



Brussels, 26.3.2013
COM(2013) 171 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Monitoring Report on Croatia's accession preparations

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1. INTRODUCTION

The Accession Treaty was signed on 9 December 2011, following the Commission's favourable Opinion of October 2011 and the European Parliament's assent of December 2011. Croatia will become a Member of the European Union on 1 July 2013, subject to the Accession Treaty being ratified by all Member States. Currently 19 Member States, and Croatia, have ratified the Treaty and the Commission expects all remaining Member States to do so in good time before the date of Croatia's accession. As an acceding country, Croatia is enjoying active observer status during the interim period until accession.

In the course of the negotiations, Croatia agreed to a number of commitments, which have to be implemented by the date of accession, at the latest, unless specific transitional arrangements have been agreed.

Article 36 of the Act of Accession requires the Commission to closely monitor all commitments undertaken by Croatia in the accession negotiations, focusing, in particular, on competition policy, judiciary and fundamental rights, and justice, freedom and security. As an integral part of its regular monitoring, the Commission has been issuing six-monthly assessments, on the implementation of Croatia's commitments in these areas. The Commission adopted a Monitoring Report on Croatia's accession preparations in April 2012¹ and a Comprehensive Monitoring Report² in October 2012 with Croatia adopting an action plan to follow up on their recommendations.

In line with Article 36, this final Monitoring Report assesses the progress made by Croatia in its preparations for accession in the period between 1 September 2012 and 28 February 2013. This assessment is based on information gathered and analysed by the Commission, including input provided by Croatia, peer assessment missions as well as information shared by the Member States, international and civil society organisations, in their regular contacts with the Commission. The assessment is also based on the findings of the updated half-yearly Monitoring Tables, a working tool aimed at following up in detail all commitments undertaken by Croatia in the accession negotiations. The assessment on the ten priority actions, identified in the Comprehensive Monitoring Report as requiring particular attention is given separately for each one, in the relevant thematic section.

2. COMMITMENTS AND REQUIREMENTS ARISING FROM THE ACCESSION NEGOTIATIONS

2.1 Competition policy

Priority action

Sign the privatisation contract for *Brodosplit* shipyard and take the necessary decisions to find a viable solution for the shipyards *3.Maj* and *Brodotrogir* in order to complete the restructuring of the Croatian shipbuilding industry.

¹ COM(2012) 186 final.

² COM (2012) 601 final and SWD(2012) 338 final.

Croatia has completed this priority action. Following the acceptance, by the Commission decision of 20 February 2013, of the second amendment to the revised plan for the *Brodosplit* shipyard, the privatisation contract was signed on 28 February 2013. The amendment envisages a modest increase in the total amount of restructuring aid as well as additional compensatory measures. As regards *3. Maj*, Croatia informed the Commission of its intention to submit a revised and consolidated restructuring plan which is now based on the purchase of the yard by the *Uljanik* shipyard. Croatia formally submitted a revised restructuring plan for *Brodotrogir* on 12 February 2013 and initialled the privatization contract, sending it to the Commission in accordance with Annex VIII of the Act of Accession. On 20 March 2013, the Commission gave its agreement on the revised restructuring plan and on the privatisation contract. Croatia has committed to sign the privatization agreement for *Brodotrogir* at the latest two weeks after a positive decision by the Commission.

Croatia also meets the other commitments and requirements in the field of **antitrust, mergers and State aid**. Its legislation is aligned with the *acquis*, its administrative capacity sufficient and its enforcement record satisfactory. The Croatian Competition Agency (CCA) is fully operational and functionally independent. In October 2012 the CCA sent to the Commission its last six-monthly report with details on the number and type of decisions adopted, as well as assessment and opinions in the fields of antitrust and mergers, and State aid. The CCA adopted, in December 2012, a decision in the field of antitrust concerning regional bus carriers where a significant fine was imposed. Also, the same month, proceedings against a telecommunications provider were initiated.

With regard to Croatia's reporting obligations arising from Annex VIII to the Act of Accession, Croatia submitted the third report on the steel industry in Croatia in December 2012 and the six-monthly report on the restructuring of the Croatian shipbuilding industry in January 2013. The reports meet the required conditions for the Commission to carry out its assessment.

Concerning the steel sector, the bankruptcy proceedings initiated in March 2011 against *Željezara Split* continued. The CMC Sisak (now ABS Sisak) steel mill was sold to a new investor, who is consulting with the CCA on the amount to be reimbursed in accordance with the obligations of Annex IX to the Act of Accession.

As regards existing aid, the CCA has been submitting new measures and schemes to the Commission services for evaluation, as required by Annex IV to the Act of Accession.

