

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

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A. INTRODUCTION

The accession negotiations with Slovakia were successfully concluded on 13 December 2002 and the Treaty of Accession was signed on 16 April 2003. In a referendum held on 16-17 May, a majority of Slovaks expressed their support for membership of the European Union. Following ratification of the Treaty of Accession, Slovakia 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, building upon the findings of the 2002 Regular Report for Slovakia. The report contains two main parts.

The first part deals with economic issues. It describes briefly economic developments in Slovakia, 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 Slovakia as being in need of further improvements.

The second part gives an overview of where Slovakia 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 Slovakia 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 Slovakia 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 Slovakia's obligations is duly reflected in the assessment.

Numerous sources of information have been used to compile this report. Slovakia was invited to provide information on its state of preparedness. The Report also draws on information provided by Slovakia 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 non-governmental organisations.

¹ For the European Parliament the rapporteur is Mr Jan Marinus Wiersma.

B. ECONOMIC ISSUES

In its 2002 Regular Report, the Commission concluded that

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

Improvements can be made to the macroeconomic situation, which requires urgent measures to reduce both the fiscal and current account deficits. Expenditure reforms, in particular in the health and pension area and as regards subsidies and guarantees, are essential. The unemployment problem necessitates a whole range of structural reforms, including the elimination of disincentive effects in the social protection system and a more flexible labour legislation. Supervision of the financial sector can be further strengthened. The effective implementation of the legal framework for a market economy needs to be further enhanced.”

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 Slovakia including the continuation of the reform path since last year’s Report.

1. Economic developments

Slovakia’s macroeconomic performance has been improving considerably, although some imbalances remain significant. Real GDP growth accelerated further to 4.4% in 2002. In the first half of 2003, it slowed down to 3.9% as a drop in the growth contribution of domestic demand was not fully compensated by a strengthening of the external growth contribution. Unemployment is falling from its level of 18.6% in 2002 but remained high at 17.7% in the first half of 2003. Employment is growing from an employment rate of roughly 57% in 2002. The current account deficit again reached more than 8% of GDP in 2002. However, it was more than fully covered by FDI inflows which reached almost 17% of GDP in 2002. It has dropped very significantly in the first half of this year. After reaching a record low of 3.3% in 2002, average annual consumer price inflation has re-surged to around 8% this year as a consequence of adjustments to administered prices and higher indirect taxes, while core inflation remains low. Approximating harmonised EU standards (ESA95), the general government deficit reached 7.2% of GDP in the election year 2002. For 2003, the government targets a deficit of 5% of GDP. General government debt decreased from 49.8% of GDP in 2001 to 44.3% of GDP in 2002 – mainly reflecting the use of part of the very high privatisation receipts to retire government debt.

Main Economic Trends							
Slovak Republic		1998	1999	2000	2001	2002	2003 latest
Real GDP growth rate	per cent	4.0	1.3	2.2	3.3	4.4	3.9 H1
Inflation rate	per cent	6.7	10.4	12.2	7.0	3.3	6.4
- annual average							August ^a
- December-on-December	per cent	5.8	14.1	8.4	6.3	3.4	9.4
Unemployment rate	per cent	:	16.7	18.7	19.4	18.6	August
- LFS definition							17.7 H1
General government budget balance	per cent of GDP	-4.7	-6.4	-10.4	-7.3	-7.2 p	
Current account balance	per cent of GDP	-9.7	-5.8	-3.6	-8.6	-8.2 p	
	million ECU/Euro	-1893	-1088	-772	-1950	-2059	
Foreign direct investment in flow	Per cent of GDP	:	:	:	7.7 p	17.0 p	
- balance of payments data	million ECU/Euro	:	:	:	1763	4260	

Sources: Eurostat. National sources.

^a Moving 12 months average rate of change.

P= provisional figures

Slovakia's progress on the reform path, also in the public finance area, has received strong new impetus. Various measures have been decided on and some have already become effective. The government has decided to implement a far-reaching tax reform at the beginning of 2004, mainly consisting of the introduction of a flat income tax rate and a unified value added tax rate, both at 19%. On the expenditure side, one of the main decisions so far relates to reforms of the pay-as-you-go pension system. The introduction of a funded second pension pillar is being prepared. In addition, further steps in a still long agenda for health care and social benefits reform have been taken. The extension of guarantees has been further limited. Measures have also been taken to reduce the structural deficiencies in the working of the Slovak labour market, in particular by a revision of the labour legislation. In many structural reform areas, the government benefits from strong technical support from international financial institutions. The strong political reform commitment will need to be maintained for years to come so that Slovakia continues its catching up with the most advanced acceding countries.

Main Indicators of Economic Structure in 2002		
Population (average)	Thousand	5,379 P
GDP per head ^a	PPS	
	Per cent of EU average	47
Share of agriculture ^b in:		
- gross value added	Per Cent	4.5
- employment	Per Cent	6.6
Gross fixed capital formation/GDP	Per Cent	29.8
Exports of goods & services/GDP	Per Cent	72.8
Stock of foreign direct investment ^d	Million Euro	4858
	Euro per head	903
Long term unemployment rate	Per Cent of labour force	12.1

Source: Eurostat

P provisional data

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.

d Data refer to 2001.

e Data refer to 2000.

2. Implementation of recommendations for improvements

The government has been reversing the expansionary fiscal policy stance. Whereas Slovakia notified a general government deficit of 7.2% of GDP for 2002 (ESA 95), the general government deficit target for 2003 is 5.0% of GDP. The government has committed itself to a further deficit reduction to 3.9% of GDP in 2004 and to slightly below 3% of GDP by 2006. The authorities have already reacted to budget execution risks in 2003, which stem predominantly from lower than planned tax revenues, by advancing planned excise tax increases. They seem to be prepared to take further measures, if necessary. For 2004, they have decided to implement fundamental and potentially growth enhancing tax reforms, consisting in particular of the introduction of a flat personal and corporate income tax rate and of a unified value added tax rate, all at 19%. By their very nature, these changes make any revenue forecast highly uncertain and pose a high risk for budget execution, thus necessitating a very conservative budgeting approach and underscoring the need for a swift continuation of structural expenditure reforms.

The restrictive fiscal policy stance supports a narrowing of Slovakia's high current account deficit. The current account deficit amounted to more than 8% of GDP in both 2001 and 2002. The more stringent fiscal policy of the new government, together with the accelerated increase in administered prices in 2003 and 2004, has a dampening effect on domestic demand. It also contributes to a more balanced policy mix and has allowed the National Bank of Slovakia to reduce its key interest rate from 8.25% in April 2002 to currently 6.25%. Together with market interventions, this has helped to mitigate the appreciation pressure on the Slovak crown and prevented an associated loss in competitiveness. Altogether, the current account deficit narrowed to slightly below 5% of GDP in the 12 months ending in June 2003, mainly due to very strong export growth.

*The preparation of additional **public expenditure reforms**, which are necessary to underpin the envisaged fiscal consolidation, has gained very strong momentum. However, most of the necessary measures still need to be further specified, appropriately sequenced and implemented.* The government decided on further parametric changes to the pay-as-you-go pension system for the beginning of 2004. However, these reforms remain incomplete, in particular with respect to the targeted increase in the retirement age. Furthermore, the government is preparing the introduction of a funded pension pillar. Additional steps have been taken to improve the financial situation of the health care system, *inter alia* by introducing co-payments for health care services. Nevertheless, a long reform road still lies ahead in this area. The extension of guarantees has been limited. However, both guarantees and subsidies should be thoroughly screened to implement additional reductions, also in connection with Slovak Railways and agriculture. The development of a detailed medium-term fiscal framework, which consistently embeds and sequences necessary expenditure reductions, is still lagging behind.

*The Slovak government has been moving more decisively to tackle the deep-seated structural **unemployment problem**.* Steps against major shortcomings mentioned in last year's Regular Report and the Joint Assessment of Employment Policy Priorities and subsequent progress reports have been implemented or are under discussion. The continuation of reforms in the health and social protection systems are of the utmost importance and should reduce disincentives for employment creation and acceptance, partly by reviewing social assistance benefits and lowering social contribution rates. Similar effects are likely to result from the tax reforms scheduled for next year. Furthermore, specific measures and programmes exist or are being considered to foster employment creation by SMEs, to strengthen regional mobility (partly by ameliorating the housing situation) and to reduce skill mismatches (partly by active labour market measures), although the effectiveness and efficiency of these programmes need to be continuously reviewed.

*Progress has been made as regards **financial sector supervision** but the authorities need to continue to safeguard the expanding financial sector against stability risks.* Both the legal framework and the implementation capacity in the supervisory area have been strengthened. A more detailed assessment of related issues is given in Part 3 of this Report (Chapter 3 - Freedom of services).

*Further measures to improve the **legal framework** for a market economy have been instituted. Its **effective implementation** is also being enhanced. Nevertheless, additional vigorous efforts in the area need to be pursued.* Examples of the further strengthening of the legal framework are the substantial acceleration in price liberalisations in 2003, the introduction of a highly regarded collateral law, and the above mentioned improvements in the labour legislation. A new bankruptcy act is being prepared. Slovakia has also embarked on an ambitious reform of the judicial sector. It aims, *inter alia*, at reducing the heavy workload of judges by recruiting Higher Court Officials, applying case management systems, reinforcing training, also on managerial capacity, and at combating corruption. The effective implementation of the legal and administrative framework, however, will require further significant efforts (see also Section B.1 on the Judicial System).

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 Slovakia is fully prepared in all areas of the *acquis* from the start of its membership. In other words, Slovakia must meet its commitments and requirements arising from the accession negotiations.

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

Slovakia is generally meeting the commitments it has made in the negotiations.

Bearing in mind the progress achieved since the Opinion, the level of alignment and administrative capacity that Slovakia 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 Slovakia will be able to assume the obligations of membership in accordance with the envisaged timeframe. In the period leading up to accession, Slovakia 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:

*Concerning the administrative capacity, Slovakia has largely achieved a sufficient, though still rather fragile, capacity to ensure effective implementation and enforcement of the *acquis*, notably in the area of the internal market and the various Community policies. Slovakia needs to ensure the full operation of the administrative structures, in particular with a view to guaranteeing the uniform and predictable implementation of the *acquis*. Particularly close attention is required regarding the structures necessary to implement that part of the *acquis* which will be applicable only upon accession, in particular as regards sound and efficient management of EC funds.*

As part of its continuous monitoring, the Commission services addressed letters to Slovakia in March and June 2003 expressing concern over its preparedness in the sectors of insurance and investment services and securities markets within the free movement of services chapter, the setting-up of a Paying Agency and of the Integrated Administration and Control System and the upgrading of agri-food establishments within the agricultural chapter, the final definition and actual establishment of the administrative structures for the management of the Structural and Cohesion Funds within the chapter on regional policy and co-ordination of structural instruments, and the Public Internal Financial Control sector within the financial control chapter, and calling for urgent action to remedy these shortcomings.

In order to give further guidance to Slovakia 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 Slovakia 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 Slovakia 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 Slovakia must be fully prepared as from accession. Naturally, in cases where transitional arrangements have been agreed, their effect on Slovakia's obligations is duly reflected in the assessment. On the other hand, it should be underlined that, in order for Slovakia 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 Slovakia 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 Slovak, 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

The Law on the Public Service and the Law on the Civil Service, which entered into force in April 2002, set the legal framework for public administration. They aim at creating a professional, impartial, politically neutral, efficient and flexible civil and public service. The key institution responsible for the implementation of the Civil Service Law is the Civil Service Office, established in March 2002. Its functions range from recruitment, training and information to preparing secondary legislation. The relevant secondary legislation was enacted in 2002 and 2003, with some delays in the beginning. The staffing of the new office is nearly complete but considering the broad range of competencies of the office the number of staff seems to be quite limited.

Transparent procedures for the recruitment of civil servants are in place. Recruitment on the basis of the Civil Service Law has started with some delays due to procedural problems. A recent amendment to the law empowering the head of the Civil Service Office to delegate the competencies for recruitment to the service offices (e.g. ministries), however, has made it possible to speed up the recruitment process. A new salary scheme has been introduced into implementing regulations, aiming to ensure adequate criteria and transparent procedures.

Slovak citizens have free access to information on the activity of the public administration, and this right is being widely used.

Administrative control procedures are in place. The citizen's right of recourse against public service actions is guaranteed, including the right to put cases to the Office of the Ombudsman and the Parliamentary Committee responsible for individual complaints and petitions. Codes of ethics for civil servants and employees in the public administration have been published. The control department of the Civil Service Office performs both internal and external control functions.

