographical Information System (GIS) must be speeded up.

The preparation of the **milk** quota system, though it appears to be largely compliant with the *acquis*, is at a conceptual stage. Slovenia intends to set up a provisional system for the first year after accession. Although a transitional period for the management of the milk quota system was agreed with Slovenia in the accession negotiations, Slovenia still needs to take some basic decisions in this respect and urgently needs to accelerate the legal and practical implementation of its plan. Immediate progress is required for Slovenia to have functioning systems in place on time. Additional human resources should be allocated to AAMRD, which will be responsible for managing the quota system and the other mechanisms in the milk sector. Adequate procedures need to be established.

Legislation in the **beefmeat and sheep meat** sectors is in line with the *acquis*. In the **pigmeat** sector, legislation concerning carcass classification remains to be adopted. Administrative structures are in place and function adequately.

For **eggs and poultry**, legislative measures as well as administrative structures are in place, with the exception of the rules on egg quality.

Rural development

Slovenia's legislation for multi-annual planning and implementation of programmes is in place. The Public Finance Act has also been amended to be in line with the *acquis* in this area. The AAMRD will be the paying agency for rural development and will be responsible for implementation of the measures. The Agency already has substantial experience with the implementation of SAPARD. Slovenia has informally transmitted its draft Rural Development Plan for EAGGF Guarantee expenditures to the Commission.

Veterinary and phytosanitary issues

Transposition of legislation on transmissible spongiform encephalopathies (**TSEs**) and **animal by-products** has taken place and is largely in line with the *acquis*. Implementation is also satisfactory, despite minor shortcomings. A total feed ban has been implemented.

For the establishment of the **veterinary control system of the internal market** Slovenia needs to adopt the implementing legislation under its framework Veterinary Practice Act. The administrative structures in this area also need to be strengthened. Slovenia has joined the computerised network linking veterinary authorities, ANIMO, in 2001. The *acquis* on identification and registration of animals has been transposed, with the exception of the rules on porcines. A central register for bovine animals in line with the EU regulations has been set up and it is used for administrative controls on national support schemes. According to information provided by Slovenia, 96-99 % of bovine

animals are eartagged and passported. The distribution of powers between the services involved needs to be clarified. The legislation on financing veterinary inspections and controls remains to be fully transposed. Transposition regarding veterinary checks of imports from third countries and rules for imports remains to be completed. Significant work is still needed to bring border inspection posts into compliance with EU requirements, the only exception being the road border crossing of Obrežje, where works are at an advanced stage.

Regarding **animal disease control** measures, national contingency plans on foot and mouth disease, classical swine fever, Newcastle disease and avian influenza remain to be provided. Transposition of legislation in this area is almost complete. Slovenia has joined the Animal Disease Notification System (ADNS) on a voluntary basis.

Legislation on **trade in live animals and animal products** still needs to be fully transposed and implemented.

Steps have been taken to align Slovenian legislation with the *acquis* on **public health** protection. Slovenia is implementing a national plan for the upgrading of agri-food establishments. According to Slovenia's plan, establishments must comply with EU requirements by the end of 2003. The supervision of the upgrading process should be strengthened by providing adequate human resources and ensuring that appropriate instructions are given for the evaluation of the establishments.

The *acquis* on **common measures** has been transposed, except for the rules on zoonoses. The residue-monitoring programme does not yet fully meet the EU requirements.

The *acquis* in the field of **animal welfare** has largely been transposed. Slovenia has been granted a transitional arrangement until the end of 2009 as regards the conditions (height and slope of cages) for laying hens in certain farms, and until 1 December 2004 as regards the floor area of the cages.

In the field of **zootechnics**, steps have been taken to align the Slovenian legislation with the *acquis*.

The *acquis* concerning **animal nutrition** has been transposed. Administrative capacity in this field is adequate.

In the field of **phytosanitary** legislation, the *acquis* on plant health has been largely transposed, both for harmful organisms and pesticides. However, legislation on seeds and propagating material remains to be adopted. In the phytosanitary sector a number of implementing decrees are still to be adopted.

Slovenia has to ensure that international veterinary and phytosanitary agreements are brought into compliance with the EU *acquis* by accession.

Concerning food safety, considerable progress has been achieved to strengthen Slovenia's administrative capacity by adopting the governmental decree on co-ordination between ministries and bodies, and by finalising procedures for handling alerts, enforcing **Hazard Analysis and Critical Control Points (HACCP)** at all stages and accrediting laboratories in this area. Aspects of food safety are also covered under *Chapter 1 – Free movement of goods*.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations, among the horizontal issues as regards the **Paying Agency**, the **Integrated Administration and Control System (IACS)**, **trade mechanisms**, **quality policy** and **organic farming**, the **Farm Accountancy Data Network (FADN)** and **state aid**; among the common market organisations (CMOs) as regards **arable crops**, **fruit and vegetables**, **wine**, **olive oil**, **beefmeat**, **sheep and pigmeat**, and **eggs and poultry**; and as regards **rural development**. In the veterinary and phytosanitary field, Slovenia is essentially meeting the requirements in the areas of **TSEs and animal by-products**, **animal disease control**, **animal welfare**, **zootecnics**, **animal nutrition** and **phytosanitary** issues. Subject to good progress being maintained in these areas, Slovenia should be in the position to implement the *acquis* by accession.

Slovenia is partially meeting the commitments and requirements for membership as regards the CMOs for **sugar** and **milk**, and in the veterinary field the **veterinary control systems in the internal market**, **trade in live animals and animal products**, **public health** in agri-food establishments and **common measures** (as regards residues). Unless efforts are accelerated in these areas, there is a risk that functioning systems will not be in place by accession.

Chapter 8: Fisheries

The *acquis* on fisheries consists of regulations, which do not require transposition into national legislation. However, it requires the introduction of measures to prepare the administration and the operators for participation in the Common Fisheries Policy (in the areas of market policy, resource and fleet management, inspection and control, structural actions and state aid). In some cases, existing fisheries agreements or conventions with third countries or international organisations need to be adapted.

In the field of **resource and fleet management**, and **inspection and control**, the adoption of secondary legislation of the Maritime Code and the Marine Fisheries Act, in particular the implementing legislation for the Fishing Vessel Register, still remains to be completed. The Fishing Vessel Register is, therefore, not functioning at this stage. The number of staff in this area remains to be increased and Slovenia's administrative capacity should be strengthened.

In the area of **structural actions**, the chapter on fisheries of the Slovenian Single Programming Document (SPD) has been submitted to the Commission. The content of the measures and the administrative capacity foreseen for their implementation are still being discussed.

Regarding **market policy**, Slovenia has adopted new rules on quality and fish products placed on the market. Rules on producer organisations and on the implementation of the common market organisation (namely on intervention and marketing standards) remain to be adopted. The administrative structures for market policy have been established and are working well.

As regards **state aid** to the fisheries sector, Slovenia must bring its national aid schemes into conformity with the *acquis* by accession.

Slovenia has concluded an **international fishing agreement** with Croatia, which has not yet entered into force.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations, and is expected to be in a position from accession to implement the *acquis*, in the area of **fisheries**. However, alignment with the *acquis* remains to be completed with regard to the Fishing Vessel Register (FVR) and the implementing rules of the common market organisation for fisheries. Slovenia's administrative capacity in this sector needs to be strengthened, in particular as regards the number of staff.

Chapter 9: Transport policy

EC transport legislation aims at improving the functioning of the Internal Market by promoting efficient and environment- and user-friendly transport services. The transport *acquis* covers the sectors of road transport, railways, aviation, maritime transport and inland waterways. Member States are required to adopt and implement legislation concerning technical and safety standards as well as social standards. In order to further develop the European Single Transport Market, EC legislation also includes rules on market liberalisation. An important aspect of EC maritime policy is the establishment of Union-wide maritime safety standards.

The extension of the **trans-European transport networks** has been defined. While the necessary implementing structures in this area are in place, the capacity of the Ministry of Transport to prepare, manage and monitor transport projects requires further strengthening, in both qualitative and quantitative terms, in particular in the road and rail sector.

In the land transport sector, Slovenia has completed legislative alignment with the **road transport** *acquis*. Framework legislation is in place and in line with the *acquis*. Alignment with the fiscal and social *acquis* has been completed. Implementing legislation in the technical field remains to be adopted as regards speed limitation devices, technical roadside inspections of commercial vehicles, digital tachographs and transportable pressure equipment. Slovenia is increasing the volume of checks of working time and rest periods, but has not yet reached the volume required by the *acquis*. The necessary administrative structures in this area are in place.

Transposition of the **rail transport** *acquis* remains to be completed with regard to the revised railway *acquis* of February 2001 and the interoperability directives. Implementation rules on infrastructure charging remain to be adopted. In the framework of the ongoing reorganisation process, the Rail Agency was recently established on the basis of the amended Railways Transport Act, and needs to be further strengthened, in particular through specialised training of staff. The restructuring of the Railways Office (as part of the Ministry of Transport) means that new staff should be hired.

On **inland waterways** transport, legislative alignment has been largely completed, except with regard to some minor implementing legislation. Administrative structures in this area are in place and satisfactory.

