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REGULAR REPORT

ON
LITHUANIA'S
PROGRESS TOWARDS ACCESSION
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2002
REGULAR REPORT
ON
Lithuania's
PROGRESS TOWARDS ACCESSION

Table of contents

A. Introduction [*](#)

a) Preface [*](#)

b) Relations between the European Union and Lithuania [*](#)

Recent developments under the Europe Agreement (including bilateral trade) [*](#)

Accession Partnership [*](#)

Action Plan for reinforcing administrative and judicial capacity [*](#)

National Programme for the Adoption of the Acquis [*](#)

Community assistance [*](#)

Twinning [*](#)

Negotiations [*](#)

B. Criteria for membership [*](#)

1. Political criteria [*](#)

Introduction [*](#)

Recent developments [*](#)

1.1. Democracy and the rule of law [*](#)

The parliament [*](#)

The executive [*](#)

The judicial system [*](#)

Anti-corruption measures [*](#)

1.2. Human rights and the protection of minorities [*](#)

Civil and political rights [*](#)

Economic, social and cultural rights [*](#)

Minority rights and the protection of minorities [*](#)

1.3. General evaluation [*](#)

2. Economic criteria

2.1. Introduction

2.2. Summary of economic developments since 1997

2.3. Assessment in terms of the Copenhagen criteria

The existence of a functioning market economy

The capacity to cope with competitive pressure and market forces within the Union

2.4. General evaluation

3. Ability to assume the obligations of membership

Introduction

3.1. The chapters of the *acquis*

Chapter 1: Free movement of goods

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 2: Free movement of persons

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 3: Freedom to provide services

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 4: Free movement of capital

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 5: Company law

Progress since last Regular Report

Overall assessment

Conclusion

Chapter 6: Competition policy

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 7: Agriculture

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 8: Fisheries

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 9: Transport policy

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 10: Taxation

Progress since the last Regular Report

Overall assessment

Conclusion

Chapter 11: Economic and Monetary Union

Progress since the last Regular Report

Overall assessment [*](#)

Conclusion [*](#)

Chapter 12: Statistics [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 13: Social policy and employment [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 14: Energy [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 15: Industrial policy [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 16: Small and medium-sized enterprises [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 17: Science and research [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 18: Education and training [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 19: Telecommunications and information technologies [*](#)

Progress made since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 20: Culture and audio-visual policy [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 21: Regional policy and coordination of structural instruments [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 22: Environment [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 23: Consumers and health protection [*](#)

Progress since last Regular Report [*](#)

Overall assessment [*](#)

Conclusion [*](#)

Chapter 24: Co-operation in the field of justice and home affairs [*](#)

Progress since the last Regular Report [*](#)

Overall assessment [*](#)

[Conclusion](#) *

[Chapter 25: Customs union](#) *

[Progress since the last Regular Report](#) *

[Overall assessment](#) *

[Conclusion](#) *

[Chapter 26: External relations](#) *

[Progress since the last Regular Report](#) *

[Overall assessment](#) *

[Conclusion](#) *

[Chapter 27: Common foreign and security policy](#) *

[Progress since the last Regular Report](#) *

[Overall assessment](#) *

[Conclusion](#) *

[Chapter 28: Financial control](#) *

[Progress since the last Regular Report](#) *

[Overall assessment](#) *

[Conclusion](#) *

[Chapter 29: Financial and budgetary provisions](#) *

[Progress since the last Regular Report](#) *

[Overall assessment](#) *

[Conclusion](#) *

[3.2. Translation of the *acquis* into the national languages](#) *

[3.3. General evaluation](#) *

[C. Conclusion](#) *

[D. Accession Partnership and Action Plan for strengthening administrative and judicial capacity: Global assessment](#) *

[Political criteria](#) *

[Economic criteria](#) *

[Ability to assume the obligations of membership](#) *

[Annexes](#) *

**[Human Rights Conventions ratified by the Candidate Countries,
15 September 2002](#) ***

[Statistical data](#) *

[Introduction](#)

Preface

In Agenda 2000, the Commission said it would report regularly to the European Council on progress made by each of the candidate countries of Central and Eastern Europe with preparations for membership, and that it would submit its first Report at the end of 1998.

The Luxembourg European Council decided that:

"From the end of 1998, the Commission will make Regular Reports to the Council, together with any necessary recommendations for opening bilateral intergovernmental conferences, reviewing the progress of each Central and Eastern European applicant State towards accession in the light of the Copenhagen criteria, in particular the rate at which it is adopting the Union *acquis* [...]. The Commission's reports will serve as the basis for taking, in the Council context, the decisions on the conduct of the accession negotiations or their extension to other applicants. In that context, the Commission will continue to follow the method adopted by Agenda 2000 in evaluating applicant States' ability to meet the economic criteria and fulfil the obligations deriving from accession."

On this basis, the Commission presented a first series of Regular Reports in October 1998, a second in October 1999, a third in November 2000, and a fourth in November 2001.

In its 2001 Enlargement Strategy Paper, which accompanied the 2001 Regular Reports, the Commission indicated that, given the pace of negotiations and the progress made so far, the Commission should be able to make recommendations on those candidate countries ready for accession on the basis of its 2002 Regular Reports. At its meeting in Seville in June 2002, the European Council concluded that "in order to enable the European Council to be held in the coming autumn to decide which will be the candidate countries with which negotiations can be concluded at the end of 2002, [...] the Commission will have to draft appropriate recommendations in the light of the Regular Reports." The Commission has prepared this fifth series of Regular Reports with a view to the Brussels European Council in autumn 2002.

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The structure followed for this Regular Report is largely the same as that used for the 2000 and 2001 Regular Reports. In line with previous Regular Reports, the present Report:

- describes the relations between Lithuania and the Union, in particular in the framework of the Association Agreement;
- analyses the situation in respect of the political criteria set by the 1993 Copenhagen European Council (democracy, rule of law, human rights, protection of minorities);
- assesses Lithuania's situation and prospects in respect of the economic criteria defined by the Copenhagen European Council (a functioning market economy and the capacity to cope with competitive pressures and market forces within the Union);
- addresses the question of Lithuania's capacity to assume the obligations of membership, that is, the *acquis* as expressed in the Treaties, the secondary legislation, and the policies of the Union. In this part, special attention is paid to nuclear safety standards, which were emphasised by the Cologne and Helsinki European Councils. This part includes not only the alignment of legislation, but also the development of the judicial and administrative capacity necessary to implement and enforce the *acquis*. The European Council stressed the importance of this latter aspect at its meeting in Madrid in 1995 and on a number of subsequent occasions, most recently at Seville in June 2002. At Madrid, the European Council stressed that the candidate countries must adjust their administrative structures, so as to create the conditions for the harmonious integration of these States. The Seville European Council also stressed how important it was that candidate countries should continue to make progress with the implementation and effective application of the *acquis*, and added that candidate countries must take all necessary measures to bring their administrative and judicial capacity up to the required level.

This Report takes into consideration progress since the 2001 Regular Report. It covers the period until 15 September 2002. In particular cases, however, measures taken after that date are mentioned. It looks at whether planned reforms referred to in the 2001 Regular Report have been carried out, and examines new initiatives. In addition, this Report provides an overall assessment of the overall situation for each of the aspects under consideration, setting out for each of them the main steps still to be taken by Lithuania in preparing for accession.

Furthermore, in view of the fact that the 2002 Regular Reports will provide the basis on which the Commission will formulate its recommendations as to which countries are ready to conclude negotiations, this Report includes an evaluation of Lithuania's track record since the 1997 Opinion. As regards the economic criteria, the report also provides a dynamic, forward-looking evaluation of Lithuania's economic performance.

For each of the negotiating chapters, this report provides a summary evaluation of the extent to which commitments made in the negotiations have been implemented, as well as an overview of transitional arrangements that have been granted. The commitments made by each country reflect the result of the accession negotiations, and, in accordance with the principle of differentiation underlying the negotiation process, may differ between countries. Where negotiating countries have committed themselves to completing specific measures by the time of accession, the Commission assesses the relevant preparatory processes. For chapters on which the accession negotiations continue, and final commitments remain to be defined, an indicative assessment is given of the state of implementation of the commitments that have been made to date.

The Report contains a separate section examining the extent to which Lithuania has addressed the Accession Partnership priorities. This section also assesses the progress Lithuania has made in implementing the measures set out in the Action Plan for strengthening administrative and judicial capacity that the Commission developed with each negotiating country in the spring of 2002.

As has been the case in previous Reports, "progress" has been measured on the basis of decisions actually taken, legislation actually adopted, international conventions actually ratified (with due attention being given to implementation), and measures actually implemented. As a matter of principle, legislation or measures which are in various stages of either preparation or Parliamentary approval have not been taken into account. This approach ensures equal treatment for all the candidate countries and permits an objective assessment of each country in terms of their concrete progress in preparing for accession.

The Report draws on numerous sources of information. The candidate countries have been invited to provide information on progress made in preparations for membership since the publication of the last Regular Report. The information each of the candidate countries has provided within the framework of the Association Agreement and the negotiations, the National Programmes for the Adoption of the *Acquis* where they are available, as well as the process of developing the Action Plans, and various peer reviews that have taken place to assess candidate countries' administrative capacity in a number of areas, have served as additional sources. Council deliberations and European Parliament reports and resolutions have been taken into account in the preparations. The Commission has also drawn on assessments made by various international organisations, and in particular the contributions of the Council of Europe, the OSCE and the international financial institutions, as well as those of non-governmental organisations.

Relations between the European Union and Lithuania

Recent developments under the Europe Agreement (including bilateral trade)

Lithuania has continued to implement the Europe Agreement and contributed to the smooth functioning of the various joint institutions.

The Association Council met in February 2002 and the Association Committee in June 2002. The system of sub-committees continues to function as a forum for technical discussions.

Since the last Regular Report, the Joint Parliamentary Committee comprising representatives of the Lithuanian and European Parliament has met in November 2001 and May 2002.

The Association Council decision establishing a Joint Consultative Committee with the Economic and Social Committee entered into force in September 2002.

Furthermore, the establishment of a Joint Consultative Committee with the Committee of the Regions is under preparation.

Lithuania's trade with the EC has continued to increase in 2001 (exports by 20% and imports by 18.4%). In 2001, Lithuanian exports to the EC accounted for 47.8% of total exports and imports from the EC accounted for 44% of total imports. EC exports to Lithuania stood at € 3.4 billion and imports at €2.6 billion. Looking at trade by sectors, machinery and vehicles represent the largest sectors for EC exports to Lithuania and textiles and mineral products the largest sector from Lithuania.

Under the agreement resulting from the first round of trade negotiations in the agriculture sector (adopted on an autonomous basis pending the conclusion of an Additional Protocol to the Europe Agreement), approximately 90% of EC agricultural imports from Lithuania and 97% of EC agricultural exports to Lithuania are duty-free or benefit from preferential rates (average trade figures 1998-2000).

Negotiations on a further round of liberalisation, covering more sensitive sectors, began at the end of 2001 and were concluded in February 2002. The resulting agreement, in force from July 2002, enhances the existing agricultural trade preferences between the parties and promotes the full or partial lifting of import duties either within tariff quotas or for unlimited quantities in sectors such as cereals, dairy products, beef and sheep meat. It also includes a commitment by the parties to remove export refunds for certain sectors.

The Association Council Decision on the improvement of the trade arrangements for processed agricultural products provided for in Protocol 2 to the Europe Agreement was adopted in December 2001. The Decision entered into force in February, 2002. This agreement represents a significant step towards trade liberalisation for Lithuania.

Negotiations on reciprocal trade liberalisation in fish and fishery products have been successfully completed. The Additional Protocol to the Europe Agreement was signed in December 2001 and entered into force in February 2002.

An anti-dumping investigation was launched in December 2001 concerning imports of certain filament yarn of cellulose acetate, which led to the imposition of provisional anti-dumping duties in September 2002. The investigation on imports of urea led to the imposition of definitive duties in January 2002.

In March 2002, in response to protectionist measures taken by the US, which greatly restricted access to their market and created the risk of considerable trade diversion, the EU initiated provisional safeguard measures, with erga omnes effect, on imports of certain steel products. In September 2002, these measures were partially confirmed.

The Protocol to the Europe Agreement on Conformity Assessment and Acceptance of industrial products (PECA) was signed in May 2002 and ratified by the Seimas in July 2002. The PECA's aim to extend internal market rules on conformity assessment for manufactured goods to the candidate countries before accession.

Accession Partnership

A revised Accession Partnership was adopted in January 2002. Its implementation is reviewed in Part D of this Report.

Action Plan for reinforcing administrative and judicial capacity

As announced in the Commission's 2001 Enlargement Strategy, in spring 2002 the Commission and Lithuania jointly developed an Action Plan to strengthen Lithuania's administrative and judicial capacity, on which a common understanding was reached in April. The revised Accession Partnership adopted in January has served as the point of departure for this exercise.

