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Subject : EUROPEAN UNION COMMON POSITION  
Chapter 17: Economic and monetary policy

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## EUROPEAN UNION COMMON POSITION

(Revision of CONF-HR 15/06)

### Chapter 17: Economic and monetary policy

This position of the European Union is based on its general position for the Accession Conference with Croatia (CONF-HR 2/05), and is subject to the negotiating principles endorsed by the Accession Conference (CONF-HR 5/05), in particular:

- any view expressed by either party on a chapter of the negotiations will in no way prejudice the position which may be taken on other chapters;
- agreements - even partial agreements - reached during the course of the negotiations on chapters to be examined successively may not be considered as final until an overall agreement has been established;

as well as to the requirements set out in points 13, 16 and 26 of the Negotiating Framework.

The EU underlines the importance for Croatia of compliance with the Stabilisation and Association Agreement as well as the Accession Partnership, which constitute basic elements of the pre-accession strategy.

The EU encourages Croatia to continue the process of alignment with the *acquis* and its effective implementation and enforcement, and in general to develop, already before accession, policies and instruments as close as possible to those of the EU.

The EU notes that Croatia, in its positions CONF-HR 7/06 and 28/08, accepts the *acquis* under Chapter 17 as in force on 1 September 2008, and that Croatia declares that it will be ready to implement it by the date of its accession to the European Union.

## Monetary policy

As regards the *independence of the Croatian National Bank (CNB)*, the EU notes with satisfaction that the CNB Law was amended in July 2008, resolving all outstanding issues affecting central bank independence.

The EU notes that the CNB statute has also been amended to make it fully compatible with the CNB's independence. Moreover, the new CNB Law clearly states that those provisions of the General Administrative Procedures Law that were considered as incompatible with the CNB's independence do not apply to the decisions taken by the CNB.

The EU underlines the need for Croatia to address prior to accession, within the envisaged Constitutional reform, the current wording of the Constitution (Article 53) and to adjust it accordingly.

The EU welcomes the strengthening of the financial independence of the CNB and the ensuring of compliance with the prohibition of monetary financing of the public sector in accordance with Article 101 of the EC Treaty, and the elimination of the provisions on a possible coverage of a shortfall between income and expenditures of the CNB by public debt securities.

As regards the *integration of the Croatian National Bank into the ESCB*, the EU notes that the new CNB Law brings the integration-related provisions fully into line with the *acquis* which will enter into force as from the date of the introduction of the euro in Croatia.

In view of the above considerations, the EU considers that Croatia has met the requirements of the closing benchmark as set out in the EU common position (CONF-HR 15/06).

As regards the *prohibition of monetary financing of the public sector*, the EU notes that Croatia has expanded the scope of the prohibition in the CNB Law to include, in addition to the State, the bodies of regional and local government, as well as other public bodies.

As regards the *prohibition of privileged access of the public sector to financial institutions* the EU notes that Croatia has amended several Laws, thereby abolishing the provisions incompatible with the *acquis*, at the latest as of the date of accession to the EU. The EU notes that Croatia intends to amend the only remaining Law giving rise to privileged access of the public sector to financial institutions by the end of 2008 at the latest. The EU invites Croatia to continue to provide regular information on developments in this area.

### **Economic policy**

The EU notes that Croatia states that, upon accession to the EU, it will participate in the coordination of economic policies of the EU Member States in accordance with the Treaty and that it will regularly report to the relevant EU institutions on economic developments in the country for the purpose of multilateral surveillance.

As regards Article 104 of the EC Treaty, the Protocol on the excessive deficit procedure, the Stability and Growth Pact and other implementing regulations, the EU notes that Croatia considers that it is prepared to conduct its fiscal policy in accordance with the principles applied in the EU.

With respect to the obligation to report planned and actual budget deficits and the levels of public debt, fully respecting the ESA 95 Methodology, the EU notes that Croatia started its fiscal reporting in 2006 in accordance with the obligation provided for in its Guidelines for the Economic and Fiscal Policy for the period 2006-2008, and in March 2008 submitted its fourth fiscal notification. The EU also notes that Croatia is further upgrading the statistical and analytical capacity of state and public bodies, especially the Ministry of Finance, the Croatian National Bank, and the Central Bureau of Statistics. The EU encourages Croatia to continue upgrading its administrative capacities with regard to economic policy formulation and implementation.

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In view of all the above considerations, the EU notes that, at this stage, this chapter does not require further negotiations.

Monitoring of progress in the alignment with and implementation of the *acquis* will continue throughout the negotiations. The EU underlines that it will devote particular attention to monitoring all specific issues mentioned above with a view to assessing Croatia's administrative capacity as regards efficient economic policy formulation and implementation. The EU underlines the importance of a functioning market economy as an essential element of the negotiations under this chapter. Particular consideration needs to be given to the links between the present chapter and other negotiation chapters. A final assessment of the conformity of Croatia's legislation with the *acquis* and of its implementation capacity can only be made at a later stage of the negotiations. In addition to all the information the EU may require for the negotiations in this chapter and which is to be provided to the Conference, the EU invites Croatia to provide regularly detailed written information to the Stabilisation and Association Council on progress in the implementation of the *acquis*.

In view of all the above considerations, the EU will, if necessary, return to this chapter at an appropriate moment.

Furthermore, the EU recalls that there may be new *acquis* between 1 September 2008 and the conclusion of the negotiations.