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COMMITTEE AND THE COMMITTEE OF THE REGIONS**

2019 Communication on EU Enlargement Policy

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I. INTRODUCTION

In November 2015, the European Commission set out a **medium-term strategy for EU enlargement policy**¹ to cover the mandate of this Commission. This Communication takes stock of progress in the implementation of enlargement policy by the end of February 2019. It presents the progress made while looking at the serious challenges facing the aspiring Member States.

Western Balkans

The European Commission's **Western Balkans Strategy**² of February 2018 provided a major boost for the region's European path. It reconfirmed the future of the Western Balkans as an integral part of the EU. It reiterated that the prospect of EU membership based on meeting firm, established criteria is in the Union's very own political, security and economic interest. It confirmed the significant progress the region has made both on reforms and towards overcoming the legacy of war and conflict. But in order for the countries to meet all membership conditions, including strengthening their democracies, more serious, comprehensive and convincing reforms are required in crucial areas, notably on the rule of law, including the fight against corruption and organised crime, on economic reforms and competitiveness, regional cooperation and reconciliation. The Commission called for significant enhancement of the EU's political, technical and financial support to the region, including through the Strategy's six flagship initiatives, backed by EUR 11.7 billion of pre-accession funding for the period 2014-2020. To improve the incentive structure of the policy, the Commission also noted that with the necessary political will, the delivery of real and sustained reforms, and definitive solutions to disputes with neighbours, the current frontrunners in the accession negotiations could potentially be ready for membership in a 2025 perspective.

At the **EU-Western Balkans summit**, which took place in Sofia in May 2018, EU leaders reaffirmed their unequivocal support for the European perspective of the Western Balkans, and the Western Balkan partners recommitted to this perspective as their firm strategic choice. The EU leaders agreed on the Sofia Declaration and the Sofia Priority Agenda³, outlining new measures for enhanced cooperation with the region in key areas such as security, rule of law and migration.

EU leaders also gave **clear signals** to individual Western Balkans countries last year. In response to the Commission's recommendations of 2018 to open accession negotiations with the Republic of North Macedonia and with the Republic of Albania, the Council agreed in June to respond positively to the progress made and set out the path towards opening accession negotiations with the two countries in June 2019. Concerning Kosovo*, the Commission reported that all benchmarks for visa-free travel to the Schengen area have been met and in March 2019 the European Parliament supported the Commission's proposal for visa liberalisation in its first reading.

The EU's enhanced engagement with and commitment to the region over the last year is already yielding concrete and significant **results**. North Macedonia not only continued its ambitious reform agenda, but also reached a historic agreement with Greece resolving a 27-

¹ [COM\(2018\) 450 final](#)

² A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, [COM\(2018\) 65 final](#)

³ https://www.consilium.europa.eu/media/34776/sofia-declaration_en.pdf

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

year old name dispute. This, together with the bilateral agreement with Bulgaria, is an example of how to strengthen good neighbourly relations for the entire region, and testimony to the power of attraction of the European perspective. Similarly, Albania is pursuing profound reforms, in particular a major transformation of its justice system, including an unprecedented re-evaluation of judges and prosecutors.

This welcome progress achieved now calls for the Union's concrete and fast action. The EU has the opportunity, and a strong self-interest, to lock in long-term positive momentum across the region. The Union must live up to its commitments and give credit where credit is due. Failure to reward objective progress by moving to the next stage of the European path would damage the EU's credibility throughout the region and beyond. A tepid response to historic achievements and substantial reforms would undermine stability, seriously discourage much needed further reforms and affect work on sensitive bilateral issues like the Belgrade-Pristina dialogue. Strategically, it would only help the EU's geopolitical competitors to root themselves on Europe's doorstep.

However, not all countries have seized the opportunities offered by the Western Balkans Strategy. Some stagnated in their efforts, in particular in the crucial areas of the rule of law and fundamental rights. The countries most advanced in the accession process risk falling behind on their stated ambitious goals if they do not also significantly step up efforts, in particular on fundamental reforms. All political leaders in the region must live up to the reform expectations of their citizens and leave no doubt as to their strategic orientation and commitment to join the EU. EU accession is a fundamental choice, based on values, which each country must embrace more actively.

In parallel to this Communication, the Commission has adopted its Opinion on Bosnia and Herzegovina's application for membership of the European Union. The conclusion and recommendation of the Opinion are set out in annex to this Communication.

Turkey

Turkey is a key partner for the EU and a candidate country. Dialogue and cooperation, including at highest level, in essential areas of joint interest have continued, including through effective cooperation on migration and strong EU support to refugees. However, Turkey has continued to move further away from the European Union, with serious backsliding in the areas of the rule of law and fundamental rights and through the weakening of effective checks and balances in the political system, brought forward by the entry into force of the constitutional amendment. In June 2018 the Council noted unanimously that Turkey's accession negotiations have therefore effectively come to a standstill and no further chapters can be considered for opening or closing. The underlying facts leading to this assessment still hold.

Speeding up **alignment** with the EU Common Foreign and Security Policy, including on restrictive measures, is an important part of the enlargement process and an important element to confirm that the countries fully share the principles, values and goals that the Union seeks to promote in its neighbourhood and beyond. Albania and Montenegro have consistently aligned with EU Common Foreign and Security Policy positions.

II. IMPLEMENTATION OF THE 2015 ENLARGEMENT STRATEGY

Pursuing the fundamental reforms more actively is key to meeting the Copenhagen and Madrid membership criteria. Efforts in these areas are indivisible and mutually reinforcing and must be pursued more forcefully and with clearer political commitment.

a) Functioning of democratic institutions

The proper functioning of **democratic institutions** remains a key challenge in most countries. The central role of national **parliaments** needs to be firmly embedded in the political culture. Constructive cross-party dialogue still needs to take root. Opposition parties, which also bear significant responsibility in shaping the future of their countries, should have the possibility to fully perform their role and engage in democratic processes. It is crucial to enhance parliamentary accountability, oversight of the executive, and democratic scrutiny.

In the **Western Balkans**, constructive **dialogue** across the political spectrum, notably within the parliaments, remains to be established. Counter-productive parliament boycotts such as in Albania, Montenegro and Serbia remain of concern. Citizens' protest demanding reforms have increased. Mediation and dialogue mechanisms, such as those offered by the European Parliament, could be used, for example in Serbia. Governments need to ensure that the opposition has the possibility to fully perform its role within the existing frameworks. And the opposition needs to engage constructively in the democratic process.