The purpose of this Action Plan is to identify jointly the next steps required for Lithuania to achieve an adequate level of administrative and judicial capacity by the time of accession, and ensure that all necessary measures in this regard are taken, providing Lithuania with targeted assistance in areas that are essential for the functioning of an enlarged Union. As such, the Action Plan is a key tool for meeting the common objective of the EU and Lithuania, i.e. to ensure that Lithuania's preparations for accession take place as effectively as possible within the planned timeframe.

The implementation of the Action Plan is reviewed in Part D of this Report.

National Programme for the Adoption of the Acquis

In February 2002, the Government adopted the revised annexes to the National Programme for the adoption of the *acquis* (which is called Lithuania's EU Accession Programme), namely the Law Approximation Action Plan and the *Acquis* Implementation Action Plan for the year 2002. These revised annexes were transmitted to the Commission.

Community assistance

Three **pre-accession instruments** have been financed by the European Community to assist the applicant countries of Central and Eastern Europe with their pre-accession preparations: the **Phare** programme; **SAPARD**, which provides aid for agricultural and rural development; and **ISPA**, which finances infrastructure projects in the fields of environment and transport. The support provided by these programmes is focused on the Accession Partnership priorities, which are intended to help the candidate countries meet the criteria for membership.

For the years 2000-2002, total financial assistance to Lithuania amounts to around €126 million from Phare, €90 million from SAPARD, and around €155 million from ISPA.

The **Phare** programme has been providing support to the countries of Central and Eastern Europe since 1989, helping them through a period of fundamental economic and social transition and political change. Its current "pre-accession" focus was established in 1997, in response to the Luxembourg European Council's launching of the present enlargement process.

Phare provides the applicant countries of Central and Eastern Europe with support for institution building, investment to strengthen the regulatory infrastructure needed to ensure compliance with the *acquis*, and investment in economic and social cohesion. This support comprises co-financing for technical assistance, "twinning" and investment-support projects, to help these countries with their efforts to adopt the *acquis* and strengthen the institutions necessary for implementing and enforcing the *acquis*. Phare also helps the candidate countries develop the mechanisms and institutions that will be needed to implement Structural Funds after accession and is supported by a limited number of measures (investment and grant schemes) with a regional or thematic focus. In the context of the Action Plans for strengthening administrative and judicial capacity, particular emphasis is placed on the issue of institution building and associated investment intended to ensure compliance with the *acquis*. For 2002, the

Commission has mobilised special assistance of up to €250 million to accompany negotiating countries' efforts, over and above the indicative annual allocations for each of the Phare countries, bringing total Community assistance for strengthening the administrative and judicial capacity of the negotiating countries in 2002 to around €1 billion.

The Phare programme allocated commitments of €328 million to Lithuania during the 1992-1999 period, €50 million in 2000 and €48.5 million in 2001. The **2002 Phare Programme** for Lithuania consists of an allocation of € 43.7 million for the National Programme, complemented by €18.5 million under the Phare 2002 supplementary institution building facility. The 2002 Phare programme focuses on the following priorities:

- In the field of the internal market: strengthening the administrative and technical capacity of the standardisation bodies (€ 2.2 million); compliance with the *acquis* by developing the co-ordination system for social security schemes (€1.9 million); strengthening capacity to protect personal data, IT and electronic data (€1.7 million)
- Assistance with the establishment of the enterprise register and with the enforcement of intellectual property rights (€1.2 million)
- Further support for setting up the administrative structures and IT facilities needed for CAP measures (€6 million) and to strengthen the TSE control system (€1.8 million)
- Further reinforcement of the administrative capacity required to manage future support from the Structural Funds (€1.6 million)
- In the field of the environment: implementation of management plans for protected areas (€ 1.8 million) and development of an IT system for environmental management (€ 2.5 million)
- In the field of Justice and home affairs three projects were selected: (a) assistance to the tax police in implementing effective money-laundering prevention measures (€1.2 million); (b) strengthening migration and asylum management (€2.9 million); and (c) development of a Consular Information System (€0.9million)
- In the field of customs union: strengthening the operational capacity of the customs service (€1.6 million); ensuring IT aspects and interconnectivity with EC customs systems (€3.6 million), further modernisation of the State Tax Inspection (€4 million); continued assistance with the modernisation and capacity-building of the department of statistics (€2 million)
- Fiscal policy formation and planning structural reforms (€ 0.5 million)

An additional amount of €3 million was allocated for Lithuania's participation in the Baltic Cross-Border Co-operation programme. This includes a small project facility.

Approximately €15 million was set aside from the 2002 Phare allocation for investment in key areas for economic and social cohesion – business and SME infrastructure support, tourism development, promotion of innovation and information technologies, and pilot-testing of grant scheme procedures – which will be an integral part of future Structural Fund operations.

At the International Donors' Conference held in Vilnius in June 2000 on the decommissioning of Unit 1 of the Ignalina Nuclear Power Plant, the Commission, on behalf of the European Communities, pledged financial assistance amounting to a total of €165 million within the current financial perspective (i.e. until 2006). This pledge is subject to annual budgetary allocations by the budgetary authority. The bulk of this contribution is delivered via the Ignalina International Deco Support Fund managed by the EBRD. On the basis of a special national Phare programme to support decommissioning and subsequent measures in the Lithuanian energy sector, the following amounts have been allocated so far: €10 million in 1999, €35 million in 2000 and €55 million in 2001. The allocation for 2002 has not yet been finalised.

Lithuania also participates in and benefits from Phare-funded multi-country and horizontal programmes, such as TAIEX, the Small and Medium-sized Enterprises Facility, SIGMA and the nuclear safety programme.

Furthermore, Lithuania participates in the following programmes: Leonardo da Vinci, Socrates, Youth, the Multi-annual Programme for Enterprises and Entrepreneurship, Raphael, SAVE II, Health and Social Policy, AIDS Prevention, Drug Dependence, Equal Opportunities and the Fifth Framework Programme for Research and Technical Development, and has participated in the European Environment Agency since January 2002.

In order to streamline Community legal procedures and thereby facilitate future participation by Lithuania in Community programmes, a decision establishing the general principles of such participation is in the process of being adopted by the Association Council.

Overall, the impact of Phare has been positive. Effective transfer of know-how, equipment and financial resources has taken place in a number of important fields such as industrial restructuring and privatisation, SME development, trade and investment promotion, environment, energy, and land registration. Phare support for agriculture has succeeded in developing sector strategies and initiating essential institutional and financial mechanisms serving enterprises in this sector.

For example, in Lithuania Phare has played a particularly important role in the following:

- The restructuring of Lietuvos Energija (€ 1.5 million; 25 September 2000 – 24 September 2002). The project assisted the restructuring of the Lithuanian Power Company by helping to draft the relevant legislation. Thanks to the project the role of Lietuvos Energija as a transmission system and market operator was clarified and developed in relation to other players. The issues of pricing and market orientation, electrical transmission network operation, planning and unbundling standards and audit were addressed. The emphasis was on staff training.
- The adoption and implementation of the Schengen *acquis* covering a twinning project to strengthen the administrative capacity as well as the establishment of a National Schengen Information System. Furthermore, four new border posts were built with the help of Phare. The Twinning project followed the process of needs identification, review and update of laws, elaborating and putting into place administrative and procedural reforms, complemented by intensive staff training for police, border guard, migration and customs officers.
- Through the special programme to support the decommissioning of nuclear plants and consequential measures in the energy sector, the EC has continued to support the Ignalina International Decommissioning Support Fund (IIDSF) managed by the EBRD. In December 2001 a Project Management Unit was established at the plant, which will assist in the implementation of IIDSF financed projects. In June 2002 a donor assembly meeting was held. The assembly approved three projects: an investment project supporting a heat and steam source for Ignalina NPP and Visaginas; a support package for an interim storage for RBMK spent fuel assemblies from Ignalina NPP; and support for the modernisation of the technical archives. Through the Special Programme, the EC has also continued to support the development of the capacity of the Lithuanian nuclear safety regulator VATESI.

The 2000 Phare Review confirmed the accession-driven approach and emphasised the importance of helping countries to prepare for the Structural Funds. The Review foresees the possibility that management of the Phare funds can be fully decentralised from 2002 if the strict pre-conditions set by the Co-ordination Regulation for the three pre-accession instruments are met. Second, Phare programming can be moved onto a multi-annual basis if supporting strategies are in place. Third, the trends introduced in 1997 are continuing with an increased role for Commission Delegations, further streamlining of procedures and, lastly, increasing emphasis on increasing the verifiable and quantifiable impact of Phare projects on institution building, investment in compliance with the *acquis* and economic and social cohesion.

The Review also provided for the possibility of further decentralisation of Phare management, by waiving the requirement for *ex ante* approval by the Commission Delegations for tendering and contracting. For this to be possible, strict pre-conditions covering programme management, financial control and structures regarding public finance must be met. An extended decentralised implementation system (EDIS) should be put in place for each negotiating country at the latest by the time of accession. High-Level Working Groups are being established for each country to oversee this process, along with other key procedural steps in the run up to accession.

National aid co-ordination has been transferred from the Ministry of Foreign Affairs to the Ministry of Finance, with effect from September 2001.

During the period under review the implementation of the Phare programme has continued to experience difficulties. In particular contracting often occurs at a very late stage, putting projects at risk and reducing implementation periods. Deteriorating quality of the tender dossiers are a cause for concern at a point when Lithuania needs to soon be ready to manage the tendering and contracting process independently.

The Commission approved the Lithuanian **SAPARD programme** in November 2000. The indicative allocation for SAPARD in Lithuania for 2002 is € 31.3 million, at 2002 prices (allocation 2001: € 31 million at 2001 prices).

The main aims of the Lithuanian programme are: to strengthen the competitiveness of agricultural businesses, particularly family farms, through improving existing production and diversifying farm businesses; to develop higher value-added processed food products and improve efficiency in food processing through new technology and the introduction of quality management throughout the production process; to invest in rural infrastructure and promote new economic activities to increase the viability of rural communities; to introduce environmentally friendly production techniques for farming and forestry.

The *Multi-annual Financing Agreement* (MAFA), which sets out the rules for implementing SAPARD, and the *Annual Financing Agreement* (AFA) for 2000, which sets out the Community financial commitment to Lithuania for the year 2000, are both in force since August 2001. The AFA 2001 was signed in April 2002 and entered into force in July 2002.

The following structures are responsible for the implementation of SAPARD: the National Fund, located within the Ministry of Finance, administers SAPARD funds under the responsibility of the National Authorising Officer (NAO) and is responsible for the national accreditation of the SAPARD Agency; the Managing Authority is the Ministry of Agriculture; the National Paying Agency, under the Ministry of Agriculture, has been designated as the SAPARD agency responsible for the implementation and financial management of the programme. The agency operates from its headquarters in Vilnius with 10 regional offices throughout Lithuania.

The Commission adopted a Decision in November 2001, provisionally conferring management authority for SAPARD, on a fully decentralised basis, to the National Paying Agency of Lithuania, including approval of 5 out of 8 measures of the SAPARD Programme, covering 94% of the amount available for Lithuania. Simultaneously an initial payment on account was made to the National Fund.

Up to July 2002 the Lithuanian SAPARD Agency received 199 project applications from potential beneficiaries and approved contracts for the implementation of 111 selected projects, involving around € 30 million of EC support.

The ISPA programming environment is governed by national strategy papers for transport and environment which the Lithuanian authorities finalised in 2000. In the case of transport, the priority is completing and improving the European Corridors that pass through Lithuania (I, IA, IXB, IXD). Special emphasis is placed on rail projects, with plans to completely renew the East-West Corridors IXB and IXD.

In the environmental field, the following sub-sectors have priority status: water, waste water, and solid waste. A strategy for air quality is now being developed and the first projects in this area are expected in 2003-2004. For water and waste water improvements, an approach by catchment/drainage area has been adopted and the first projects are due in 2002.

For the years 2000 and 2001, the full (mid-range) allocation for Lithuania has been committed, i.e. €102.7 million (€52.2 million in 2000 and €50.5 million in 2001). The allocation for 2002 will be between 4% and 6% of the overall allocation for ISPA, i.e. between €44 million and €65 million.

Seven environmental projects were approved in 2001: drinking and waste water projects in Jonava (with a total ISPA contribution of €3.8 million) and Neringa (€4.8 million), technical assistance (TA) for project preparation (€7 million), a sewage network treatment plant in Kaunas (€15.9 million) and three solid waste collection systems in Alytus, Taurage and Šiauliai totalling €13.8 million. Three transport projects were approved in 2001, two of which concern aration for the development of the Crete corridor (€0.9 million) and modernisation of the Crete Corridor (€12 million). One road transport project was also approved, for the development of Corridor 1A (€19.8 million). Further projects are in preparation.

In 2001, the Commission approved a technical assistance package (with an ISPA allocation of €0.4 million) to prepare the Lithuanian authorities for the decentralisation process (EDIS) for the management of ISPA.