In the area of **air transport**, relevant framework legislation has largely been transposed and is essentially in line with the *acquis*. However, some modifications are needed, notably with regard to slot allocation and ground handling. Implementing legislation still

needs to be adopted. The administrative capacity is largely satisfactory, but specialised training of staff should continue.

In the field of **maritime transport**, framework legislation is in place and in line with the *acquis*. However, the adoption of implementing legislation remains to be completed, in particular in relation to the *acquis* adopted under the “Erika” packages, and with regard to the latest amendments to the *acquis* on passenger ships, fishing vessels, marine equipment and port reception facilities. The relevant administrative structures in this area are in place and are satisfactory.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the **transport sector**, and is expected to be in a position to implement the *acquis* from the time of accession, provided that the current pace of progress is maintained. Slovenia needs to reinforce administrative capacities for project management regarding trans-European transport networks and in the area of rail transport, and complete legislative alignment in the areas of inland waterways, road transport, rail transport, air transport and maritime transport.

Chapter 10: Taxation

The *acquis* on taxation largely covers indirect taxation, as concerns VAT (value-added tax) and excise duties. It lays down definitions and principles of VAT. Excise duties on mineral oils, tobacco products and alcoholic beverages are regulated at EU level as concerns the structure of the duty, the level of minimum rates and the holding and movement of excisable goods. As concerns direct taxation, the *acquis* covers some aspects of corporate taxes and aims mainly at removing obstacles to cross-border activities between enterprises. Finally, the Community legislation in the area of administrative co-operation and mutual assistance provides tools to prevent intra-Community tax evasion and tax avoidance on both direct and indirect taxation.

In the area of indirect taxation, Slovenia is almost fully in line with the *acquis* on VAT and the transposition of the remaining issues is taking place according to schedule. Slovenia still needs to complete alignment as concerns the scope of the reduced VAT rate in a few areas, exemptions from VAT concerning postal services, definition of new means of transport and refunds of VAT to foreign taxable persons not established in the Community territory. Furthermore, minor discrepancies remain to be addressed in the areas of the definition of taxable persons and taxable transactions. Slovenia has obtained transitional periods as concerns the reduced VAT rate on construction, renovation and maintenance work for residential housing not provided as part of a social policy (until 31 December 2007), and the reduced VAT rate on the preparation of meals (until 31 December 2007), and derogations to apply a VAT exemption and registration threshold of €25 000 for small and medium-sized enterprises and the VAT exemption on international passenger transport. The necessary administrative structures in this area are in place and functioning well.

As concerns **excise duties**, Slovenia has nearly completed alignment with the *acquis* and the transposition of the remaining issues is taking place according to schedule. However, some minor discrepancies exist in the definition of cigars and cigarillos, and exemptions for NATO armed forces should be introduced. Furthermore, Slovenia needs to extend the

national suspension scheme to intra-community movements of excisable goods. The gradual increase of excise duties on cigarettes is proceeding according to schedule. Slovenia was granted a transitional period regarding the delayed implementation of excise duty rates on cigarettes in respect of the minimum excise duty of € 64 per 1000 cigarettes of the category most in demand (until 31 December 2007). However, Slovenia has still to provide a timetable for gradual alignment with the minimum excise rate agreed in the accession negotiations. The required administrative structures to apply and effectively implement the *acquis* in the area of excises are in place.

As concerns **direct taxation**, Slovenia needs to accelerate the process of transposition in this area, in particular as concerns the Merger and Parent/Subsidiary Directives, as well as the directives on the Taxation of Savings Income and on Interest and Royalties. In order to comply with the principles of the Code of Conduct for Business Taxation, Slovenia should amend its legislation on foreign income by introducing appropriate anti-abuse measures. The capacity of the tax administration is sufficient to ensure the proper implementation of the *acquis*.

On **administrative co-operation and mutual assistance** Slovenia is taking the necessary steps to transpose the *acquis* and implement it by accession, both from the legislative point of view and as concerns the operational structures including information technology systems. The implementing structures are largely in place. The Department for International Information Exchange (future Central Liaison Office) was created in 1999, whereas the Excise Liaison Office (ELO) in the General Customs Directorate was set up in June 2003. The SEED database is in place. Specifications are being prepared for the development of the IT system. If the work proceeds as planned, Slovenia is expected to be in a position to meet the requirements for inter-operability with the VAT information exchange system by accession.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations as concerns **VAT, excise duties and administrative co-operation and mutual assistance**, and is expected to be by accession in a position to implement the *acquis* in these areas. Slovenia needs to complete legislative alignment.

Slovenia is partially meeting its commitments in the area of **direct taxation**, where it needs to accelerate the process of transposition as it still needs to transpose almost the whole *acquis* in this area. The legislative process of alignment in this area should be given high priority to avoid that Slovenia will not be aligned with the direct taxation *acquis* by accession.

Chapter 11: Economic and monetary union

EC legislation on Economic and Monetary Union (EMU) contains specific rules ensuring the independence of central banks in Member States, prohibiting indirect financing of the state by the central bank, and disallowing privileged access of the public sector to financial institutions. These rules must be transposed into the national legislation, despite the fact that Slovenia will not yet adopt the euro as a currency from accession. EMU policy also includes the co-ordination of exchange rate and economic policies, adherence to the stability and growth pact and the statutes of the European System of Central Banks.

Slovenia has met the commitments and requirements arising from the accession negotiations in the area of **economic and monetary union** and is in a position to implement the *acquis* as from accession.

Chapter 12: Statistics

The *acquis* in the field of statistics requires adoption of basic principles such as impartiality, reliability, transparency, confidentiality of individual data and dissemination of official statistics. It also covers methodology, classifications and procedures for data collection in various areas such as statistical infrastructure, macro-economic and price statistics, business statistics, transport statistics, external trade statistics, demographic and social statistics, agricultural statistics and regional statistics. The focal point of the statistical system of a country is the National Statistical Institute, which acts as the reference point for the methodology, production and dissemination of statistical information.

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the area of **statistics** and is expected to be in a position to implement the *acquis* as from accession. Slovenia needs to improve the quality and the timeliness of data in certain domains such as migration statistics; data coverage of Regional Agricultural Accounts and Environmental Statistics and of macroeconomic statistics; short-term public finance statistics; and rail and inter-modal transport. Further attention to the data coverage and quality of business statistics is needed. Administrative capacity should be strengthened in terms of staff, in particular in the area of macro-economic statistics.

Chapter 13: Social policy and employment

The *acquis* in the social field includes minimum standards in fields such as labour law, equal treatment of women and men in employment and social security, and health and safety at work. Specific binding rules have also been developed in public health (on tobacco control and surveillance and control of communicable diseases) and recently also with respect to non-discrimination on grounds of racial or ethnic origin, religion or belief, disability, age or sexual orientation. The European Social Fund (ESF) is the main financial tool through which the EU supports the implementation of its Employment Strategy and contributes to social inclusion efforts (implementation rules are covered under Chapter 21, which deals with all structural instruments). The acceding countries are expected to be able to participate in social dialogue at European level, and in the EU policy processes in the areas of employment, social inclusion and social protection.

With regard to **labour law**, Slovenia's legislation is largely in line with the *acquis* except for the working time of seafarers and civil aviation workers. Some fine-tuning is still needed in the legislation regarding collective redundancies. Slovenia has adopted legislation aiming at completing alignment concerning the *acquis* on young people. The new *acquis* supplementing the European Company Statute is expected to be transposed after accession. The Guarantee and Maintenance Fund is operational.

Slovenia has transposed all legislation in the field of **equal treatment of women and men** and the legislative transposition is in line with the *acquis*. The pensionable age for male and female civil servants will need to be equalised upon accession, when the pension scheme constitutes pay within the meaning of the Treaty and EC case law. The

necessary implementing structures are in place. A specific implementing structure for the hearing of cases of alleged unequal treatment of men and women and the issuing of opinions has been established within the Office for Equal Opportunities.

In the area of **health and safety at work**, Slovenia has largely completed alignment with the *acquis*. As agreed in the negotiations, transposition in the field of work at height is foreseen by July 2004 (new *acquis*). Slovenia obtained transitional periods regarding the Directives on the protection of workers from the risks related to exposure to noise, chemical, and biological agents at work, which remain to be transposed until 31 December 2005. As regards the Framework Directive, some amendments are needed to the Slovenian legislation with regard to the scope as well as first aid, fire-fighting and evacuation. The National Labour Inspectorate is in place. The recruitment and training of inspectors is ongoing but further strengthening, in terms of both staffing and technical facilities, is needed.

As regards **social dialogue**, the administrative framework is in place and social dialogue is well advanced, especially at tripartite level. Autonomous bipartite social dialogue and free collective bargaining between social partners' organisations with voluntary affiliation should be promoted at both sectoral and enterprise level. Efforts should be made to ensure the development of employers' federations based on voluntary affiliation.

In the field of **public health**, Slovenia has completed alignment with the *acquis*. Strengthening of the administrative capacity should continue, especially concerning laboratory facilities and with regard to a quality control system and accreditation in order to implement EU requirements in the field of communicable disease surveillance and control. Good progress has been made in improving the health status of the population and in the field of health expenditure.