Enhancing the **oversight function of parliaments** requires substantial efforts. In North Macedonia, the Parliament improved its oversight capacity, restored its checks and balances, and significantly decreased the use of **shortened parliamentary procedures** to 20% in 2018. However, this phenomenon remains a concern in the region overall. The corresponding rate reaches 44% in Serbia, where the ruling coalition's parliamentary practices led to a deterioration of legislative debate and scrutiny. In Montenegro, the cross-party temporary committee on further reform of electoral and other legislation still has to deliver.

Elections must be free and fair and the recommendations of election observation missions properly implemented. Long-standing weaknesses need to be addressed throughout the electoral cycle. The rules for the public and private financing of political parties require substantive reform.

In **Turkey**, the new Presidential system, which entered into force after the June 2018 elections, has significantly **curtailed the Parliament's legislative and oversight functions**. There is no constructive parliamentary dialogue or functioning checks and balances. The long-standing shortcomings of the system of parliamentary immunity have not been addressed. The decisions by the Supreme Election Council to re-run elections in Istanbul as well as to grant the mayorship of individual municipalities in the south-east to second-placed candidates are a source of serious concern regarding the respect of the legality and integrity of the electoral process and the institution's independence from political pressure.

b) Rule of law and security

The **rule of law** is a core facet of a well-functioning democracy. It is underpinned by free and fair elections, a well-functioning parliament which should be able to fully perform its core legislative and oversight functions and the separation of powers, while having a system of functioning checks and balances in place.

The **rule of law** is firmly and clearly embedded in the EU's accession process. It is a crucial aspect of democratic transformation and the key benchmark against which the enlargement countries' progress towards membership is assessed by the EU. Nevertheless, credible progress in this area remains a significant challenge. These shortcomings often correlate with

a lack of political will, institutional resistance and an increasingly hostile environment for civil society. This partly reflects the existence of certain elements of **state capture**. As a consequence, the rule of law still does not apply properly to all levels of power. No steps were taken in Turkey to remedy the backsliding in the rule of law field.

A well-functioning and independent **judiciary**, where decisions are effectively implemented, is of crucial importance for the rule of law. Albania made important progress towards reforming its judicial system, which continues on schedule. The establishment of the new judicial bodies aims to guarantee independent governance of the judiciary. The vetting process delivered further visible results, with more than 140 decisions taken overall and all priority cases finalised in the first instance, leading to 88 of the assessed judges being dismissed or leaving voluntarily. However, throughout the Western Balkans region, reforms continue to suffer from a slow pace of change in judicial culture. In Serbia, constitutional amendments intended to align the constitution with European standards for the judiciary have not yet been passed. Political pressure and transfers of a large number of judges and prosecutors against their will continued in Turkey, further undermining the independence of the Turkish judiciary.

The Western Balkans and Turkey continue to show instances of widespread **corruption**. Progress in successfully fighting high and medium level corruption varies across the region. While some countries, such as North Macedonia and Albania, have made progress, the track record remains unconvincing in most countries and far from meeting the requirements for membership. High level and political corruption needs to be tackled in a clearer and more consistent way. Tangible results in the fight against corruption are also needed for a stable and transparent business environment and to mitigate the real threats to democratic structures. **Public procurement** remains particularly prone to widespread corruption. The control mechanisms throughout the procurement process need to be strengthened and transparency significantly increased through robust and ambitious measures.

Organised crime remains a very serious issue in the Western Balkans and Turkey. Important smuggling routes run through Turkey as well as the Western Balkans. Powerful criminal networks with an international reach continue to operate from and via these countries. The countries have addressed certain aspects of this phenomenon and there have been important arrests and seizures of drugs reported throughout 2018. Operational cooperation, including with EU agencies has intensified, in particular with Albania, with visible results on the ground. However, overall, **track records of final convictions** in organised crime cases often remain weak. Some countries can only demonstrate a handful if any final convictions for organised crime or money laundering in recent years. Such poor results show the ineffectiveness of criminal procedures, give strong signals of impunity, and contribute to the risk of criminal infiltration of the political and economic systems. Countries also need to increase significantly the **seizure and confiscation of assets** in both organised crime and corruption cases, and to tackle criminal groups more forcefully.

The Western Balkans have taken important steps in recent years to modernise the legal and institutional framework regarding the **fight against terrorism**. Operational cooperation with EU Member States and EU agencies has continued to improve and intensify. All Western Balkans countries actively participate in the Western Balkans Counter Terrorism Initiative (WBCTi). Nevertheless, most countries still need to step up efforts to address the issue of returning foreign fighters and to prevent extremism and radicalisation, including in prisons. Online monitoring and response capacities need to be enhanced. Pro-active tracing of financial flows should be anchored in a more strategic approach against money laundering and terrorism financing. Turkey needs to revise its anti-terror legislation. While Turkey has

a legitimate right to fight against terrorism, it is responsible for ensuring this is done in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate.

There is an urgent need to implement reforms in the rule of law area more **strongly and credibly**. This is the most important condition for the Western Balkans to move forward on their respective European paths, including the fulfilment of interim benchmarks in the accession negotiations on the rule of law chapters 23 and 24 for Montenegro and Serbia.

Once the interim benchmarks are met, the setting of closing benchmarks will provide an opportunity for the EU to clearly set out the rule of law requirements that negotiating countries will ultimately have to meet to be ready for EU membership in this crucial area. Montenegro is the first negotiating country that could reach this stage, provided the country addresses the shortcomings in the critical areas of media freedom, fight against corruption and trafficking in human beings.

The nature of the interim benchmarks for the rule of law is primarily to ensure that the institutional and legislative set-up of the country concerned is in place and that an initial track record of implementation has been achieved. Once this framework is in place, the Commission will propose closing benchmarks to the EU Member States. These benchmarks would be predominantly focused on delivery of tangible results and the establishment of strong, credible and sustainable track records of implementation.

c) Fundamental rights

Fundamental rights are largely enshrined in the legislation in the Western Balkans. However, serious efforts are needed to step up implementation. Turkey has seen a continued strong deterioration in key human rights over the reporting period.

Developments in the area of **freedom of expression** and the independence of the media across the region are of growing concern. There has been a serious backsliding in **Turkey**, where the exercise of the freedom of expression has been hampered considerably and where over 160 journalists remain in prison, one of the highest number in the world.