Contracts have been signed for four projects in the transport sector. The tenders for most remaining ISPA projects approved in 2000 are currently in preparation.

Twinning

One of the main challenges still facing the candidate countries is the need to strengthen their administrative and judicial capacity to implement and enforce the *acquis*. As of 1998, the European Commission began to mobilise significant human and financial resources to help them with this process, using the mechanism of twinning administrations and agencies. In 2001, the Commission strengthened this emphasis on institution building further, through the launch of the Action Plans for strengthening administrative and judicial capacity. The twinning process makes the vast body of Member States' expertise available to the candidate countries through the long-term secondment of civil servants and accompanying short-term expert missions and training.

A total of 503 twinning projects were funded by the Community between 1998 and 2001. Between 1998 and 2000, these projects primarily targeted the main priority sectors identified in the Accession Partnerships: agriculture, the environment, public finance, justice and home affairs and preparation for the management of Structural Funds. Since 2000, other important sectors of the *acquis* have also been addressed through twinning, such as social policy, the fight against drugs, transport, and telecommunications regulation. Twinning now covers all sectors pursuant to the *acquis*.

Thanks to the strong support of the EU Member States, 103 twinning partnerships were funded by Phare 1998, involving all the candidate countries and almost all the Member States. These first-generation projects have already come to an end. Under Phare 1999, a further 123 projects are currently being implemented and the programming exercise for Phare 2000 included a further 146 twinning projects. The 2001 programming exercise includes 131 twinning projects embracing all the Phare beneficiary countries, as well as Cyprus and Malta. Under the 2002 programming exercise, 119 twinning projects have already been planned and approved for implementation. A substantial number of additional twinning projects are planned, and these should be approved and implementation launched before the end of 2002. They include twinning projects identified in the Action Plans for strengthening administrative and judicial capacity in the negotiating countries. It is estimated that around 300 twinning projects are operational throughout the candidate countries at any one time. Furthermore, the candidate countries are being offered a further way of drawing on Member States' expertise through "Twinning light", a mechanism to address carefully-circumscribed projects of limited scope which emerge during the negotiation process as requiring adaptation.

For Lithuania, the total number of twinning projects implemented over the period 1998-2001 is 37. 16 are currently ongoing. In one project, the United Kingdom is providing assistance to strengthen external audit to bring it in line with international standards through staff training at the state control office. In another one, Lithuania will be given assistance in preparing for participation in the European employment strategy and the implementation of the European Social Fund.

A number of areas have been pinpointed for twinning assistance under the Phare 2002 budget: internal market (eg. standardisation, data protection), agriculture, tax administration, customs, statistics, Structural Funds, asylum, money laundering).

Negotiations

Since the opening of the accession negotiations, substantive discussions on the individual chapters of the *acquis* have started, and by June 2002, negotiations on all chapters (except Chapter 31 – Other) had been launched.

By end September 2002, the following 28 chapters were provisionally closed: free movement of goods; free movement of persons; freedom to provide services; free movement of capital; company law; competition; fisheries; transport policy; taxation; EMU; statistics; social policy and employment; energy; industrial policy; small and medium-sized enterprises; science and research; education and training; telecommunication and information technologies; culture and audio-visual policy; regional policy and co-ordination of structural instruments; environment; consumers and health protection; co-operation in the field of justice and home affairs; customs union; external relations; common foreign and security policy; financial control; institutions.

Criteria for membership

Political criteria

Introduction

The political criteria for accession to be met by the candidate countries, as laid down by the Copenhagen European Council in June 1993, stipulate that these countries must have achieved "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities."

In its 1997 Opinion on Lithuania's application for EU membership, the Commission concluded:

"Lithuania's political institutions function properly and in conditions of stability. They respect the limits on their competences and cooperate with each other. Elections in 1992 and 1996 were free and fair, and in each case permitted an alternation of power in proper conditions. The Opposition plays a normal part in the operation of the institutions. Efforts to improve the operation of the judicial system and to intensify the fight against corruption need to be sustained.

There are no major problems over respect for fundamental rights.

Lithuania demonstrates the characteristics of a democracy, with stable institutions guaranteeing the rule of law, human rights and respect for and protection of minorities."

In its 2001 Regular Report, the Commission found that:

"In its 1997 Opinion, the Commission concluded that Lithuania fulfilled the political criteria. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Over the past year, further efforts have been made in this direction. Lithuania continues to fulfil the political criteria.

Lithuania has made some progress in reforming the public administration and the judiciary, where the administrative court system has been re-organised. The legal system has improved with the entry into force of the new Civil Code. The capacity to fight corruption has been strengthened. The active role of the ombudsman in the field of equal opportunities and, more recently, children's rights is noteworthy.

Sustained efforts are required to further advance the process of reform of the public administration, covering all different sectors of the administration, while creating the conditions for the necessary continuity and stability of the administration. Adequate financial resources should be secured, inter-departmental co-ordination must be further reinforced and training should become more systematic. As regards the judicial system, the new Law on Courts urgently needs to be adopted. Adequate budgetary resources and the managerial competencies which are necessary for the administration of the court system need to be secured. The adoption of the Code of Criminal Procedure must be speeded up in order to allow for the implementation of the new Criminal Code.

In the field of the fight against corruption, the efforts made over the past year should be sustained and reinforced, through the adoption of the National Anti-Corruption Strategy and its Implementation Programme by the Parliament, and with the adoption of a new Law on Corruption Prevention. As regards the continued concern over administrative corruption, further progress in ensuring the transparent application of administrative procedures is required, and the co-ordination among the agencies combating corruption should be further strengthened.

*Lithuania has made progress towards meeting the accession priorities related to the political criteria. It has made limited progress in implementing the public administration law and the civil service law. The Government has approved the National Anti-Corruption Strategy which now needs to be adopted by the Parliament and implemented. A training programme for judges, covering various aspects of EC law and *acquis* enforcement, has started and needs to be continued."*

The section below provides an assessment of developments in Lithuania, seen from the perspective of the Copenhagen political criteria, including the overall functioning of the country's executive and its judicial system. Such developments are in many ways closely linked to developments regarding Lithuania's ability to implement the *acquis*, in particular in the domain of justice and home affairs. Specific information on the development of Lithuania's ability to implement *acquis* in the field of justice and home affairs can be found in the relevant section (*Chapter 24 – Cooperation in the field of justice and home affairs*) of part B.3.1. of this Report.

Recent developments

There has been no change in government during the reporting period. EU – accession remained high on the political agenda.

Lithuania has achieved stability of institutions guaranteeing democracy and the rule of law. This was the conclusion of the 1997 Opinion and the subsequent Regular Reports, and has been confirmed by developments over the past year. This section focuses on the most significant developments since the last Regular Report.

The parliament

Parliament has continued to function smoothly. It has continued to give high priority to the adoption of EU accession-related legislation.

The executive

During the reporting period, Lithuania has made considerable progress in pursuing public administration reform.

In April 2002, the Seimas amended the Law on the Government in order to ensure a clear distinction between political posts and public administration posts within the ministries. As a result of the new legislation, only two political appointments remain (one minister and one vice-minister), whereas the other vice-ministerial posts, which used to be political, have been transformed into non-political posts for ministerial secretaries. These amendments should contribute to guaranteeing continuity and independence from undue influence in the ministries.

The reorganisation of the public administration has continued. Some ministries which had previously seen their competencies expanded (in particular the Finance Ministry), have been strengthened, in particular through the recruitment of additional staff.

A new Law on Civil Service was adopted by the Seimas in April 2002 and entered into force in July 2002. It aims to reinforce the rule of law, political neutrality, transparency and efficiency. The Law provides for the establishment, by 2003, under the Ministry of the Interior, of a National Public Administration Institute responsible for the management of the civil service. This will include the management of the register of Civil Servants and the approval of training programmes.

All secondary legislation required for implementing the provisions of the Civil Service Law was passed by the Government and entered into force in July-August 2002. Issues covered include: job descriptions and evaluations; procedures for recruitment to the Civil Service; regulations on ethics; procedures for imposing disciplinary sanctions; a strategy for the training of civil servants; the statute of the Register of Civil Servants; and the establishment of the National Public Administration Institute.

The new Civil Service Law introduces a new procedure for the annual evaluation of civil servants' performance and a more transparent remuneration system covering all categories of civil servant. The Law establishes a direct link between the category and level of qualification of the civil servant on the one hand and his or her salary on the other. This new system became operational in July 2002. All national and municipal institutions and agencies are now in the process of evaluating servants and classifying them by their level of qualification. The process is to be completed by December 2002.

The new legislation has brought significant progress in ensuring systematic training for civil servants. Under the Law on Civil Service, all government institutions have to allocate financial resources for this purpose, whereby each institution is obliged to allocate an amount equal to 1%-5% of the wage fund. The central role of the Lithuanian Institute of Public Administration (LIPA) has been strengthened and its relationship with line ministries clarified. The new Civil Service Law identifies LIPA as the National Training Agency responsible for co-ordinating the provision of general training courses and specialised courses delivered by specialist training agencies under the line ministries. LIPA receives funding from two main sources: the state budget (in 2002 LIPA was allocated LTL 1 million, i.e. € 0.29 million) and fees paid by government institutions for courses organised for their employees.

Over the past year, the number of courses organised by LIPA, including those on matters relating to EU accession, has increased significantly, as has the number of participants. LIPA training programmes are open to national civil servants (from line ministries and key sectoral agencies) and local civil servants, as well as to elected officials and representatives of the private sector. In the first half of 2002, local civil servants represented almost a quarter of all participants.

The new Civil Service Law and the related secondary legislation represent an important step forward. Now that this legislative framework is in place, it will be important to ensure that it is duly implemented in all services. So far, there have been some disparities in this regard, particularly in recently merged institutions. It is important that the reform process cover all sectors of the administration and the new system of management of the civil service become fully operational.

In addition, some issues will continue to require close attention. It needs to be ensured that systems, rules and procedures are fully adapted to the needs of EU membership and the proper implementation of the *acquis*. Improving inter-ministerial and inter-departmental co-ordination, guaranteeing appropriate working conditions, making a civil service career attractive in financial terms as well as in other ways and making provision for in-service training remain key challenges. It is important to secure adequate funding as a matter of priority.

The judicial system

During the reporting period, the reform of the judiciary entered its final stage. Significant further progress has been made in reforming the Lithuanian judicial system, consolidating the independence of the judiciary, and improving its functioning.

Considerable progress has been made in legislative terms. The Seimas adopted the new Civil Procedure Code in February 2002 and the new Criminal Procedure Code in March 2002. With a view to enhancing the efficiency of bailiffs' activities, in May 2002 the Seimas adopted the new Law on Bailiffs, as a result of which bailiffs no longer have civil servant status but are private persons on whom the state confers particular rights. In June, the Seimas adopted the Code of Execution of Judgements. These new laws will enter into force in January 2003, together with the new Criminal Code (which was adopted in 2001). The envisaged new Code of Administrative Offences is still under preparation, and work is in progress on new legislation on the Prosecutor's Office and on a new statute of service for the Office.

In a major development, the Seimas adopted the long-awaited new Law on Courts in February 2002. It entered into force in May 2002. The new law lays the foundation of an independent and efficient judiciary. It establishes the Council of Courts, with elected representatives of judges forming a majority of its members. According to the new law, the Council of Courts approves the budget of courts, which manage budgetary allocations independently; selects candidates; and advises the President of the Republic on the appointment and transfer of judges. The law mandates the Council of Courts to set up a number of new bodies with responsibility for specific administrative and regulatory activities. This process is underway. In May 2002, the Judicial Ethics and Discipline Commission and the Court of Honour of Judges were established. The Ethics and Discipline Commission is the sole body that has the right to institute a disciplinary case against judges. The Court of Honour hears such disciplinary cases. The Council of Courts has the task of defining implementing regulations for the selection and promotion of judges. It is important that these should be transparent and based on merit. The self-governing bodies of the judiciary also have an important role to play in preventing and combating corruption in this domain. In March, Parliament adopted a Law on the National Courts Administration. This set up the National Courts Administration, which started operating in May 2002 as an independent institution, replacing the previous court administration structures under the Ministry of Justice. The National Courts Administration is in charge of providing the necessary assistance to the self-governing institutions of the judiciary. It is also responsible for providing technical services to the Courts, analysing Court proceedings and compiling statistics.

Following a ruling of the Constitutional Court, which had declared unconstitutional the reduction of the salaries of judges (applied since 2000), on the grounds that this might jeopardise their financial independence, judges' salaries were restored to their previous level in October 2001. In addition, the new Law on Courts grants judges higher pensions. Judges now earn considerably higher salaries than civil servants.

The total number of judges' posts remains the same as in 2001, i.e. 712, including 37 at the Supreme Court. A number of vacancies for judges have been filled. As of June 2002, there remained 55 vacancies, compared to 68 in 2001. Further progress has been made with the computerisation of the courts.