There is no long-term strategy for training civil servants. Training is carried out by various public and private bodies. There is a need to structure and intensify training activities in the public sector.

On the basis of a constitutional amendment adopted by Parliament in February 2001, self-administration at municipal level has been complemented at regional level with eight self-administrative regions. The first elections for regional self-administrative bodies were held in December 2001. A number of relevant laws have already been enacted, but the legislation and implementation of the reform are not yet completed. The most important outstanding point concerns fiscal decentralisation, which is due to be in place at the beginning of 2005. It is important that the transfer of functions and fiscal decentralisation go hand in hand, ensuring a timely and proper functioning of a democratic, efficient and sustainable self-administration.

One of the four Deputy Prime Ministers is responsible for coordination of EU affairs. He is assisted by a Secretary of State and a section within the Ministry of Foreign Affairs specifically dealing with these issues. The level of staffing in sectors dealing with issues related to European integration seems, in general, still insufficient. The Government has acknowledged the necessity to increase the level of staffing in this area and is in the

process of filling the remaining vacancies. Flexible measures and incentives have been introduced to attract qualified staff. There is an urgent need to stick to these plans, notably in the area of regional policy. The high turnover of civil servants, many of whom leave for the private sector, continues to be a problem.

Judicial capacity

The judicial system in Slovakia comprises three tiers: district courts, regional courts and the Supreme Court. At present, there are 55 district courts and 8 regional courts. Regional courts function both as courts of appeal to the district courts and, in certain cases, as courts of first instance. The Government is planning to reduce the number of district courts. The Supreme Court is the highest judicial authority in the country, working as a court of cassation, and as a court of appeal in cases dealt with at first instance by a regional court. Finally, the Constitutional Court is an independent authority, set up to protect compliance with the constitution.

Judicial independence is laid down in the constitution and in a number of laws. The relevant legislation provides for transparent and open recruitment procedures, as well as provisions for remuneration.

On the basis of a constitutional amendment adopted in 2001 a Judicial Council has been set up, comprising 18 members, nominated by the judiciary, the Ministry of Justice, Parliament and the President of Slovakia. The Judicial Council decides, *inter alia*, on the assignment and transfer of judges, elects and recalls chairpersons of disciplinary court panels, and submits to the President proposals for appointing and recalling judges. It nominates also the candidates for the post of the President and Vice President of the Supreme Court, and comments on draft budgets for the judiciary and on draft legislation concerning the organisation of the judiciary. Apart from an urgent need for permanent premises, the Judicial Council still lacks sufficient material, funding, staff and technical resources, and its financial independence should be ensured. Efforts aimed at improving the technical equipment and software, as well as the premises, of ordinary courts, should continue.

The length of proceedings, in particular in civil and commercial cases, remains problematic. However, additional recent amendments to the Code of Civil Procedure are aimed at further alleviating this situation. The heavy caseload has stayed at a high level. In 2002, the number of cases filed reached approximately 900 000, thus staying at about the same level as in the two previous years. Judicial proceedings have an average length of almost 18 months in civil cases. The average length of criminal proceedings was around 4 months.

The level of public trust in the efficiency and fairness of the judicial system remains low. The current system of disciplinary proceedings needs upgrading in terms of transparency and adequacy of sanctions. Given that the disciplinary system is principally based on judicial self-regulation, its efficiency to a large extent depends on the willingness of the judiciary. Also, more efficient implementation by the respective judicial organisations of the professional codes of ethics, including a system of sanctions with a deterrence effect, would be most desirable.

The Court management system, which allows the random allocation of civil and commercial cases, started to be implemented in the reporting period through pilot

projects. This pilot phase has demonstrated that the system improves the efficiency of the court's administrative proceedings and reduces the delays in first-instance proceedings. The full implementation of the Court management system at the Supreme Court would therefore be a welcome step forward, as would the expansion of the system to cover all ordinary courts, including their criminal law departments. In order to further increase the efficiency of court management, the implementation of the Act on Higher Court Officials should continue without delay.

The Judicial (training) academy is currently in the process of being established. Training of judges and court personnel at this institution needs to be launched without delay, including elements of training curricula aimed both at improving management skills within the judiciary and at preparing it for post-accession requirements as regards the implementation of EC law, where considerable deficiencies still exist.

Anti-corruption measures

There is a continuously high public and professional perception of widespread corruption in Slovakia, and tackling it should be a priority. The most affected areas appear to be the health care sector, education, the police and the judiciary. Corporate crime is a specific problem in Slovakia and the business climate is still characterised to a certain degree by legal uncertainty. There is a need for strict enforcement of the existing rules. The public awareness of the need to fight corruption, including in the media is increasing.

The Government elaborated a National Programme for the Fight against Corruption in 1999, on the basis of which Action Plans were drawn up the following year. Its implementation is ongoing. According to the Government, three quarters of the 1 500 concrete actions have been carried out or addressed to a large extent. Many of the proposed actions, however, appear to be vague.

The Laws on Conflict of Interests, on the Special Prosecution Office and on the Specialised Court for Corruption are currently being discussed in Parliament and should, once adopted, represent an important instrument in improving the fight against corruption. As regards transparency in the financing of political parties, further reforms are needed, including an appropriate regulation of membership fees, of tax breaks for donors and of efficient supervision of party financing. Specific measures should also be considered in order to regulate lobbying. The Law on Free Access to Information has contributed to increasing transparency within the administration and to reinforcing the fight against corruption.

Although measures such as the introduction of the random allocation of cases and the change in the Commercial Registry procedure should assist in reducing the risk of corruption and bias in the judiciary, there is a need for focused ethical training at all levels of legal education.

In December 2002, the Government decided to change the institutional framework of the fight against corruption. A new department for the fight against corruption was established within the Government Office, which is directly subordinated to the Deputy Prime Minister and the Minister of Justice. This new department replaced the former Central Co-ordination Unit and the Steering Committee. It is in charge of implementing and co-ordinating the anti-corruption policy formulated by the Government and is involved in the drafting of various relevant laws. Given the clear need for efficient co-

ordination of the anti-corruption policy, the current staff within the department should be reinforced. Furthermore, a special anti-corruption unit was established within the General Prosecution Office. It is planned to increase its current staff numbers from 4 to a total of 9 prosecutors. However, a specific problem is the overlap still existing among law enforcement agencies involved in the fight against corruption and financial crimes.

The Civil Code, amended in June 2002, created the legal conditions for ratifying the Council of Europe Civil Law Convention on Corruption, which was approved in March 2003 by the Slovak Parliament. Slovakia is a party to the Council of Europe Convention on Money Laundering, Search, Seizure and Confiscation from the Proceeds from Crime and to the Criminal Law Convention on Corruption, as well as to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. It continues to participate actively in the monitoring of anti-corruption measures adopted by the OECD Working Group on Bribery in International Commercial Transactions, and participates in the Council of Europe Group of States against Corruption, GRECO (*see also Chapter 24 - Co-operation in the field of Justice and Home Affairs*).

A GRECO evaluation mission visited Slovakia in September 2000. Several of the recommendations resulting from this expert mission have in the meantime been implemented or are in the process of being implemented, notably the reform of the judiciary, of the licensing system and of the investigation procedures, raising awareness about corruption among the population and media and extending the powers of the Supreme Audit Office. Slovakia is strongly encouraged to continue to follow up these recommendations.

*Translation of the *acquis* into Slovak*

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.

After a slow beginning, Slovakia is now providing a constant and high number of revised texts and is on track. A credible planning has been established by the Translation Coordination Unit in consultation with the EU institutions, and Slovakia is now meeting the needs of the legal revisers. The voluminous translations of the agriculture *acquis* is being revised at full speed and the flow of texts is catching up with the schedule. After a rather weak start, the quality of the Slovak version of the *acquis* appears now to be satisfactory in most texts. Problems in older texts which were translated in the earliest stages and which do not meet the expected standard still need to be tackled.

Therefore, if the present flow is maintained, there should be no major problems for the timely publication of the Special Edition of the Official Journal in Slovak.

2. The chapters of the *acquis*

As indicated, the following review of Slovakia'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 on 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 largely in place. The implementing structures for standardisation, metrology, accreditation, conformity assessment and market surveillance are all in place. Improvements to administrative capacity should continue particularly as regards market surveillance to ensure full operational efficiency by the date of accession. Slovakia's Institute for Standardisation (SUTN) and the Slovak Ministry of Transport, Posts and Communications are full members of CEN and CENELEC, and ETSI respectively.

Slovakia has transposed almost all of the **sectoral legislation** under the **new approach** and in general the legislative transposition has been found to be in line with the *acquis*. Full transposition of the *acquis* on cableways and toys is still pending.

As regards the **old approach** directives, Slovakia has transposed most of the *acquis* in these product sectors. Transposition of the chemicals *acquis* has largely been completed. However, the directive on methods of sampling and analysis for fertilisers remains to be fully transposed. Having recognised that the identification of "new" chemical substances on its market is a matter of priority, Slovakia should provide for the appropriate notification of such substances in accordance with the *acquis*.

The transposition of the pharmaceutical *acquis* remains to be completed. Renewal in line with EU requirements of all marketing authorisations for pharmaceuticals currently on the Slovak market has not yet been completed. The transposition of the *acquis* on registration of medicines has been completed but its practical implementation needs to be improved. Also, preparations need to be completed, including the necessary legislative changes, for the application by the date of accession of both the centralised procedure for marketing authorisations and the procedure for the mutual recognition of registrations.

Further amendment of existing legislation is also required in order to ensure the introduction of the 90-days period for issuing price orders in line with the EC rules on the transparency of price regulation, as well as to fully align with the *acquis* on good clinical testing and good clinical practice.

Implementing legislation on foodstuffs, cosmetics, motor vehicles and agricultural and forestry tractors, as well as on the classification of wood, remains to be adopted. Minor changes to legislation on the composition of glass need to be introduced. As concerns foodstuffs in particular, considerable progress has been made but legislative alignment remains to be completed in a number of areas. In the field of food safety, much progress has also been made on improving co-ordination between agencies and this process needs to be completed. Aspects of food safety are also covered under *Chapter 7 – Agriculture*.

Slovakia 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. However, further attention is required in particular as regards the administrative structures necessary in the area of food safety in relation to implementing the Rapid Alert System for Food and Feed (RASFF) and the Hazard Analysis Critical Control Points (HACCP) systems.

In the field of **public procurement**, further amendments to the Public Procurement Act are required to ensure full alignment with the *acquis*, in particular concerning the definition of bodies governed by public law and cases where the negotiated procedure can be used. The Slovak Public Procurement Office is well organised and operating effectively. However, training of staff should continue particularly in view of the expected legislative changes.

In the **non-harmonised area** Slovakia has conducted initial screening of its national legislation possibly in contradiction with the principle of free movement of goods; this screening must now be completed and any barriers thus discovered must be removed. New legislation on retail chain stores adopted in July 2003 and containing a number of provisions incompatible with free movement will need to be amended or revoked. Slovakia is still to adopt horizontal legislation introducing a mutual recognition clause covering existing legislation. Minor amendments are required to ensure complete transposition of the *acquis* concerning cultural goods. Alignment with the arms control directive is essentially satisfactory. Preparations for full application of the regulation on the control of product safety at external borders is under way. Effective co-ordination between the market surveillance authorities and the customs services involved will need to be assured.

Conclusion

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

Slovakia is partially meeting the requirements in respect of the **old approach sectoral legislation** and in the **non-harmonised area**. In order to complete preparations for membership in this area, Slovakia needs to give priority to adopting the *acquis* in the

remaining sectors. In addition to the completion of the alignment in the field of foodstuffs, efforts should continue to improve the administrative capacity in the area of food safety. Additional efforts should be made to provisionally notify "new" chemical substances prior to accession so as to ensure the continued marketing of such substances. Slovakia must pay particular attention to completing the screening of its national legislation in the light of the principle of free movement and to ensuring the implementation and enforcement of the principle of mutual recognition.

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**, Slovakia's legislation is not yet fully in line with the *acquis*. Legislation aimed at transposing the relevant sectoral rules concerning doctors, dentists, general care nurses, midwives, pharmacists, commercial agents, has been adopted and needs now to be implemented. Legislation concerning veterinary surgeons, architects and lawyers urgently needs to be adopted and implemented. As regards the general system of recognition, alignment is largely complete, with only some minor outstanding issues. Although the necessary administrative structures for implementing the *acquis* on the mutual recognition of professional qualifications are in place, further strengthening is needed. In particular, the remit of the administrative bodies concerned will need to be adapted following the adoption of the relevant legislation, and sufficient training provided to ensure the correct application of recognition procedures.