Very limited efforts were noted across the **Western Balkans**. Overall, physical and verbal intimidation has continued and investigations and prosecutions remain slow. Efforts to influence the independence of public service broadcasters, non-transparent public and private funding of the media and distorted advertisement market are commonplace in all countries in the region. The media business environment is also characterised by frequent political interference and opaque media ownership that undermine the sustainability of independent media. The EU continues its strong support for local civil society organisations, human rights defenders, journalists and independent media outlets.

Effectively addressing abuses of **child rights** requires increased efforts across the Western Balkans and Turkey. Governments also need to address discrimination against **persons with disabilities, minorities** and other vulnerable groups. Moreover, greater efforts are required to ensure **gender equality** and to prevent and address discrimination and violence against women. Progress has been made on the rights of lesbian, gay, bisexual, transgender and intersex persons in the Western Balkans. However, significant efforts are needed to address discrimination and in particular hate speech and violence. **Roma** continue to face social exclusion, marginalisation and discrimination. **Prison conditions** continue to require improvement. In Turkey, despite the lifting of the state of emergency, most of the measures introduced during the state of emergency remain in force, including those curtailing key **procedural rights** such as the rights of defence, and the right to an effective remedy.

d) Public administration reform

Public administration reform is essential for improving governance at all levels. This includes the quality and accountability of the administration, professionalisation of the civil service and de-politicisation, sound public financial management, and ensuring quality services to citizens and businesses. There has been moderate progress in this area in the Western Balkans. Turkey has seen serious backsliding in the area of civil service, which has also affected policy planning and accountability, as a result of a major re-structuring of the public administration and civil service system through presidential decrees.

There has been some progress with improving **policy planning**, but further efforts are needed to ensure a strong quality control by central governments. Policies, legislation and public investments are still often prepared without impact assessments and inter-institutional and public consultations. Significant efforts are needed to ensure transparent and effective **public procurement**. An early alignment with the EU *acquis*, together with an effective public **internal control** system, is required to reduce wasteful use of resources, fraud and corruption.

Professionalisation of the civil service still needs to be ensured in most countries and excessive **politicisation addressed**. The **structure of the state administration** should ensure effective lines of accountability. Most countries have made efforts to improve **services** to citizens and businesses, especially e-services, but further coordination is needed between various initiatives and the overall public administration reform.

The role of **regional and local authorities** in the EU alignment process and eventual application of EU rules needs to be taken into account. An appropriate balance between central, regional and local government needs to be found that best supports the implementation of reforms and the delivery of services to citizens.

e) Migration

The **refugee crisis and irregular migration** have been key challenges for both the EU and the Western Balkans and Turkey. Cooperation continued through the joint work along the Eastern Mediterranean/Western Balkans migratory routes. Smuggling of migrants and human trafficking remain of concern. Partner countries should take further steps to ensure full alignment with the EU visa policy.

The **EU-Turkey Statement**⁴ of March 2016 has continued to deliver concrete results in reducing irregular and dangerous crossings and in saving lives in the Aegean Sea. Irregular arrivals are 97% lower than the period before the Statement became operational, while the number of lives lost at sea has decreased substantially. Turkey's law enforcement agencies have intensified their efforts in the reporting period.

Turkey has continued to make remarkable efforts in **hosting more than 3.6 million registered refugees from Syria** and around 370 000 refugees from other countries. The EU continued to support the country in tackling this challenge. The **EU Facility for Refugees in Turkey**⁵ with a total budget of EUR 6 billion continues to address the humanitarian and development needs of refugees and host communities. The first tranche of EUR 3 billion has been fully contracted. Results have been clearly visible and very effective: some 1.6 million refugees currently benefit from monthly cash transfers via the Emergency Social Safety Net,

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>

⁵ [Commission Decision C\(2015\) 9500](#) of 24.11.2015 on the coordination of the actions of the Union and of the Member States through a coordination mechanism – the Refugee Facility for Turkey, as amended by Commission Decision C(2016)855 of 10.2.2016.

5 million primary health care consultations have been delivered, and the families of over 494 000 children attending school having received financial support. Implementation of the second tranche of EUR 3 billion is underway. The Facility continues to be a flagship coordination mechanism allowing for swift, efficient and effective delivery of EU assistance.

In the **Western Balkans**, the continuation of EU-coordinated response measures supporting national efforts resulted in a further 35% reduction in irregular arrivals on this route in the reporting period, continuing the downward trend of 2017. However, more needs to be done to better equip countries to manage migration, including efforts to better manage borders and to reduce irregular migration. Bosnia and Herzegovina faced an influx of more than 20 000 migrants and refugees in 2018. The EU continues to support the region, building the partners' capacity in the management of migration flows, establishing asylum procedures, return mechanisms and information exchange. Negotiations have been completed on status agreements with five countries of the region allowing for the deployment of European Border and Coast Guard teams with executive powers in the zones bordering the EU external border in support of national border authorities. The agreement with Albania has entered into force, and first border guards have been deployed. Western Balkans countries need to strengthen their efforts to address the issue of unfounded asylum applications from citizens of the region in EU Member States.

f) Economy

The economies of the Western Balkans and Turkey still face **major challenges** that do not allow them to take full advantage of their economic potential. Despite some acceleration of growth, job creation and increases in income in the last years, the countries are still lagging behind in reforming their economic structures and improving competitiveness. They still face high unemployment rates, in particular among youth, large skills mismatches, persistent informal economy, unfriendly business environments, and low levels of innovation.

In **Turkey**, serious **backsliding** in the economy continued, leading to deeper concerns over the functioning of the country's market economy. Economic conditions worsened in 2018 as a result of a sharp deterioration of the financing conditions that exposed macroeconomic vulnerabilities built up over years. **Economic governance deteriorated** further with increased State interference in the economy. Turkey needs to reverse the trend of backsliding in market reforms.

In the **Western Balkans**, the **investment climate** remained largely unchanged and is characterised by weak rule of law, the lack of adequate enforcement of State aid control, an entrenched grey economy, poor access to finance and low level of regional integration and connectivity. State interference in the economy persists, exacerbating the risk of corruption through weak public financial management and frequent changes in the regulatory environment and taxes. There is a strong need to upgrade infrastructure and investments should be channelled through single project pipelines and be consistent with the priorities agreed with the EU. The decisions on major investments should be based on transparency and solid due diligence as is the case with the connectivity projects financed via the Western Balkans Investment Framework.