2.2 Judiciary and fundamental rights

1) To continue to ensure effective implementation of its judicial reform strategy and action plan.

Implementation of the judicial reform strategy (2011 – 2015) and action plan has continued. The legislative framework has been further improved, in particular with a view to increasing the efficiency of the judicial system. The process of rationalisation of the judicial network has continued.

A new strategy for the development of the judiciary for 2013-2018 was adopted by Parliament in December 2012. The strategy was prepared in close consultation with the Council for monitoring the implementation of the Judicial Reform Strategy. The main focus of the new strategy is on the efficiency of the judiciary.

The long-term employment plans for judges and prosecutors for 2013-2025 were adopted by the Ministry of Justice in October 2012. Human resources planning and management remain to be improved further, in particular in the context of rationalisation of the court network.

The budget for the judiciary slightly decreased and amounts to around €313 million for 2013 (2012: €337 million), which is considered sufficient. The budget for investment in courts' infrastructure has been increased by 50% and amounts to around €8 million.

2) To continue to strengthen the independence, accountability, impartiality and professionalism of the judiciary.

The reformed State Judicial Council (SJC) and State Prosecutorial Council (SPC) have continued to operate independently. Both bodies have continued to appoint judicial officials based on transparent, uniform and objective criteria. In the period September 2012 – February 2013, 40 judges were appointed. A number of recruitments foreseen under the 2011 and 2012 recruitment plans still need to be completed.

Starting from 1 January 2013, a new system of appointments of judges to first instance courts applies in full, following the expiry of the transitional period. It requires all candidates to have completed the State School for Judicial Officials. The two years' training for the first intake of candidates for the State School for Judicial Officials was completed in November 2012. After adoption of the Ordinance on the final exam and final evaluation in the State School for Judicial Officials in February 2013 the final exams are scheduled to take place in May 2013. The training for the first year of the second intake of candidates for the State School for Judicial Officials started in September 2012 (the SPC selected 35 and the SJC 20 candidates).

The amendments to the State Judicial Council Act, which were adopted in February 2013, exempt the President and those members of the State Judiciary Council who are judges from their normal duties by 75 % and by 50% respectively. This is a positive step with a view to strengthening the capacity of the SJC. Additional administrative resources need to be provided to enhance its efficiency. It is important that the SJC increases its transparency and demonstrates accountability in carrying out its tasks. Further reforms should include a mechanism for judicial review of decisions, public sessions and an extended obligation to provide reasoned decisions.

The SJC and SPC have continued implementing the new system of asset declarations in cooperation with the tax administration. Disciplinary proceedings have been initiated against judges who did not submit their declaration of assets within the deadline, and in the majority of cases sanctions (reprimands) have been imposed. As to the verification of data, the checks carried out on the basis of the information received from the Tax Administration have not yet been completed.

Disciplinary measures are being taken in cases of wrongdoing by judicial officials. Both SJC and SPC became more proactive and continued developing a track record of decisions rendered and sanctions imposed. The new Courts Act adopted in February 2013 limits the immunity of judges and thus brings secondary legislation in line with the Constitution.

The good work done so far by the Judicial Academy should continue and its activities and management need to be supported by all main stakeholders in the judiciary. Professional life-long training of judges and prosecutors is key to improving the quality of the judiciary. Professional training programmes should continue, including increased training on EU law. Croatia participated in the Criminal Justice programme and in training activities organised by the European Judicial Training Network.

3) To continue to improve the efficiency of the judiciary

Priority action

Implement the immediate and advance on the short-term measures elaborated in September

2012 for increasing the efficiency of the judiciary and reducing the court backlog.

Croatia has completed this priority action. Croatia has implemented the immediate and short-term measures elaborated by the Ministry of Justice in September 2012 with a view to increasing the efficiency of the judiciary and reducing the court backlog.

During 2012, the courts overall managed to solve more cases than the influx. The backlog of civil, commercial and enforcement cases continues to be above the EU average. In its efforts to improve the efficiency of the judicial system in a sustainable manner, the Ministry of Justice has successfully created an advanced tool for statistical analysis of the performance of the judicial system, which is expected to enable it to allocate human and financial resources to resolve the incoming workload and the backlog. The new statistical system can become operational nationwide as soon as all courts are equipped with the Integrated Case Management System (ICMS).

Good progress has been made in the introduction of the ICMS in the remaining 33 municipal courts, planned to be completed by September 2013. A single comprehensive system for the statistical monitoring of case handling remains essential.