Concerning **employment policy**, efforts are still needed to effectively implement the priorities identified in the Joint Assessment of the Employment Priorities (JAP). In particular, it is important to enhance participation (of older people in particular) in the labour market, to address the drop-outs and to continue with the reform of the education and training systems, in particular concerning life-long learning. Furthermore, the capacity and the role of the public employment service should be strengthened and the incentives for people to take up jobs increased. Enhanced efforts are needed to address informal and undeclared work and to promote active ageing.

As regards the future establishment of the **European Social Fund (ESF)**, the administrative framework is in place. However, further efforts in strengthening the institutions and administrative capacity are still needed, notably in the areas of monitoring, financial control and audit. Preparations for participating in the transnational operations of the EQUAL initiative need to be enhanced.

The Commission and Slovenia are finalising the Joint Memorandum on Social Inclusion (JIM), which identifies key challenges and possible policy orientations for promoting **social inclusion**. On this basis, an integrated strategy and a National Action Plan on social inclusion will have to be developed. Analytical work and social statistics systems on poverty and social exclusion should continue to be developed in line with the EU commonly agreed indicators on social inclusion.

In the field of **social protection**, sustained efforts are required to implement the reforms that have been introduced to further help improve the level and efficiency of social protection.

Concerning **anti-discrimination**, legislative alignment is advanced but remains to be completed as regards the Equality Body, which needs to be established.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the areas of **labour law, equal treatment of women and men, health and safety at work, social dialogue, public health, employment policy, social inclusion and social protection** and is expected to be in a position to implement this *acquis* from accession. Certain specific aspects of the *acquis* in the field of labour law still need to be put in place. Some further legal alignment is necessary in order to ensure full compliance with the *acquis* regarding health and safety at work. The National Labour Inspectorate needs to be further strengthened. As regards employment policy, the effective implementation of the priorities identified in the Joint Assessment Paper is necessary to prepare for full participation in the European Employment Strategy.

Slovenia is meeting the majority of the commitments and requirements for membership in the areas of **European Social Fund and anti-discrimination**. With regard to European Social Fund, including EQUAL, while considerable progress has been achieved during the last few months, further efforts are urgently needed in order to strengthen the administrative capacity for management, implementation, monitoring, audit and control at both national and regional level. Attention must also be given to the full implementation of the anti-discrimination *acquis*.

Chapter 14: Energy

EU energy policy objectives include the improvement of competitiveness, security of energy supplies and the protection of the environment. The energy *acquis* consists of rules and policies, notably regarding competition and state aids (including in the coal sector), the internal energy market (for example, opening up of the electricity and gas markets, promotion of renewable energy sources, crisis management and oil stock security obligations), nuclear energy and energy efficiency. This chapter also covers important aspects of the safety of nuclear installations.

With respect to **security of supply**, and in particular oil stocks, both framework legislation and implementing legislation are in line with the *acquis*. The administrative capacity required - the Slovenian Agency for Compulsory Oil Stocks - is in place and functions satisfactorily. Building up of oil stocks is essentially taking place in accordance with the transitional arrangement Slovenia has been granted, namely to reach the 90 days of oil stocks required by the *acquis* by the end of 2005. Efforts should be sustained.

In the field of **competitiveness and the internal energy market** (electricity and gas sectors), transposition of the *acquis* is taking place according to schedule. Framework legislation, the Energy Act, is in place and in line with the *acquis*. Implementing legislation is largely in place and in line with the *acquis*. A grid code and commercial rules for gas network access were introduced in May 2003. Electricity price distortions are being removed in line with the commitments taken. Market opening in the gas and

electricity sectors is taking place in line with the commitments taken in the negotiations. Presently 65% of the electricity market and 50% of the gas market are open for competition. The regulatory body, the Energy Agency, whose task it is to oversee the gas and electricity markets, has been established but needs to be strengthened further. Slovenia should transpose the recently adopted electricity and gas directives in line with the timetable provided for by this *acquis*.

In the area of **energy efficiency and renewable energy**, legislative alignment has been largely completed, except for the *acquis* on ballasts for fluorescent lights and the most recent *acquis*, which should be transposed according to the timetables provided for in the directives. Administrative structures in this area, with the Energy Agency as the main institution, are in place but need to be strengthened. An updated National Energy Efficiency Programme 2001-2005 is being implemented, also addressing renewable energy issues.

In the field of **nuclear energy and nuclear safety**, Slovenia meets the commitments and requirements arising from the accession negotiations and is in a position to implement the Euratom *acquis* as from the date of accession. During the accession negotiations, Slovenia committed itself to providing further information on measures to implement the recommendations contained in the Council Report on Nuclear Safety in the Context of Enlargement of June 2001. Slovenia provided such information in December 2001, and in March and June 2002. In June 2003, Slovenia submitted comprehensive additional information covering recent progress regarding all recommendations, including the *de jure* independence of its nuclear regulatory authority SNSA from the promotion of nuclear energy, Slovenia should continue to pay attention to further strengthening the capacity of its radioactive waste management agency ARAO.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the **energy** chapter, and is expected to be in a position to implement the *acquis* in this area from accession. Slovenia needs to continue to progressively build up oil stocks in line with the schedule agreed during the negotiations. In addition, Slovenia must remove the remaining electricity price distortions, and transpose the most recent *acquis* on energy efficiency. It also needs to continue to further strengthen administrative capacity in the energy sector.

Chapter 15: Industrial policy

EC industrial policy seeks to enhance industrial competitiveness and rates of employment, whilst operating in markets open to international competition. Its aim is to speed up adjustment to structural change, encouraging an environment favourable to initiative and to the development of undertakings throughout the Community. EC industrial policy mainly consists of policy principles and horizontal and sectoral industrial policy communications.

Slovenia's **industrial strategy** essentially complies with the concepts and principles of EC industrial policy, i.e. it is market-based, stable and predictable. The necessary administrative structures in this area are in place. The co-ordination with other relevant Ministries and agencies has improved, but this process needs to continue.

In the area of **privatisation and restructuring**, the process of terminating the Slovenian Development Corporation, a body that owns state companies, should be completed. The restructuring process focussing on steel and textiles/footwear is ongoing.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the **industrial policy** chapter and is expected to be in a position to implement the relevant *acquis* as of accession.

Chapter 16: Small and Medium-sized Enterprises

SME policy aims to improve the formulation and co-ordination of enterprise policy across the internal market with a view to supporting the development of SMEs. In doing so, it seeks to improve the overall business environment in which SMEs operate. SME policy consists largely of consultation fora and Community programmes, as well as of communications, recommendations and exchanges of best practices.

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the chapter **small and medium-sized enterprises**. Alignment with the new Commission recommendation on the SME definition should be carried out. Slovenia should further simplify its business legislation and administrative environment. The implementation of the European Charter for Small Enterprises should be maintained.

Chapter 17: Science and research

Due to its specificity, the *acquis* in the field of science and research does not require any transposition in the national legal order. However, the necessary implementing capacity needs to be created to allow for effective participation in activities under the Framework Programmes in the field of research.

Slovenia has met the commitments and requirements arising from the accession negotiations in the area of **science and research** and will be in a position to implement the *acquis* as from accession.

Chapter 18: Education and training

Education, training and youth is primarily the competence of the Member States. The Community's *acquis* consists of a directive on education of the children of migrant workers, and of action programmes and recommendations. The necessary implementing capacity needs to be in place to allow for effective participation in the Community programmes related to this chapter (Leonardo da Vinci, Socrates and Youth).

Slovenia has met the commitments and requirements for membership in the area of **Community programmes**, and will be in a position to implement the relevant *acquis* from accession. The implementing capacity for Community programmes will need to be enhanced to benefit from additional allocations for decentralised actions following accession.

In the area of **education of children of migrant workers**, due implementation of the *acquis* needs to be ensured.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the area of **education and training** and is expected to be in a position to implement this *acquis* from accession. Efforts to implement the *acquis* on education of children of migrant workers need to be ensured.

Chapter 19: Telecommunications and information technologies

The *acquis* in the field of telecommunications consists mainly of the 1998 regulatory framework and a 2000 regulation, and is aimed at the elimination of obstacles to the effective operation of the single market in telecommunications services and networks, and the achievement of universally available modern services. A new regulatory framework on electronic communications was adopted in 2002 and must be implemented. As regards postal services, the objective is to implement the single market by opening up the sector to competition in a gradual and controlled way, within a regulatory framework which assures a universal service (1997 and 2002 *acquis*).

In the field of **telecommunications**, a fair degree of transposition of the *acquis* adopted in the period 1998 to 2000 has been achieved, although transposition remains to be completed concerning notification requirements, promotion of new technology, the obligations of operators with significant market power versus other operators, and the rules on legal interception. In addition, alignment with the 2002 *acquis* remains to be completed. Fair competition in the telecommunication market remains to be improved as a matter of priority, in particular for the fixed lines. Also, although interconnection charges are now in line with EU benchmarks, cost orientation has not yet been demonstrated, because SMP operators have not yet developed cost models. The application of these benchmarks to smaller new market entrants is causing difficulties. The regulatory agency has been established; however, adequate resources need to be allocated to it so as to ensure its timely and efficient functioning. Furthermore, it needs to step up its efforts to eliminate any discrimination by the incumbent operator and its subsidiaries.