Progress has been made in reducing the backlog of cases. The number of criminal cases under investigation for more than six months in the courts of first instance fell from 595 on 1 January 2001 to 412 on 1 January 2002 (a decrease of 31%). The number of civil cases under investigation in the courts of first instance for a duration beyond that considered reasonable by the court fell from 1430 on 1 January 2001 to 964 on 1 January 2002 (a decrease of 33%). As regards the administrative cases, in 2001 the administrative courts received 14 121 cases and examined 13 471; in the first half of 2002, the administrative courts received 7 106 cases and examined 7 209. The professional capacity of judges and prosecutors has been further improved by training. Over the reporting period, the Judicial Training Centre has provided training for judges, bailiffs and staff from public institutions involved in judicial matters. In 2001, a total of 1215 participants attended various training courses for judges, including seminars on European Community law, human rights, asylum and bankruptcy. The training of judges in the field of judicial co-operation in criminal and civil cases started in 2002.

The new Law on Courts introduces compulsory in-service training for judges. Under the Law, the Minister of Justice and the Council of Courts are jointly responsible for the organisation and methodological preparation of the training programmes. In June 2002 the Council of Courts approved a long-term training programme for judges, drafted by the Ministry of Justice, which includes *acquis*-related matters. In order to ensure due funding for the training programmes, the new Law also establishes that the training of judges is financed from the state budget, and that the allocations made available for training should amount to no less than 1.5 % of the amounts allocated for judges' salaries. While the Law on Courts does not specifically describe the role of the Judicial Training Centre the Centre's financial sustainability is expected to be secured by charging fees to carry out training programmes for judges within this framework.

The Training Methodology Division of the Prosecutor-General's Office, which is responsible for organising training for public prosecutors, organised more than 30 training programmes in 2001, in which over 400 prosecutors with a variety of specialisations took part. This includes joint training programmes for judges and prosecutors.

As reported last year, the Law on State-Guaranteed Legal Aid aims to ensure the provision of state-guaranteed legal aid in civil, administrative and criminal cases. Financial allocations for this purpose have significantly increased over the reporting period (see below under *Civil and political rights*).

Overall, substantial progress has been made in reforming the judiciary, based on a four-tier court system for the general jurisdiction (Supreme Court, Court of Appeals, district courts and local courts) and on a two-tier court system for administrative jurisdiction (Highest Administrative Court and district administrative courts). Most areas of concern referred to in last year's Regular Report have been addressed. In particular, decisive progress has been made in consolidating the independence of the judiciary, notably through the adoption and entry into force of the Law on Courts, and the restoration of high remuneration levels for judges. Due attention should be given to ensuring proper implementation of the new legislation. The increase in the number of judges recruited, and the reduction in the backlog of cases, have been further positive developments.

Further efforts are needed to improve the professional capacity of judges and prosecutors, especially those newly appointed, as well as in the area of judicial co-operation in criminal and civil matters. This is fundamental to guaranteeing the quality of legal proceedings and the respect of procedural rights as well as of professional ethics. Further progress is also required in expediting court proceedings, ensuring that judgements are enforced, and guaranteeing effective access to justice. The effective implementation of the new Criminal Code and Criminal Procedure Code, from 1 January 2003, will be particularly important in this respect.

The Prosecutor's Office needs to be further reinforced through the rapid adoption and effective implementation of relevant new legislation. In this respect, it should be ensured that the planned reorganisation of the Prosecutor's Office further strengthens the independence and professionalism of prosecutors. Further improvements still have to be made to ensure adequate working conditions and upgrade equipment.

Anti-corruption measures

Surveys indicate that corruption remains a source of concern, in particular in sectors such as customs, the police (notably the traffic police), and the health system. However, there has been considerable further progress in the fight against corruption at both legislative and administrative level.

In January 2002, the Seimas adopted a National Anti-Corruption Programme (comprising a National Anti-Corruption Strategy and an Action Plan for the implementation of the Strategy). The Programme outlines practical measures and actions for preventing corruption, investigating corruption-related offences, and involving the public through anti-corruption awareness campaigns. Implementation of the Programme has now begun. Particular attention should be given to involving Customs fully in the implementation of the National Anti-Corruption Programme, and to strengthening the administrative capacity of the Customs Criminal Service.

In May 2002, the Seimas adopted the Law on Corruption Prevention. The Law establishes the main principles for preventing corruption in the private and public sectors, identifies preventive measures, determines which authorities are charged with the prevention of corruption, and defines their responsibilities.

In order to ensure alignment with the requirements of the *acquis* in the field of organised crime and corruption, in January 2002 the Seimas adopted amendments to the Criminal Code and the Code of Criminal Procedure as currently in force. These amendments extend the definition of a civil servant to encompass civil servants of international public organisations and foreign states; and establish criminal responsibility for passive and active corruption and trading in influence, as well as the criminal liability of legal persons in cases of corruption and money laundering.

As set out above, in June 2002 the Government adopted Regulations on Ethics for Officials. The Regulations, which have been in force since July 2002, lay down the main principles of ethics for civil servants. A Code of Ethics for Elected Officials and a Code of Ethics for Civil Servants have yet to be adopted.

The Special Investigations Service (SIS), an independent body and the key institution in the fight against corruption, is responsible for the implementation of the National Anti-Corruption Programme and for providing the necessary methodological assistance to other institutions. Its administrative capacity has improved markedly in 2001. The institutional set-up has been amended and a new unit responsible for public education and support activities has been established. In the period between February and April, the SIS signed co-operation agreements with the State Security Department, the Department of Intelligence Activities, the Ministry of National Defence, and the State Control Office. Co-operation between the SIS and civil society is developing.

In 2001, the SIS uncovered 193 corruption-related crimes, including 117 involving the Civil Service. During the period from January to August 2002, 91 corruption-related crimes were uncovered, including 59 cases involving the Civil Service.

On the basis of the new SIS staff training programme, most SIS staff have received specialised and general training, including seminars abroad. Training has focused on the development of anti-corruption awareness among the public and the preparation of related anti-corruption education programmes, the application of special software for data analysis, the conduct of undercover operations, and methods of investigation and interrogation.

Lithuania is a party to the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of proceeds from crime. In March 2002 Lithuania ratified the Council of Europe's Criminal Law Convention on Corruption and in April 2002 it signed the Council of Europe's Civil Law Convention on Corruption. Jointly with Estonia and Latvia, Lithuania continues to participate in the Baltic Anti-Corruption Initiative (BACI), which is supported by the OECD Secretariat.

As a member of the Council of Europe's Group of States Against Corruption (GRECO), Lithuania received a GRECO evaluation mission in October 2001. According to the report of this mission, which was adopted in March 2002 and subsequently made public, Lithuania seemed to be affected by corruption on a rather large scale, although it appeared to be among the least affected of the transitional countries of central and eastern Europe. The report added that there was widespread awareness among officials of the existence of corruption and its attendant problems, and that there was no doubt that Lithuania had come a long way in developing a framework of rules and a multifaceted system of institutions to combat corruption. The establishment of the Special Investigation Service was an important step forward. The report concluded that although the progress made was impressive, there was still room for improvement, in particular with regard to the prevention of corruption and overall co-ordination. GRECO addressed ten specific recommendations to Lithuania, which it is strongly encouraged to follow up.

Overall, there has been considerable progress in this area since the 2001 Regular Report, mainly in strengthening the institutional capacity of the Special Investigation Service and with the adoption of the National Anti-Corruption Strategy and the Law on Corruption Prevention. However, further efforts should be made by law enforcement bodies and line ministries to ensure the proper implementation of the National Anti-Corruption Programme, and to prepare sectoral anti-corruption strategies and implementation plans. Further efforts are also required to strengthen co-operation in practice between law enforcement bodies, and with the Prosecutor's Office. Public procurement procedures need to be applied with greater rigour and consistency, ensuring full transparency. Complaint mechanisms need to be implemented in an effective way by ensuring easier access for the public. Given that the present institutional set-up gives priority to repressive measures, more attention should be paid to prevention. Efforts over the past year to raise public awareness and involve civil society in the process are steps in the right direction. These should be continued and intensified.

Human rights and the protection of minorities

Lithuania continues to respect human rights and freedoms. This was the conclusion of the 1997 Opinion and the subsequent Regular Reports, and has been confirmed over the past year. The following section focuses on the most significant developments since the last Regular Report.

Lithuania has ratified most of the major international conventions in the field of human rights (*see Annex*). In March 2002, Lithuania ratified the Second Optional Protocol to the International Covenant on Civil and Political Rights, on the abolition of the death penalty. In May 2002, Lithuania signed Additional Protocol No. 13 to the European Convention for the Protection of Human Rights and Fundamental Freedoms concerning the abolition of the death penalty in all circumstances.

In October 2001, a new legislation allowing for the reopening of criminal proceedings to give effect to judgements of the European Court of Human Rights finding violations of the European Convention on Human Rights entered into force. Since then there have been two criminal proceedings re-opened. The principle of non-discrimination, which is enshrined in the Constitution, provides the basis for various laws. The new Criminal Code, which is to enter into force in January 2003, contains provisions prohibiting discrimination on a wide range of grounds. No new developments are to be reported with regard to the transposition of the EC *anti-discrimination acquis* (*see Chapter 13 - Social policy and employment*).

The Ombudsman system, which is highly developed, continues to function well.

Civil and political rights

Lithuania has addressed the issues identified in this area in the 2001 Regular Report, and positive developments can be reported in several areas. However, some problems persist.

There have been reports of cases of *degrading treatment by law enforcement officials*, in particular in the context of police custody. In June 2002, police officers were punished for the degrading treatment of people taking part in a peaceful picket. Training courses for the police on human rights and fundamental freedoms are being organised.

Trafficking in human beings remains an issue of concern. Lithuania remains a country of both origin and transit with regard to trafficking in women. The law enforcement services have stepped up the fight against such trafficking. In 2001 14 criminal charges were brought for trafficking in human beings, followed by five during the first quarter of 2002 alone. Earlier this year in Klaipėda and Kaunas the members of two criminal organisations received prison sentences for trafficking. The Organised Crime Investigation Service of the Lithuanian Criminal Police Bureau has specialised personnel responsible for combating trafficking in human beings. In addition, the Criminal Police Bureau's Crime Investigation Service has a specialised unit dealing with missing persons, as does each police commissioner's office.

The new Criminal Code provides for strict sentences (up to eight years of imprisonment) for trafficking in human beings, and provides separately for criminal liability for trafficking in children, which carries a custodial sentence of between two and ten years. Some progress can also be noted as regards protection for victims, in particular through the involvement of NGOs, which have also set up an intensive public awareness campaign aimed at preventing trafficking in human beings. In January 2002, the Government started to implement a new Programme of Control and Prevention of Prostitution and Trafficking of Human Beings, financed by the state budget. This includes financial support for NGO projects aimed at providing social assistance to victims of trafficking and helping them reintegrate into society.

Concerns remain about *pre-trial detention*. Although the number of cases in which pre-trial detention was ordered decreased by more than eight per cent in 2001 (to 764, compared to 839 in 2000), in some cases pre-trial detention is reported to have exceeded the maximum legal duration of 18 months. The new Criminal Procedure Code, which is to enter into force in January 2003, provides for a reduction to 12 months of the maximum pre-trial detention period for minors. Furthermore, by streamlining procedures, the new Code should shorten the time required for criminal investigations, and thus contribute to reducing periods of pre-trial detention in general terms.

Prison conditions remain a source of serious concern, in particular due to overcrowding and lack of appropriate health care. As of 1 July 2002, there were 10 435 persons serving prison sentences and 1 329 held in pre-trial detention. A Programme of Prison renovation and Humanisation of prison conditions is in preparation, with the aim of bringing prisons up to European and international standards, in particular with regard to medical care. This programme follows the recent publication of a report by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment. LTL 2.5 million has been allocated under the 2002 state budget for the construction of a rehabilitation centre for drug addicts and HIV-positive persons in Alytus Prison. Considerable investment is still needed to bring prisons up to acceptable standards.

While legal provisions guaranteeing *legal aid* in criminal, civil and administrative cases are in place, it is reported that counsels for the defence often fail to respect the rights of the persons concerned properly, as payment by the state for the legal aid provided by the counsels remains relatively low. However, funds made available for this purpose are increasing.

Lithuania has achieved a high level of alignment with European and international standards on *asylum*. Amendments to the Law on Refugee Status entered into force in February 2002, with the aim of introducing procedural guarantees for asylum seekers and speeding up procedures for the investigation of manifestly unfounded cases. Weaknesses remain in current legislation, notably as regards minimum guarantees for asylum procedures, the suspensive effect of an appeal during an admissibility procedure and the principle of *non-refoulement* in cases of alternative protection. Lithuania should fully respect the fundamental principle of *non-refoulement*. A comprehensive registration system should be established.

The Asylum Division of the Migration Department (under the Ministry of the Interior) needs to be further strengthened, and training of all concerned, including border guards and judges dealing with asylum cases, reinforced. Lithuania should further improve conditions of asylum seekers in the Pabrade Centre. There are reports that certain asylum seekers who had crossed the border illegally have been detained in detention centres instead of asylum reception centres, even if they appear to have good grounds for an asylum application.