Regional integration is a key factor for raising living standards in the Western Balkans. The creation of a **Regional Economic Area (REA)** brings more competition and allows economies of scale and productivity gains. A regional market will unleash intra-regional trade, and would make the Western Balkans a more attractive investment destination. Market integration based on EU rules and standards will help create opportunities for developing new value chains and increasing the attractiveness of the region for foreign direct investments, including from the EU. Enhanced connectivity in transport and energy will accelerate the

integration of the region into pan European networks, while strengthening competitive energy markets and developing economic corridors over the region. The Transport Community Treaty, which has now been ratified by all parties, will support and strengthen the implementation of the connectivity agenda. The creation of a digital space and of more integrated labour markets also offer new possibilities for youth in the region.

A new Regional Roaming Agreement signed in April 2019 will bring significant benefits to citizens and businesses in the region. It will lead to a progressive reduction of roaming charges as of July 2019 (decrease in the retail price of data transfer and calls by 25% and SMS by 33%) and to the elimination of roaming charges as of July 2021. Mobile subscribers from the region will enjoy the full benefits of their domestic package when roaming in the Western Balkans, at no additional cost. The agreement also opens the way to prepare a roadmap for reducing roaming costs between the Western Balkans and the EU, as set out in the **Digital Agenda** for the Western Balkans.

The **EU remains by far the biggest trading partner** of the Western Balkans for both imports (73.5%) and exports (80.6%). EU companies are the biggest investors in the region, providing 73% of foreign direct investment. They are thus the main external driver of growth and jobs in the region. It is key to **strengthen the resilience** of the region to ensure the full adherence of any foreign-funded economic activity to EU values, norms and standards, notably in key areas such as the rule of law, public procurement, environment, energy, infrastructure and competition. **China's business and investment activity** in the Western Balkans has been on the rise and can in principle offer opportunities for the region; however, these investments very frequently neglect socio-economic and financial sustainability and EU rules on public procurement, and may result in high levels of indebtedness and transfer of control over strategic assets and resources. This means that the partner countries should fully implement the letter and spirit of the Stabilisation and Association Agreements with the EU and prioritise reforms in the relevant negotiation chapters of the accession process. The EU should guide these reforms more robustly, including taking this into account in future negotiating frameworks.

The EU supports better economic governance in the Western Balkans and Turkey through the annual **Economic Reform Programme process**. This process, which is an integral part of the preparation for EU membership, has become the key tool for formulating and implementing macroeconomic and structural reforms designed to raise competitiveness and boost growth and job creation. It helps to strengthen long-term sustainable growth and convergence, facilitates policy formulation, and progress towards meeting the accession economic criteria. A stronger focus is needed on increasing ownership in order to improve the implementation of the identified reforms.

Economic development and increasing employment is essential also to stem the demographic challenges of the Western Balkans, with high emigration and low birth rates. Without stronger economies and democratic governance generally, these phenomena will continue, with the associated risks of widespread disenchantment, especially among the youth, and brain drain.

g) Regional cooperation and good neighbourly relations

The EU's enlargement policy must continue to export stability. Therefore, the EU cannot and will not import **bilateral disputes** and the instability they can entail. Definitive and binding solutions which contribute to regional stability must be found and implemented before a country accedes. The historic agreement reached between North Macedonia and Greece resolving a 27-year old name dispute sets an example of reconciliation for the region and beyond. However, further strong and convincing efforts are urgently needed across the Western Balkans. Relations between Pristina and Belgrade worsened, most visibly with Kosovo's

decision to impose 100% tariffs on imports from Serbia and Bosnia and Herzegovina, in violation of the Central European Free Trade Agreement, the latest in a series of provocations by both sides. Kosovo must revoke this decision as a matter of urgency and both sides must refrain from further actions that could be seen as provocative. Urgent progress is needed in the EU-facilitated Dialogue towards the full normalisation of relations between Serbia and Kosovo, which should result in concluding and implementing a comprehensive, legally binding normalisation agreement.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. The Sofia summit brought a renewed commitment to strengthening good neighbourly relations, regional stability and mutual cooperation. Regular government-to-government contacts and technical dialogue and cooperation at bilateral and regional level continued. However, more efforts are needed, in particular in the most sensitive areas. Regional cooperation should be enhanced especially on war crimes, including through reconciliation initiatives, such as the establishment of a regional truth commission. Further efforts are also needed in the area of missing persons, where the adoption of the regional framework action plan is an important step forward. Statements or actions which negatively impact on good neighbourly relations should be avoided. There is no place in the EU for inflammatory rhetoric or the glorification of war criminals, from any side.

Regional cooperation continued, with the EU's connectivity agenda playing an important role, notably through the agreed action plan for a Regional Economic Area, developing transport and energy networks, digital agenda and implementation of youth mobility projects supported through the Regional Youth Cooperation Office. The Erasmus+ programme has continued to foster inter-cultural dialogue in higher education and amongst young people. The South East European Cooperation Process and other regional initiatives have also contributed to fostering stabilisation and cooperation. There has been some progress in delivering connectivity projects on the ground. However, further substantial efforts are needed to meet the outstanding obligations from regional agreements and commitments and to make these operational, including as regards the implementation of the connectivity reform measures agreed in 2015. The connectivity and environmental priorities in the region will in particular require strong synergies with surrounding Member States, including through the EU Strategy for the Adriatic Ionian Region. There should be no obstruction of full and inclusive participation of all Western Balkans partners in regional cooperation initiatives and events. Generally, regional cooperation cannot be imposed from outside but must be driven more actively by the countries of the region, which needs to take full ownership of efforts contributing to stability, reconciliation and increased economic opportunities.

Building on the declaration signed at the February 2019 ministerial meeting on clean energy transition, there is considerable scope for the Western Balkans to embark on a **“Green Agenda”** for the region to address environmental issues, ranging from waste disposal and air pollution to broader issues such as climate change. This would not only directly benefit the health and well-being of their citizens, but also make the region attractive for investments and tourism, and untap the significant economic potential of green growth and the circular economy.