In 2012, 110 civil servants were permanently employed in order to fill vacancies and 250 additional civil servants were temporarily employed. A significant part of appointments of judges planned for 2012 were postponed to 2013. In 2012, 27,013 cases from overburdened courts were delegated by a decision of the Supreme Court (in 2011: 6,123). In 2012, the possibility of temporary or permanent voluntary mobility of judges to support overburdened courts was increasingly used. In 2012, overall 48 judges were transferred permanently (in 2011: 13) and 22 temporarily (in 2011:6). In 2012, a total of 23 judicial inspections were carried out. Alternative dispute resolution has been increasingly used in cases where State and State-owned enterprises were involved and should be further promoted.

A new Courts Act was adopted by Parliament in February 2013. It strengthens the supervisory authority of court presidents, in particular as regards efficient court performance and introduces a mechanism for protection of the right to trial within reasonable time. In addition to the reforms introduced by the new Courts Act, Court presidents should develop annual management plans, which need to be monitored. The exchange of best practices developed in individual courts should be encouraged.

Amendments to the State Judicial Council Act, adopted in February 2013, provide for increased transparency of the transfer of judges and will facilitate horizontal mobility. In February 2013 Amendments to the Civil Procedure Act were adopted, which limit the possibility of multiple referral of cases from higher to lower instances, introduce electronic summoning in Commercial Courts, as well as stricter rules for presenting new evidence. The possibility for the appellate court to refer a case back to the lower instance could be further limited to extraordinary circumstances.

The new Framework Criteria for the Performance of Judges adopted in December 2012 increase incentives for solving very old cases but would need to better reflect the types and complexity of cases, the size of the court, the level of specialisation, and the level of jurisdiction concerned. Draft Amendments to the Misdemeanour Act and to the Land Registry Act are planned to be adopted at the end of March/beginning of April. All these legislative measures are expected to contribute to increasing the efficiency of the judicial system and reducing the current backlog, if properly implemented.

Priority action

Adopt the new enforcement legislation, in order to ensure the execution of court decisions and reduce the backlog of enforcement cases.

Croatia has completed this priority action. The new Enforcement Act and amendments to the Act on the Implementation of the enforcement of monetary funds entered into force on 15 October 2012. The new system concentrates enforcement in municipal courts and thus unburdens commercial courts. Municipal courts are responsible only for non-monetary enforcement, while monetary titles are enforced directly and exclusively by the Financial Agency (FINA). A decrease in the number of enforcement cases to be handled by the courts and an improvement of the clearance rate is already noticeable.

The Ministry of Justice upgraded the ICMS in order to register and calculate the recovery rate, as a key indicator for the effectiveness of the enforcement system. It has also started working on further reform measures to increase the transparency and efficiency of enforcement on immovable property.

4) To continue to improve the handling of domestic war crimes cases.

Regarding the processing of domestic war crimes, one new investigation was launched, six indictments were raised, and eight non-final judgements were rendered. A new list of national and regional priority cases in the framework of the strategy for addressing impunity has been established. Further efforts are needed to impartially tackle impunity with a particular focus on initiating and speeding up investigations.

Following the verdict of the International Criminal Tribunal for the former Yugoslavia (ICTY) on the Gotovina/Markac case in November 2012, the State Attorney's Office requested from ICTY the entire documentation from the trial against the three Croatian generals (Gotovina, Markac, and Cermak), in order to assist in the efforts of detecting and prosecuting perpetrators of crimes committed during and after the military operation "Storm". Croatia has already received, from the ICTY, the Court's files.

The Constitutional Court ruling on the Law on invalidation of certain legal acts of the judicial bodies of the former Yugoslav National Army, the former Socialist Federal Republic of Yugoslavia and of the Republic of Serbia is still pending. Nevertheless, bilateral cooperation with Serbia has continued. Croatia has also continued to participate in regional cooperation concerning the handling of war crimes cases and has submitted data and documents to the War Crimes' Prosecutor of Serbia and the Supreme State Prosecutor of Montenegro.

The administrative capacity of the specialised courts has been increased. It is expected that the entry into force of the new Criminal Code on 1 January 2013 will significantly unburden the specialised courts and allow them to focus more on serious forms of crime, including war crimes. Still, a more pro-active approach in tackling impunity would require enhanced administrative capacity, in order to cope with an increased number of cases.

In terms of other measures for improving the handling of war crimes, the Judicial Academy included training on war crimes in its 2013 programme.

The independent sector for victims and witness support at the Ministry of Justice and the departments for victims and witness support at County courts continued to facilitate the attendance of witnesses in war crimes trials. Continued attention needs to be given to the protection of witnesses.