*In the field of **postal services**, Slovenia is completing alignment with the first postal directive as regards accounting, the thresholds of the reserved services, the authorisation and licencing system, the operation of the compensation fund and tariff schemes. Slovenia has recently adopted legislation aiming at completing alignment concerning the quality of services for the universal service. As concerns the second postal directive, Slovenia has recently adopted legislation intended to complete alignment. Slovenia has already implemented the new thresholds for the reserved services.* *Conclusion*

Slovenia is essentially meeting the commitments in the field of **postal services** and is expected to be in a position to implement the *acquis* by accession. Slovenia should give priority to completing the transposition of the *acquis* in the postal sector.

Slovenia is partially meeting the commitments in the field of **telecommunications**. In order to complete preparations for membership, enhanced efforts are required to complete the transposition of the *acquis* in this field and to enforce it. The national regulator should be strengthened in order to ensure the capacity to implement effectively the postal

services and telecommunications *acquis*, which includes ensuring competition on the market.

Chapter 20: Culture and audio-visual policy

The culture and audio-visual policy chapter requires legislative alignment with the Television without Frontiers directive and contains the community programmes Culture 2000, Media Plus and Media Training. Alignment with the Television without Frontiers directive creates the conditions for the free movement of television broadcasts within the Community. It implies basic common requirements concerning advertising; the protection of minors and public order; and the promotion of European works.

Slovenia's legislation is largely in line with the **audio-visual** policy *acquis*, but measures to implement the derogation for local broadcasters should be refined. Administrative capacity for implementation of the audio-visual *acquis* should be improved.

Slovenia meets the requirements for participation in Community activities in the field of **culture**.

Conclusion

Slovenia has met the commitments and requirements arising from the accession negotiations in the field of **culture**. Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations on **audio-visual policy** and is expected to be in a position to implement the *acquis* by accession. Administrative capacity should be improved.

Chapter 21: Regional policy and co-ordination of structural instruments

The *acquis* under this chapter consists mostly of regulations, which do not require transposition into national legislation. They define the rules for drawing up, approving and implementing Structural Funds programmes and Cohesion Fund actions. These programmes are negotiated and agreed with the Commission, but implementation is the responsibility of the Member States. It is essential that Member States respect Community legislation in general, for example in the areas of public procurement, competition and environment, when selecting and implementing projects, and have the necessary institutional structures in place to ensure implementation in a sound and cost-effective manner from the point of view of both management and financial control.

Slovenia has agreed with the Commission on a provisional NUTS classification of its **territorial organisation**.

The essential feature of the **legislative framework**, i.e. the ability to ensure multi-annual budget programming, is in place. The Public Finance Act established the legal basis for the adoption of two-year budgets. Flexibility is ensured through the Law on Execution of the State Budget, which sets rules for reallocation of approved expenditures in the state budget and changes of investment projects.

The legislative framework for financial control and compliance with Community policy is monitored in other chapters. However, in order for Slovenia to make effective use of its

eligibility for structural funds as from 1 January 2004, the relevant *acquis* in the areas such as public procurement, state aid and environmental protection will need to be fully respected from that date.

The **institutional structures** for the preparation and implementation of the Structural and Cohesion Funds were modified in December 2002. The Government Office for Structural Policy and Regional Development (GOSPARD) was set up and designated Managing Authority for the Structural and Cohesion Funds. It currently employs twelve people. Three Intermediate Bodies have been appointed: the Ministry of Economic Affairs, the Ministry of Labour and the Ministry of Agriculture. The responsible departments in the Ministries still have to be defined. The National Fund, part of the Ministry of Finance, has been designated as the single Paying Authority, and will perform the certification of expenditure to the Commission. Overall the implementation structure needs to be better defined and considerably strengthened. A proposal in that sense has been submitted by Slovenia.

Internal audit units have been established within the line Ministries; they will be co-ordinated by the Budgetary Supervisory Service in the Ministry of Finance, which has established guidelines for internal audit. The internal audit units need to be strengthened. Training of auditors needs to be a priority. The internal audit unit of the Ministry of Finance will be in charge of the internal audit of the future Paying Authority.

Effective inter-ministerial co-ordination, allocation of tasks and setting-up of the delivery structures placed under the responsibility of the Managing Authority and the Paying Authority as well as the identification of final beneficiaries require particular attention.

The **programming** document in the format of a Single Programming Document (SPD) was submitted in April 2003, and the ex ante evaluation has been integrated. The programme complement has been submitted in September 2003. The draft SPD was presented in all Slovenian regions in order to raise awareness and launch an open discussion on the document. The monitoring committee is being set up. It will involve the ministries concerned and a broad range of social and economic partners.

GOSPARD, as Managing Authority, is responsible for establishing an effective monitoring and evaluation system. The current monitoring system (ISNARD) does not adequately cover Structural Funds monitoring and reporting needs. Far-reaching adaptations are needed to meet the requirements of the *acquis*. The harmonisation of modules, definition of indicators and pilot testing are under way and should be given adequate attention.

Considerable and sustained efforts are needed to establish a pipeline of projects that are ready to be implemented in technical and financial terms so as to enable Slovenia to benefit fully from Community funds as soon as the programme starts.

The **financial management and control** system is being established. The specific procedures for financial control, auditing, certification of expenditure and correction of irregularities are being finalised. The financial flows and provision of audit trails between the Paying Authority, the Managing Authority, intermediate bodies and final beneficiaries still need to be defined. The functional separation within the Paying Authority of the certifying and authorising functions needs to be ensured. This is a cause of concern since the independence of the certifying staff in the Paying authority from authorising functions is not clarified.

In order to fulfil obligations in connection with the implementation of the Structural and Cohesion Funds, the Ministry of Finance and the winding-up body must automatically receive audit plans and reports on the 5% on the spot checks for Structural Funds and 15% for the Cohesion Fund.

Additionality will be verified before approval of the Single Programming Document.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations on this chapter, in particular as regards **territorial organisation** and **programming**. Slovenia now needs to focus on establishing an adequate pipeline of well-prepared projects. Slovenia needs to make sure that final beneficiaries will be in a position to effectively apply public procurement rules.

The requirements relating to the necessary **legislative framework, institutional structures** and **financial management and control** are only partially met. Particular attention must be paid to defining and completing the administrative structures for the management and monitoring of the Structural and Cohesion Funds, given that part of the architecture of the management system has been significantly changed. They must be prepared to apply effectively the new rules on public procurement in line with EU requirements, in order to benefit from Community funding from 1 January 2004. In the area of financial management and control procedures need to be finalised, financial flows and audit trails defined and an adequate separation of functions within the Paying Authority ensured.

Chapter 22: Environment

Community environment policy aims to promote sustainable development and protect the environment for present and future generations, and is based on the integration of environmental protection into other Community policies, preventive action, the polluter pays principle, fighting environmental damage at source, and shared responsibility. The *acquis* comprises over 200 legal acts covering horizontal legislation, water and air pollution, management of waste and chemicals, biotechnology, nature protection, industrial pollution and risk management, noise, and radiation protection. Ensuring compliance with the *acquis* requires significant investments, but also brings significant benefits for public health and reduces costly damage to forests, buildings, landscapes and fisheries. A strong and well-equipped administration at national, regional and local level is imperative for the application and enforcement of the environment *acquis*.

Horizontal legislation is in place and is in line with the *acquis*, except for the recent *acquis* on strategic environmental impact assessment, which needs to be transposed and implemented by July 2004 in line with the Directive, as well as regulations completing transposition of environmental impact assessment, which need to be transposed by accession. While the relevant administrative capacities are in place and function adequately, the competent authority for strategic environmental impact assessment needs to be designated.

In the **air quality** sector, legislation is in place and is in line with the *acquis*, except for implementing legislation on the monitoring of air quality. Administrative capacities are in place and function adequately.

In the field of **waste management**, legislation is in place and is in line with the *acquis*, except for implementing legislation as regards an amendment to the Environment Protection Act regarding financial security for landfill. Administrative capacities are in place and function adequately. The establishment of collection systems and recovery and disposal facilities needs to continue. As regards packaging waste, a transitional arrangement until 31 December 2007, with intermediate targets, has been agreed.

In the area of **water quality**, legislation is in place and is in line with the *acquis*, except for the recent framework *acquis* on water, which needs to be transposed by accession. Administrative capacities are in place and function adequately. An inventory of discharges of dangerous substances and corresponding pollution reduction programmes needs to be completed by accession. As regards urban waste water, a transitional arrangement until 31 December 2015, with intermediate targets, has been agreed.

In the field of **nature protection**, legislation is in place and is in line with the *acquis*, except for implementing legislation on habitats and birds, which needs to be completed. Further efforts are needed to finalise the preparation of a list of proposed sites of Community interest and the designation of special protection areas by accession, and to apply the relevant protection measures. Close attention needs to be paid to ensuring proper consultation while avoiding delays. Administrative capacities are in place and function, but require further attention.

The legislation on **industrial pollution and risk management** is partly in place and is in line with the *acquis*. Implementing legislation on the permitting procedure for installations subject to the rules on integrated pollution and prevention control (IPPC), volatile organic compounds, and major accident hazards (safety reports and inspection controls), and the recent *acquis* on large combustion plants and national emission ceilings, all need to be transposed by accession. Administrative capacities are in place and function, but, following the delay in transposing the IPPC Directive, the capacity to issue permits for new IPPC installations and to ensure compliance with them by accession needs to be enhanced. As regards existing IPPC installations, permits need to continue to be issued and complied with until October 2007. Arrangements must be made for stakeholder participation in the licensing procedure. The establishment of licensing systems for the operation of large combustion plants and for the incineration of waste needs to be completed. As regards IPPC, transitional arrangements until 30 October 2011 have been agreed for certain installations in Slovenia.