In the area of **citizens' rights** legislative alignment has been largely completed, except as regards the right to participate in the European Parliament elections and as regards equal treatment in access to education. 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 Slovakia to their labour markets. These arrangements may continue up to a maximum of seven years. Slovakia has adopted legislation aiming at full transposition of the *acquis* in this area.

With regard to **co-ordination of social security systems** no transposition into national legislation is needed to achieve alignment with the *acquis*. A number of bilateral agreements with current Member States, which rely on the same principles as the EU rules in this area, have been agreed. However, the necessary administrative structures need to be further developed.

Conclusion

Slovakia is essentially meeting the commitments and requirements in the area of **citizens' rights, free movement of workers and co-ordination of social security systems**. Some legislative adjustments need to be made as soon as possible to allow EU citizens to participate in the European elections of June 2004. Equal treatment in the access to education must be ensured. The ongoing measures to ensure adequate administrative capacity in these areas should continue.

The requirements relating to the **mutual recognition of professional qualifications** have partially been met. In order to complete preparations for membership in this area, Slovakia must urgently ensure the adoption and implementation of the remaining outstanding legislation covering certain sectoral directives, in particular for lawyers. Slovakia also has to reinforce its administrative capacity to implement the *acquis* on all aspects of mutual recognition of qualifications.

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 remaining legal and administrative restrictions need to be removed, particularly those that discriminate against non-nationals. Potential restrictions remain to be identified by Slovakia in the light of the relevant case law of the Court of Justice. This screening must now be completed. New Slovak legislation on retail chain stores adopted in July 2003 and containing a number of provisions incompatible with EC provisions on freedom to provide services will need to be amended or revoked. Some changes are required to the business licensing regime in Slovakia in order to bring it into line with the *acquis*. In Slovak legislation regulating economic activity, a clear distinction should be made between economic operators providing services in Slovakia temporarily and those established permanently, in order to ensure the free provision of cross-border services. This distinction is currently not reflected in the Commercial Code and the Sole Traders Act.

In the field of financial services, Slovak legislation is largely in line with the *acquis* in the **banking sector**. Legislation remains to be fully transposed, however, as regards the directive on electronic money institutions and the need to cover foreign branches of Slovak banks in the deposit guarantee scheme.

The National Bank of Slovakia (NBS) is essentially well positioned to deal with the *acquis*-related tasks as a supervisory authority in the field of banking. However, the number of on-site examinations by the NBS should be stepped up, the training and number of prudential supervisors increased, the concepts of interest-rate risk and operational risk anchored in the supervisory process, and enhanced co-ordination with the Financial Market Supervision Office implemented.

As regards the **insurance sector**, legislative alignment remains to be completed. The insurance legislation will need to be amended to address the remaining gaps as regards life, non-life and insurance accounts directives. Recent amendments to the legislation on motor insurance aim at fully aligning with the *acquis* in this area. The administrative capacity of the supervisory authority, the Financial Market Supervision Office, should be further strengthened, including through the hiring of more staff and continued training.

In the field of **investment services and securities markets**, the legislation is broadly in line, although further legislative amendments are still needed, as well as the transposition of recent *acquis*. The directive on financial collateral remains to be transposed. Slovakia benefits from a transitional period as regards the full application of EC investor compensation rules. Legislation needs to be introduced to reflect the timetable for the phasing-in up until end 2006. The administrative capacity of the Financial Market Supervision Office should be further improved.

Concerning the **protection of personal data and the free movement of such data**, a number of shortcomings in the Slovak legislative transposition still need to be addressed. Also, the viability of the human and financial resources allocated to the Data Protection Office needs to be assured.

As regards **information-society services**, the directives on conditional access and e-commerce needs to be transposed and implemented before accession. The necessary administrative structures are in place, but further development is required to ensure proper implementation of these directives.

Conclusion

Slovakia is essentially meeting the requirements for membership and is expected to be in a position to implement the *acquis* in the area of **banking services** as well as **investment services and security markets** by the time of accession. It should complete preparations in these sectors.

Slovakia is meeting the majority of the requirements for accession in the areas of **insurance** and **information-society services** and the **protection of personal data**. In order to complete preparations for membership, a number of important directives remain to be fully transposed in these areas. This work must now be accelerated. Enhanced efforts are also needed to remove all administrative and legal restrictions on the freedom to provide the **right of establishment and the freedom to provide non-financial services**.

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**, Slovakia is broadly in line with the *acquis*, with the remaining alignment taking place according to schedule, in particular as

concerns the relaxation of restrictions on institutional investors. The supervisory institutions and procedures are also being strengthened.

In accordance with the transitional arrangement it has been granted, Slovakia will remove restrictions on the *acquisition* of agricultural land and forests by EU nationals and by EU companies by 2011 at the latest.

In the field of **payment systems**, Slovakia has completed legislative alignment. As concerns implementing structures, the real time gross settlement system is scheduled to be implemented at the beginning of 2004. A permanent body for the out-of-court settlement of disputes between banks and customers has been set up.

In the area of **money laundering**, the relevant directives have been transposed into national legislation. Slovakia is also completing implementation of the Financial Action Task Force recommendations, in particular through the phasing-out of anonymous accounts. As concerns administrative structures, further reinforcement of the Financial Investigation Unit and improved co-ordination between the various bodies dealing with money laundering are needed (*see also chapter 24 – Justice and home affairs*).

Conclusion

Slovakia is essentially meeting the requirements for membership and should be in a position to implement the *acquis* in the area of **free movement of capital** from accession. A limited number of specific issues still need to be addressed in these areas before accession and the few remaining restrictions on capital movements, not covered by transitional arrangements, will need to be removed. The bodies involved in the fight against money laundering need to continue to be strengthened.

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.

In the field of **company law** as such, Slovak legislation is broadly in line with the *acquis*. A number of inconsistencies in the transposition of the company law directives remain, however, notably with respect to the Second Directive (co-ordination of safeguards) and with regard to a provision of the Code of Civil Procedure allowing provisional entries in the Register regardless of the legal validity of the decision. Administrative capacity needs to be further improved, particularly as regards the operation of the commercial register and registration procedures and the need to further increase legal certainty in that area.

With regard to **accounting**, Slovakia's commitments have been met and it is expected to be in a position to implement the *acquis* in this field from the date of accession. Administrative capacity appears to be adequate.

In the field of **protection of intellectual and industrial property rights (IPR)**, Slovakia is largely meeting its commitments on copyright and related rights. Legislation remains to be adopted as regards the recent information society directive.

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 Slovakia, as regards the granting of supplementary protection certificates for medicinal and plant protection products, as well as in relation to the extension of registered or pending Community trademarks to the territory of Slovakia.

As regards enforcement of IPR, administrative structures are in place but need to be strengthened. Particular attention should be paid to the effectiveness of the administrative and judicial bodies (e.g. customs services, the police, the judiciary) involved in IPR enforcement and the fight against piracy and counterfeiting, especially cable retransmission piracy. Co-ordination and co-operation between these bodies should be improved and adequate resources and continued training provided.

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. Slovakia should designate the relevant courts or other authorities to ensure swift implementation of these provisions (*see also Chapter 24 - Justice and home affairs*).

Conclusion

Slovakia is essentially meeting the requirements for membership, and is expected to be in a position by accession to implement the *acquis*, in the areas of **company law** and **accounting**, and the **Regulation replacing the Brussels Convention** and the **Rome Convention**. The transposition of the company law *acquis* will need to be completed and the operation of the commercial register and registration procedures improved.

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, enhanced efforts are in particular needed to strengthen the enforcement of intellectual and industrial property rights. Better co-ordination and training of enforcement bodies is required (mainly, customs, police and judiciary) and the efficient functioning of a well-trained judiciary should be given particular attention.

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, Slovak legislation covers the main principles of Community anti-trust rules as regards restrictive agreements, abuse of dominant position and merger control. However, Slovakia still needs to ensure that its legislation is not in contradiction

with the more recent Community block exemptions. Preparations should continue for the application of the EC's new procedural regulation.

Slovakia has the necessary implementing structures in place, and its Antimonopoly Office (AMO) is functioning well. Further efforts are needed to raise awareness of anti-trust rules among all market participants and to build up a credible and transparent competition culture. Special training for judges should be further developed.

The enforcement record is generally satisfactory. However, in order to ensure further strengthening, priority needs to be given to cases which most seriously distort competition and more deterrent sanctions should be imposed. Internal guidelines on a more stringent enforcement policy recently approved by the AMO should now be put into practice.

In the field of **state aid**, Slovakia has adopted state aid rules covering the main principles of the *acquis*. Fine-tuning of the legislative framework taking into account latest developments in the *acquis* should continue.

The necessary implementing structures are in place. The Slovak State Aid Office has managed to maintain its independence, but still needs to improve its performance. Further efforts are needed to raise awareness of state aid rules among all market participants and aid grantors to build on work already carried out in this area. Slovakia must also pay further attention to training of the judiciary.

The enforcement record is generally satisfactory, but Slovakia should pay more attention to the assessment of aid schemes given the importance of gaining experience in this area in view of the possibilities under the structural funds. The SAO should pay particular attention to state aid control in sensitive sectors.

Slovakia benefits from two transitional periods during which fiscal aid can be granted to one company in the steel sector, to be discontinued at the end of 2009 at the latest, depending on the fulfilment of certain conditions, and to one company in the automotive sector, to be discontinued by the end of 2008, also subject to certain conditions. There are serious concerns as to compliance with one of the conditions for granting aid to one company in the steel sector, namely as regards a production limitation. It is imperative that Slovakia ensures full compliance with the conditions for granting aid attached to the exceptional transitional arrangements granted.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations in the **anti-trust** area and is expected to be in a position to implement this *acquis* from accession. Slovakia should complete the fine-tuning of the legislative framework and ensure further strengthening of enforcement in this area.

Slovakia is meeting the majority of the commitments and requirements arising from the accession negotiations in the **state aid** area. In order to complete preparations for membership, attention should be paid to raising awareness of state aid rules among all market participants and aid grantors, to training the judiciary and to continued improvements to the enforcement record.

There are serious concerns as regards the fulfilment of the conditions specified in the Accession Treaty for the exceptional transition arrangement in the steel sector. Slovakia must pay urgent attention to ensuring that the conditions specified in the Accession Treaty for the exceptional transition arrangement in the steel sector are fully respected. Unless immediate remedial action is taken, Slovakia will not meet the requirements for EU membership in this area by 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

The legal framework in view of establishing the **Paying Agency** and the related procedures remain to be adopted in Slovakia. Notwithstanding the creation of a provisional section of the Agricultural Paying Agency within the Ministry of Agriculture in April 2003, the establishment of the Paying Agency will urgently need to be accelerated. A great deal of work remains to be done (such as agreements with delegated bodies, written procedures and development of the IT system), if Slovakia is to have a functioning Paying Agency by the date of accession.

The establishment of a functioning **Integrated Administration and Control System** (IACS) is still seriously delayed from both a technical and an organisational point of view. Most of the preparations are still at the planning stage, except for the setting up of the land parcel identification system. Given the work still to be done, and the time remaining, there must now be serious doubts as to whether Slovakia can have a functioning system in place by the date of accession.

Regarding **trade mechanisms**, the legal framework needs to be adopted and the authority responsible for export refunds and licensing, i.e. the Paying Agency, established. The relevant control tasks will be under the responsibility of the customs services. The administrative structures and procedures still need to be established in most fields.

Concerning **quality policy**, administrative structures remain to be fully set up. In the field of **organic farming**, administrative structures are mostly in place, but need to be strengthened.

Slovakia is expected to have implemented the **Farm Accountancy Data Network** (FADN) by accession.

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

As concerns direct payments to farmers, the Slovak government has decided to apply the single area payment scheme (SAPS) in the first years after accession.

Common market organisations

The responsible authority for intervention as well as inspection and authorisation of payments for **arable crops** will be the Agricultural Paying Agency, which still remains to be established. The Agricultural Intervention Agency is to be the implementing body. The establishment of the actual structures, including intervention centres and storage premises, needs to be accelerated. Further progress is required as regards the *acquis* on fibre crops, dried fodder and potato starch.

The Intervention Agricultural Agency is responsible for managing most elements of the **sugar** common market organisation (CMO). Although most of the necessary legal rules have been enforced, practical implementation of the different mechanisms of the CMO of sugar should be accelerated. Enhanced efforts are required to establish administrative structures and procedures for full application of the CMO.