It is important to preserve the progress made so far in the **United Nations-led settlement talks on Cyprus** and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. Turkey's continued commitment and contribution in concrete terms to the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework will be of paramount importance. Turkey needs to urgently fulfil its

obligation of fully implementing the Additional Protocol to the EU-Turkey Association Agreement and make progress towards normalisation of relations with the Republic of Cyprus. The Commission urges Turkey to avoid any kind of threat, source of friction or action that damages good neighbourly relations and the peaceful settlement of disputes. The Commission stresses all the sovereign rights of EU Member States. This includes, inter alia, the right to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea.

h) Pre-accession financial assistance in the next Multi-annual Financial Framework

The proposal of the Commission for the **Instrument for Pre-accession Assistance (IPA III)**⁶ under the next multiannual financial framework 2021-2027 foresees a solid policy-driven approach, with **more strategic and dynamic deployment of assistance**, putting the fundamental requirements for membership at the core of the instrument. By further focusing EU financial assistance on key priorities, the proposed IPA III will provide even bigger leverage for supporting reforms and bring the partners closer to the Union's values and standards. The new IPA III is expected to balance in-built performance, incentivising partners which progress, and in a balanced way ensuring all partners receive fair-share support to assist them in their reform efforts.

This year sees the 10th anniversary of the **Western Balkan Investment Framework (WBIF)**. This successful cooperation and coordination platform, led by the Commission, brings together international and national financing institutions as well as bilateral donors and the beneficiaries. Over the years, it has been instrumental in preparing and financing important infrastructure projects in the Western Balkans linked to connectivity, but also in the environment and social sector. The EU has contributed EUR 925 million in pre-accession funds, which have leveraged so far EUR 5.4 billion of signed loans and estimated investments of more than EUR 18 billion. In line with the Western Balkan Strategy, the WBIF will be further expanded in strategic and financial terms.

III. CONCLUSIONS AND RECOMMENDATIONS

The EU accession process continues to be built on established criteria, **fair and rigorous conditionality**, and the principle of **own merits**. EU accession requires implementation of complex reforms in a challenging environment, an objective which can only be achieved in the long term.

Based on the above analysis and the assessments in the country summaries in annex, the Commission puts forward the following conclusions and recommendations:

I

1. A credible enlargement policy is **a geostrategic investment in peace, stability, security and economic growth** in the whole of Europe. It is also part and parcel of the larger strategy to strengthen the Union by 2025. The EU and its partners aspiring to membership face common opportunities but also challenges like migration, organised crime and

⁶ Proposal for a Regulation of the European Parliament and of the Council establishing the Instrument for Pre-accession Assistance (IPA III), [COM\(2018\) 465 final](#)

terrorism. Preparing the countries concerned to meet all membership requirements continues to be one of the **EU's key political priorities**.

2. **Turkey** remains a key partner for the European Union in several areas of joint interest. The Commission's Western Balkans Strategy of February 2018 created new momentum across the region and greater engagement by the EU and its Member States. Still, the uptake by the countries concerned of this historic window of opportunity varies. **Albania** and **North Macedonia** have embraced the opportunity and delivered on reforms, in particular in the areas set unanimously by the Council conclusions of June 2018. **Montenegro** and **Serbia** are yet to act with greater determination and increase their efforts in crucial areas. **Bosnia and Herzegovina** faces many structural challenges. The Commission's Opinion on the country's EU membership application provides a comprehensive roadmap for reforms, providing new momentum to the country in its EU integration process. **Kosovo** should put the political focus back on advancing on its European path.
3. For the process to move forward, accession candidates need as a matter of priority to deliver more swiftly **genuine and sustainable results on key issues** reflected in the principle of 'fundamentals first': the rule of law, justice reform, fight against corruption and organised crime, security, fundamental rights, functioning of democratic institutions and public administration reform, as well as on economic development and competitiveness. There is also an urgent need for the Western Balkans to make progress on reconciliation, good neighbourly relations and regional cooperation, following the example of the historic agreement between North Macedonia and Greece.
4. The EU has long supported the European perspective of the entire Western Balkans region, as reaffirmed last year. As stated in the Commission's Western Balkans Strategy, none of the countries currently fulfill the membership criteria. Getting there requires years of intensified hard work and results. Also, the Union itself must be stronger and more solid before it can be bigger⁷. Yet, a **firm and credible perspective** for all countries remains essential to drive this transformation, foster reconciliation, export stability to the region and promote EU values, norms and standards. The EU must stick to its commitments and respond clearly and positively to the objective results achieved by the countries in relation to the conditions it has set. This is a strategic investment not only in the region's future, but first and foremost in the EU's own political and economic interest.
5. The EU remains the main external driver of growth and jobs in the Western Balkans. The full adherence of any foreign economic activity to EU values, norms and standards is key for the region's success, notably in areas such as the rule of law, competition, public procurement, environment, energy and infrastructure. **China's increased business and investment activity** in the region can in principle offer opportunities; however, these investments very frequently neglect socio-economic and financial sustainability. This underlines the importance of partner countries fully implementing the spirit and specific provisions of the Stabilisation and Association Agreements with the EU in the above mentioned areas and prioritising the relevant reforms in the accession process.

⁷ This is why, in line with its Roadmap for a More United, Stronger and more Democratic Union, the Commission has put forward a number of initiatives aimed at improving the democratic, institutional and policy framework for the Union of 2025, based on the current Treaties.

II

6. **Turkey** remains a key partner for the European Union in areas of joint interest, ranging from migration and counter-terrorism to energy, transport and trade. The General Affairs Council conclusions of June 2018 stated that under the currently prevailing circumstances, Turkey's accession negotiations have effectively come to a standstill and no further chapters can be considered for opening or closing. The underlying facts leading to this assessment still hold. The Turkish government's repeated commitment to the objective of EU accession has not been matched by corresponding measures and reforms, and the EU's serious concerns on continued negative developments in the rule of law, fundamental rights and the judiciary have not been addressed.

After the lifting of the state of emergency in July 2018, Turkey introduced many of its more repressive elements into current legislation. The new presidential system removed many of the checks and balances that existed previously. It has led to further politicisation of the public administration and the judiciary.

The June 2018 presidential and parliamentary elections and the March 2019 municipal elections were marked by strong turnouts. Voters had a genuine choice despite the evident lack of conditions for contestants to compete on an equal and fair basis. The ruling party enjoyed a notable advantage, also via excessive coverage by government-affiliated public and private media. After the municipal elections, the Supreme Election Council declared four elected mayors and members of municipal councils ineligible to assume office in the south-east of Turkey, even though their candidacies had been validated before the elections. It also annulled the metropolitan mayoral elections in Istanbul and scheduled a re-run for 23 June. The decisions by the Supreme Election Council to re-run elections in Istanbul as well as to grant the mayorship of individual municipalities in the south-east to second-placed candidates are a source of serious concern regarding the respect of the legality and integrity of the electoral process and the institution's independence from political pressure. They go against the very core of a democratic electoral process - that is to ensure that the will of the people prevails.