On 23 January 2013 the Municipal Court in Knin rendered a judgement that the Croatian State must pay compensation to the children of Serb victims killed in the village of Varivode after

the Operation "Storm", regardless of the fact that the perpetrators are unknown. It thus addressed for the first time a long-standing grievance relevant for other, similar, cases. The issue of compensation for the civilian victims of war crimes should now be systematically tackled.

5) To continue to ensure a sustained track record of substantial results based on efficient, effective and unbiased investigation, prosecution and court rulings in organised crime and corruption cases at all levels including high level corruption, and in vulnerable sectors such as public procurement.

The legal and institutional framework for the suppression of corruption and organised crime is adequate. With the entry into force of the new Criminal Code on 1 January 2013, penalties in a number of areas have been increased, including for corruption offenses. A track record of implementation continues to be developed. Law enforcement bodies remain proactive, including in higher-level corruption cases (e.g. former mayors, former deputy ministers) and corruption in law-enforcement institutions (several police officers). Developments also include the first-instance judgement in a case against a former prime minister in November 2012.

Overall the level of sentences in organised crime cases remains low. Also in the area of corruption court sentences are low; very often suspended sentences are pronounced. Effective and dissuasive sentences in cases of corruption and serious and organised crime are needed to continue developing a sustained track record and avoid creating a climate of impunity.

The total amount of assets seized and confiscated remains limited. The legal framework for the seizure and confiscation of assets needs to be implemented more consistently and forcefully. So far, the tool of confiscation of criminal assets is not used for the purpose of disrupting the financial basis of a criminal organisation.

The fight against local-level corruption needs to be further enhanced, particularly in the vulnerable sector of public procurement. Regarding the system for checking on dismissals of criminal cases by the prosecutor, the current system does not provide for independent checks on decisions by State prosecutors to dismiss reports of crime.

6) To continue to improve its track record of strengthened prevention measures in the fight against corruption and the conflict of interest

Croatia continued strengthening its legislative framework of prevention of corruption and conflict of interest, which now needs to be effectively implemented. Croatia needs to increase its efforts to establish a track record of substantial results in strengthening prevention measures. Moreover, following the Constitutional Court ruling of November 2012, which annulled several provisions of the Conflict of Interest Act regarding core competences of the Conflict of Interest Commission (including its verification and sanctioning powers), Croatia needs to ensure that immediate measures are taken to put in place a strong and effective mechanism for preventing, detecting and sanctioning conflict of interest cases, based on thorough checks and deterrent sanctions. A working group, including the Ministry of Public Administration and civil society (GONG, Transparency International) has been established to consider the necessary amendments to the law.

Priority action

Establish the Conflict of Interest Commission so that it starts its regular working activities.

Croatia has completed this priority action. The members of the Conflict of Interest Commission were appointed by Parliament on 25 January 2013 and took office on 11 February 2013. The Conflict of Interest Commission has started processing requests

submitted by officials for an opinion on whether in their case conflict of interest exists and already issued several opinions. As regards cases based on reports of alleged conflict of interest, the Commission initiated procedures against 26 officials. The Conflict of Interest Commission now needs to make sure that an effective mechanism for detection, prevention and sanctioning of conflict of interest cases is in place, and to establish a track record of checks and sanctions without delay.

Priority action

Adopt the new law on access to information, in order to strengthen the legal and administrative framework in the area of access to information.

Croatia has completed this priority action. In February 2013 the new Law on Access to Information was adopted. The law introduces the so-called proportionality and public interest test in all cases of denial of access to information and implements the EU *acquis* on the re-use of information. It establishes also a new institutional arrangement for monitoring the implementation of the law: whereas, until now, the Data Protection Agency was dealing with both data protection and access to information, the new law foresees the establishment of a Commissioner dealing with access to information, appointed by Parliament. It is important that in the exercise of their respective mandates the Data Protection Agency and the new Commissioner on Access to Information ensure coherence of decisions taken.

The Action Plan on anti-corruption is being revised with a view to introducing adequate measures aimed at ensuring the effective monitoring of its implementation and cover also aspects of suppression of corruption. The role and capacity of the Ministry of Justice as the institution in charge of defining, co-ordinating, and implementing the anti-corruption agenda should be strengthened further.

With regard to other actions in this area, amendments to the Act on the Financing of Political Activities and Electoral Campaign adopted in February 2013 are designed to facilitate effective implementation of the law by reducing regulatory complexity, streamlining financial information, and reinforcing controls. The upcoming local elections will constitute a test for the implementation of the improved rules.

The State Election Commission and the State Audit Office continued applying the legislation on the funding of political parties and election campaigns and notified the State Attorney's Office on the political parties and independent members of the local and regional self-government units, who had not submitted financial reports for 2011 or had not published them on their web pages within the statutory term.