Implementing legislation as regards marketing standards for **fruit and vegetables** and producers' organisations has been adopted. However, detailed rules still remain to be adopted regarding the operational programmes and control of operational funds. Administrative structures are in place, but the relationship between inspection bodies remains to be clarified, producer organisations should be further encouraged and mechanisms for reporting entry prices should be established. Due attention must be given to the application of marketing standards on the national market.

In the area of **wine and alcohol**, most of the implementing legislation concerning the CMO for wine has been adopted. Labelling rules on brandy remain to be brought in line with the *acquis*. There has been progress in finalising the vineyard register, which still needs to be fully completed to cover the whole territory. The register of replanting rights acquired before accession needs to be provided. Administrative structures are partially in place.

A **milk** quota system is in place in Slovakia. Further legal and administrative adjustments are, however, necessary in order to achieve full compliance with the *acquis*, in particular with regard to control. Other mechanisms of the CMO, such as intervention and trade with third countries, remain to be set up.

Legislative measures have been adopted regarding carcass classification for **beefmeat, sheepmeat and pigmeat** as well as for beefmeat labelling. Legislative measures for a price reporting system remain to be adopted. The beef carcass classification regulation has been adopted but is still in its initial stage of implementation and a control system for classification and price reporting needs to be set up immediately. In addition, the training system must be improved to include more practical aspects and an examination, including a practical test, must be carried out.

For **eggs and poultry**, legislative measures for the marketing standards, price reporting and reporting of production statistics remain to be adopted.

Rural development

The Agriculture Act, which will complete the administrative organisation for rural development in Slovakia, still remains to be adopted. Slovakia's absorption capacity for SAPARD funds has increased, which is an encouraging sign that administrative capacity to use these funds has improved. However, the take-up of SAPARD funds has been slow. There is a need for the Slovak authorities to examine the reasons for this and to take appropriate action. Slovakia has transmitted a formal draft Rural Development Programme for EAGGF Guarantee expenditure to the Commission.

Veterinary and phytosanitary issues

Transposition of legislation on transmissible spongiform encephalopathies (**TSEs**) and **animal by-products** has taken place, but still needs to be completed and adapted. TSE surveillance is close to compliance, but some shortcomings need to be remedied (notably as regards laboratory capacity). A total feed ban has not yet been implemented. Official controls in the fields of special risk material removal and disposal of risk material need to be strengthened.

The establishment of the **veterinary control system in the internal market** has not yet been fully accomplished. Slovakia has not yet joined ANIMO, the computerised network linking veterinary authorities. The *acquis* for identification and registration of animals has been transposed. A central computer database for bovine animals is operational, but needs upgrading in order to fulfil EU requirements. According to information provided by Slovakia, identification of bovines has been completed nearly to 95 %, although a significant number of small holdings are not yet registered. Enhanced efforts are needed to complete the registration of holdings and animal identification, especially for species other than bovine. The legislation for financing of veterinary inspections and controls still needs to be finalised. Work is also needed to transpose legislation regarding veterinary checks of imports from third countries and rules for imports. Enhanced efforts are required to bring border inspection posts into compliance with EU requirements.

Regarding **animal disease control measures**, national contingency plans-on-foot and mouth disease and classical swine fever, Newcastle disease and avian influenza have been provided. Slovakia has joined the Animal Disease Notification System (ADNS). Transposition of legislation on **trade in live animals and animal products** still needs to be completed.

Transposition of legislation on **public health** protection has been largely finalised, but needs to be adjusted. The upgrading of establishments needs urgent attention in particular in the meat, milk and fish sectors. Transitional arrangements have been granted for a meat and a fish establishment until three years after the date of accession. Products from these establishments will be restricted to the national market in line with the commitment given by Slovakia that all establishments continuing in operation after accession will be in compliance with the *acquis*. However, there is a high probability that a significant number of agri-food establishments will not be in compliance with the relevant EU requirements at the date of accession.

The *acquis* on **common measures (including zoonoses)** has been transposed. Attention must be given to improving the implementation of control systems in relation to residues and veterinary medicinal products.

The *acquis* in the field of **animal welfare** has been largely transposed. Administrative structures are in place at central, regional and district level for supervision and monitoring of the compliance with the animal welfare legislation.

In the field of **zootechnics**, legislative transposition still needs to be completed.

The *acquis* for **animal nutrition** remains to be transposed. Further efforts are needed to build up the capacity of the inspection and control bodies and to bring official controls in line with EU requirements.

In the field of **phytosanitary** legislation, transposition of the *acquis* on harmful organisms is well advanced, but further adjustments are needed to ensure full compliance. Registration for plant passport purposes remains to be completed and implemented. Transposition of the legislation on marketing of seeds and propagating material should be accelerated. Most legislation on plant protection products is in place, but controls at the user level should be improved in order to ensure full implementation. Legislation on maximum residue limits for pesticides and on methods of sampling for pesticide residues still needs to be adopted. Controls in the area of pesticide residues in food need to be strengthened through the extension of the range of analysis and enhanced laboratory capacity.

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

As regards food safety, transposition of the legislation is still behind schedule and needs to be speeded up and completed. Further adjustments are needed in order to ensure full alignment with the European food safety framework. As regards the administrative structures, legislation on the Rapid Alert System for Food and Feed (RASFF) remains to be put in place – the contact point has been appointed but is not yet fully operational, and co-ordination on food safety issues within the Ministry of Agriculture should be enhanced. Aspects of food safety are also covered under *Chapter 1 – Free movement of goods*.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations, in (as far as the horizontal issues are concerned) **quality policy, organic farming, the Farm Accountancy Data Network (FADN) and state aid**; and, as far as the common market organisations (CMOs) are concerned, in **arable crops, fruit and vegetables, milk, sheep and pigmeat, and eggs and poultry**; and in **rural development**. In the veterinary and phytosanitary field, the requirements relating to **animal disease control measures, trade in live animals and animal products, animal welfare, zootechnics and animal nutrition** have essentially been met. Subject to good progress being maintained in these areas, Slovakia should be in a position to implement the *acquis* by accession.

Slovakia is partially meeting the commitments and requirements for membership as regards **trade mechanisms**, the CMOs for **sugar, wine and beefmeat**, and in the veterinary field the **veterinary control system in the internal market** (as regards veterinary checks for import from third countries and animal identification), **TSEs and animal by-products** (feed ban), **common measures** (residue controls) and **phytosanitary issues** (only as regards controls on maximum residue limits for

pesticides). Unless efforts are accelerated in these areas, there is a risk that functioning systems will not be in place at accession.

There are serious concerns about Slovakia's preparations to set up its **Paying Agency** and to implement the **Integrated Administration and Control System (IACS)** and about **public health** protection as regards the upgrading of agri-food establishments. Substantial additional efforts are urgently needed in these areas. Unless immediate remedial action is taken, Slovakia will not be in a position to implement the *acquis* in these areas by the date of 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**, Slovakia has adopted the relevant legislation. The State Statistics Office is in charge of collecting fish-related data. Administrative capacity in this sector should be further strengthened.

In the area of **structural actions**, the fisheries sector will benefit from the Sectoral Operational Programme for Agriculture and Rural Development. However, the Paying Agency remains to be established.

In the area of **market policy**, the setting-up of the administrative structures regarding producers' organisations remains to be completed. The State Veterinary and Food Administration is the authority responsible for supervision of placing fish and fishery products on the market and for control of imported fish. In general, administrative capacity regarding controls of the implementation of common marketing standards, and collection and transmission of data concerning the price reference regime, should be enhanced.

As regards **state aid** to the fisheries sector, Slovakia must bring its national State Aid schemes into conformity with the *acquis*.

Slovakia has not concluded any **international fishing agreements**.

Conclusion

Slovakia 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, as regards structural actions, the legal framework for the establishment of the Paying Agency remains to be completed. Furthermore, administrative capacity needs to be strengthened in general and, more particularly, administrative structures as regards producers' organisations need to be set up.

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. The necessary administrative capacity, in both qualitative and quantitative terms, needs to be reinforced in the road and rail sector in order to prepare for the significant investments that will be needed in transport infrastructure .

In the land transport sector, Slovakia needs to complete its legislative alignment with the **road transport acquis**. Framework legislation is in place and in line with the *acquis*. Secondary legislation is still being adopted according to schedule in order to complete alignment with the *acquis*. Alignment with the fiscal and social *acquis* has been completed, but the latter in some cases requires modifications in order to be completely in line with the *acquis*. In the technical field, implementing legislation remains to be adopted, notably with regard to speed limitation devices, technical roadside inspections of commercial vehicles, digital tachographs and transportable pressure equipment. Slovakia has agreed to a transitional arrangement put forward by the EU concerning gradual reciprocal access to the cabotage market in the road haulage sector (for a maximum duration of five years). Further efforts are needed in terms of enforcement of legislation, in particular as far as the social and technical *acquis* are concerned. Administrative capacity is in place, but further strengthening should continue, especially by increasing the number of staff and training specialised staff in key supervisory and control functions. Concerning roadside and company checks in particular, the system needs to be redesigned in order to increase the quantity, quality and efficiency of checks. Training has to be increased and equipment improved accordingly. Co-ordination between relevant enforcement authorities needs to be improved considerably.

Transposition of the **rail transport acquis** is taking place according to schedule. The process remains to be completed, in particular with regard to the interoperability directives. In the framework of the ongoing reorganisation process, the capacity of railway administration needs to be further strengthened. The Railways Regulatory Authority remains to be established.

On **inland waterways** transport, legislative alignment is not yet completed, in particular as regards safety advisors for the transport of dangerous goods, the reciprocal recognition of navigability licences, the technical requirements for inland waterway vessels and the systems of chartering and pricing. The administrative capacity is satisfactory.

In the area of **air transport**, framework legislation is in place but not entirely in line with the *acquis*, in particular with regard to licensing, security and ground handling. Secondary legislation is still being adopted in order to complete alignment with the *acquis*, including Joint Aviation Requirements (JARs) implementation. Full membership of the Joint Aviation Authorities remains to be achieved through the implementation of an Action Plan; Slovakia should make particular efforts to become a member before

accession as required by the *acquis* and irrespective of the setting up of the European Aviation Safety Agency (EASA).

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 relevant to Slovakia. Administrative capacity is satisfactory.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the negotiations as regards **trans-European transport networks, rail transport, inland waterways, air transport and maritime transport**, and is expected to be in a position to implement the *acquis* in these areas by the time of accession. Slovakia needs to complete the legal alignment in the areas of rail transport, as well as in the areas of inland waterways, air transport and maritime transport. Slovakia needs to reinforce its administrative capacity in the rail sector and to prepare for the significant investments that will be needed in transport infrastructure. Moreover, Slovakia must establish the Railways Regulatory Authority.

Slovakia is meeting the majority of commitments and requirements in the areas of **road transport**. In order to complete preparations for membership, enhanced efforts are required by Slovakia in order to ensure enforcement of legislation, in particular as far as the social and technical *acquis* are concerned. Administrative capacity needs to be further strengthened, in particular concerning roadside and company checks and as regards Roadside Technical Inspections of heavy commercial vehicles.

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, further transposition of the *acquis* on **VAT** is still required. Transposition should be completed in particular as concerns broadening the currently applicable definition of taxable persons, introducing the special schemes for farmers, investment gold and second-hand goods, aligning remaining discrepancies as regards taxable transactions, the taxable scope and the taxable amount. Particular attention should be given to the transposition of the intra-community regime. Furthermore, Slovakia should align the scope of exemptions, except in the areas where it has obtained transitional periods (see below).

Slovakia was granted transitional periods to continue the application of the reduced VAT rate on the supply of construction work for residential housing not provided as part of a social policy and excluding building materials (until 31 December 2007), the supply of

heat energy for heating and the production of hot water by private households and small entrepreneurs who are not registered for VAT (until 31 December 2008) and the supply of natural gas and electricity (until one year after accession). Derogations were also granted as concerns the application of a VAT exemption on international passenger transport, and the application of a VAT exemption and registration threshold of €35 000 for small and medium sized enterprises.

As concerns administrative capacity, further extensive efforts should continue to modernise and enhance the efficiency of the Tax Directorate, which is overall weak and suffers from insufficient staffing. Priority should be given to reducing the excessive volume of VAT refunds, and improving tax collection, control procedures and audit functions, also by developing an efficient system of risk analysis. Staff policy and training should be improved.