As regards *crimes against humanity*, since July 2001 the Prosecutor's Office has submitted to the courts three criminal cases in which four individuals are charged with crimes against humanity committed during the soviet time. Proceedings continue.

Freedom of expression and *freedom of religion* are enshrined in the Lithuanian Constitution, and continue to be respected.

The new Criminal Code, which is to enter into force in January 2003, eliminates the difference in the age of consent depending on *sexual orientation*, and includes provisions banning discrimination on that basis.

Economic, social and cultural rights

Further progress has been made in this area since the last Regular Report.

As regards *equal opportunities*, Lithuania has continued to make progress. In June, the Seimas adopted the Law amending the Law on Equal Opportunities, concerning positive action to promote gender equality and introducing the concept of indirect discrimination. The Office of the Ombudsperson for Equal Opportunities has continued to take decisive action and has been reinforced in terms of staff. It currently has seven employees. Between July 2001 and July 2002, the Office handled 72 complaints, as compared to 25 indicated in the last Regular Report. Around 60% of the complaints were considered as well founded. In addition, the Office launched 7 investigations at her own initiative. There are 15 women who are members of the Seimas out of a total of 141 members. There are 3 women in the 14-member Government. The Inter-Institutional Commission of Equal Opportunities has continued its work. At the initiative of the Ministry of Social Security and Labour, efforts are underway to encourage and prepare women to run for local government and parliamentary elections. Further efforts are needed to promote economic and social equality in practice.

The Office of the Ombudsperson for *Children's Rights* has continued its activities. During 2001 it dealt with approximately 106 cases and in the period from January to September 2002, it handled 83 cases. The Ombudsperson also launched six investigations in 2001 at her own initiative. Four investigations have been carried out at her initiative at specialised children's care institutions. Another important investigation dealt with the violation of the right to education of minors detained in the Kaunas children's detention centre and educational labour colony. Further to this investigation, measures were taken to ensure that the right to education of the children concerned is duly respected.

Closer co-ordination between the activities of all the institutions (state, municipal, and non-governmental organisations) concerned, would increase effectiveness. As highlighted by the United Nations Committee on the Rights of the Child, due attention needs to be given to ensuring that all the Convention's provisions are respected.

At the legislative level, work was started to align legal acts relating to children's rights with the new Civil Code which entered into force in July 2001.

In February 2002, Lithuania signed the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict.

In May 2002, the Government approved a long-term National Programme for Social Integration of *Persons with Disability*. The Programme aims to guarantee the rights of disabled persons and ensure that they enjoy equal opportunities. The implementation of the programme will be funded from various sources, in particular the state budget, the State Social Insurance Fund, the Compulsory Health Insurance Fund, the Employment Fund and local administrations.

Trade union rights are generally respected. Restrictions remain on the right to join trade unions for limited categories of civil servants. There are concerns that legislation on union rights is not duly enforced in all cases.

Minority rights and the protection of minorities

Since the 2001 Regular Report, the overall situation with regard to the protection of minorities has continued to be satisfactory, and some further progress has been made in implementing integration programmes.

The Government has continued to support programmes promoting the economic, social and cultural development of Lithuania's minority communities. The two largest communities, the Russian and Polish ones, are well integrated, but the issue of Lithuanian language skills has sometimes reduced equal access to employment opportunities. The issue of the legal obligation to use the Lithuanian alphabet in spelling the names of persons belonging to national minorities is being addressed constrily in particular in the framework of the co-operation between the Lithuanian and Polish authorities.

The Programme for Social and Cultural Integration of National Minorities continues to be implemented. Government funding for this purpose has fallen slightly compared to the previous year, when a major investment project concerning the construction of the Roma Community House was made. These funds serve to support the activities of NGOs representing national minorities, notably their cultural and educational projects, conferences and seminars; to cover the costs of Lithuanian language courses for persons on social support schemes; and to finance the operational costs of the House of Ethnic Minorities in Vilnius.

The capacity of the Department of National Minorities and Emigration has been reinforced through further training of its officials. These efforts should be continued.

Lithuania's Roma community, consisting of around 3000 persons mainly concentrated in the major cities of Vilnius, Kaunas and Panevezys, has continued to face difficult conditions. Acute problems include poor living conditions, a rather high unemployment level, difficulties with access to education and training and, due in a number of cases to the absence of appropriate identification documents, problems with access to social benefits and public health services.

The Government's 2000-2004 Programme for the Roma Community's Integration into Lithuanian Society seeks to address these problems. Financing is provided from the state budget for this purpose. Some measures have been taken to improve housing. As part of this programme, the Roma Community House was opened in Vilnius in September 2001. It will be important to fully involve the Roma community in drawing up and implementing measures under this programme, so as to enhance its ability to ively tackle such key problems as employment and housing and address the problem of *de facto* discrimination.

Lithuania is a party to the Council of Europe Framework Convention for the Protection of National Minorities. It submitted its first state report in October 2001. The Framework Convention's Advisory Committee has not so far adopted an opinion on Lithuania.

General evaluation

In its 1997 Opinion, the Commission concluded that Lithuania fulfilled the political criteria. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. This has been confirmed over the past year. Lithuania continues to fulfil the political criteria.

Lithuania has made considerable progress in pursuing public administration reform, notably through the adoption of the new Civil Service Law and the related implementing legislation. Lithuania needs to ensure that the reform is duly implemented in all services and that adequate financing is secured as a matter of priority.

Substantial progress has been made in reforming the judicial system, in particular, notably through the adoption of the Law on Courts. Due attention should be given to ensuring proper implementation of the new legislation. Further efforts are needed to improve the professional capacity of judges and prosecutors. This is fundamental to guaranteeing the quality of legal proceedings and respect for procedural rights and professional ethics. Further progress is required also in accelerating court proceedings and ensuring the enforcement of judgements.

Considerable progress has been made as regards the fight against corruption, mainly with the adoption of the National Anti-Corruption Programme and the Law on Corruption Prevention. Sustained efforts should be made by law enforcement bodies and line ministries to ensure the proper and effective implementation of measures against administrative corruption, which remains a cause for concern.

Lithuania continues to respect human rights and freedoms.

Economic criteria

Introduction

In its 1997 Opinion on Lithuania's application for EU membership, the Commission concluded:

"Lithuania has made considerable progress in the creation of a market economy"; it "... would face serious difficulties in coping with competitive pressure and market forces within the Union in the medium term".

Overall assessment

As regards capital markets, Latvia has achieved a high degree of harmonisation of its capital market law with its constituent countries... In 1997, Latvia has achieved a high degree of harmonisation of its capital market law with its constituent countries... As regards the protection of money laundering, in spite of some progress, Latvia needs to further improve its legislative framework and to strengthen its administrative capacity...

Conclusion

In its 1997 Opinion, the Commission concluded that the Latvian government's efforts to reinforce its capital market law were not successful... As regards the protection of money laundering, in spite of some progress, Latvia needs to further improve its legislative framework and to strengthen its administrative capacity...

Progress since last Regular Report

Since its last Regular Report, Latvia has made further progress in the area of company law and in the protection of intellectual and industrial property rights... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Overall assessment

As regards company law, Latvia has increased the level of alignment with EU directives... As regards intellectual and industrial property rights, Latvia's 'Trademark and Patent Law' was fully aligned... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Conclusion

In its 1997 Opinion, the Commission noted that Latvia has made significant progress in strengthening the requirements to regulate administrative capacity... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Progress since the last Regular Report

Since its last Regular Report, Latvia has made further progress in the area of company law and in the protection of intellectual and industrial property rights... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Overall assessment

As regards animal, the overall assessment is positive, although further efforts are required... As regards agricultural biotechnology, Latvia has introduced the main principles of the EC's 'new' policy... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Conclusion

In its 1997 Opinion, the Commission concluded that Latvia has made significant progress in strengthening the requirements to regulate administrative capacity... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Progress since the last Regular Report

Since its last Regular Report, Latvia has continued to make steady progress in the area of agriculture, both with regard to legislative and administrative capacity... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

Overall assessment

Latvia has taken further steps in the implementation of the measures related to the European Agricultural Guarantee and Fund... As regards administrative capacity, the Government's modification of the Register of Legal Entities in December 2011, the Institute of Audit, Accounting and Property Valuation was established...

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Overall assessment

While efforts are made to reduce the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects. The Commission of the European Communities has established the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects. The Commission of the European Communities has established the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects.

Conclusion

In 1997 Opinion, the Commission concluded that significant efforts were made to adapt the sector for agriculture. The integration of the Lithuanian fisheries sector into the Common Fisheries Policy was not required to ensure market reform. Since the Opinion, Lithuania has progressed through the reform of the fishing fleet, modernization, as well as implementing and enforcing the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects.

Progress since the last Regular Report

During the last Regular Report, Lithuania has continued its efforts to adapt the sector for agriculture. The integration of the Lithuanian fisheries sector into the Common Fisheries Policy was not required to ensure market reform. Since the Opinion, Lithuania has progressed through the reform of the fishing fleet, modernization, as well as implementing and enforcing the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects.

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Conclusion

In 1997 Opinion, the Commission concluded that Lithuania was likely to be able to comply with most of the transport sector objectives. The Commission encouraged Lithuania to develop adequate measures in the transport sector to improve safety, harmonization of environmental standards in transport (air pollution, noise), and again implementation for air transport of goods and for railway. The Commission added that it would also be necessary to make sure that the resources were available to the foundation for extension of the railway network.

Progress since the last Regular Report

Since the last Regular Report, Lithuania has made significant progress in adapting its legislation with the aspects. The reform of Lithuania's administrative has also made some progress. Since the Opinion, Lithuania has progressed through the reform of the fishing fleet, modernization, as well as implementing and enforcing the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects.

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Conclusion

In 1997 Opinion, the Commission concluded that the aspects in respect of direct access to financial institutions, Lithuania should be able to comply with the aspects on VAT and excise duties in the medium term, provided a considerable effort was made. The Commission added that it would be possible for Lithuania to start participating in mutual assistance in the tax administration under developed in expertise in this respect.

Progress since the last Regular Report

A detailed assessment of the various aspects of Lithuania's economic policy has been given above, in the Chapter discussing the economic context (20). Therefore, the present section is limited to a discussion of those aspects of the Economic and Monetary Union (EMU) which continue to be important for Lithuania. Since the Opinion, Lithuania has progressed through the reform of the fishing fleet, modernization, as well as implementing and enforcing the necessary legislative and structural and financial, in particular the provisions and requirements for the stipulation of "producer's" obligations are set in line with the aspects.

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Progress since the last Regular Report

Lithuania has continued to make good progress over the past year. As regards statistical infrastructure, the Statistical Commission, established in 2001, has taken up its functions and the organisation of "Statistical Lithuania" (the national statistical office) has been further strengthened. Staff training and management receive high attention in the Strategy for the Development of Statistics for 2002-2004, which was adopted in 2002 and set out training needs, main challenges ahead, and policies for staff selection and career development.

Overall assessment

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Conclusion

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Due attention must also be paid to the training of conference interpreters.

General evaluation

In the Opinion, Lithuania has made significant progress in terms of both transposition of the *acquis* and administrative capacity. While the initial efforts were unsystematic, in recent years the pace and scope of transposition has considerably improved and increasing efforts have been devoted to the challenging task of building up the necessary administrative capacity.

Over the past year, Lithuania has further advanced in its accession preparations, in particular in the areas of free movement of goods, free movement of persons, competition, energy, regional policy and justice and home affairs. Limited progress has been made in the areas of financial control and fisheries. Although progress was made in the areas of agriculture and environment, continuous efforts are still needed.

Overall, Lithuania has achieved a good degree of alignment with the *acquis* across most fields, and in some areas the level of alignment is now high. Lithuania has set up most of the administrative structures which are necessary to implement the *acquis*, however, further sustained efforts to reinforce the administrative capacity are required, notably as regards training and retaining qualified staff and ensuring effective inter-agency co-ordination. Detailed plans have been agreed, in particular in the negotiations and in the Action Plan, to cover the remaining gaps.

Lithuania has continued to make progress in the area of the internal market. In the field of *free movement of goods* the legislation is aligned to a large extent. The main administrative structures are in place but these are not yet fully operational. As regards market surveillance, efforts are needed to further develop the infrastructure, notably in the areas of testing and certification. In the field of food safety, progress has been made in terms of alignment and administrative capacity, but further efforts are required as regards the abolition of pre-market authorisation of foodstuffs. Legislation on public procurement has been further aligned but still needs some fine-tuning, and the public procurement office needs to be further strengthened. As regards *free movement of persons*, Lithuania has reached a good level of alignment, while the administrative structures in place are not yet operating satisfactorily. In the area of mutual recognition of qualifications, major efforts remain to be made in the area of medical professions. In the area of *freedom to provide services*, legislation is aligned to a reasonable extent, but administrative structures do not yet operate in a fully satisfactory manner. Good progress has been made in the fields of banking and securities. Legislation concerning the insurance sector and data protection should be further aligned, notably to guarantee the independence of the supervisory bodies. Co-operation between supervisory institutions should be strengthened. Further progress has taken place in the area of *free movement of capital*, where Lithuania had already achieved a high degree of liberalisation. Further sustained efforts are needed as regards payment systems and the fight against money laundering.