Concerning public procurement, transparency has increased in accordance with the new legislation in force since January 2012. Information on signed and executed contracts is published by all public bodies. Furthermore, Croatia needs to take all necessary measures to prevent the occurrence of irregularities in the procurement of projects to be co-financed under the Cohesion Policy by the setup of a solid management and control system.

Croatia needs to ensure that a strong mechanism is in place to prevent corruption in state-owned companies, including as regards membership of the supervisory and management boards. Also, the legal basis for a professional civil service through the establishment of a new salary system so as to ensure merit-based promotion, reward mechanisms and retention of skilled staff, needs to be completed.

The necessary mechanisms for the effective protection of whistle-blowers need to be put into effect.

7) To continue to strengthen the protection of minorities, including through effective implementation of the Constitutional Act on the Rights of National Minorities (CARNM).

Implementation of the Constitutional Act on the Right of National Minorities (CARNM) has continued. Regarding the employment of minorities in the state administration and judiciary in the context of a low level of overall recruitment, in November 2012, about 3.4% of the members of the state administration belonged to national minorities. Following a more proactive approach by the government, the target of 5% has been reached for the new recruitment of 400 border police.

In November 2012, the government adopted the National Strategy for Roma Inclusion for 2013-2020. The corresponding draft Action Plan was submitted to public consultation and is planned to be adopted at the end of March 2013. Further efforts are needed to ensure that Roma children complete primary and secondary education. The government continued to take measures in order to raise awareness for persons belonging to national minorities and ensure the exercise of their rights. It is welcome that the government continues to ensure the implementation of the constitutional provisions on the use of the Cyrillic script in the city of Vukovar, where Croatians of Serb ethnicity account for 38.5% of the population.

Croatia continued to take measures to protect those who may still be subjected to threats or acts of discrimination, hostility or violence. The legal framework has been further strengthened in this respect: Amendments to the Criminal Code were adopted in December 2012 in order to align the Criminal Code with the *acquis* on combating certain forms and expressions of racism and xenophobia by means of criminal law. A new Act on Misdemeanours against Public Order and Peace will introduce the misdemeanour of violations against public peace and order based on racial, ethnic, religious and other grounds. The law is in parliamentary procedure and planned to be adopted by the end of the second quarter of 2013. Specialised training of police officers on the suppression of hate crimes has been stepped up.

8) To continue to address outstanding refugee return issues.

Croatia has continued to engage with the other countries of the region in the Sarajevo Declaration Process. The decision on validating pension rights continues to be implemented.

The implementation of the Housing Care programmes for returning refugees continues at a slow pace. Under the March 2011 plan for dealing with the approximately 2,350 remaining applications by February 2013 366 (August 2012: 259) were settled, out of which 213 (August 2012: 139) families took over the keys. By February 2013 1,497 (August 2012: 1,305) positive approvals for housing care have been given.

There has been limited implementation of the new purchase options under favourable conditions for housing care beneficiaries. Twelve out of the remaining 15 unsolicited investment cases are expected to be solved following a government decision to be adopted at the end of March 2013; the other three cases are planned to be solved by a special decision of the government in the third quarter of 2013.

9) To continue to improve the protection of human rights.

Human rights continue to be generally well-respected. The Ombudsman and specialised ombudspersons play an important role in human rights protection. Continued attention needs to be paid to ensure that the Ombudsman's recommendations are followed up. A new Ombudsman was elected on 15 February 2013. There continues to be a need for further

strengthening the Ombudsman offices. This includes providing adequate financing and office premises.

Croatia has further developed its track record of implementation of the Anti-discrimination Act and legislation on hate crimes. Specialised training of police officers on the suppression of hate crimes has been stepped up. The investigation and prosecution of cases of intimidation and violence against journalists continued. The Ministry of Justice prepared draft amendments to the Free Legal Aid Act and consulted on them with relevant stakeholders. The amendments aim at facilitating access to legal aid and fostering the role of NGOs as legal aid providers and are planned to be adopted by the end of the second quarter of 2013.

Croatia has completed legal alignment in the fields of anti-discrimination and equal opportunities.

10) To continue to cooperate fully with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Croatia's cooperation with the ICTY has continued.

2.3 Justice, freedom and security

Priority action

Finalise and adopt the migration strategy, clearly defining measures for the integration of the most vulnerable groups of migrants.

Croatia has completed this priority action. The migration strategy ("*Migration policy of the Republic of Croatia for 2013-2015*"), clearly defining measures for the integration of the most vulnerable groups of migrants, was adopted by the Parliament in February 2013.