As concerns **excise duties**, some further efforts are necessary in order to complete alignment with the *acquis*. Slovakia needs in particular to introduce the suspension scheme for domestic movements of tobacco products and alcoholic beverages and complete alignment for mineral oils. Furthermore, the suspension scheme needs to be extended to intra-community movements for all the EU harmonised excisable goods. In addition, Slovakia needs to further align its legislation as concerns some exemptions and definitions in the area of cigarettes – including the introduction of a single mixed specific/ad valorem excise duty structure – and tobacco products and alcoholic beverages. The gradual increase of excise duties on cigarettes is proceeding according to schedule, and should reach the EU minimum rate level on 31 December 2008, thereby conforming with the transitional period agreed during negotiations. Slovakia was also granted a derogation to continue applying its excise duty scheme for small fruit grower's distillation, provided that the quantity does not exceed 50 litres of fruit spirit per year per household and that the reduced excise rate is not less than 50% of the standard national duty rate for alcohol. In this respect, Slovakia needs to align its legislation to the conditions of the derogation by accession.

Slovakia needs to accelerate the ongoing restructuring of its administrative structures, in order to be able to apply and effectively implement the *acquis* in the area of excises. Attention should be focused on the transfer of competencies for tobacco products and alcoholic beverages from the Tax Directorate to the customs authorities, which will be in charge of enforcing the *acquis* on excises as from accession. Audit functions should also be strengthened in the area of excises.

In the area of **direct taxation**, Slovakia remains to complete transposition of the directives on Mergers and on Indirect Taxes on the Raising of Capital, and to transpose 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, Slovakia should amend its legislation providing foreign investors with 100% corporate income tax credits by removing the requirement of foreign participation. The capacity of the tax administration is sufficient, however efforts should continue to improve tax collection and audit procedures.

On **administrative co-operation and mutual assistance**, Slovakia is taking the necessary steps to transpose the *acquis* and implement it by accession, both from the legislative point of view and as concerns organisational structures including information technology systems. The central liaison office (CLO) was set up, while the excise liaison

office (ELO) remains to be established. Preparations for the VAT Information Exchange System (VIES) and for the System for Exchange of Excise Data (SEED) databases are ongoing and proceeding according to plan. The setting up of SEED for tobacco products and alcoholic beverages should be addressed in particular. Furthermore, Slovakia should take the necessary steps as concerns the establishment of the application for "VAT on e-services".

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations in the areas of **direct taxation** and **administrative co-operation and mutual assistance** and is expected to be by accession in a position to implement the *acquis* in these areas. Slovakia needs to adopt legislation to complete alignment, Slovakia should maintain the current pace of its ongoing efforts to set up the IT systems allowing for the exchange of computerised data with the Community and its Member States.

Slovakia is meeting the majority of the requirements for membership in the area of **VAT** and **excise duties**, in which legislative alignment should be accelerated. Slovakia needs to devote particular attention to strengthening significantly its tax administration in both areas. As regards VAT, enhanced efforts are required notably as concerns audit procedures, collection and control. In the area of excises, increased attention must be given to completing efficiently the transfer of competencies on all the remaining excisable products to the Custom Administration.

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 Slovakia 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.

Slovakia 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.

Slovakia 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. Slovakia needs to improve the quality and the timeliness of data in certain domains such as national accounts, business and agriculture statistics. Particular efforts should focus on addressing weaknesses concerning the production of regional 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.

As regards **labour law**, most of the EC legislation has been correctly transposed into Slovak law, especially after the adoption, in May 2003, of new amendments to the Labour Code. Transposition of legislation is still required in the areas of working time for seafarers and mobile workers in civil aviation. Transposition of legislation of the new *acquis*, i.e. involvement of workers in the European Company, is foreseen after accession. The independent guarantee fund for employees is in place and functioning well.

Slovakia has transposed all the necessary legislation in the field of **equal treatment of women and men**. However, some legal adjustments are necessary to achieve full alignment. The pensionable age for male and female civil servants will have to be equalised upon accession, when the pension scheme constitutes pay within the meaning of the Treaty and EC case law. Furthermore, some adjustments to the Labour Code will be necessary as regards access to employment as well as provisions concerning the protection of women in employment, yet leading to their discrimination. Implementing structures are in place, but further strengthening is needed in order to ensure enforcement of the legislation.

In the area of **health and safety at work**, most of the legislation has been adopted and is expected to be in force as from accession. However, some further adjustments are necessary in order to achieve correct transposition of the *acquis*, in particular concerning the Framework Directive on the introduction of measures to encourage improvements in the safety and health of workers at work (protective and preventive services, information, training and consultation of workers) as well as concerning the Directive on mobile and/or temporary construction sites. Transposition of legislation should still be completed in the area of work at height (new *acquis*). The use of risk premiums to compensate for hazardous working conditions should be abolished. The authorities responsible for the enforcement of health and safety legislation are in place, but further strengthening, in terms of both staffing and technical facilities, is needed. Close co-

operation and co-ordination between the different authorities should be systematically planned and practised in order to ensure integrated labour inspection.

As regards **social dialogue**, the administrative framework is in place. However, the system needs to be progressively improved. In particular, autonomous bipartite social dialogue should be promoted in order to increase its coverage in terms of the labour force and enterprises covered by collective agreements. The social partners' administrative capacity, primarily for entering into social dialogue at European level, needs to be reinforced, too.

In the field of **public health**, the legislative transposition of the tobacco *acquis* remains to be completed. As regards surveillance and control of communicable diseases, further measures are necessary in order to reach the necessary capacity to meet the EC requirements in this field. The Case Definitions Decision needs to be implemented. Significant efforts need to be made in the area of intervention epidemiology, and laboratory facilities should be strengthened. Efforts should continue in order to develop a health monitoring system with a view to obtaining health data and indicators comparable with the Community health monitoring system. Attention should be paid to the improvement of the health status of the population and to 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 a much more coherent and effective way. It is important to enhance employment rates, in particular for women and older workers, and to address regional imbalances. The reform of the education and training systems, including the lifelong learning system, needs to be accelerated. There is also a need to promote active and preventive labour market policies and to increase incentives for people to work. Important efforts are needed to improve policy co-ordination and ensure appropriate allocation of resources.

As regards the **European Social Fund (ESF)**, the development of administrative structures for management has been delayed and requires continuous attention. Further efforts are needed to enhance professional capacities of staff in central and regional bodies. Intermediate bodies should be more involved in the preparation of programming. Co-operation between the Ministries of Labour and Education should be improved. In general, there is a concern about the preparedness of mainly the regional administration to ensure proper implementation of the ESF programmes. Preparations for participation in the transnational operations of the EQUAL initiative need to be intensified.

The Commission and Slovakia 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, including the health care reform and pension reform, which will help to further improve the level and efficiency of social protection.

Concerning **anti-discrimination**, the EC legislation is only very partially transposed, especially as regards sexual orientation, disability and race or ethnic origin. Legislation remains to be fully aligned with the *acquis* and the equality body required by the *acquis*

needs to be established. Despite continuous efforts across all sectors, the situation of the Roma minority remains very difficult. The majority of the persons belonging to the Roma community are still exposed to social inequalities, social exclusion and widespread discrimination in education, employment, the criminal justice system and access to public services. Living conditions, including housing and infrastructure, as well as health status, are essentially far below the average. The gap between good policy formulation and its implementation on the spot has not significantly diminished. Considerable efforts need to be continued and reinforced to remedy this situation.

Conclusion

Slovakia 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, employment policy, social inclusion and social protection**, and is expected to be in a position to implement this *acquis* from accession. Some legal adjustments are needed in the fields of labour law, equal treatment of women and men, and health and safety at work. Implementing structures need to be further strengthened in the areas of equal treatment of women and men as well as health and safety at work. The system of social dialogue should be progressively improved. 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.

Slovakia is partially meeting the requirements for membership in the areas of **public health, European Social Fund and anti-discrimination**. In order to complete preparations for membership, Slovakia must still complete legislative transposition as regards tobacco legislation and take further measures in the field of surveillance and control of communicable diseases. With regard to European Social Fund, including EQUAL, while 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 national and regional level. In addition, considerable efforts should aim at improving the situation of the Roma minority. Significant efforts are required in order for Slovakia to be in line with the anti-discrimination *acquis* by accession.

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, legislation in Slovakia is in line with the *acquis*. The administrative capacity of the Administration of State Material Reserves is in place and functions well. Building up of oil stocks is - despite some delay for certain oil product categories - essentially taking place in accordance with the transitional arrangement Slovakia has been granted, namely to reach the 90 days of oil stocks required by the *acquis* by the end of 2008. Efforts need to 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. The framework legislation, the Energy Act and the Network Industry Regulation Act, is largely in line with the acquis. Slovakia needs to ensure that electricity imports can take place without restrictions. Implementing legislation is largely in place but needs to be completed. Market opening in the gas and electricity sectors takes place in line with the commitments taken. Presently 37% of the electricity market and approximately 35% of the gas market are open for competition. Electricity and gas price distortions have been removed in line with the commitments made. The regulatory body, the Network Industry Regulatory Office, whose task is to oversee the gas and electricity markets, is established but needs to be further strengthened. Slovakia 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** legislation is in place with the exception of the newest acquis, which should be transposed according to the timetables provided for in the directives. Administrative structures in this area, with the Slovak Energy Inspectorate and the Energy Agency as main institutions, are in place but need to be strengthened. The Slovak Energy Policy for 2000 supports energy efficiency and renewable energy sources.

In the field of **nuclear energy and nuclear safety**, Slovakia 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. Slovakia has confirmed its commitment to closing Unit 1 of the Bohunice V1 nuclear power plant by 2006, and Unit 2 by 2008. The EU provides financial assistance to Slovakia's closure effort. During the accession negotiations, Slovakia furthermore committed itself to providing further information on measures taken to implement the recommendations of the June 2001 Council Report on Nuclear Safety in the Context of Enlargement. Slovakia provided such information in June, July and September 2001, and in March, April and June 2002. In June and September 2003, Slovakia submitted additional information covering recent progress made regarding all recommendations concerning nuclear power plants, and also reporting on developments in the field of radioactive waste. Slovakia should continue to pay attention to further strengthening the capacity of its currently established radioactive waste management agency.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations as regards **energy**, and is expected to be in a position to implement the acquis in this area by accession. Slovakia needs to continue to progressively build up oil stocks in line with the schedule agreed during the negotiations, and to continue its efforts to respect the closure commitments for certain units of the Bohunice NPP; and to open up the electricity and gas markets as planned. In addition, Slovakia must complete alignment by adopting implementing legislation as regards the newest *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.

Slovakia's **industrial strategy** essentially complies with the concepts and principles of EC industrial policy, i.e. it is market-based, stable and predictable. The basic legal framework for business activity is in place, although enforcement of relevant legislation still poses problems, in particular as regards bankruptcy and insolvency procedures. The necessary administrative structures are in place.

In the area of **privatisation and restructuring**, the implementation of the restructuring policy in a manner that conforms to the competition and state aid *acquis* remains an area for special attention so as to create efficient and competitive firms. The necessary administrative structures in this area are in place.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations in the **industrial policy** area and is expected to be in a position to be able to implement the *acquis* as from the date of accession. The effective implementation of the legal framework for business activity should be enhanced.

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.

Slovakia is generally 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. Slovakia should adopt its draft mid-term SME strategy and enhance the co-ordination of its SME support schemes. 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.

Slovakia 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).

Slovakia has met the commitments and requirements for membership in the area of **Community programmes**, and will be in a position to implement this *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

Slovakia 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 should 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**, Slovakia's framework legislation is partially in line with the 1998-2000 *acquis*. While the need to align the legislation more closely with the *acquis*, especially with regard to interconnection, has been recognised by the government, attempts to transpose the *acquis* in particular on local loop unbundling have failed so far. As a result, the introduction of the market opening, which was scheduled for the beginning of 2003, has been seriously obstructed. Interconnection tariffs, which should be published in order to conform with the *acquis*, are still confidential and new operators are unable to enter the market on an equitable commercial basis. The re-balancing of tariffs and the achievement of affordable universal service needs also to be ensured. Neither carrier selection nor preselection have been implemented so far, even though the law obliges operators to provide users with at least one of these facilities, and plans for the implementation of number portability need to be brought in line with the *acquis*. The 2002 *acquis* remains to be adopted. While the necessary administrative structures are in place, resources are too limited. Full separation of regulatory and operational functions has not yet been fully achieved, as the national regulatory authority does not yet have its own separate budget chapter.

In the area of **postal services**, legislative alignment remains to be completed, particularly as regards the second postal directive. Implementation has only partly begun. The administrative structures are in place.