The legislation concerning **chemicals and genetically modified organisms (GMOs)** is in place and is in line with the *acquis*, except for the recent *acquis* on the deliberate release into the environment of GMOs. Administrative structures are in place, but need to be strengthened in the biocides area. Co-ordination between the organisations involved needs to continue to be enhanced.

Transposition of the *acquis* on **noise** is proceeding according to schedule and the legislation is in line with the *acquis*, except for the recent *acquis* on ambient noise, which needs to be transposed by July 2004 in line with the Directive. Notified bodies need to be approved.

As regards **nuclear safety and radiation protection**, framework legislation is in place and is in line with the *acquis*. However, a significant amount of implementing legislation remains to be adopted by accession (basic safety standards, outside workers, shipments of

radioactive waste, information on emergencies, and medical exposure). Administrative capacities in this area are largely in place and function adequately.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations and is expected to be in a position to implement the *acquis* in all areas of **environment** policy by accession. Slovenia needs to finalise the legal alignment as regards the following areas: horizontal legislation, air quality, waste management, water quality, nature protection, industrial pollution and risk management, genetically modified organisms, noise, and nuclear safety and radiation protection. Moreover, Slovenia must complete inventories of discharges of dangerous substances and finalise the programmes for discharges of dangerous substances to water. The establishment of waste collection systems and recovery and disposal facilities needs to continue. Slovenia must make further efforts to finalise its lists of proposed nature protection sites and special bird protection areas. In this context, close attention needs to be paid to ensuring proper consultation while avoiding delays. As regards industrial pollution, permits for IPPC installations need to be issued and complied with according to *acquis* deadlines and administrative capacity requires particular attention. Authorisation procedures for biocides need to be established.

Chapter 23: Consumer and health protection

The *acquis* covers protection of the economic interests of consumers (concerning misleading and comparative advertisement, price indication, consumer credit, unfair contract terms, distance and doorstep selling, package travel, timeshare, injunctions for the protection of consumers' interests, and certain aspects of the sale of consumer goods and associated guarantees) as well as the general safety of goods (liability for defective products, dangerous imitations and general product safety). Recently adopted legislation includes rules on general product safety and distance marketing of consumer financial services. The acceding countries need to effectively enforce the *acquis* through appropriate judicial and administrative systems, including market surveillance and a role for consumer organisations.

Slovenia has transposed the *acquis* on **safety-related measures** except for the revised directive on general product safety. Slovenia has adopted legislation in order to complete alignment with the *acquis* on the liability of defective products. The administrative structures are in place, but need to be strengthened in terms of both financial and human resources. This concerns especially the Market Inspectorate. **Market surveillance** relating to general product safety is being developed and Slovenia has created the relevant policy, management structures and information system. However, the capacity of the main bodies in charge of market surveillance activities needs to be further developed and their co-ordination improved. These structures need also to be strengthened in terms of both financial and human resources.

As regards **non-safety related measures**, Slovenia has transposed legislation in the areas of injunctions for the protection of consumer interests and sale of consumer goods and associated guarantees. Some issues have to be addressed with respect to comparative and misleading advertising and the use of languages in commercial communications vis-à-vis the consumer. More efforts are needed to effectively enforce consumer policy. The administrative structures in terms of both financial and human resources need to be

further developed and strengthened, especially concerning the Office for Consumer Protection. Promotion and establishment of alternative dispute resolution schemes requires more support from the government.

With regard to **consumer organisations** the role of non-governmental organisations needs to be further promoted in order to develop and implement consumer policy and encourage more active involvement in developing consumer product safety standards. The government needs to grant more financial support to consumer organisations and establish a clear division of tasks between the Office for Consumer Protection and consumer NGOs. Slovenia should furthermore improve and increase the level of consumers' and businesses' awareness of their rights and responsibilities.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the areas of **safety-related measures**, and **consumer organisations**, and is expected to be in a position to implement this *acquis* as from accession. Slovenia needs to complete alignment with the *acquis* concerning the revised general product safety directive.

Slovenia is meeting the majority of the requirements for membership in the area of **market surveillance** and **non-safety related measures**. In order to complete preparations for membership, Slovenia should complete alignment in the non-safety related area and improve market surveillance to ensure the proper enforcement of legislation on safety and non-safety related measures including by strengthening the administrative capacity and structures.

Chapter 24: Co-operation in the field of justice and home affairs

The most developed part of this chapter is the Schengen *acquis*, which entails the lifting of internal border controls. However, much of this *acquis* will not apply to the acceding countries upon accession, but only after a later separate Council Decision. The Schengen Implementation Action Plan aims at preparing this on the basis of a credible schedule for the introduction of the Schengen provisions. Binding rules which must be put in place as from accession include part of the rules on visas, rules on external borders and the *acquis* on migration, asylum, police co-operation, combating organised crime, fight against terrorism, fraud and corruption and drugs, customs co-operation as well as human rights legal instruments. On issues such as border control, illegal migration, drugs trafficking and money laundering, organised crime, police and judicial co-operation, data protection and the mutual recognition of court judgements, acceding countries need to be equipped to meet adequate standards of administrative capacity. The establishment of an independent, reliable and efficient judiciary and police organisation are also of paramount importance.

Implementation of the **Schengen Action Plan** is in general satisfactory. However, some changes have been introduced to the staff recruitment plans from what was foreseen in the Action Plan. Slovenia should ensure that these changes do not affect its capacity to ensure the required high level of border control at what will become the future external border of the EU. Slovenia should continue its preparations for the lifting of internal borders and full implementation of the Schengen *acquis* on the basis of a further decision

to be taken by the Council. The preparation for integration into the Schengen Information System (SIS) II is progressing according to schedule.

The legislative framework for **data protection** is in place. However, Slovenia should complete the ongoing amendments of legislation to ensure that the powers of the supervisory institutions (consisting of a Deputy Ombudsman dealing with data protection issues and an inspectorate in the Ministry of Justice) are in line with the *acquis* requirements. These institutions should also be given adequate resources to fulfil their tasks.

Slovenian **visa policy** is fully aligned with that of the EU. As regards implementation and administrative capacity, the on-line system for visas has been introduced in almost all Slovenian missions abroad.

The implementation of the measures to improve control of **external borders** in Slovenia has continued in accordance with the Schengen Action Plan. A new Border Act defining the bodies responsible for border control and surveillance entered into force in January 2003. The measures are co-ordinated by a special working group in the General Directorate of the Police. The actions are focused on the green border with Croatia. Slovenia is in the process of upgrading its equipment for border surveillance, including sea borders and the construction of border posts at its border with Croatia. Slovenia concluded a cross-border police co-operation agreement with Croatia and it entered into force in April 2003. Agreements with Austria and Hungary on cross-border police co-operation are being prepared. A bilateral agreement on simplified border procedures in rail and road transport with Croatia was signed in April 2003.

As far as **migration** is concerned, amendments to the Law on Foreigners regarding family reunification, employment of third country nationals and carrier liability were adopted in September 2002 completing alignment in this area.

The basic legislation on immigration and **asylum** is in place. Implementing rules related to the rights of asylum seekers were adopted in September 2002, however implementing rules related to the rights and benefits of recognised asylum seekers (the integration decree) are still pending. Slovenia's legislation concerning safe third countries is in line with the *acquis* as is the practice of manifestly unfounded applications. The practice concerning manifestly unfounded applications should be monitored further in order to ensure that it is fully in line with the *acquis*. The asylum home in Ljubljana has been separated from the aliens centre (detention centre for illegal migrants). The accommodation capacity both for alien centres and asylum-homes is continuously being increased. As regards implementation capacity, Slovenia should continue its preparations for participation in EURODAC and Dublinet.

In the field of **police co-operation and combating organised crime**, international co-operation is well established and the implementation of the co-operation agreement with Europol is progressing smoothly. Attention should be paid to the timely preparation of national procedures in order to ensure swift ratification of the Europol Convention upon accession to the EU. Slovenia has started sending liaison officers abroad. Slovenia still needs to align its Penal Code with the Council decision to combat child pornography on the Internet. A co-operation agreement between customs and the police in the area of crime prevention and detection was signed in February 2003. Slovenia should ensure implementation of this agreement as well as adequate co-operation and co-ordination between the police, the public prosecutors and judiciary. Slovenia should also continue

its efforts to combat trafficking of human beings, including its ongoing co-operation with NGOs. Slovenia is both a transit and a destination country. Slovenia has signed but not yet ratified the UN Convention against Transnational Organised Crime and its three protocols.

Concerning the **fight against terrorism**, Slovenia still needs to ratify the 1999 UN Convention for the Suppression of Financing of Terrorism. Slovenia should also continue its preparations to accede to the Convention on Mutual Assistance in Criminal Matters between the EU and Member States (2000) upon accession.