In the field of **migration**, alignment with the *acquis* is almost complete. In 2012, 6,541 irregular migrants were identified (3,461 in 2011). The reception centres for irregular immigrants and asylum seekers are reaching their maximum capacity. In order to increase the capacity and mitigate the situation, the Ministry of Interior has taken over a former hotel where 400 asylum seekers can be accommodated and up to 600 people after minor refurbishing. Additional temporary solutions have been found in the northern and southern border areas, while waiting for the construction of two new permanent aliens' centres to be financed under the Schengen Facility Fund. Croatia has yet to start the construction of a separate facility for minors and other vulnerable groups of migrants within the perimeter of the existing centre for irregular migrants; for this, IPA funds have been already secured. The new readmission agreement with Germany entered into force in November 2012. Negotiations on a readmission agreement with Kosovo³ are ongoing.

Preparations for the implementation of the **asylum** *acquis* are almost complete. The administrative courts continued to operate as a second-instance body for asylum applications; a selection procedure is currently on-going to recruit additional judges. Training for border police continued and asylum-related training for 66 border police officers started in January 2013. The Asylum unit was strengthened by additional staff. From 1 September 2012 to 9 January 2013, protection was granted to 16 applicants. Furthermore, in that period, 63 applications were rejected and 300 proceedings suspended. Additional accommodation of up to 600 places will be ensured in the hotel taken over by the Ministry of Interior (*see above*), taking into account the increased number of asylum seekers reaching Croatia (1,193 in 2012 compared to 807 in 2011). There are currently two EURODAC stations for the entire country,

³ This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

with additional 30 foreseen. In the meantime, Croatia needs to ensure the registration of asylum seekers when entering the country by using the existing scanners at the main border crossing points.

Legislative alignment regarding **visa policy** is almost complete. On visa requirements, Croatia has further aligned its legislation regarding the list of countries whose nationals require a visa to enter Croatian territory with Regulation 539/2001. As of 1 November 2012, the Decision on temporary suspension of visa regime for nationals of Azerbaijan, Kazakhstan, the Russian Federation and Ukraine ceased to apply. Negotiations on a new visa regime with Turkey are on-going; it will be introduced on 1 April 2013. As regards the Russian Federation, the agreement on mutual travelling of nationals will enter into force by the end of March 2013. Training for consular officers continued, aiming at posting them in the new consulates which will become operational by April 2013.

As regards **external borders and Schengen**, legislative alignment is almost complete. The 2013 revision of the Integrated Border Management Action Plan (IBM AP), in view of aligning the national concept with the EU one, is in preparation. The first phase of the establishment of the Zadar Maritime Surveillance Centre, including the purchasing of equipment, has been completed and its staff reinforced. The second phase is underway and is to be completed by April 2013 to ensure the link between systems of different ministries. The implementation of the working arrangements with Frontex, including participation in joint operations, continued. Croatia's contact point with Frontex was established in Bajakovo BCP.

Priority action

Complete the construction of border crossing points at the Neum corridor.

This priority action is expected to be completed imminently. The works for the construction of the border crossing points (BCPs) of the Neum corridor (Klek and Zaton Doli) have accelerated substantially. They are nearing completion and need to be fully operational by the date of accession. Nova Sela BCP, close to Metkovic, is also about to be completed; once in operation, this BCP will also become the common contact point with Bosnia and Herzegovina.

The new *acquis*-compatible Local Border Traffic Agreement with Bosnia and Herzegovina has been prepared and is expected to be signed, together with the agreements on BCPs, by the end of May. As regards cooperation with the other countries of the region, Croatia prepared and submitted to Serbia and to Montenegro two protocols on joint patrols and on exchange of information on border control. Talks with the two countries to bring bilateral agreements on local border traffic in line with the *acquis* continued. The agreements need to be in compliance with the *acquis* by accession. Joint patrols are on-going.

Priority action

Achieve the established recruitment target for border police for 2012.

Croatia has completed this priority action. The recruitment of 467 border police officers has been achieved, thus reaching Croatia's target for 2012. In January 2013, the total number of border police officers was 6,338, out of which 4,971 police officers were allocated to the future external border. Recruitment will continue with 100 new police offers during 2013, including specialised maritime personnel for the blue border. Specialised training for the police has continued and the updated version of Common Core Curriculum (CCC) was sent to the Police academy in order to draft the corresponding specialized border police course programme. Training for maritime police needs continued attention.

The National Border Management Information System (NBMIS) at the border crossing points located at the future external border is, as of January 2013, operational at 76 BCPs. Croatia shall ensure that these are increased to 93 BCPs in June 2013, as planned. Additional technical equipment was procured. Activities have started to set up the EUROSUR centre; premises have been found. Concerning inter-agency cooperation on IBM issues, coordination meetings continued.