Conclusion

Slovakia is partially meeting the commitments and requirements arising from the accession negotiations in the **telecommunications** and **postal services** area. In order to complete preparations for accession, the telecommunications market must be opened effectively and legislation has to be aligned (including for interconnection and local loop unbundling) and the 2002 *acquis* must be transposed. Enhanced efforts are necessary to setting reasonable terms for interconnection tariffs and to ensuring the re-balancing of tariffs and an affordable universal service. Attention must be also given to the effectiveness and independence of the national regulatory authority. In order to complete preparation for membership in the field of postal services, Slovakia should accelerate the transposition and implementation of the *acquis* in this field. Substantially enhanced efforts are required in the fields of telecommunications and postal services.

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.

Slovakia has met the commitments and requirements arising from the accession negotiations on **culture and audio-visual policy** and will be in a position to implement the *acquis* by accession.

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.

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

The essential features of the **legislative framework** are in place, such as the ability to ensure multi-annual budget programming and provisions ensuring budgetary flexibility.

The legislative framework for financial control and compliance with other Community policies is monitored in other chapters. However, in order to make effective use of eligibility for 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 that date. The timely alignment and implementation of the public procurement legislation needs to be ensured, and the notification of state aid schemes must be accelerated.

The necessary **institutional structures** for the preparation and implementation of the Structural and Cohesion Funds have all been put in place. However, the design of the delivery structure placed under the responsibility of the Managing Authorities needs to be completed and the division of tasks between the Managing Authorities and the intermediate bodies needs to be clearly defined. Staffing levels in the Managing Authorities and the intermediate bodies have been addressed and need now to be consolidated; adequate training needs to be provided. The Ministry of Finance has been designated as single Paying Authority. However, the possibility that the Paying Authority may delegate essential responsibilities related to the certification function to the seven intermediate bodies in the line ministries in charge of implementation is not acceptable under Community rules.

The bodies responsible for implementation of the specific financial control provisions, including the 5% and 15% on-the-spot checks, have been designated. Training of auditors needs to be a priority. Inter-ministerial co-ordination has improved.

The **programming** documents and specifically the Development Plan (DP), Operational Programmes and the two Single Programming Documents, including the programme complements, have been submitted. The ex ante evaluation was submitted with the DP.

It is expected that a system will be set up in order to establish a minimum level of monitoring by January 2004. The key indicators to allow monitoring need to be defined and a full monitoring system needs to be established.

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

The **financial management and control** system is in the process of being established. Slovakia has still to complete the drafting of procedure manuals in relation to financial control, auditing, certification of expenditure, and correction of irregularities of future Structural and Cohesion Funds expenditure, including the detailed responsibilities of the Paying Authority, the Managing Authorities and the Intermediate Bodies in the field of financial management and control.

Additionality will be verified before approval of the Community Support Framework.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the negotiations on this chapter as regards **territorial organisation** and **programming**. Provided the further work programme is carried out as envisaged, Slovakia should be in a position to meet requirements in these areas by the start of the programme. Concerning

legislative framework Slovakia needs to make sure that final beneficiaries will be in a position to effectively apply the rules and procedures resulting from the new public procurement law. As regards programming it needs to focus on setting up a functioning monitoring system and on establishing an adequate pipeline of well-prepared projects.

Slovakia is only partially meeting the requirements for membership in relation to the **legislative framework, institutional structures and financial management and control** for the implementation of actions under the Structural and Cohesion Funds. Significant additional attention must be paid to the definition of the institutional structures and in particular of the tasks of the various authorities concerned, their co-ordination both at central level and between the central level and the regions, and to efforts to boost the recruitment of the qualified staff needed. 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. Finally, in the area of financial management and control, the responsibilities of the various bodies need to be clarified (ensuring compliance with the principle of functional independence) and procedures must be elaborated.

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. Administrative capacities are in place and function adequately.

In the **air quality** sector, legislation is in place and is in line with the *acquis*. Administrative capacities are in place and function adequately. Air quality plans and programmes need to be completed. However, the capacity to establish and implement plans and programmes needs to be enhanced. As regards volatile organic compound emissions from the storage and distribution of petrol, a transitional arrangement until 31 December 2007, with intermediate targets, has been agreed for certain installations in Slovakia.

In the field of **waste management**, legislation is in place and is in line with the *acquis*, except for an amendment to the Waste Act on PCB/PCT and the recent *acquis* on end-of-life vehicles, which need to be transposed by accession. Administrative capacities are in place and function, but more staff is needed at ministerial and regional levels. A deregistration system for end-of-life vehicles and inventories of PCB/PCT need to be established by accession. The establishment of waste collection systems and recovery

and disposal facilities needs to continue. Compliance with the *acquis* requirements needs to be ensured in this respect. 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 completed by accession. Administrative capacities are largely in place and function, but nevertheless require strengthening. The monitoring of drinking water needs to be further enhanced, and programmes for nitrates and dangerous substances need to be adopted by accession. Transitional arrangements until 31 December 2015 for urban waste water and until 31 December 2006 for discharges of certain dangerous substances, with intermediate targets, have been agreed.

In the field of **nature protection**, legislation is in place and is in line with the *acquis*. Further efforts are needed to finalise the preparation of a list of proposed sites of Community interest and to designate 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. Even if technical and institutional capacities, including administrative capacities, have been improved, further strengthening is still required, including in terms of enforcement needs.

The legislation on **industrial pollution and risk management** is in place and is in line with the *acquis*, except for the recent *acquis* on national emission ceilings, which needs to be completed by accession. While administrative capacities are largely in place and function, enhanced efforts are required to further strengthen the administrative capacity and to ensure that permits are issued and complied with as regards all new installations subject to the rules on integrated pollution and prevention control (IPPC) by accession and that, regarding existing installations, they continue to be issued and complied with until October 2007. Transitional arrangements until 31 December 2011 for IPPC, until 31 December 2007 for certain large combustion plants, and until 31 December 2006 for incineration of waste have been agreed for certain categories of activities and operations at certain installations in Slovakia.

The legislation concerning **chemicals and genetically modified organisms (GMOs)** is in place and is in line with the *acquis*. Attention must be paid to its implementation. Administrative capacities are in place and function. 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. Administrative capacities are in place and function adequately.

As regards **nuclear safety and radiation protection**, legislative alignment has been largely completed and the legislation is in line with the *acquis*, except for shipments of radioactive waste, which needs to be transposed by accession. Administrative capacities in this area are largely in place and function adequately.

Conclusion

Slovakia 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 the

areas of **horizontal legislation, air quality, waste management, water quality, nature protection, industrial risk management, chemicals and genetically modified organisms, noise and nuclear safety and radiation protection** by accession. Slovakia needs to finalise legal alignment as regards the following areas: horizontal legislation, waste management, water quality, industrial pollution, noise, and nuclear safety and radiation protection. It needs to complete air quality plans and programmes and continue to enhance water quality monitoring. Establishment of waste collection systems and recovery and disposal facilities needs to continue. Moreover, Slovakia must pay particular attention to implementation in the water sector, especially as regards drinking water quality, and must finalise the necessary programmes. In addition, Slovakia must make further efforts to finalise its lists of proposed nature protection sites and special bird protection areas by accession. Close attention needs to be paid to ensuring proper consultation while avoiding delays. Administrative capacity for nature protection, including enforcement, requires further strengthening.

Slovakia is partially meeting the commitments and requirements for membership in the area of **industrial pollution**. In order to complete preparations for membership, enhanced efforts are required to further strengthen the administrative capacity and to ensure that permits are issued and complied with as regards all new IPPC installations by accession and that, regarding existing installations, they continue to be issued and complied with until October 2007.

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.

Slovakia has achieved a high level of alignment as regards **safety-related measures**. As regards the directive on product liability, some minor adjustments are still required. However, alignment with the revised directive on general product safety still needs to be completed. The institutional and administrative framework for **market surveillance** relating to general product safety is in place. However, the capacity of the main bodies in charge of market surveillance activities should be further developed. Stronger involvement of other bodies such as trade federations and consumer NGOs in market surveillance activities is needed. While customs seems well integrated into the market surveillance system, training of customs officers with regard to new legislation on general product safety is a priority.

As regards **non-safety related measures**, Slovakia has aligned its legislation with most aspects of the *acquis*, though some minor modifications are required to existing measures. Also, measures to transpose the *acquis* in the areas of timeshare property, injunctions for the protection of consumer interests, unfair terms in consumer contracts, certain aspects of the sale of consumer goods and associated guarantees remain to be

adopted. The relevant institutional and administrative framework is in place but a strengthening of overall administrative capacity, both in terms of human and financial resources, is still needed. Furthermore, a system of out of court settlement of consumer disputes should be developed.

With regard to **consumer organisations**, there is a high level of co-operation between the non-governmental consumer organisations and the Slovak authorities. However, the role of these NGOs in implementing consumer policy and their financial and human resources should be strengthened. Improvements are necessary also to increase the level of consumers' and businesses' awareness of their rights and responsibilities.

Conclusion

Slovakia 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. Slovakia needs to complete alignment of the *acquis* on the revised general product safety directive.

Slovakia 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, Slovakia needs to complete alignment in the non-safety related area and also to 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: 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.

Preparation with regard to the Schengen provisions (**Schengen Action Plan**) relevant for accession is still broadly satisfactory, but significant efforts will be needed after accession to prepare 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 the integration into the Schengen Information System (SIS) II is still at a preliminary stage, in terms of development of national applications, and should be accelerated.

Slovakia has completed its legislative alignment in the field of **data protection**, including the use of personal data by the police. The supervisory authority, the Office for Personal Data Protection, is operational and its financial and institutional independence has been guaranteed, however its staffing still needs to be further strengthened.

On **visa policy**, Slovakia has not yet achieved full alignment with the EU *acquis*. Slovakia still has to terminate the visa-free agreements with Cuba, South Africa and Seychelles. Slovakia is not yet fully aligned with the “positive” visa list and should accelerate this process as regards the remaining countries. In addition, the law on expatriate Slovaks needs to be amended, so as to achieve full alignment with the *acquis* on the necessary requirements. As regards implementation and administrative capacity, Slovakia is in the process of extending to all embassies and consulates the on-line system capable of securing direct contact between visa-issuing authorities and the central authorities. The full range of equipment necessary to detect forged and falsified documents has not yet been completely provided to all diplomatic and consular missions.

As regards the management of the future **external borders**, Slovakia has not yet achieved full alignment with the EU *acquis*. Particular attention should be given to completing alignment of the border regime in respect of the border with the Czech Republic and to finalising co-operation agreements on border control and crime prevention with Poland, Hungary and Ukraine. Implementation of the relevant parts of the Schengen Action Plan is ongoing. Slovakia is continuing its efforts to upgrade its equipment for border control and border surveillance, in particular at the border with Ukraine. However, attention is still needed as regards the recruitment and training of staff, reinforcing and upgrading the technical equipment and the allocation of sufficient financial means at all borders to fully implement the Schengen Action Plan. Inter-agency co-operation needs also to be further improved.

In the area of **migration**, Slovakia’s legislation is largely in line with the EU *acquis*. However, the new Act on the Residence of Aliens still needs to be amended as regards the level of protection in the event of expulsion and the resources necessary to be granted the status of long-term resident. Slovakia has concluded readmission agreements with current and future Member States, in particular countries of origin of illegal immigration. However, efforts to negotiate further readmission agreements with third countries should continue. Administrative structures are in place. To improve the fight against illegal immigration a central service with analytical and operational tasks, the National Unit to combat illegal immigration within the Border and Aliens Police, has been established. Nevertheless, illegal immigration continues to pose serious problems in Slovakia and still requires special attention.

In the field of **asylum**, Slovakia has largely aligned its legislation with the *acquis*, with the adoption of the new Asylum Act, in June 2002. However, the Act ensures only partial alignment with the Dublin and the EURODAC Regulations and the necessary alignment should be completed. The administrative capacity of the Migration Office, in particular the staff in charge of processing the asylum claims, should be substantially strengthened. Professional training provided to staff both in the Migration Office and in the Border and Aliens Police should also be reinforced. Moreover, co-operation between the Migration Office and the Border, Aliens Police and the Police should continue to be improved at both local and central level. The completion of a comprehensive Migration Strategy should be ensured. Reception camps still need to be expanded and improved. Slovakia should also accelerate its preparation for active participation in EURODAC and

Dublinet and still needs to take the necessary measures to ensure the establishment of its National Access Points.