The legislative framework in the area of the **fight against fraud and corruption** is in place in Slovenia. However, a new comprehensive anti-corruption law has been adopted by the Government and is pending ratification of the Parliament. Amendments to the Penal Code still need to be adopted to complete alignment with the 1995 Convention on the Protection of the EC's Financial Interests' and its protocols as well as with the 1997 OECD Convention on Combating Bribery of Public Officials in International Business Transactions (ratified in 2001). Full alignment with and implementation of the Council Framework Decisions on the protection of the euro against the counterfeiting should also be ensured. Slovenia has yet to designate a National Central Office, dealing notably with banknote and coin analysis. The Council of Europe Civil Law Convention on Corruption has been ratified in March and it entered into force in April 2003. An institutional framework for combating fraud and corruption exists including specialised units in the police and an Office for Prevention of Corruption. The office is, among other things, providing training in this area. The anti-corruption strategy adopted by the Government and pending ratification of the Parliament should contribute to improving co-ordination between the different law enforcement bodies to fight organised crime. As regards corruption, see also *Section C.1. — Administrative and judicial capacity*.

The legal framework in the area of **fight against drugs** is in place; however, the National Programme for Prevention of Drug Abuse (2003-2008) still remains to be adopted by the Parliament. Some changes have been introduced to the institutional framework, notably the integration of the Government Anti-Drug Office to the Ministry of Health from January 2004 onwards. Strengthening of border control especially at the borders with Croatia and Hungary is important for ensuring effective control of drug transit.

Slovenia has completed its legislative alignment with the acquis on **money laundering**. The National Office for Money Laundering Prevention acts as the Slovenian Financial Intelligence Unit and is functioning adequately (*see also Chapter 4 – Free movement of capital*).

Concerning **customs co-operation**, co-operation with OLAF has been effective. Slovenia should continue to prepare and conclude Memoranda of Understanding on co-operation between customs and business organisations in combating drug trafficking.

Regarding **judicial co-operation in criminal and civil matters**, Slovenia should complete legislative alignment, in particular by ratifying the 1972 Convention on the Transfer of Proceedings in Criminal Matters (that Slovenia signed in 2002) and by signing the Convention on the Recognition and Enforcement of Decisions concerning Custody of Children and the Restoration of Custody of Children. Direct contact between competent judicial authorities should be made possible.

As regards the *reform of the judiciary* in general, a detailed analysis is provided in *Section C.1. — Administrative and judicial capacity*.

All the **human rights legal instruments** under the justice and home affairs *acquis* have been ratified by Slovenia.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations and is expected to be able to implement by accession the *acquis* in relation to **the Schengen Action Plan, visa policy, external borders, migration, asylum, police co-operation and combating organised crime, the fight against terrorism, drugs and money laundering, customs co-operation, judicial co-operation in criminal and civil matters, and the human rights legal instruments**. Some adjustments need to be made to the institutional set up on data protection and to the Penal Code to complete alignment on police co-operation, the fight against terrorism and judicial co-operation in criminal and civil matters, as well as to the asylum act to align legislation on the rights of asylum seekers.

Slovenia is partially meeting the requirements in respect of the *acquis* on **data protection, the fight against fraud and corruption**. In order to complete preparations for membership, the adoption of the amendments to the Penal Code should be accelerated.

Chapter 25: Customs union

The Customs Union *acquis* consists almost exclusively of legislation which is directly binding on the Member States and does not require transposition into national law. It includes the Community's Customs Code and its implementing provisions; the Combined Nomenclature, Common Customs Tariff and provisions on tariff classification, customs duty reliefs, duty suspensions and certain tariff quotas; and other provisions such as those on customs control of counterfeit and pirated goods, drugs precursors and cultural goods and on mutual administrative assistance in customs matters as well as Community agreements in the areas concerned, including transit. Member States must ensure that the necessary enforcement capacities, including links to the relevant EC computerised customs systems, are in place.

Slovenia's **customs legislation** is in line with the *acquis* as it stood in 2001 except for the amendment of the Administrative Fees Act as well as some minor issues such as time limits for communication and payment of customs debts. Implementation of the remaining *acquis*, including 2002 and 2003 provisions, and in particular the Community *acquis* with regard to the control of precursors chemicals, will take place upon accession, when the EC customs legislation becomes directly applicable. National provisions superseded by the *acquis* are to be repealed at the time of accession and agreements on mutual administrative assistance in customs matters are to be amended as necessary.

Concerning **administrative and operational capacity**, the necessary administrative capacity is in place and development of operational capacity is on track. Slovenia should continue to reorganise its administration in the light of changes related to accession.

Regarding the computerised customs system and all the other interconnectivity-related issues, Slovenia is well advanced and all projects are on schedule for completion by the

time of accession. Slovenia should finalise work on the computerised transit system, and on the interface between the entry-processing system and integrated tariff system and the tariff quota system.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations and is expected to be in a position by accession to implement the **customs union** *acquis* with the necessary administrative and operational capacity.

Chapter 26: External relations

The main element in this chapter, the common commercial policy, is made up of directly binding EU legislation which does not require transposition into national law. The acceding countries were requested to align before accession with the *acquis* on dual-use goods and, where applicable, export credits. Acceding countries committed themselves to ensure compatibility with the *acquis* of their bilateral agreements with third countries. In the area of humanitarian aid and development policy, countries need to ensure the capacity to participate in the EC's development and humanitarian policies.

The administrative structures for dealing with the issues related to the **common commercial policy** are in place and sufficient.

Slovenia has co-ordinated its positions and policies with the Commission with regard to the Doha Development Agenda. Slovenia should continue close co-ordination and co-operation with the Commission, mainly in order to carry on preparing the convergence of its GATS commitments and Most Favoured Nations exemptions into the EU ones (consolidation EU 25), to be finalised upon accession. Slovenia co-operated with the Community in the process of its third stage notification, thus avoiding further discrepancies between integration schedules under the Agreement on Textiles and Clothing with the Community.

On trade in dual-use goods, Slovenia has reached a high degree of alignment with the *acquis*. Further alignment, in particular regarding the list of dual-use items, needs to be achieved, as export control regimes continue to adopt decisions, which the EU integrates into its legislation. Membership in all export control regimes is a crucial factor enabling implementation of export controls by Slovenia. Based on the Thessaloniki Action Plan to support the acceding countries' membership in export control regimes, the EU supports Slovenia's accession to the regimes to which it has already applied but is not yet a member. The Commission supports Slovenia's renewed intentions to apply to the Wassenaar regime in the near future. Full alignment as regards the Community general export authorisation can only take place upon accession.

Legislative alignment in the area of export credits has been completed. Administrative structures are in place and satisfactory.

With regard to **bilateral agreements with third countries** Slovenia needs to confirm that all agreements with third countries which it wishes to maintain after accession are compatible with its EU obligations and take further steps to terminate or renegotiate those international agreements that are found to be incompatible with the *acquis*.

In the area of **humanitarian aid and development policy**, Slovenia has established a system for the national co-ordination of development and humanitarian aid. Slovenia is completing preparations for the EU's policy in international development co-operation. Humanitarian aid has been provided on a reasonable scale through the UN and Red Cross families. Slovenia needs to ensure that there is a development policy in line with EC principles, in particular with the guidelines laid down by the OECD Development Assistance Committee, as well as the commitments and objectives that Slovenia has approved in the context of UN and other international organisations.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations and is expected to be able to implement the *acquis* on the **common commercial policy** and **humanitarian aid and development policy**. Slovenia needs to ensure that there is a development policy in line with EU principles.

Slovenia is meeting the majority of the commitments and requirements for membership in relation to **bilateral agreements with third countries**. In order to complete preparations in this area, Slovenia must take decisive steps towards renegotiating or terminating its bilateral agreements to make sure that they are compatible with the *acquis* upon accession.

Chapter 27: Common foreign and security policy

The *acquis* related to the common foreign and security policy (CFSP) is essentially based either on legally binding international agreements or on political agreements to conduct political dialogue in the framework of CFSP, to align with EU statements, and to apply sanctions and restrictive measures where required.

Slovenia has the required administrative capacity to participate in the **political dialogue**. Slovenia has undertaken preparations for exchange of classified information in the framework of Extranet.

With regard to alignment with **EU sanctions and restrictive measures, statements, declarations and démarches**, Slovenia has the required legislative framework and administrative capacity in place.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the chapter **common foreign and security policy**, and is expected to be able to participate in the political dialogue and to align with EU statements, sanctions and restrictive measures by accession.

Chapter 28: Financial control

The *acquis* under this chapter consists mostly of general, internationally agreed and EU-compliant principles of public internal financial control that need to be transposed into the control and audit systems of the entire public sector. In particular, the *acquis* requires the existence of adequate *ex ante* financial control and functionally independent internal audit systems; an independent external audit of the public internal financial control

systems in the public sector; an appropriate financial control mechanism for EU pre-accession funding and future structural action expenditure; and arrangements on the protection of EC financial interests. In addition, an anti-fraud co-ordination service, capable of co-operating with the Commission's Anti-fraud Office OLAF at an operational level, is to be designated.

In the area of **public internal financial control** Slovenia's framework and implementing legislation is in place and in line with the *acquis*. The necessary institutions are in place. However, the administrative capacity of the Central Harmonisation Unit in the Budget Supervisory Service needs to be enhanced by upgrading the status and salaries of the staff. Also, the Guidelines for Financial Management and Control and the generic audit trail for spending centres are still to be adopted.