Concerning the fight against corruption in border management, a total of 2,681 unannounced inspections were conducted in the period from 1 September 2012 to 31 January 2013.

Croatia has continued the process of alignment with the relevant Schengen *acquis*, as well as its implementation and enforcement. The first draft of the revised Schengen Action plan has been prepared. The Ministry of Interior is in the process of preparing an Indicative Programme regarding the Schengen Facility Fund. It is important that Croatia is duly prepared for the implementation of the Schengen Facility and Solidarity and the Management of Migration Flows (SOLID) Funds

Croatia's preparations for the alignment of its legislation in the field of **judicial cooperation in civil and criminal matters** are almost completed. Following the agreements with Montenegro and Kosovo on mutual legal assistance in criminal matters, Croatia signed a similar agreement with Bosnia and Herzegovina in November 2012. A new Act on International Private Law is expected to be adopted in the first half of 2013. The agreement on mutual execution of criminal judgments with Montenegro and the agreement on extradition with the former Yugoslav Republic of Macedonia entered into force. As regards the institutional setting, the number of contact points for the European Judicial Network increased, to cope with the obligations stemming from the EU accession; good cooperation has continued with EUROJUST. A service on mutual assistance on extradition and criminal matters was established within the Ministry of Justice. The Act on Judicial Cooperation in Criminal Matters with EU Member States remains to be adopted.

Priority action

Complete the adoption of related by-laws, to ensure the implementation of the police law.

Croatia has completed this priority action. All 36 by-laws were adopted in 2012 and are applicable as of 1 January 2013. The legal framework for the full implementation of the police law is, therefore, in place.

Croatia's preparations in the alignment with the *acquis* in the area of **police cooperation and the fight against organised crime** are almost complete.

The Supplementary Information Request and National Entry (SIRENE) Bureau is now legally established; its Head was appointed in December 2012 and five police officers are currently working there. The recruitment process for the rest of the staff is on-going. Five persons are working on the Schengen Information System in the IT department of the Ministry of Interior. Close cooperation with EUROPOL continued.

The track record for **fighting organised crime** continued to develop; new cases were reported, including on drug trafficking, as well as for the misuse of EU funds. The level of sentencing often remains low and thus not dissuasive enough compared to the gravity of the crime. This is particularly so for cases of trafficking in human beings. Criminal assets continued to be seized, however, frequently in small amounts which as such do not disrupt criminal financial flows. Hence, legal provisions on seizure and confiscation of assets need to be implemented more consistently and forcefully. Inter-agency cooperation has significantly improved and good results were achieved by the Financial Intelligence Unit (FIU); in the

period July-December 2012 the FIU received a total of 288 suspicious transactions (STRs) out of which three related to terrorism financing and 285 to money laundering. Out of the 288 STRs, 164 cases have been opened. Under the Criminal Procedure Act, victims of serious crimes are entitled to compensation from the state budget. Concerning trafficking in human beings, the new Criminal Code, which entered into force on 1 January 2013, contains an amended definition of trafficking in human beings which now is aligned with international standards as it makes a clear distinction between slavery and trafficking. The head of the National Committee for suppression of trafficking in human beings was appointed in November 2012 and the Committee held its first session in December 2012. It urgently needs to take pro-active and concrete measures to address trafficking in human beings and raise awareness amongst the national authorities on this form of crime, including by launching an independent evaluation of the policy and to intensify outreach actions in places where victims or potential victims of trafficking are likely to be abused. Training for judicial and law-enforcement personnel on trafficking in human beings needs to continue, especially to detect victims of trafficking at the main BCPs and to better distinguish trafficking and smuggling of migrants. The low number of identified victims of human trafficking is a point of concern. Croatia needs to step up efforts to proactively identify trafficked victims, in particular among vulnerable sectors of the population. It should investigate, prosecute and convict trafficking offenders and ensure sentences are commensurate with the seriousness of the offence committed. To this end, administrative and law enforcement capacities need to be strengthened.

Training has continued on **anti-money laundering** and cooperation amongst authorities on this specific form of crime was fostered. The number of cases recorded in 2012 remains low.

2.4 Other *acquis* chapters and economic issues

Croatia is meeting the commitments and requirements arising from the accession negotiations and will be in a position to implement the *acquis* as of accession.

In its Comprehensive Monitoring Report of October 2012, the Commission had identified a limited number of Chapters where increased efforts were required by Croatia. These were Chapters 11 – *Agriculture and rural development*, 12 – *Food safety, veterinary and phytosanitary policy*, 13 – *Fisheries*, 22 – *Regional policy and coordination of structural instruments* and 27 – *Environment*.