As regards *company law*, Lithuania has reached a reasonable level of alignment and administrative structures are in place but not yet fully operational. Further alignment has been achieved concerning patent and intellectual property rights. The fight against piracy and counterfeiting needs to be significantly intensified, as does co-operation between the authorities involved in the enforcement of intellectual property rights. In the area of *competition policy* legislation is aligned to a broad extent and administrative structures are in place and are operational. Lithuania should continue to develop a track record of proper application and enforcement of its legislation. The Competition Council should focus on a more deterrent sanctions policy in the field of anti-trust and pay close attention to rescue and restructuring aid.

As regards *taxation*, Lithuania has reached a good level of alignment and administrative capacities are largely in place but need further strengthening. Lithuania has made significant progress in aligning its tax legislation although further alignment is required in the areas of VAT and excise duties. The tax administration reform has also made some progress. In the area of *customs union*, Lithuania has achieved a good degree of alignment and administrative capacities are partially in place. However, further efforts remain to be made in strengthening inter-agency co-operation and in enforcing existing provisions on fraud, intellectual property rights and anti-corruption. For both areas, particular efforts are necessary to ensure adequate information technology systems so as to allow the exchange of data with the EC and its Member States.

As regards *agriculture*, transposition of legislation is proceeding well. Administrative structures are partly in place but further improvements are needed. Lithuania should focus on border inspection posts, the Integrated Administration and Control System, administrative capacity to manage the Common Agriculture Policy, paying agency, upgrading of establishments, and animal waste treatment.

As regards *fisheries*, legislation has been aligned to a reasonable extent, although there are gaps, notably as regards market and structural policy. The administrative structures have been partially established. Further efforts are needed to develop market and structural policy and reinforce the control and inspection functions. The establishment of the fishing vessel register needs to be finalised.

Legislation in the *transport* sector is now to a great extent in line with the *acquis*, although further efforts are needed as regards rail transport. The relevant framework laws are in place and only a limited amount of implementing legislation remains to be implemented. Administrative structures are largely in place, but need further strengthening. In the *energy* sector, Lithuania has achieved a high level of legislative alignment, while administrative structures are largely in place but need further strengthening. Progress regarding the internal energy market has been good. As regards nuclear safety, Lithuania took the very important step of formally confirming that Unit 1 of the Ignalina NPP will be closed before 2005 and formally committing to close Unit 2 of this plant by 2009. The EU expressed its readiness, on the basis of Community solidarity, to continue to provide adequate additional Community assistance to the decommissioning effort after Lithuania's accession. Lithuania's efforts now need to focus on ensuring full and timely implementation of legislation; on nuclear safety, including the timely installation of a diverse second shutdown system at Unit 2 of the Ignalina NPP, and the preparation of the closure and decommissioning of this NPP; and on strengthening the administrative capacity, in particular the energy regulator and the nuclear safety authority.

In the field of *social policy*, legislation has been transposed to a large extent and administrative structures are largely in place but need further strengthening. Progress has taken place with the adoption of the Labour Code and of the new provisions on collective agreements. Lithuania needs to complete transposition and effectively implement the *acquis* in the areas of public health and health and safety at work, including through the strengthening of relevant institutions; develop social dialogue and social protection; and further strengthen the administrative structures to manage support from the European Social Fund. In the field of *environment*, transposition has reached a relatively good level, but implementation is not yet fully satisfactory. Lithuania needs to focus on finalising the transposition and strengthening the overall administrative capacity. Close attention is required to implementation of the *acquis* with regard to waste management, water quality, industrial pollution control, chemicals and GMOs and nature protection.

In the area of *telecommunications*, Lithuania has reached a good level of alignment but implementing legislation remains to be transposed. Administrative capacities are in place but not yet fully operational. The independence of the Communication Regulatory Authority has been substantially strengthened. Further efforts remain to be made on completing legislative alignment and preparing for full liberalisation and strengthening the administrative capacity of the regulator.

In the field of *justice and home affairs*, Lithuania has achieved significant legislative alignment. Administrative structures are mainly in place, although further efforts are still necessary. Lithuania has updated and has continued to implement the Schengen Action Plan. Lithuania needs to focus on finalising alignment (notably on visas, Schengen, asylum, money laundering and protection of the financial interests of the European Communities) and on further reinforcing the law enforcement agencies, in particular as regards data protection, the protection of the external border and the fight against corruption.

In the field of *regional policy and co-ordination of structural instruments*, the institutional framework is largely in place, but the administrative capacity and the technical preparation of projects have not yet reached the level required. Administrative capacity has been strengthened, inter-ministerial co-ordination improved and good progress has been made as regards programming and partnership. Lithuania should focus efforts on completing the programming documents, defining the final implementation structures and further reinforcing the administrative capacity, in particular as regards technical preparation of projects eligible for Community funding, monitoring, financial management and control.

In the area of *financial control*, while the *acquis* has been transposed, further efforts are required to consolidate the fragmented legal provisions relating to public internal financial control into a single comprehensive law. The administrative structures are partially in place but not yet fully operational. They need to be strengthened considerably, in order to implement effectively the consolidated legislation. Ongoing work on the audit manuals should be finalised. Full implementation of the measures foreseen in the Action Plan with regard to the implementation of a methodology for financial management and control, for internal audit throughout the Government, and for training of human resources would go a long way to ensure that the current gaps in administrative capacity and implementation of the *acquis* are filled. In the area of *financial and budgetary provisions*, the legal framework is largely in place but the administrative capacity needs further improvement, in particular as regards the calculation, control and provision of own resources by accession.

As regards *administrative capacity*, Lithuania has achieved a sufficient, though still rather fragile, capacity to ensure effective implementation and enforcement of the *acquis*, notably in the area of internal market and the various Community policies. Lithuania needs to ensure the administrative structures are fully operational, in particular with a view to guaranteeing the uniform and predictable implementation of the *acquis*. Particularly close attention is required regarding the structures which are 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.

In the accession negotiations, 28 chapters have been provisionally closed with Lithuania. Lithuania is generally meeting the commitments it has made in the negotiations. However, delays have occurred with regard to fisheries (completion of the fishing vessels register), statistics (conduct of the agricultural census) and environment (legislation on packaging and on biocides). These issues need to be addressed.

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

Conclusion

In its 1997 Opinion, the Commission concluded that Lithuania fulfilled the political criteria. Since that time, the country has made considerable progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. This has been confirmed over the past year. Lithuania continues to fulfil the political criteria.

Lithuania has made considerable progress in pursuing public administration reform, notably through the adoption of the new Civil Service Law and the related implementing legislation. Lithuania needs to ensure that the reform is fully implemented in all services and that adequate financing is secured as a matter of priority.

Substantial progress has been made in reforming the judicial system, in particular, notably through the adoption of the Law on Courts. Due attention should be given to ensuring proper implementation of the new legislation. Further efforts are needed to improve the professional capacity of judges and prosecutors. This is fundamental to guaranteeing the quality of legal proceedings and respect for procedural rights and professional ethics. Further progress is required also in accelerating court proceedings and ensuring the enforcement of judgements.

Considerable progress has been made as regards the fight against corruption, mainly with the adoption of the National Anti-Corruption Programme and the Law on Corruption Prevention. Sustained efforts should be made by law enforcement bodies and line ministries to ensure the proper and effective implementation of measures against administrative corruption, which remains a cause for concern.

Lithuania continues to respect human rights and freedoms.

The 1997 Opinion already acknowledged the reform efforts undertaken by the Lithuanian authorities to transform their economy. Since the Opinion, and against a challenging international economic environment, in particular the Russian crisis, economic performance has improved. Macroeconomic stability has been achieved, reforms have accelerated while the Lithuanian authorities' commitment to the economic requirements of EU accession has been sustained.

Hence, it is concluded that Lithuania is a functioning market economy. The continuation of its current reform path should enable Lithuania to cope with competitive pressure and market forces within the Union.

Improvements can be made to the labour market by addressing the high unemployment. The management of public finances should be improved, in particular by addressing, at municipal level, the accumulation of expenditure arrears. Furthermore, the completion of the pension reform, by the planned introduction of a funded compulsory pension scheme, should make public finances more sustainable in the long term and support the development of financial markets. In addition, strengthening the administrative and judicial capacity, and simplifying procedures, in areas relevant for the business sector, including in bankruptcy and enterprise restructuring, would enhance market entry and exit of companies.

Since the Opinion, Lithuania has made significant progress in terms of both transposition of the *acquis* and administrative capacity. While the initial efforts were unsystematic, in recent years the pace and scope of transposition has considerably improved and increasing efforts have been devoted to the challenging task of building up the necessary administrative capacity.

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Accession Partnership and Action Plan for strengthening administrative and judicial capacity: Global assessment

Lithuania's progress and overall state of preparation in respect of the Copenhagen criteria has been examined and conclusions drawn above. The present section assesses the extent to which the priorities of the Accession Partnership have been met and the measures foreseen under the Action Plan implemented according to schedule. It should be noted that both the Accession Partnership and the Action Plan have a time perspective of two years covering 2002-2003, providing for another 15 months for priorities to be met. Furthermore, much has already been achieved based on previous Accession Partnerships. The present one focuses on remaining specific and well-circumscribed topics identified as requiring more work to prepare Lithuania for membership. Therefore the analysis below only focuses on these specific topics and does not give an overall picture of the state of preparation of Lithuania in each domain.

The purpose of the Accession Partnership is to set out in a single framework:

- the priority areas for further work identified in the Commission's Regular Report;
- the financial means available to help candidate countries implement these priorities;
- the conditions which will apply to this assistance.

The Accession Partnerships are revised on a regular basis, to take account of progress made, and to allow new priorities to be set. The Council adopted a revised Accession Partnership for Lithuania in January 2002, based on a proposal from the Commission.

The revised Accession Partnership has served as the point of departure for the Commission and Lithuania to develop jointly an Action Plan to strengthen Lithuania's administrative and judicial capacity.

The purpose of the Action Plan is to identify jointly the next steps required for Lithuania to achieve an adequate level of administrative and judicial capacity by the time of accession, and ensure that all necessary measures in this regard are taken, providing Lithuania with targeted assistance in areas that are essential for the functioning of an enlarged Union.

Developing adequate administrative and judicial capacity for EU membership is a demanding and wide-ranging task, which requires detailed preparations in each and every domain covered by the Union's policies and legislation. In preparing individual Action Plans, the Commission has taken a comprehensive approach. All priorities from the revised Accession Partnerships which relate to the development of administrative and judicial capacity have been included in the Action Plans. Each of these priorities is treated separately in the Action Plans, and specific measures have been designed to address each of them.

In the following, progress in addressing each of these priorities is reported. For ease of reference and to avoid repetitions, wording from the *Accession Partnerships* is rendered in italics. As regards the measures foreseen by the Action Plan, implementation is checked against timetables and reported.

Political criteria

In accordance with the Action Plan, Lithuania has made considerable progress in pursuing public administration reform with a view to *consolidating a modern, professional and efficient civil service that is independent from undue influences*, although some disparities persist among the various sectors of the administration. While efforts have been made as regards *training* (by starting implementing the measures foreseen in the Action Plan) and *remuneration* levels, these issues continue to require close attention. Sustained efforts need to be made to improve inter-ministerial and *inter-departmental co-ordination*.

The *judicial reform* has entered its final stage *in particular through the adoption of the new Law on Courts and the adoption of the new Code of Criminal Procedures*. As also foreseen in the Action Plan, the *training of specialised judges and prosecutors including in acquis-related matters has continued*. Efforts to improve working conditions and infrastructure to ensure the proper functioning of courts need to be sustained. As regards *legal aid*, the increase in funds made available for this purpose should continue so as to widen the availability of legal aid.

Lithuania has further strengthened the fight against corruption by adopting and starting implementation of the *anti-corruption strategy* and by adopting and starting implementing a new law on corruption prevention. *The Code of Ethics for Civil Servants* remains to be adopted. It has *ratified relevant international anti-corruption conventions*, notably the Council of Europe's criminal law and civil law conventions on corruption. Overall, the Accession Partnership priorities related to the political criteria have been largely met. The implementation of measures under the Action Plan is well on track.

Economic criteria

Lithuania has taken measures to *reduce unemployment, in particular long-term unemployment, notably by promoting adequate re-training and improving the business environment with a view to attract green-field investments and enhance the creation of new enterprises*. However, these efforts need to be stepped up.