In the area of **police co-operation and combating organised crime**, Slovakia has largely aligned its legislation, in particular through the latest amendments to the Code of Criminal Procedure, reforming the pre-trial procedure, adopted in June 2002. Administrative structures are in place but need to be further strengthened. Efforts are still required to ensure that Slovakia has an accountable, reliable and fully co-ordinated police organisation by accession. Continuous attention is needed concerning co-operation and co-ordination between the police and the prosecuting and judicial bodies as well as rationalisation of tasks and competencies between the Police and the Judicial Police. International co-operation is supported by sufficient co-operation agreements, in particular by the conclusion of an agreement with Europol. Attention should be paid to the timely preparation of national procedures in order to ensure the swift ratification of the Europol Convention upon accession to the EU. The UN Convention against Transnational Organised Crime and its three Protocols still need to be ratified.

In the **fight against terrorism**, Slovakia has ratified the most important Conventions in this area, in particular the 1999 UN Convention for the Suppression of the Financing of Terrorism. Furthermore the amendment to the Criminal Code which entered into force in September 2002 introduced terrorism as a new criminal offence. Slovakia should prepare for accession to the Convention on Mutual Assistance in Criminal Matters between Member States of the EU.

As regards the **fight against fraud and corruption**, Slovakia has partly aligned its legislation with the *acquis*. However, Slovakia has still to complete alignment with the provisions of the Convention on the Protection of the European Communities' Financial Interests and its Protocols, especially as regards the liability of legal persons, so that ratification can be accomplished. Furthermore, the Council of Europe Civil Law Convention on Corruption needs to be ratified. Slovakia should also ensure alignment of its legislation with the Council Framework Decisions on the protection of the euro against counterfeiting and full implementation of this *acquis*. Slovakia has yet to designate a National Central Office dealing with banknote and coin analysis. As regards implementation capacity, further progress has been made in the establishment of a Special Prosecutor for combating corruption and organised crime and specialised courts for the fight against corruption. However, corruption remains a cause for concern and Slovakia should continue its efforts to implement the National Programme for the fight against corruption. The capacity of the relevant structures of the General Prosecutor's office needs to be reinforced, as does the staff of the newly established Department for the Fight against Corruption, under the supervision of the Minister of Justice. As regards corruption, see also *Section C.1. – Administrative and judicial capacity*.

On the **fight against drugs**, Slovakia has largely completed its legislative measures. The Government has continued to implement the National Programme for the Fight against Drugs, which covers the period 1999-2003 and encompasses a wide range of issues including prevention, drug supply reduction, treatment and re-socialisation. In addition, a Special Unit for the fight against drugs has been established in the Customs Department. As regards preparation for co-operation with the European Monitoring Centre for Drugs and Drug Addiction, a National Focal Point has been established.

Slovakia has completed its legislative alignment with the *acquis* on **money laundering**. A Financial Intelligence Unit is in place and its staff has been increased; however, its equipment and training should be further reinforced. Inter-agency co-operation should be improved. Slovakia also needs to withdraw the reservation it lodged in respect of Article 6 of the 1990 Council of Europe Convention on Money Laundering (*see also Chapter 4 – Free movement of capital*).

In the area of **customs co-operation**, Slovakia is in the process of aligning its legislation. Inter-agency co-operation is provided for, as well as co-operation with business organisations on the basis of memoranda of understanding. Slovakia should continue preparations for accession to the 1995 Convention on the use of IT for Customs Purposes by establishing an appropriate IT system, which will allow for the development of risk assessment. Slovakia should also continue to implement the Action Plan on the fight against corruption in the customs administration.

In the area of **judicial co-operation in civil and criminal matters**, legislative alignment, where still necessary, is ongoing. Slovakia should be ready upon accession to apply the relevant conventions. Particular attention is needed for alignment with the Council Framework Decision of 13 June 2002 on the European arrest warrant and the surrender procedure between Member States.

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 Slovakia.

Conclusion

Slovakia 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 the areas of **migration, police co-operation and combating organised crime, the fight against terrorism, drugs and money laundering, customs co-operation, judicial co-operation in civil and criminal matters and human rights legal instruments**.

Slovakia is partially meeting the commitments and requirements for membership in relation to the **Schengen Action Plan, data protection, visa policy, external borders, asylum** and the **fight against fraud and corruption**. In order to complete preparations for membership in this area, Slovakia needs to adopt and implement the relevant legislation. Particular attention must be given in the field of asylum to the technical and organisational preparations necessary to fully implement EURODAC and Dublin II by accession, as well as to the implementation of the National Programme for the fight against corruption. Furthermore, overall inter-agency co-operation needs to be further improved and co-ordination structures strengthened.

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.

Slovakia's **customs legislation** is in line with the *acquis* as it stood in 2001 except for some provisions on drugs precursors. Implementation of the non-aligned provisions and in particular the 2002 and 2003 *acquis* 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.

As regards the development of **administrative and operational capacity** Slovakia should continue to carry out its plans for reorganisation in terms of closure of customs offices and redeployment of staff as a result of accession, when the volume of customs work decreases owing to the conversion of external to internal trade. Preparations for the application of measures and provisions that will be introduced only at the time of accession should also be continued, in particular in terms of staff training. Customs offices' capacity to combat fraud and economic crime, in close co-operation with other enforcement bodies, should continue to be strengthened, in particular in the area of intellectual property.

Measures will have to be taken to complete the development and implementation of the computerised customs system and solve all the other interconnectivity-related issues, in particular for the computerised entry-processing system and the link to the integrated tariff system.

Conclusion

Slovakia 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. In completing preparations for accession, the Slovak authorities must ensure that the computerisation projects are completed according to schedule.

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. Acceding countries were requested to align before accession with the *acquis* on dual-use goods and, where applicable, with 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 EU development and humanitarian policies.

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

Slovakia has co-ordinated its positions and policies with the Commission with regard to the Doha Development Agenda. Slovakia should continue close co-operation and co-ordination with the Commission, mainly in order to carry on preparing the convergence of its GATS commitments and MFN exemptions into the EU ones (consolidation EU 25), to be finalised upon accession. Slovakia has co-operated with the EU in the process of third stage notification as concerns integration under the Agreement on Textiles and Clothing.

On trade in dual-use goods, Slovakia's legislation is largely aligned with the *acquis*. However, 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 control export by Slovakia. Based on the Thessaloniki Action Plan to support the acceding countries' membership in export control regimes, the EU supports Slovakia's accession to the regimes to which it has already applied but is not yet a member (Missile Technology Control Regime). 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 broadly completed.

Slovakia has assessed the compliance of its **bilateral agreements with third countries** with its EU obligations. The treaties to be terminated or modified have been identified and negotiations with third countries are ongoing to ensure the necessary modifications by accession. Following the signature of the Memorandum of Understanding regarding its bilateral investment treaty with the USA, Slovakia must ensure swift ratification of the additional protocols to the BIT, which were also signed with the US, in order for the adaptations to enter into force by the date of its accession to the EU. Among other agreements, the Foreign Investment Protection Agreement with Canada and the trade agreement with Japan need to be brought into conformity with the *acquis*.

In the area of **humanitarian aid and development policy**, the Slovak government has taken the necessary measures to ensure that the country's policy in these areas is in line with EU principles, in particular with the guidelines laid down by the OECD Development Assistance Committee as well as with the commitments and objectives that Slovakia has approved in the context of the UN and other international organisations. Slovak administrative capacity in this area requires some strengthening.

Conclusion

Slovakia 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**.

Slovakia 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, Slovakia has to finalise the steps it has taken 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.

Slovakia has the required administrative capacity to participate in the **political dialogue**.

With regard to alignment with **EU sanctions and restrictive measures, statements, declarations and démarches**, Slovakia has the necessary legislation in place and fulfils its obligations in a satisfactory way. The implementation of the EU Code of Conduct for Arms Exports and the fight against unauthorised weapon transfers deserve continuing attention. The administrative structures in this area are in place and satisfactory.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations in the chapter on the **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**, Slovakia has put framework and implementing legislation in place, which is in line with the *acquis*. The process of institution building is advanced, but the establishment of internal audit units in all budget-spending centres with internal audit focusing on system-based and performance-audit functions remains to be completed. The newly set-up internal audit units need to be adequately staffed with well-trained and experienced personnel. The necessary recruitment procedures have been launched.

In the field of **external audit**, legislative alignment has been largely completed. The Supreme Audit Office (SAO), however, needs to continue to incorporate international audit standards into its current work. The necessary administrative structures are in place. The SAO is functionally and operationally independent and its audit services satisfactorily cover all public and EU funds.

As regards **control over structural action expenditure**, framework and implementing legislation in Slovakia is in place and in line with the *acquis*. Appropriate administrative

structures are being set up but Slovakia should continue to 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. Recruitment of additional staff for the pre-accession funds, as well as the Structural and Cohesion Funds, has started, accompanied by training measures. Slovakia needs to reinforce and accelerate efforts leading to the extended decentralised implementation system (EDIS) for ISPA and Phare, including allocation of further human resources.

In the area of the **protection of EC financial interests**, Slovakia should refine the framework and implementing legislation, in particular with a view to further defining the powers of the anti-fraud co-ordination service (AFCOS). The basic administrative structure has been set up, following the establishment of the AFCOS, located in the Control Section of the Government Office. An administrative co-operation arrangement was agreed with OLAF, and AFCOS has taken initial steps to define co-operation with other relevant Slovak institutions and bodies by means of co-operation agreements. Its administrative capacity should now be substantially reinforced, with a view to implementing effective operational co-operation with other relevant Slovak institutions and bodies as well as with OLAF.

Conclusion

Slovakia is essentially meeting the commitments and requirements arising from the accession negotiations as regards **public internal financial control** and **external audit**, and is expected to be in a position to implement this *acquis* from accession. Attention must be paid to strengthening the operational and administrative structures in the area of public internal financial control.

Slovakia is meeting the majority of the commitments and requirements in the areas of **control over structural action expenditure** and the **protection of the EC financial interests**. As regards structural action expenditures, Slovakia must accelerate efforts to complete preparations for the extended decentralised implementation system. On the issue of protection of the EC financial interests, the legal framework must be further refined and administrative capacities must be substantially strengthened.

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 Slovakia but the procedures for reporting to the Commission in line with the OWNRES system still need to be introduced. The systems and procedures for collecting and accounting sugar levies still need to be set up. Adequate administrative arrangements for managing the A and B accounts and generating the related statements need to be established.

Continued efforts are required for the correct calculation of the **VAT-based resource**, in particular as regards the calculation of the weighted average rate in accordance with ESA95.

For calculation of the **GNI-based resource**, further fine-tuning is needed by Slovakia to improve the quality and reliability of the national accounts and GNI calculations in line with ESA95, including their exhaustiveness.

All institutions necessary for application of the own resources system in Slovakia exist, except as concerns the sugar levies. A unit within the Ministry of Finance co-ordinates own resources issues and is operating effectively.

Conclusion

Slovakia 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 to implement the relevant *acquis* by accession. Slovakia should now focus attention on completing preparations under this chapter by further improving the calculation of the VAT-based resource, establishing the procedures for the A and B accounts and sugar levies, and finalising procedures for sending reports on cases of fraud and irregularity to the Commission (OWNRES).

D. CONCLUSION

Slovakia's macroeconomic performance has been improving considerably, although some imbalances remain significant. Slovakia's progress on the reform path, also in the public finance area, has received strong new impetus. Various measures have been decided on and some have already become effective.

As regards the areas, where last year's report suggested improvements, some progress has been made, but challenges remain. The government has been reversing the expansionary fiscal policy stance. The restrictive fiscal policy stance supports a narrowing of Slovakia's high current account deficit. The preparation of additional public expenditure reforms, which are necessary to underpin the envisaged fiscal consolidation, has gained very strong momentum. However, most of the necessary measures still need to be further specified, appropriately sequenced and implemented. The Slovak government has been moving more decisively to tackle the deep-seated structural unemployment problem. Progress has been made as regards financial sector supervision, but the authorities need to continue to safeguard the expanding financial sector against stability risks. Further measures to improve the legal framework for a market economy have been instituted. Its effective implementation is also being enhanced. Nevertheless, additional vigorous efforts in the area need to be pursued.

As regards overall administrative and judicial capacity, sufficient conditions are in place for the implementation of the *acquis* by the Slovak public administration and judiciary, but there is room for further improvements. In the field of public administration, the number of staff in sectors dealing with issues related to European integration should be increased, accompanied by a long term strategy for training. With respect to the ongoing decentralisation of the public administration, it is important that the transfer of functions and fiscal decentralisation go hand in hand. As regards the judicial sector, the administrative capacities of the Judicial Council need to be strengthened and its financial independence ensured. Further efforts are necessary to reduce the duration of court proceedings in civil and commercial cases, and as regards judicial training. The fight against corruption should continue to receive high priority, in particular as regards strict enforcement of existing rules. Further legislative measures should be taken in the areas of conflict of interests, financing of political parties and lobbying.