In the field of *agriculture and rural development*, Croatia has finalised the legal framework for direct payments for 2013. The Paying Agency received the provisional accreditation for direct payments and for horizontal matters in December 2012. The Croatian authorities now need to follow the recommendations delivered to the Paying Agency. By the end of 2013, Croatia needs to accredit the paying agency for the management of the rural development funds and advance in the preparation of the rural development programme 2014- 2020.

In the field of *food safety, veterinary and phytosanitary policy*, Croatia has accelerated the construction and equipment of the seven Border Inspection Posts (BIPs). Croatia needs to ensure that the BIPs are finalised in time so that they can be accredited by the Commission and operate in full compliance with the *acquis* by the date of Croatia's accession.

In the field of *fisheries*, legislative alignment and implementation of the *acquis* in the areas of fleet and resources management is nearing completion, as well as structural measures and the preparation of the national management plans. Croatia now needs to step up its efforts to finalise its work in the areas of inspection and control, finalising the phasing-out of the

category of subsistence fisheries and completing the satellite-based vessel monitoring system in accordance with the agreed timelines.

Concerning *regional policy and the coordination of structural instruments*, Croatia was able to demonstrate that it fulfils the conditions for the waiver for ex-ante controls for all IPA components. Croatia needs to step up building the administrative capacity in the relevant structures, finalise investment strategies and intensify the preparation of a pipeline of high quality and mature projects as the numbers of co-funded projects, of sectors touched and of interlocutors will substantially increase over the time. A fully functioning management, monitoring and evaluation system needs to be established for the future European Structural and Investment Funds. Croatia needs to ensure that all relevant and necessary procedures are put in place to ensure an effective, regular and transparent use of the European Structural and Investment Funds, especially as far as public procurement is concerned.

With regard to the *environment and climate change*, administrative capacity has been strengthened. Concerning the environment, legislative alignment and implementation are nearing completion. Particular attention needs to be paid to ensure proper environmental impact assessments for all investment projects, the timely issuing of permits and the upgrading of the Industrial Pollution Control and Risk Management (IPPC) installations. With regard to climate change, the transposition of the geological storage of CO₂ Directive needs to be completed. Croatia needs to ensure the implementation of the EU Emissions Trading System, in particular the full monitoring of and reporting on installations, and prepare for the inclusion of aviation, in accordance with agreed timelines.

Priority action

Increase the capacity to translate and revise the *acquis* so that this task can be completed in time for accession.

Croatia has completed this priority action. Croatia has considerably increased the pace of **translating** and revising the *acquis* thanks to an improved internal organisation, additional staff and support provided by EU institutions. The number of translated and revised pages increased to more than 118,000 pages (13 March). Provided Croatia maintains this speed over the coming weeks the translation and revision work will be finalised in time before accession.

Some important initial steps have been taken regarding the implementation of urgently needed structural reforms in the **economy**, to improve competitiveness and growth prospects. Croatia's informal participation in the 2013 European Semester provides a good opportunity to develop the structural reform agenda further and to pursue its vigorous implementation. Within this framework, the Commission will assess the Economic Programme to be submitted by Croatia in April.

In the field of *taxation*, Croatia introduced in November 2012 a new reduced VAT rate on yachts (sport and pleasure boats), which is contrary to the EU *acquis* but which will be aligned by accession. This may encourage releasing boats for free circulation in Croatia before accession. Croatia should without delay reverse this situation.

The Commission welcomes the signing by Croatia and Slovenia of a Memorandum of Understanding, in March 2013, defining a mutually acceptable solution to the issue of the transferred foreign currency savings of the Ljubljanska banka in Croatia.

3. CONCLUSIONS

Croatia is generally meeting the commitments and requirements arising from the accession negotiations, in all chapters. Croatia has demonstrated its ability to fulfil all other commitments in good time before accession. Where required, clear work plans are available

or about to be finalised for completing the remaining work, including in the fight against corruption, in the months ahead.

Moreover, Croatia has completed the ten priority actions identified in the Commission's Comprehensive Monitoring Report of October 2012. The Commission is therefore confident that Croatia will be ready for membership on 1 July 2013.

Croatia's forthcoming accession is the result of 10 years of a rigorous process, which started with its application for membership in 2003. EU membership is an additional incentive to continue reforms in Croatia. Building on the achievements to-date, Croatia is expected to continue developing its track record in the field of the rule of law, notably in the fight against corruption. EU membership also offers many and substantial opportunities for Croatia and the EU. These opportunities now need to be used, so that Croatia's participation in the EU will be a success – to the benefit of Croatia itself, of the Western Balkans region, and of the EU as a whole.