As regards **external audit** legislative alignment has largely been completed, however, the manual of the Court of Audit still needs to be finalised. Slovenia should also ensure adequate functioning of external audit.

Concerning **control over EU pre-accession funding and structural action expenditure**, the framework legislation is in place and essentially in line with the *acquis*. The implementing legislation is in place but it should be strengthened further. A comprehensive description of the systems (audit trail) is still required. This is important in order to ascertain that appropriate separation of functions is ensured. Appropriate administrative structures are being set up and Slovenia should enhance its administrative capacity to manage the pre-accession funds and future structural funds in order to fully meet the requirements for financial control and internal audit. Training should be provided. Regarding pre-accession assistance, delays have occurred in preparation for the extended decentralised implementation system (EDIS).

In the area of the **protection of EC financial interests**, Slovenia needs to further complete the framework and implementing legislation, in particular with a view to defining the powers of the anti-fraud co-ordination service (AFCOS) and relations with other relevant institutions and bodies. Slovenia has designated the Budget Supervisory Service as the anti-fraud co-ordination service. Effective co-operation with other relevant Slovenian institutions and bodies and with OLAF should now be implemented in practice.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the chapter **financial control** and is expected to be in a position to implement this *acquis* as of accession. The operational and administrative capacities in the areas of public internal financial control and control over structural action expenditure need to be strengthened, separation of functions ensured, and preparations for the extended decentralised implementation system speeded up. In the area of protection of EC financial interests, the legislative framework should be completed and administrative capacity demonstrated in practice.

Chapter 29: Financial and budgetary provisions

Chapter 29 covers the rules concerning the financial resources necessary for the funding of the EC budget ('own resources'). These own resources are made up mainly from

contributions from Member States based on 1) traditional own resources from customs and agricultural duties and sugar levies, 2) a resource based on VAT and 3) a resource based on the level of gross national income (GNI). Member States must ensure the creation of appropriate administrative capacity to adequately co-ordinate and ensure the correct calculation, collection, payment and control of own resources and reporting to the EU for implementation of the own resources rules.

As regards the **traditional own resources (TOR)**, a national reporting system on cases of fraud and irregularity has been established in Slovenia but some changes still need to be introduced to the procedures for reporting to the Commission in line with the OWNRES system. The Customs Administration has been designated as the authority responsible for administration of the sugar levies but the necessary implementing structure and administrative procedures still need to be established. The A and B accounts in line with the EC system are largely in place, except for the sugar levies, and are accurate. However, some fine-tuning is needed on keeping B accounts.

Slovenia is in a position to calculate the weighted average rate (WAR) for establishing the **VAT-based resource** in accordance with ESA95 methodology, however, some fine-tuning is still required, including for the calculation of some financial compensations (passenger transport and business cars).

As regards the **GNI-based resource**, Slovenia has reached the level required to fulfil the EU requirements on national accounts as well as on completeness and reliability of GNI estimates following ESA95 standards. Quality and methodology improvements to national accounts and GNI calculations in line with ESA95 need to be sustained, in particular concerning the under-reporting and non-coverage of production units.

All institutions necessary for application of the own resources system in Slovenia exist. A unit within the Ministry of Finance co-ordinates own resources issues and is operating effectively.

Conclusion

Slovenia is essentially meeting the commitments and requirements arising from the accession negotiations in the area of **financial and budgetary provisions** and is expected to be in a position by accession to implement and apply the relevant acquis, once final steps have been completed. These concern finalising the procedures for reporting cases of fraud and irregularity to the Commission in line with the OWNRES system and completing the procedures for sugar levies.

D. CONCLUSION

Slovenia has exhibited a relatively robust macroeconomic performance. The restructuring process has continued to move forward on the reform path, albeit slowly and with a mixed picture in a number of sectors.

As regards the areas, where last year's report suggested improvements, some progress has been made, but challenges remain. Although decreasing slowly, the relatively high and persistent inflation remains a key policy concern. In order to support competitiveness of the economy, the Government should apply further structural reforms, such as the final liquidation of the Slovene Development Corporation, set for 2004, and further privatisation in the finance sector.

As regards overall administrative and judicial capacity, sufficient conditions are in place for the implementation of the *acquis* by the Slovenian public administration and judiciary, but there is room for further improvements. In the field of public administration, the new legislation improving the independence and professionalism of public administration should now be implemented and the provisions on restricting the involvement of civil servants in economic and political activities should be widened to cover all civil servants. A number of further reforms remain to be made to the judicial system, in particular in order to reduce the backlogs of court cases. Slovenia should continue its efforts to fight corruption. As far as translation of the *acquis* into Slovenian is concerned, the number of revised texts produced by Slovenia must increase greatly in the coming period up to accession.

As regards the implementation of the *acquis* in specific policy areas, the findings of this report are set out below.

Firstly, it should be noted that Slovenia has reached a **high level of alignment with the *acquis*** in most policy areas.

It is expected to be in a position to implement the *acquis* as required in the following areas by accession: almost all aspects of *free movement of goods*; citizens' rights, free movement of workers and co-ordination of social security systems, in terms of *free movement of persons*; banking, insurance, investment services and securities markets in the area of *freedom to provide services*; *free movement of capital*, including money laundering; most areas in the *company law* chapter and accounting; and state aid in the area of *competition policy*. In the area of *agriculture*, Slovenia is expected to be in a position by accession to implement the *acquis* on all horizontal issues, in most common market organisations and in rural development; in the veterinary area as regards TSE, animal disease control measures, animal welfare, zootechnics and animal nutrition; in the phytosanitary area; and in *fisheries*.

Slovenia is also expected to be in a position to implement the *acquis* by accession in: the *transport* sector; VAT, excise duties and administrative co-operation in the field of *taxation*; *economic and monetary union*; *statistics*; most areas in the field of *social policy and employment*; the *energy* sector; *industrial policy*; *small and medium-sized enterprises*; *science and research*; *education and training*; postal services in the area of *telecommunications and information technologies*; *culture and audio-visual policy*; programming in *regional policy and co-ordination of structural instruments*; the *environment* chapter; safety-related measures and consumer organisations in terms of

consumer and health protection; almost all aspects of *justice and home affairs*; *customs union*; the common commercial policy and humanitarian aid policy in the *external relations acquis*; *common foreign and security policy*; *financial and budgetary provisions*; *financial control*.

Secondly, in certain areas Slovenia partially meets the commitments and requirements and needs to make **enhanced efforts** in order to complete its preparations for accession.

This includes old approach sectoral legislation in the area of *free movement of goods*, protection of personal data, the right of establishment and the freedom to provide non-financial services, and information-society services in terms of *freedom to provide services*, protection of intellectual and industrial property rights in the *company law* chapter, and anti-trust in the area of *competition*. In the *agriculture* area it concerns the common market organisation for sugar and milk, veterinary control systems, trade in live animals and animal products, upgrading of agri-food establishments, and common measures as regards residues.

This also includes the fields of: direct *taxation*, the European Social Fund and anti-discrimination in the area of *social policy and employment*; the *telecommunications* sector; the legislative framework, institutional structures and financial management and control for *regional policy and co-ordination of structural instruments*; market surveillance and non-safety measures in the area of *consumer and health protection*; the *acquis* on data protection and the fight against fraud and corruption in the area of *justice and home affairs*; *external relations*, as regards bilateral agreements with third countries and development policy.

Thirdly, Slovenia must take immediate and decisive action to address one issue of **serious concern** in one chapter of the *acquis* if it is to be ready by the date of accession.

This concerns the mutual recognition of professional qualifications in the area of free movement of persons, in particular alignment on the general system of recognition and on certain professions in the health care sector.

STATISTICAL ANNEX

	1998	1999	2000	2001	2002
Basic data	in 1000				
Population (as of 30th June)	1,983	1,986	1,990	1,992	1,996
	in km²				
Total area	20,273	20,273	20,273	20,273	20,273

National accounts	1000 Mio Tolar				
Gross domestic product at current prices	3,254	3,648	4,222	4,741	5,285
	1000 Mio ECU/euro				
Gross domestic product at current prices	17.5	18.8	20.4	21.7	23.4
	in ECU/Euro				
Gross domestic product per capita a) at current prices	8,800	9,500	10,300	10,900	11,700
	% change over the previous year				
Gross domestic product at constant prices (nat. currency)	3.8	5.2	4.6	2.9	3.2
Employment growth	0.0	1.2	8.8	0.9	-0.1
Labour productivity growth	3.8	3.9	-3.8	1.9	3.3
Unit labour cost growth	-2.5	-1.3	8.1	0.2	:
	in Purchasing Power Standards				
Gross domestic product per capita a) at current prices	14,100	14,500	15,900	16,800	17,700
	in % of EU-15 average				
GDP per capita a) at current prices in PPS	69	68	70	72	74
Labour productivity (GDP per person employed in PPS)	69	68	71	70	71
Structure of production	% of Gross Value Added b)				
- Agriculture	4.1	3.6	3.4	3.3	:
- Industry (excluding construction)	32.0	31.2	30.0	30.3	:
- Construction	5.6	6.2	6.1	5.8	:
- Services	58.3	59.0	60.4	60.7	:
Structure of expenditure	as % of Gross Domestic Product				
- Final consumption expenditure	75.9	76.0	76.6	76.5	75.4
- household and NPISH	55.7	55.8	56.7	56.0	54.8
- general government	20.3	20.2	20.0	20.6	20.6
- Gross fixed capital formation	24.6	27.4	25.7	23.9	22.9
- Stock variation	1.0	1.0	1.2	0.2	0.3
- Exports of goods and services	56.6	52.5	56.5	57.9	57.8
- Imports of goods and services	58.2	56.9	60.1	58.5	56.4