There has been serious backsliding in the areas of freedom of expression, assembly, and association. Turkey needs to improve the effective protection of fundamental rights, and adopt and implement a comprehensive and credible reform of the judiciary that restores its independence.

Serious backsliding also continued in the Turkish economy, leading to deeper concerns over functioning of the country's market economy. Confronted with strong pressures against the national currency, the Turkish authorities took a range of policy actions that have negatively influenced the functioning of markets. Positive measures were taken to improve the business environment; however, the concerns on the rule of law have further deterred investors.

The March 2016 EU-Turkey Statement continues to deliver results, with both parties committed to its implementation. The declining trend in irregular crossings from Turkey to the EU since the entry into force of the statement was supported by intensified efforts by Turkey. Turkey sustained its outstanding efforts to provide massive humanitarian aid and support to more than 3.6 million refugees from Syria and around 370 000 refugees from other countries. Turkey and the EU further built on the fruitful cooperation under the Facility for Refugees in Turkey. By May 2019, out of the EUR 6 billion mobilised by the EU, more than 80 projects had been launched.

Turkey welcomed the UN's renewed efforts to consult stakeholders as to a possible resumption of negotiations regarding Cyprus. It is important to preserve the progress made so far in the UN-led settlement talks on Cyprus and to pursue preparations for a comprehensive, fair and viable settlement, including its external aspects. Turkey's continued commitment and contribution to these negotiations will be of great importance.

Tensions in the region around the prospect of hydrocarbon exploration off the coast of Cyprus increased, due to Turkey's actions and statements challenging the right of the Republic of Cyprus to exploit hydrocarbon resources in its Exclusive Economic Zone. In May 2019, Turkey sent a drilling platform accompanied by military vessels to the Republic of Cyprus' Exclusive Economic Zone, escalating tensions further. The Commission recalls the European Council statement of March 2018 strongly condemning Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea. It also recalled Turkey's obligation to respect international law and good neighbourly relations and called on Turkey to respect the sovereign rights of Cyprus to explore and exploit its natural resources in accordance with EU and International Law. In March 2019, the EU called on Turkey to refrain from any such illegal acts, to which it would respond appropriately and in full solidarity with Cyprus.

It is urgent that Turkey fulfils its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and removes all the obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus.

Operational cooperation on migration with Greece continued. However, tensions in the Aegean Sea and Eastern Mediterranean undermined regional stability and security. There were repeated and increased violations of the territorial waters and airspaces of Greece and Cyprus by Turkey. Bilateral relations with several EU Member States, in particular with Austria, Germany and the Netherlands improved.

7. **Montenegro** opened two additional negotiating chapters in 2018, bringing the total number to 32 chapters opened, three of which are provisionally closed. The overall priority, and the next milestone ahead, is the fulfilment of the rule of law interim benchmarks set under chapters 23 and 24. After more than five years of work in this regard, Montenegro has come a long way in reforming its legal and institutional framework in this area, with initial results in most areas. Once the interim benchmarks are fulfilled, the setting of closing benchmarks will provide an opportunity for the EU to clearly set out the rule of law requirements Montenegro will have to meet prior to the closing of the relevant chapters. However, Montenegro will be able to reach this new stage in the accession process once the country addresses the shortcomings in particular in the critical areas of media freedom, fight against corruption and trafficking in human beings. Progress on the rule of law chapters will continue to determine the pace of accession negotiations overall.

Montenegro's political scene remains polarised and the opposition has largely continued its parliamentary boycott since the last autumn 2016 elections. Allegations of corruption and illegal political party financing in early 2019 triggered peaceful protests by citizens. Returning the political debate to the parliament is the responsibility of all parties. The temporary parliamentary committee on further reform of electoral and other legislation still has to deliver through cross-party dialogue. Good progress has been made on policy-planning, merit-based recruitment, and rationalisation of the organisation of the state administration, while de-politicisation of the public service remains a particular challenge, including at local level. The country strengthened its legal framework on migration and

asylum. Montenegro's economy continued to expand at a robust pace. The level of public debt reached a new record, however. Private sector development remained constrained by weaknesses in the business environment, and the judiciary, as well as a high prevalence of informality, reflecting poor implementation capacity in key state institutions responsible to enforce the rule of law and market competition.

8. **Serbia** opened negotiations on four chapters during the reporting period, bringing the total number to 16 chapters opened, two of which are provisionally closed. Progress on the rule of law and the normalisation of relations with Kosovo is essential and will continue to determine the overall pace of accession negotiations. Serbia needs to accelerate significantly the pace of rule of law reforms in particular as regards the independence of the judiciary, the fight against corruption, media freedom, the domestic handling of war crimes and the fight against organised crime if it wants to maintain the overall balance of its EU accession negotiations.

Serbia's political scene is marked increasingly by polarisation and a shrinking space for diverging political opinions. There is an urgent need to create more space for genuine cross-party debate, in order to forge a broad pro-European consensus, which is vital for the country's progress on its EU path. Several opposition parties started boycotting the parliament in March 2019. The ruling coalition's parliamentary practices led to a deterioration of legislative debate and scrutiny, and undermined the parliament's oversight of the executive. Weekly anti-government protests started in Belgrade in December 2018 further to an attack on the leader of an opposition party. While there was no progress overall on freedom of expression, a new media strategy was drafted in a transparent and inclusive manner. It now needs to be adopted and implemented as a matter of urgency given the serious challenges in this field. Some progress was achieved in the area of service delivery to citizens but efforts are needed to professionalise and depoliticise the public administration. Serbia's ability to attract and retain qualified staff in the administration dealing with EU issues is crucial. The ongoing constitutional reform process based on the government-sponsored draft of October 2018 aims notably at strengthening the safeguards for judicial independence in line with European standards. Economic reforms continued to produce results, especially on macroeconomic stabilisation. Price pressures remained subdued and labour market performance has improved. However, major structural reforms of public administration, the tax authority, and state-owned enterprises advanced only slowly. The private sector remains hampered by weaknesses in the rule of law and in the enforcement of fair competition. Serbia continued to contribute significantly to the management of mixed migration flows towards the EU.