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 Slovakia 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: horizontal and procedural measures, new approach legislation and public procurement in the *free movement of goods* chapter; citizens' rights, free movement of workers and co-ordination of social security systems, in terms of *free movement of persons*; the banking sector and the investment services and securities markets in the area of *free movement of services*; *free movement of capital*, including money laundering; *company law* and accounting; and anti-trust in the *competition policy* chapter. In the area of *agriculture*, Slovakia is expected to be in a position by accession to implement the *acquis* in a number of horizontal areas, in most common market organisations, in rural development, and in the veterinary field as regards animal disease

control measures, trade in live animals and animal products, animal welfare, zootechnics and animal nutrition as well as in the phytosanitary field in general; and in *fisheries*.

Slovakia is also expected to be in a position to implement the *acquis* by accession in : trans-european transport networks, rail transport, inland waterways, air transport and maritime transport, as regards *transport policy*; direct taxation and administrative co-operation as regards *taxation*; *economic and monetary union*; *statistics*; as regards *social policy and employment*, labour law, equal treatment of women and men, health and safety, social dialogue, employment policy, social inclusion and social protection; *energy policy*; *industrial policy*; *small and medium-sized enterprises*; *science and research*; *education and training*; *culture and audio-visual policy*; programming in the area of *regional policy and co-ordination of structural instruments*; horizontal legislation, air quality, waste management, water quality, nature protection, chemicals and genetically modified organisms, noise, and nuclear safety and radiation protection in the area of *environment*; safety-related measures and consumer organisations in the field of *consumer and health protection*; many areas in the field of *justice and home affairs*; *customs union*; common commercial policy and humanitarian aid and development policy in the *external relations* chapter; common foreign and security policy; public internal *financial control* and external audit; and *financial and budgetary provisions*.

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

This includes the old approach legislation and the non-harmonised area in the field of *free movement of goods*; mutual recognition of professional qualifications in the *free movement of persons* chapter; in the area of *free movement of services*, insurance, information society services, protection of personal data, right of establishment and the freedom to provide non-financial services; protection of intellectual and industrial property rights in the field of *company law*. In the *agricultural* area, it concerns trade mechanisms, the common market organisations for sugar, wine, and beefmeat, in the veterinary field the veterinary control system, transmissible spongiform encephalopathies (TSEs) and animal by-products, and common measures, and in the phytosanitary field controls on maximum residue limits for pesticides.

This also includes the fields of: road *transport*; VAT and excise duties in the field of *taxation*; public health, the European Social Fund, and anti-discrimination in the area of *social policy and employment*; *telecommunications and information technologies* including postal services; legislative framework, institutional structures and financial management and control as regards *regional policy and co-ordination of structural instruments*; industrial pollution in the area of *environment*; market surveillance and non-safety-related measures in the field of *consumer and health protection*; in the field of *justice and home affairs* with respect to the Schengen Action Plan, data protection, visa policy, external borders, asylum and the fight against fraud and corruption; *external relations*, as regards bilateral agreements with third countries; control over structural action expenditure and protection of the EC financial interests in the area of *financial control*.

Thirdly, Slovakia must take immediate and decisive action to address four issues of **serious concern** in two chapters of the *acquis* if it is to be ready by the date of accession.

This concerns the *competition policy* field as regards the fulfilment of the conditions specified in the Accession Treaty for the transitional arrangement granted in the steel

sector. It also concerns the field of *agriculture*, as regards Slovakia's preparations for setting up the Paying Agency, for implementing the Integrated Administration and Control System and for upgrading the agri-food establishments in the area of public health protection.

STATISTICAL ANNEX

	1998	1999	2000	2001	2002
Basic data	in 1000				
Population (average)	5,391	5,395	5,401	5,380a)	5,379p
	in km²				
Total area	49,035	49,035	49,035	49,035	49,034
National accounts	1000 Mio Slovak Koruna				
Gross domestic product at current prices	775.0	835.7	908.8	989.3	1,074
	1000 Mio ECU/euro				
Gross domestic product at current prices	19.6	18.9	21.3	22.8	25.1
	in ECU/Euro				
Gross domestic product per capita b) at current prices	3,600	3,500	4,000	4,300	4,700
	% change over the previous year				
Gross domestic product at constant prices (nat. currency)	4.0	1.3	2.2	3.3	4.4
Employment growth	1.5	-3.2	-2.5	0.9	0.1
Labour productivity growth	2.4	4.7	4.9	:	:
Unit labour cost growth	:	-3.3	:	:	:
	in Purchasing Power Standards				
Gross domestic product per capita b) at current prices	10,100	10,500	10,400	11,000	11,400
	in % of EU-15 average				
GDP per capita b) at current prices in PPS	50	49	46	47	47
Labour productivity (GDP per person employed in PPS)	51	53	52	53	54
Structure of production	% of Gross Value Added c)				
- Agriculture	5.3	4.7	4.7	4.5	4.5
- Industry (excluding construction)	27.1	29.2	27.6	26.7	26.4
- Construction	7.1	5.5	5.4	5.1	5.4
- Services	60.5	60.7	62.4	63.8	63.6
Structure of expenditure	as % of Gross Domestic Product				
- Final consumption expenditure	75.9	76.1	76.0	76.6	76.2
- household and NPISH	54.1	56.3	55.8	56.3	56.2
- general government	21.8	19.8	19.8	20.0	19.9
- Gross fixed capital formation	36.2	30.3	29.5	31.3	29.8
- Stock variation	-1.5	-2.1	-2.4	0.7	1.4
- Exports of goods and services	59.2	61.0	71.8	74.0	72.8
- Imports of goods and services	69.9	65.4	74.2	82.5	79.9
Inflation rate	% change over the previous year				
Consumer price index	6.7	10.4	12.2	7.0	3.3

	1998	1999	2000	2001	2002
Balance of payments	in Mio ECU/euro				
-Current account	-1,893	-1,088	-772	-1,950	-2,059 e)
-Trade balance	-2,097	-1,035	-994	-2,373	:
<i>Exports of goods</i>	9,555	9,572	12,872	14,118	:
<i>Imports of goods</i>	11,652	10,607	13,866	16,491	:
-Net services	17	47	475	535	:
-Net income	-140	-283	-380	-349	:
-Net current transfers	327	184	128	237	:
- of which: government transfers	0	-1	-6	-10	:
- FDI (net) inflows	:	:	2,317	1,763 e)	4,260 e)

Public finance	in % of Gross Domestic Product				
General government deficit/surplus	-4.7	-6.4	-10.4	-7.3	-7.2p
General government debt	28.9	43.8	46.9	48.1	42.6p

Financial indicators	in % of Gross Domestic Product				
Gross foreign debt of the whole economy	34.2	37.8	32.4	33.1	:
	as % of exports				
Gross foreign debt of the whole economy	57.3	61.6	45.7	44.7	:
Monetary aggregates	1000 Mio ECU/euro				
- M1	3.4	3.6	4.3	5.3	5.9
- M2	10.9	12.4	13.8	15.9	16.9
- M3	:	:	:	:	:
Total credit	12.2	13.6	13.9	16.1	14.5
Average short-term interest rates	% per annum				
- Day-to-day money rate	15.5	11.7	8.0	7.3	7.2
- Lending rate	14.5	10.7	9.8	9.7	9.0
- Deposit rate	13.0	12.8	8.5	6.2	5.6
ECU/EUR exchange rates	(1ECU/euro=..Slovak Koruna)				
- Average of period	39.54	44.12	42.60	43.30	42.69
- End of period	43.21	42.40	43.93	42.78	41.50
	1990=100				
- Effective exchange rate index	70.0	63.0	63.7	60.9	58.3
Reserve assets	Mio ECU/euro				
-Reserve assets (including gold)	2,820	3,722	4,715	5,045	8,853
-Reserve assets (excluding gold)	2,497	3,358	4,338	4,691	8,496

External trade	Mio ECU/euro				
Trade balance	-2,097	-1,025	-980	-2,373	-2,263p
Exports	9,555	9,602	12,876	14,118	15,252p
Imports	11,652	10,627	13,856	16,491	17,515p
	previous year=100				
Terms of trade	:	:	:	:	:
	as % of total				
Exports with EU-15	55.7	59.4	59.0	59.9	60.5p
Imports with EU-15	50.1	51.7	48.9	49.8	50.3p

	1998	1999	2000	2001	2002
Demography	per 1000 of population				
Natural growth rate	0.8	0.7	0.4	-0.2	-0.1
Net migration rate (including corrections)	0.2	0.3	0.3	0.2	0.2
	per 1000 live-births				
Infant mortality rate	8.8	8.3	8.6	6.2	7.6
Life expectancy :	at birth				
Males:	68.6	68.9	69.1	69.5	69.9p
Females:	76.7	77.0	77.2	77.5	77.6p

Labour market (Labour Force Survey)	% of population				
Economic activity rate (15-64)	69.0	69.0	69.6	70.4	69.5
Employment rate (15-64), total	60.6	58.1	56.8	56.8	56.8
Employment rate (15-64), males	67.8	64.3	62.2	62.0	62.4
Employment rate (15-64), females	53.5	52.1	51.5	51.8	51.4
	as % of the total population of the same age group				
Employment rate of older workers (55-64)	22.8	22.3	21.3	22.4	22.8
Average employment by NACE branches	in % of total				
- Agriculture and forestry	8.1	7.2	6.9	6.3	6.6
- Industry (excluding construction)	30.2	29.4	29.3	29.1	30.1
- Construction	9.2	9.0	8.0	7.9	8.1
- Services	52.4	54.3	55.8	56.7	55.3
	% of labour force				
Unemployment rate, total	:	16.7	18.7	19.4	18.6
Unemployment rate, males	:	16.6	18.9	19.8	18.4
Unemployment rate, females	:	16.9	18.5	18.9	18.8
Unemployment rate of persons < 25 years	23.2	32.0	36.9	38.9	37.7
Long-term unemployment rate	:	7.7	10.1	11.3	12.1

Social cohesion	ratio of top quintile to lowest quintile				
Inequality of income distribution	:	:	:	:	:
	% of population aged 18-24				
Early school-leavers	:	:	:	:	5.6
	% of population aged 0-65				
Population in jobless households (persons aged 0-65)	:	11.8	13.0	11.6	12.9

Standard of living	per 1000 inhabitants				
Number of cars	222	229	236	240	247
Main telephone lines	285.5	308.2	314.0	289.3	260.8
Number of subscriptions to cellular mobile services	92.2	123.1	205.0	399.2	543.5

Infrastructure	in km per 1000 km²				
Railway network	75	75	75	75	75
	Km				
Length of motorways	288	295	296	296	302

	1998	1999	2000	2001	2002
Industry and agriculture	previous year=100				
Industrial production volume indices d)	103.6	97.9	108.7	107.3	106.8
Gross agricultural production volume indices	94.0	97.5	87.7	109.9	105.3E

Innovation and research	as % of GDP				
Spending on Human Resources (public expenditure on education)	4.55	4.45	4.06	4.12E	4.03E
	as % of GDP				
Gross domestic expenditure on Research & Development	0.79	0.66	0.67	:	:
	per 1000 inhabitants				
Level of Internet access - households	:	:	:	:	:

Environment	tonnes CO2 equivalent per capita				
Total greenhouse gases emissions	72.6	70.7	66.9	:	:
	kg of oil equivalent per 1000 euro of GDP				
Energy intensity of the economy	1,106.3p	1,112.8p	708.4p	:	:
	as % of total electricity consumption				
Share of renewable energy	15.5	16.3	17.8	:	:
	as % of total freight transport				
Modal split of freight transport	57.8	61.6	62.9	62.9	:

p=provisional figures

E=estimate data

a) Data are recalculated on Population Census results.

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

c) Including FISIM.

d) Data of the year 1998 are indices of the goods industrial production, as from 1999 indices of the industrial production are compiled according to the EU methodology; adjusted from influence of number of working days.

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 the Slovak Republic.

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. Data on goods production in 1998 include estimates for enterprises and for tradesmen. Since 1999 Industrial production index is calculated on the basis of data on industrial products; data on industrial services; for enterprises with 20 and more employees and selected enterprises up to 19 employees; data are adjusted from the influence of different number of working days.

Gross agricultural production volume indices. The gross agricultural output is calculated on the basis of the turnover at current prices. Agricultural output index is recalculated to the constant prices of corresponding period of the previous year.

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/theme0/strind/enviro.htm>

Sources

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