Inflation rate	% change over the previous year				
Consumer price index	7.9	6.1	8.9	8.6	7.5

	1998	1999	2000	2001	2002
Balance of payments	in Mio ECU/euro				
-Current account	-109	-661	-576	32	393p e)
-Trade balance	-710	-1,157	-1,216	-686	:
<i>Exports of goods</i>	8,101	8,074	9,515	10,412	:
<i>Imports of goods</i>	8,811	9,231	10,730	11,098	:
-Net services	448	327	486	558	:
-Net income	49	57	29	17	:
-Net current transfers	105	112	125	143	:
- of which: government transfers	-75	-80	-66	-75	:
- FDI (net) inflows	256	351	492	486	1,950p e)

Public finance	in % of Gross Domestic Product				
General government deficit/surplus	-2.3	-2.2	-3.3	-2.8	-2.6p
General government debt	25.1	26.4	27.6	27.5	28.3p

Financial indicators	in % of Gross Domestic Product				
Gross foreign debt of the whole economy	14.7	20.5	29.4	30.8	:
	as % of exports				
Gross foreign debt of the whole economy	25.9	39.0	51.9	53.2	:
Monetary aggregates	1000 Mio ECU/euro				
- M1	1.8	2.0	2.0	2.3	2.4
- M2	6.7	7.1	7.2	8.9	10.4
- M3	8.9	9.6	10.3	13.1	14.7
Total credit	5.9	7.0	7.7	8.7	9.3
Average short-term interest rates	% per annum				
- Day-to-day money rate	7.4	6.8	6.8	6.9	4.9
- Lending rate	17.3	14.2	17.7	17.1	15.6
- Deposit rate	10.5	7.2	10.0	9.8	8.2
ECU/EUR exchange rates	(1ECU/euro=..Tolar)				
- Average of period	186.0	194.5	206.6	218.0	226.0
- End of period	188.8	198.9	213.5	218.8	230.2
	1995=100				
- Effective exchange rate index	82.5	78.0	71.5	67.2	65.3
Reserve assets	Mio ECU/euro				
- Reserve assets (including gold)	3,119	3,154	3,435	4,989	6,733
- Reserve assets (excluding gold)	3,119	3,154	3,435	4,913	6,656

External trade c)	Mio ECU/euro				
Trade balance	-946	-1,446	-1,492	-998	-612
Exports	8,073	8,032	9,495	10,347	10,962
Imports	9,019	9,478	10,987	11,344	11,574
	previous year=100				
Terms of trade d)	102.5	99.5	94.8	100.9	101.9p
	as % of total				
Exports with EU-15	65.5	66.0	63.8	62.2	59.4p
Imports with EU-15	69.4	68.9	67.8	67.7	68.0p

	1998	1999	2000	2001	2002
Demography	per 1000 of population				
Natural growth rate	-0.6	-0.7	-0.2	-0.5	-0.5p
Net migration rate (including corrections)	-1.1	1.2	1.3	1.5	1.9
	per 1000 live-births				
Infant mortality rate	5.2	4.5	4.9	4.3	3.8p
Life expectancy :	at birth				
Males:	71.1	71.4	71.9	72.1	:
Females:	78.7	78.8	79.1	79.6	:

Labour market (Labour Force Survey)	% of population				
Economic activity rate (15-64)	68.8	67.6	67.4	67.5	68.5
Employment rate (15-64), total	62.9	62.2	62.8	63.8	63.4
Employment rate (15-64), males	67.2	66.6	67.2	68.6	68.2
Employment rate (15-64), females	58.6	57.6	58.4	58.8	58.6
	as % of the total population of the same age group				
Employment rate of older workers (55-64)	23.9	22.0	22.7	25.5	24.5
Average employment by NACE branches	in % of total				
- Agriculture and forestry	12.1	10.8	9.6	9.9	9.7
- Industry (excluding construction)	33.9	32.7	32.3	32.5	32.9
- Construction	5.7	5.1	5.4	6.1	5.9
- Services	48.4	51.4	52.7	51.4	51.6
	% of labour force				
Unemployment rate, total	7.4	7.2	6.6	5.8	6.0
Unemployment rate, males	7.3	7.0	6.4	5.5	5.7
Unemployment rate, females	7.5	7.4	6.8	6.2	6.4
Unemployment rate of persons < 25 years	17.6	18.5	16.4	15.7	14.8
Long-term unemployment rate	3.3	3.3	4.1	3.7	3.3

Social cohesion	ratio of top quintile to lowest quintile				
Inequality of income distribution	3.2	3.2	:	:	:
	% of population aged 18-24				
Early school-leavers	:	:	6.4	7.5	4.8
	% of population aged 0-65				
Population in jobless households (persons aged 0-65)	9.3	10.2	10.1	9.9	8.1

Standard of living	per 1000 inhabitants				
Number of cars	402	418	426	433	446
Main telephone lines	389.0	396.0	406.0	474.5	404.7
Number of subscriptions to cellular mobile services	98.6	326.5	571.6	758.0	771.3

Infrastructure	in km per 1000 km²				
Railway network	59	59	59	61	61
	Km				
Length of motorways	228	393	427	435	456

	1998	1999	2000	2001	2002
Industry and agriculture	previous year=100				
Industrial production volume indices	103.7	99.5	106.2	102.9	102.4
Gross agricultural production volume indices	102.2	98.7	102.4	:	:

Innovation and research	as % of GDP				
Spending on Human Resources (public expenditure on education)	:	:	:	:	:
	as % of GDP				
Gross domestic expenditure on Research & Development	1.48	1.51	1.52	:	:
	per 1000 inhabitants				
Level of Internet access - households	:	:	21	24	:

Environment	tonnes CO2 equivalent per capita				
Total greenhouse gases emissions	99.3pE	99.3pE	99.3pE	:	:
	kg of oil equivalent per 1000 euro of GDP				
Energy intensity of the economy	400.3	373.3	365.7	:	:
	as % of total electricity consumption				
Share of renewable energy	29.2	31.4	31.2	:	:
	as % of total freight transport				
Modal split of freight transport	37.5	37.2	39.2	41.3	:

p=provisional figures

E=estimated data

a) Figures have been calculated using the population figures from National Accounts, which may differ from those used in demographic statistics.

b) Including FISIM.

c) Annual data for 1998 sent to Eurostat were in USD. As from 1999 monthly data sent to Eurostat are already recalculated to EUR from the national currency, using the monthly average exchange rate of the Bank of Slovenia. From 2001 on values in EUR are calculated using the daily exchange rates set by the Bank of Slovenia.

d) The terms of trade are calculated from data in USD.

e) Source: Website of the National Bank

Methodological notes

Inflation rate

For details please refer to the following link to the Eurostat website:
http://europa.eu.int/newcronos/suite/info/notmeth/en/theme1/strind/ecobac_ir.htm

Finance

Public finance: The general government deficit / surplus refers to the national accounts concept of consolidated general government net borrowing / net lending (EDP B.9) of ESA95. General government debt is defined as consolidated gross debt at end-year nominal value.

External trade

Imports and exports (current prices). The data is based upon the special trade system. Trade Classification: Trade in goods are recorded using the commodity classification according to the Combined Nomenclature. Imports are recorded on CIF basis, exports on FOB basis.

Imports and exports with EU-15. Data declared by Slovenia.

Labour market

Indicators are harmonised annual figures with the exception of average employment by NACE branches and unemployment rate of persons < 25 years, which are for the 2nd quarter of the respective year. The results are based on the European Union Labour Force Survey (LFS). The EU LFS is conducted on a quarterly basis in accordance with Council Regulation (EEC) No. 577/98 of 9 March 1998.

For details please refer to the following link on the Eurostat website:
<http://europa.eu.int/newcronos/suite/info/notmeth/en/theme1/strind/emploi.htm>

Social cohesion

For details please refer to the following link on the Eurostat website:
<http://europa.eu.int/newcronos/suite/info/notmeth/en/theme1/strind/socohe.htm>

Industry and agriculture

Industrial production volume indices. Index of industrial production covers enterprises with 10 or more employees, except enterprises with activity of collection, purification and distribution of water.

Gross agricultural production volume indices. Indices are calculated from the data on crop and animal production and from triennial moving arithmetic mean of average purchasing prices.

Innovation and research

For details please refer to the following link to the Eurostat website:
<http://europa.eu.int/newcronos/suite/info/notmeth/en/theme1/strind/innore.htm>

Environment

For details please refer to the following link to the Eurostat website:
<http://europa.eu.int/newcronos/suite/info/notmeth/en/theme1/strind/enviro.htm>

Sources

Total area, External trade, Demography, Standard of living, Infrastructure, Industry and agriculture:
National sources. Other Indicators: Eurostat.