On the EU-facilitated Dialogue with Pristina, overall, Serbia has remained engaged despite the introduction of the customs tariffs by Kosovo. Serbia needs to make further substantial efforts and contribute, in particular in its international relations, to the establishment of a conducive environment to the conclusion of a comprehensive legally binding agreement with Kosovo. Such an agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths.

9. **North Macedonia** has made great strides towards its strategic goal of EU and NATO integration. The country has shown its determination to advance the EU reform agenda and has delivered tangible and sustained results, including notably on the conditions identified by the June 2018 Council Conclusions for the opening of the accession negotiations. The political will to move forward has been demonstrated consistently by the government and gradually also by the opposition over the reporting period and there has

been a positive change in the mind-set, despite political challenges. The sustainability of these structural reforms is a long-term process and requires continuous engagement. The relevant legislative changes in these areas have been carried out mostly in an inclusive and transparent manner, involving the opposition, civil society and international partners. First concrete results have been achieved in strengthening the independence of the judiciary, the track record of investigations, prosecutions and final convictions in corruption and organised crime cases, including at high level. These efforts need to continue unabated and in a transparent manner to ensure the judicial branch functions professionally and impartially. The State Commission for Prevention of Corruption has taken important steps to fight against corruption proactively, involving high-level officials across the political spectrum. Safeguards have been put in place in the area of intelligence and security services, in cooperation with NATO and strategic partners, to prevent the recurrence of the serious issues of the past. Efforts have been made to improve the professionalisation of public administration and steps have been taken by the State Commission for Prevention of Corruption on alleged politicised appointments. Overall, checks and balances have been restored, consolidating democracy and the rule of law in the country. The Presidential elections held on 21 April and 5 May 2019 were conducted in a calm, peaceful and transparent manner. The historic agreement reached with Greece put an end to a longstanding dispute and is an example of reconciliation for the region and Europe as a whole. The Commission looks forward to the continued implementation of the Friendship Treaty with Bulgaria. After years of stagnation, economic growth resumed at 2.7% in 2018 and unemployment continued to decrease, but remains still high. The government adopted income taxation and pensions reforms and took further measures to improve public finance management and increase transparency. However, skills shortages, structural challenges in the business environment and infrastructure investment gaps hinder competitiveness and integration of domestic companies in global value chains.

In light of the significant progress achieved and the conditions set unanimously by the Council in June 2018 having been met, the Commission recommends that the Council now opens accession negotiations with North Macedonia. To support the continued reform momentum, the Commission would apply a reinforced approach for the negotiating chapters on judiciary and fundamental rights and justice, freedom and security to the country.

10. **Albania** has continued to make good progress and demonstrated its continuous determination to advance on the EU agenda. It has delivered tangible and sustained results, notably on the conditions set in the Council Conclusions of June 2018 for the opening of accession negotiations, in a consistently polarised political atmosphere. Opposition parties, most of which relinquished their parliamentary mandates in February 2019, should constructively re-engage in the democratic institutions and commit to a broad European consensus. Implementation of justice reform has continued consistently, resulting in good progress overall, and laying the foundations for substantially strengthening the sector and consolidating independence, impartiality, professionalism, and accountability. Concrete results have been achieved in the re-evaluation of all judges and prosecutors (vetting). Institutional restructuring of the judiciary has also continued. New bodies for the independent self-governance of the judiciary were established, triggering the subsequent formation of specialised judicial and investigative institutions to counter organised crime and corruption. Determined efforts continued in the fight against corruption and organised crime, including in the fight against drug trafficking and cultivation, contributing towards establishing a solid track record of proactive investigations, prosecutions and convictions. Consistently for the past years, Albania

showed a strong commitment to counter the production and trafficking of cannabis. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations and the arrest and prosecution of organised criminal network leaders. The establishment of a solid track record of proactive investigations, prosecutions and convictions in the fight against corruption at all levels, and in the fight against organised crime, remains a long-term challenge that continues to require further reinforced and consistent efforts by Albania, including operational cooperation with EU Member States.

Furthermore, reform of the public administration continued, with the overall objectives of enhancing professionalism and transparency in recruitment procedures for the civil service, as well as strengthening policy-making by consolidating sector-coordination structures and establishing the regulatory framework for impact assessment. Measures to reinforce the effective protection of human rights, including of persons belonging to minorities and of Roma, and anti-discrimination policies, were further pursued. Economic growth increased further from 3.8% in 2017 to 4.2% in 2018 and unemployment and budget deficit decreased although remaining high. Lack of productive know-how, low education levels and technology transfers hinder its competitiveness and integration into international value chains.

In light of the significant progress achieved and the conditions set unanimously by the Council in June 2018 having been met, the Commission recommends that the Council now opens accession negotiations with Albania. To support the continued reform momentum, the Commission would apply a reinforced approach for the negotiating chapters on judiciary and fundamental rights and justice, freedom and security to the country. Albania needs to continue building solid track records in the fight against corruption at all levels and in the fight against organised crime. A stronger national consensus on the overriding priority of EU integration, overcoming the current polarisation and demonstrating political will across party divides, is also necessary to sustain and consolidate the progress made by the country.

11. In **Kosovo**, the overall political situation proved challenging. Progress made on certain key EU-related reforms was over-shadowed by the decision of the government to impose a 100% tariff on imports from Serbia and Bosnia and Herzegovina, in violation of the CEFTA and against the spirit of the Stabilisation and Association Agreement (SAA). Kosovo should revoke this measure as a matter of urgency and focus on bringing forward the implementation of the SAA, where strong cross-party consensus is needed. Kosovo should effectively implement recently adopted legislation in the areas of rule of law and public administration and complete the implementation of the European Reform Agenda. Serious efforts are needed to prevent political interference in the recruitment of senior civil servants and more concerted efforts are needed to fight corruption and organised crime. Appointments of people convicted for war crimes or corruption/organised crime to official positions are contrary to European values. High levels of corruption and organised crime need to be resolutely addressed, including in the north of Kosovo. There has been some progress regarding the economy, with sustained growth and some improvements in the business environment. However, measures should be adopted to increase activity and employment levels, to ensure that the budget complies with existing fiscal rules, and to tackle the informal economy.