Lithuania has *completed the large-scale privatisation process, including the last remaining State-owned bank*. Important progress has also been made as regards the privatisation of the *energy utilities*, in particular the privatisation of the gas company is close to being finalised and the electricity company has been restructured and prepared for privatisation. Significant progress has also been made as regards the *implementation and enforcement of the enterprise restructuring law and the legislation on bankruptcy*. In this respect, *training efforts* undertaken in accordance with the Action Plan should continue. Lithuania has started *implementing the strategies adopted for the development of industries and small and medium-sized enterprises (SMEs)* and has *continued improvement of business support infrastructure*, in particular by strengthening the administrative capacity as foreseen in the Action Plan. Limited progress has been made as regards the *completion of the remaining part of land titling and registration and further support land market development and the consolidation of small land tenures*. Limited progress has been made towards achieving *social security reform in a sustainable way for public finances, with a view to ensuring medium-term sustainability of public finances*. Overall, the Accession Partnership priorities related to the economic criteria have been met to a significant extent, while further efforts are necessary in particular as regards the unemployment and the social security reform. The implementation of the measures under the Action Plan is on track.

Ability to assume the obligations of membership

Chapter 1: Free movement of goods

Lithuania is fairly advanced in *transposing Old and New Approach directives* although alignment is not yet completed. Some progress has been made as regards *pre-market authorisation* by abolishing authorisation on detergents and cosmetics but not yet on foodstuffs. Some legislative developments have taken place with a view to *gradually replacing the old market authorisations on pharmaceuticals* (especially pharmaceuticals on human use) with the new ones complying with the *acquis*. The Lithuanian Standards Board and the Lithuanian Accreditation Bureau function satisfactorily. Although Lithuania has accredited a great number of laboratories, their administrative and calibration capacities remain to be improved. Further progress has been made towards

the complete adoption of EN standards. In accordance with the Action Plan, a cycle of seminars in the field of standards has been carried out in main Lithuanian cities. As for metrology, the strengthening of calibration laboratories is proceeding. In the non-harmonised area, some progress has been made as regards the elimination of remaining barriers to trade as well as licensing. Co-operation between the institutions involved in market surveillance is being improved in accordance with the Action Plan measures. As regards public procurement, while Lithuania's legislation has been further aligned with the *acquis*, little progress has been made in strengthening the Public Procurement Office. As foreseen in the Action Plan, the equipment of the State Non-Food Products Inspectorate has been improved as well as institutions involved in the implementation of the programme on conformity assessment infrastructure. As far as food safety is concerned, although the State Food and Veterinary Service is well equipped, further training is being delivered as foreseen in the Action Plan. Overall, the Accession Partnership priorities in the field of free movement of goods have been met to a large extent. The implementation of the measures under the Action Plan is well advanced.

Chapter 2: Free movement of persons

Although good progress has been made in the field of free movement of persons, much work remains to be done as regards *mutual recognition of certain sectoral professions*. As concerns professional qualifications obtained before harmonisation, measures should be introduced to ensure that all Lithuanian professionals can, as of accession, meet the requirements laid down by the Directives. *Education and training programmes* need to be significantly strengthened. As stipulated in the Action Plan, a co-ordination institution under the Ministry of Social Security and Labour in the field of professional qualification assessment and recognition has been established. It works on the establishment of a database of the regulated professions. As foreseen in the Action Plan, further training of Lithuanian officials in the field of co-ordination of social security systems has occurred. The staff of the legal unit at the State Board Insurance Fund and the staff of the international relations unit of the State Patient Fund have been increased by one person each. The staff of the international co-operation unit of the Ministry of Social Security and Labour still has to be increased. Notwithstanding recent efforts, *co-ordination of social security systems* still has to be ensured. Overall, the Accession Partnership priorities in the area of free movement of persons have been partially met. The implementation of the measures under the Action Plan is on track.

Chapter 3: Freedom to provide services

Lithuania has achieved a reasonable level of alignment in the area of freedom to provide services and some fine-tuning is needed in implementing the *Law on Third Party Liability Motor Insurance*. Qualifications and staffing levels in the state enterprise "Deposit Insurance Fund" remain to be improved. Current efforts towards the strengthening of *co-operation between supervisory authorities* should be pursued. In particular, in accordance with the Action Plan, the State Insurance Supervisory Authority (SISA) under the Ministry of Finance should be enabled to ensure effective supervision of the activities of insurance companies. Legislation on *data protection* is not yet fully in line with the *acquis* and *Data Protection Inspectorate* still has to be strengthened. The legislation on data protection is being amended in order to meet the priority laid down in this field by the Action Plan and the number of staff has been increased. Overall, the Accession Partnership priorities in the area of freedom to provide services have been met to a limited extent. The implementation of the measures under the Action Plan is on track.

Chapter 4: Free movement of capital

Lithuania has *abolished the restrictions on cross-border transfer of means of payment and on investment rules for insurance companies*, but not yet on the investment rules for *pension funds*. The Seimas has not yet adopted the *constitutional amendment on access to farmland ownership as planned*. Efforts have been made to *strengthen and improve co-ordination of the institutions responsible for the enforcement of the prevention of money laundering*. In particular, in accordance with the Action Plan, the Financial Crimes Investigation Service has been established. However, significant work remains to be done to reinforce this Service and to increase the reporting level from credit institutions. *The alignment of legislation with the second Directive against money laundering* needs to be completed. Further efforts need to be made to *comply with the recommendations of the Financial Action Task Force*. Overall, the priorities in the area of free movement of capital have been partially met. The implementation of measures under the Action Plan is on track.

Chapter 5: Company Law

In accordance with the Action Plan, the *Central Register of Legal Entities* has been established but its efficient functioning remains untested. Lithuania has reached a fair level of alignment in the area of *accounting*. The Institute of audit, accounting and property valuation has been reorganised and the Institute of Accounting was established in accordance with the Action Plan requirements. Preparations on the *national standards of accounting* are on schedule. Steady progress has been made in the area of *patents*. While some progress has been made in the area of *intellectual and industrial property rights*, which is in need of particular urgent action, Lithuania should continue to *strengthen administrative capacity of enforcement bodies* involved (especially at border points) and to ensure *better co-operation* between these bodies. This implies further training for enforcement bodies. In accordance with the Action Plan, the State Patent Bureau is responsible for issuing supplementary protection certificates of patents for biotechnological inventions. *Training of officials* as well as trademark enforcement has been improved by the signature of a memorandum of understanding with the Office of Harmonisation of Internal Market. As foreseen in the Action Plan, the number of officials at territorial customs has been increased by 22. Further training is being delivered to intellectual property rights bodies as well as campaigns to raise public awareness on IPR (intellectual property rights) issues. The strengthening measures in the Action Plan to reinforce the strategy on protection of *copyright and related rights* and the IPR enforcement bodies have to be further implemented. The measure concerning the staff increase of the copyright division within the Ministry of Culture remains to be assessed. The Economic Crime Investigation Service, that has replaced the Tax Police Department's IPR unit, is untested and under-experienced. The Accession Partnership priorities in the area of company law have been met to a large extent as regards accounting and auditing and to a correct extent as regards intellectual and industrial property rights. Implementation of the measures under Action Plan is on track.

Chapter 6: Competition policy

The *Competition Council*, which has been further strengthened in accordance with the Action Plan, functions well. The level of *enforcement of rules in antitrust and state aid areas* is satisfactory. A *state aid inventory* is being maintained. As foreseen in the Action Plan, *awareness of the rules among all market participants* should be further promoted and further *training of the judiciary* is required to ensure direct effect of EC law after accession. In the field of competition policy, the Accession Partnership priorities have been met. The implementation of measures under the Action Plan is largely on track.

Chapter 7: Agriculture

Limited progress has been made in upgrading the capacity of the *Market Regulation Agency* and completing the *enforcement and practical application of the management mechanisms*. Good progress has been made in building up the *IACS* but a lot of work remains, and the *paying agency* has been strengthened further. According to the Action Plan the animal register and the register of arable land and land parcels have been strengthened as has the national paying agency, and digitalisation is on-going. A training programme for the Market Regulation Agency has been initiated, equipment for the market information system has been installed, staff has been hired and trained in control over wine manufacturing, the function of the State Plant Protection Service has been expanded to perform verification of quality and training has been undertaken. Significant progress has been made in building up administrative capacity for implementing *rural development policies* as a result of the accreditation of the SAPARD agency and the strengthening measures foreseen in the Action Plan are being implemented. Good progress has been made in *aligning the veterinary and phytosanitary legislation* and continued efforts made in *upgrading the inspection arrangements*, although additional efforts are needed. The measures in the Action Plan for strengthening the State and Food Veterinary Service and the State Plant Protection Service by setting up and equipping border posts are being pursued. The *identification and registration of sheep and goats* is close to completion, with the identification of pigs still pending. As regards the reinforcement of the *technical capacity of testing laboratories in order to ensure their accreditation in order to implement the Hazard Analysis Critical Control Point (HACCP) requirements*, the scope of the accreditation of the Food Control Laboratory has been extended for checks on foodstuff and the implementation of HACCP requirements in food processing establishments has continued. The *restructuring of food processing establishments including meat* has continued and all state-owned establishments in the *fruit and vegetables* sector have been either liquidated or privatised and the upgrading is underway. The measure in the Action Plan to develop social infrastructure and modernise the agri-food sector by using SAPARD funds has continued. Further steps have been taken to *implement the food safety strategy* particularly regarding the upgrading of food establishments and the increase in measures to deal with BSE, although further improvements will be necessary. Overall, the Accession Partnership priorities in the area of agriculture have been partially met, although significant work remains to be done in particular as regards IACS, paying agency and the market management mechanisms. Implementation of the measures foreseen in the Action Plan is on track.

Chapter 8: Fisheries

Some progress has been made as regards the *establishment of adequate administrative structures and equipment at central and regional level that can ensure the implementation of the common fisheries policy*. In accordance with the Action Plan, the Vessel Monitoring System has become operational, although, for the Fisheries Monitoring Centre, software compatible with the *acquis* will have to be installed. The administrative capacity in the fisheries sector was strengthened by establishing the Klaipeda Division of the Fisheries Department under the Ministry of Agriculture in March 2002. However, further efforts are needed in particular as regards *market and structural policy*. Lithuania still needs to finalise the establishment of the fishing vessel register and the *management plan for the fleet capacity in accordance with available resources*. Overall, the Accession Partnership priorities in the area of fisheries have been partially met. Implementation of the measures foreseen in the Action Plan is on track.

Chapter 9: Transport

Alignment of legislation is well advanced in the *road transport and aviation sectors* and is progressing well in the *maritime sector*, efforts should now concentrate on completing legislative alignment in the rail sector. As foreseen in the Action Plan the State Road Transport Inspectorate and State Railway Inspectorate have been strengthened through personnel increases and the training to improve the qualification of staff in the Road Transport, Civil Aviation and Railway Transport departments of the Ministry of Transport and Communications has started. Training of *maritime safety* personnel is on-going. Following the recent setting-up of the independent 'Lithuanian Maritime Safety Administration' as foreseen by the Action Plan, the staff levels will have to be increased, particularly in order to further improve the *flag state performance in the field of maritime safety*. Overall, Accession Partnership priorities have been partially met. The implementation of the measures foreseen in the Action Plan is on track.

Chapter 10: Taxation

Lithuania has achieved a good level of *alignment in indirect tax legislation*, although further efforts are still required regarding *VAT exemptions and levels of excise duties*. There is still a need to *strengthen the administrative capacity and control procedures* in order to be able to implement the tax *acquis*. The State Tax Inspectorate requires recruitment of additional staff as well as further training in order to improve staff qualifications as foreseen in the Action Plan. Considerable efforts are required to *develop IT systems to allow for exchange of data with member states*. Review of legislation to ensure compliance with the Code of Conduct for Business Taxation is in process. Lithuania has made progress in the transposition of the *holding and movement directive*, but further efforts will be needed to ensure full implementation by the day of accession. Overall, Lithuania has partially met the Accession Partnership priorities in the area of taxation. The implementation of the measures under the Action Plan is well on track.

Chapter 12: Statistics

Lithuania has *further improved quality and coverage of statistics*. This effort needs to be continued. In accordance with the Action Plan, Lithuania has further strengthened the Statistical Office. *Adequate resources* are being provided in particular to conduct the agricultural census that had been postponed. Overall, Lithuania has met the Accession Partnership priorities in the area of statistics to a large extent. The implementation of the Action Plan is well on track.

Chapter 13: Employment and social policy

The new *Labour Code* has been adopted and the capacity of *labour inspectorates* has been strengthened. Legislation concerning *equal treatment for women and men* is almost fully in line. The adoption of legislation against *discrimination* and a timetable for its implementation is awaited. As foreseen in the Action Plan, training of the State Labour Inspectorate has taken place and will be continued in 2003. New legislation has been adopted (collective agreements) that provides for improving *social dialogue*, and some steps have been taken to increase the capacity for *implementing employment and social policy*. As planned, activities mentioned in the Action Plan have taken place to strengthen administrative capacity needed in relation to the preparations of participation in the *European Social Fund*. The *Public Health Law*, law on *health monitoring* and law concerning *communicable diseases* have been adopted and a national *health care* action plan approved. Lithuania is participating in the dialogue on *social inclusion* and a joint memorandum on social inclusion is being prepared. The preparations for implementing the Poverty Reduction Strategy as mentioned in the Action Plan are on-going. Steps have been taken to *further develop and implement a national employment strategy*. According to the Action Plan a joint assessment of employment policy priorities has been carried out and the Joint Assessment Paper has been signed. Overall, Lithuania has met the Accession Partnership priorities in the area of social policy and employment to considerable extent. The implementation of the measures under the Action Plan is well on track.

Chapter 14: Energy

Lithuania continued to implement the *National Energy Strategy* and started the process of its *urgent revision*. In particular Lithuania took the very important steps of formally confirming that *Unit 1 of Ignalina Nuclear Power Plant (INPP)* will be closed before 2005 and formally committing to close *Unit 2* by 2009. Furthermore, the Government adopted a *revised Energy Strategy*, which will set the terms and conditions of the closure of Unit 2, and submitted it to the Seimas. It also continued the *legal, technical, economic and social preparation for the definitive closure and decommissioning of Unit 1 of INPP, inter alia*, through the start of the implementation of projects in the frame of the Ignalina International Decommissioning Support Fund. Lithuania has accepted the *recommendations contained in the Council report on "Nuclear Safety in the Context of Enlargement"* and is implementing them; it has *further strengthened the nuclear safety authority (VATESI)* and given due attention to *maintaining a high level of nuclear safety throughout the decommissioning phases of INPP*. In this respect the ongoing implementation of the second Safety Improvement Programme (SIP-2) and progress in the review of the Safety Assessment Report for Unit 2 (SAR-2) are to be noted. Furthermore, the staff increases of VATESI and the strengthening of its decommissioning capacities are noteworthy and in line with the Action Plan. Progress has been made in the area of radioactive waste management with the preparation by the Government of a strategy and action programme. After delays, the Lithuanian authorities concluded a contract to install the instrumentation and control part of the diverse second shutdown system at Unit 2 of Ignalina NPP. In addition, Lithuania made important steps towards *alignment with the conventional energy acquis (oil stocks and the internal energy market including gas and electricity)*, progressed in *ensuring the actual constitution of emergency stocks and further strengthened*, in line with the Action Plan, the *energy regulator (National Control Commission for Prices)* and the *administrative capacity in the area of oil stocks*. Lithuania gave continued attention to the *improvement of energy efficiency and the use of renewable energy sources*. Overall, the Accession Partnership priorities in the energy sector have been met to a large extent. The implementation of the Action Plan is on track.

Chapter 19: Telecommunications and information technologies

Lithuania has achieved a fair level of *compliance with the telecommunications acquis*, although in some areas, notably as regards *interconnection procedures and universal service*, further work is necessary. Implementing legislation remains to be transposed. Some progress has been made to ensure the *effective functioning of the Communications Regulatory Authority* and to strengthen its administrative capacity. However, delays have occurred in the issuance of UMTS licences. As foreseen in the Action Plan, a Postal Regulation Section has been established, responsible for the regulation of postal services. Further improvement in the qualifications of the employees in the postal and communication areas has been achieved by extensive training. Also, the Communication Regulatory Authority has been increased in personnel, up to 113 in April 2002. Overall, the Accession Partnership priorities in the area of telecommunications and information technologies have been partially met. The implementation of measures under the Action Plan is progressing.

Chapter 20: Culture and audio-visual policy

													Inflation rate						
													% change over the previous year						
CAT (Convention against Torture)														Consumer price index	8.8	5.0	0.7	0.9	1.3
CERD (Convention on the Elimination of All Forms of Racial Discrimination)	X	X	X	X	X	X	X	X	X	X	X	X	O	Balance of payments	Mio ECU/euro				
														-Current account	-865	-1,158	-1,120	-731	-641
														-Trade balance	-1,012	-1,354	-1,318	-1,195	:
														Exports of goods	3,697	3,534	2,952	4,385	:
														Imports of goods	4,709	4,888	4,269	5,579	:
														-Net services	119	215	286	411	:
														-Net income	-175	-228	-242	-210	:
														-Net current transfers	203	210	153	263	:
														-of which: government transfers	89	92	55	68	:
														- FDI (net) inflows	313	826	456	410	498
														Public finance	in % of Gross Domestic Product				
														General government deficit/surplus d)	-1.1	-3.1	-5.6	-2.7	-1.9p
														General government debt	15.7	17.1	23.0	24.0	23.1p
														Financial indicators	in % of Gross Domestic Product				
														Gross foreign debt of the whole economy e)	15.1	19.6	28.1	25.5	:
															as % of exports				
														Gross foreign debt of the whole economy e)	27.6	41.5	70.8	56.4	:

Infrastructure	in km per 1000 km ²				
Railway network	40	40	38	38	26
	km				
Length of motorways	410	417	417	417	417
Industry and agriculture	previous year=100				
Industrial production volume indices	103.3	108.2	88.8	105.3	116.9
Gross agricultural production volume indices	108.6	94.8	85.5	105.4	91.5
Standard of living	per 1000 inhabitants*				
Number of cars	248.0	277.0	310.0	336.0	326.0
Main telephone lines	294.0	314.0	326.0	338.0	329.0
Number of subscriptions to cellular mobile services	42.0	76.0	98.0	146.0	293.0
Number of Internet subscriptions g)	:	:	28.0	61.0	68.0
p=provisional figures					
a) Figures have been calculated using the population figures from National Accounts, which may differ from those used in demographic statistics.					
b) Including FISIM.					
c) These figures include changes in inventories, acquisitions less disposals of valuables and the statistical discrepancy between the GDP and its expenditure components.					
d) data for 1997-2000 are not strictly in accordance with ESA95 methodology in terms of treatment of accrued expenditure. The impact on the deficit is not known.					
e) series break after 1997.					
f) The number of population was revised according to the population census data.					
g) Source: Statistics in Focus; Theme4 -17/2002					
h) Data recalculated on the basis of the Population Census 2001.					
i) Source: Website of the National Bank.					

Methodological Notes

Inflation Rate

As part of the preparations for the common currency the EU Member States (MSs) have designed a new *consumer price index* in order to comply with the obligations of the EU Treaty. The aim was to produce CPIs comparable between Member States. The main task was to harmonise methodologies and coverage. The result was the Harmonised Index of Consumer Prices (HICP). A similar exercise has been started with Candidate Countries (CC). In respect to enlargement, it is equally important that their economic performance is assessed on the basis of comparable indices. Some progress has already been made towards adapting the new rules. Since January 1999 CCs report monthly to Eurostat so-called proxy HICPs that are based on national CPIs but adapted to the HICP coverage. They are not yet fully compliant with the HICPs of the MSs. In the table, the proxy HICPs are back-calculated to 1995 (rates from 1996).

Finance

Public finance: The government deficit and debt statistics of the Candidate Countries are provisional, in the sense that they do not yet fully comply with EU methodological requirements. Broadly speaking, the general government deficit / surplus refers to the national accounts concept of consolidated general government net borrowing / net lending of ESA95. General government debt is defined as consolidated gross debt at end-year nominal value. The series are available from 1997; the 1996 data are an approximation derived from the IMF's GFS methodology.

Gross foreign debt is of the whole economy, covering both short- and long-term, but excluding equity investment and money market instruments. The source for stock of outstanding debt is OECD, while the source of GDP is Eurostat. For the ratio of gross foreign debt to exports, the national accounts definition of exports of goods and services is used (source: Eurostat). The data for 2000 are Eurostat estimates, based on joint OECD/IMF/BIS/World Bank series.

Monetary aggregates are end-year stock data, as reported to Eurostat. Generally, M1 means notes and coin in circulation plus bank sight deposits. M2 means M1 plus savings deposits plus other short-term claims on banks. M3 means M2 plus certain placements in a less liquid or longer-term form. Not all countries produce an M3 series. Total credit means loans by resident monetary financial institutions (MFIs) to non-MFI residents.

Interest rates: Annual average rates based on monthly series reported to Eurostat. Lending rates refer to bank lending to enterprises for over 1 year. Deposit rates refer to bank deposits with an agreed maturity of up to one year. Day-to-day money rates are overnight interbank rates.

Exchange rates: ECU exchange rates are those that were officially notified to until 1 January 1999, when the ECU was replaced by the euro. Euro exchange rates are reference rates of the European Central Bank. The effective exchange rate index (nominal), as reported to Eurostat, is weighted by major trading partners.

Reserve assets are end-year stock data, as reported to Eurostat. They are defined as the sum of central bank holdings of gold, foreign exchange, SDRs, reserve position in the IMF, and other claims on non-residents. Gold is valued at end-year market price.

External trade

Imports and exports (current prices). The data is based upon the general 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 Republic of Lithuania.

Demography

Net migration rate. Crude rate of net migration (recalculated by EUROSTAT) for year X, is: population (X+1) - population (X) - Deaths (X) + Births (X). This assumes that any change in population not attributable to births and deaths is attributable to migration. This indicator includes therefore also administrative corrections (and projection errors if the total population is based on estimates and the births and deaths on registers). Figures are in this case more consistent. Further, most of the difference between the Crude rate of net migration provided by country and the one calculated by Eurostat is caused by an under reporting or delay in reporting of migration.

Labour force

The European Labour Force Survey is conducted in spring each year in accordance with Council Regulation (EEC) No. 577/98 of 9 March 1998. A detailed description of the sampling methods, the adjustment procedures, the definitions and the common Community coding currently used in the labour force survey is presented in the publications 'Labour Force Survey – Methods and definitions, 1998' and 'Labour Force Survey in central and east European definitions, 2000'.

All definitions apply to persons aged 15 years and over, living in private households. The concepts and definitions used in the survey follow the guidelines of the International Labour Organisation. Persons carrying out obligatory military service are not included.

Persons in employment were those who during the reference week did any work for pay or profit for at least one hour, or were not working but had jobs from which they were temporarily absent. Family workers are included.

As from 2001 (Commission Regulation (EC) No 1897/2000 of 7 September 2000), unemployed persons comprise persons aged 15 to 74 who were:

- (a) without work during the reference week, i.e. neither had a job nor were at work (for one hour or more) in paid employment or self-employment;
- (b) currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week;
- (c) actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of at most three months.

Comparability with results prior to 2001: unemployment results used to refer to persons aged 15 and more. Persons who found a job to start later used to be considered as unemployed with the unique condition to have no job in the reference week.

Duration of unemployment is defined as:

- (a) the duration of search for a job, or
- (b) the length of the period since the last job was held (if this period is shorter than the duration of search for a job).

The active population is defined as the sum of persons in employment and unemployed persons.

Inactive persons are those who are not classified as persons in employment nor as unemployed persons.

Employment rates represent employed persons aged 15-64 as a percentage of the same age population.

Unemployment rates represent unemployed persons as a percentage of the active population aged 15 years and more.

Economic activity rates represent the active population aged 15-64 as a percentage of the population of the same age.

Infrastructure

Railway network. All railways in a given area. This does not include stretches of road or water even if rolling stock should be conveyed over such routes; e.g. by wagon-carrying trailers or ferries. Lines solely used for tourist purposes during the season are excluded as are railways constructed solely to serve mines; forests or other industrial or agricultural undertakings and which are not open to public traffic. The data considers the construction length of railways.

Length of motorway. Road, specially designed and built for motor traffic, which does not serve properties bordering on it, and which:

- (a) is provided, except at special points or temporarily, with separate carriageways for the two directions of traffic, separated from each other, either by a dividing strip not intended for traffic, or exceptionally by other means;
- (b) does not cross at level with any road, railway or tramway track, or footpath;
- (c) is specially sign-posted as a motorway and is reserved for specific categories of road motor vehicles.

Entry and exit lanes of motorways are included irrespectively of the location of the signposts. Urban motorways are also included.

Industry and agriculture

Industrial production volume indices. Industrial production covers mining and quarrying, manufacturing and electricity, gas, steam and water supply (according to the NACE Rev.1 Classification Sections C, D, and E).

Gross agricultural production volume indices. Gross agricultural production volume indices are calculated in constant prices of previous year.

Standard of living

Number of cars. Passenger car: road motor vehicle, other than a motor cycle, intended for the carriage of passengers and designed to seat no more than nine persons (including the driver).

The term "passenger car" therefore covers microcars (need no permit to be driven), taxis and hired passenger cars, provided that they have less than ten seats. This category may also include pick-ups.

Telephone subscribers. Only main telephone lines per 1000 inhabitants, excluding mobile phone subscriptions.

Sources

Total area, infrastructure, external trade, demography, labour market, industry and agriculture, standard of living (except Internet connections): National sources.

National accounts, inflation rate, balance of payment, public finance, finance: Eurostat.