In July 2018, the Commission confirmed that Kosovo has fulfilled all visa liberalisation benchmarks endorsed by the Council. In March 2019, the European Parliament supported the Commission's proposal for visa liberalisation in its first reading. The proposal for visa

liberalisation is pending in the Council and should be treated as a matter of urgency. Kosovo should continue its efforts to respect all criteria, notably in the areas of rule of law and migration.

Overall, Kosovo has remained engaged in the EU-facilitated Dialogue with Belgrade. Kosovo needs to make further substantial efforts and contribute to the establishment of a conducive environment to the conclusion of a comprehensive legally binding agreement with Serbia. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths. The Kosovo government needs to revoke the tariffs on imports from Serbia and Bosnia and Herzegovina.

IV. ANNEXES

- 1. Conclusion and recommendation of the Commission's Opinion on Bosnia and Herzegovina's application for membership of the European Union**
- 2. Summaries of the findings of the reports**
- 3. Implementation of the Western Balkans Strategy and the Sofia Priority Agenda: EU enhanced engagement**
- 4. Statistical annex**

ANNEX 1 - Conclusion and recommendation of the Commission's Opinion on Bosnia and Herzegovina's application for membership of the European Union

Bosnia and Herzegovina does not yet sufficiently fulfil the criteria related to the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, set by the Copenhagen European Council in 1993. In this respect, the country needs to dedicate considerable efforts to sufficiently fulfil such criteria by strengthening its institutions in order to guarantee democracy, the rule of law, human rights and respect for and protection of minorities. Bosnia and Herzegovina needs to bring in line its constitutional framework with European standards and ensure the functionality of its institutions to be able to take over EU obligations. While a decentralised state structure is compatible with EU membership, Bosnia and Herzegovina will need to reform its institutions to be able to effectively participate in EU decision-making and to fully implement and enforce the *acquis*.

Bosnia and Herzegovina needs to improve its electoral framework and the functioning of the judiciary. It should also strengthen the prevention and fight against corruption and organised crime, including money-laundering and terrorism, as well as ensure effective functioning of border management, migration and asylum systems. It needs to step up the protection of fundamental rights of all citizens, including by ensuring an enabling environment for civil society and reconciliation and the protection and inclusion of vulnerable groups. It also needs to complete essential steps in public administration reform.

As regards the economic criteria, Bosnia and Herzegovina has achieved a certain degree of macroeconomic stability. However, to move towards becoming a functioning market economy, which is a criteria set by the 1993 Copenhagen European Council, Bosnia and Herzegovina needs to pay special attention to speeding up its decision-making procedures and improving the business environment as well as the efficiency and transparency of the public sector, in particular of public enterprises. The country should address the impediments to the proper functioning of market mechanisms, such as a weak rule of law, substantial red tape, corruption, lengthy and overly complex administrative procedures and a high fragmentation of the country's internal market. In order to enable it to cope over the medium term with competitive pressure and market forces within the Union, Bosnia and Herzegovina needs to pay special attention to the low quality of education and its insufficient orientation towards labour market needs, the quality of the physical capital, such as the insufficient development of transport and energy infrastructure and the slow adjustment of the country's economic structure.

Bosnia and Herzegovina's track record in implementing its obligations under the Stabilisation and Association Agreement needs to be improved, notably regarding the establishment of the parliamentary dimension of the Agreement and by adopting a national plan for the adoption of the EU *acquis*.

Bosnia and Herzegovina is overall at an early stage regarding its level of preparedness to take on the obligations of EU membership and needs to significantly step up the process to align with the EU *acquis* and implement and enforce related legislation. Particular attention should be paid to the areas of free movement of goods, right of establishment and freedom to provide services, information society and media, agriculture and rural development, fisheries, transport policy, energy, economic and monetary policy, statistics, social policy and employment, enterprise and industrial policy, regional policy and coordination of structural instruments, education and culture, consumer and health protection, and financial control.

Bosnia and Herzegovina's accession would have a limited overall impact on European Union policies and would not affect the Union's capacity to maintain and deepen its own development. At the same time, identified functionality issues within Bosnia and Herzegovina, notably related to the internal decision-making process as well as uncertainty and overlaps between the country's various levels of government over a number of competences could negatively affect the decision-making process at EU level, particularly for matters requiring unanimity amongst EU Member States. Bosnia and Herzegovina should therefore engage in a process to address functionality issues in order to comply with EU membership requirements and take on its related obligations.

The Commission considers that negotiations for accession to the European Union should be opened with Bosnia and Herzegovina once the country has achieved the necessary degree of compliance with the membership criteria and in particular the Copenhagen political criteria requiring the stability of institutions guaranteeing notably democracy and the rule of law. Bosnia and Herzegovina will need to fundamentally improve its legislative and institutional framework to ensure it meets the following key priorities:

Democracy / Functionality

1. Ensure that elections are conducted in line with European standards by implementing OSCE/ODIHR and relevant Venice Commission recommendations, ensuring transparency of political party financing, and holding municipal elections in Mostar.
2. Ensure a track record in the functioning at all levels of the coordination mechanism on EU matters including by developing and adopting a national programme for the adoption of the EU *acquis*.
3. Ensure the proper functioning of the Stabilisation and Association Parliamentary Committee.
4. Fundamentally improve the institutional framework, including at constitutional level, in order to:
 - a) Ensure legal certainty on the distribution of competences across levels of government;
 - b) Introduce a substitution clause to allow the State upon accession to temporarily exercise competences of other levels of government to prevent and remedy breaches of EU law;
 - c) Guarantee the independence of the judiciary, including its self-governance institution (HJPC);
 - d) Reform the Constitutional Court, including addressing the issue of international judges, and ensure enforcement of its decisions;
 - e) Guarantee legal certainty, including by establishing a judicial body entrusted with ensuring the consistent interpretation of the law throughout Bosnia and Herzegovina;
 - f) Ensure equality and non-discrimination of citizens, notably by addressing the *Sejdić-Finci* ECtHR case law;
 - g) Ensure that all administrative bodies entrusted with implementing the *acquis* are based only upon professionalism and eliminate veto rights in their decision-making, in compliance with the *acquis*.
5. Take concrete steps to promote an environment conducive to reconciliation in order to overcome the legacies of the war.

Rule of Law

6. Improve the functioning of the judiciary by adopting new legislation on the High Judicial and Prosecutorial Council and of the Courts of Bosnia and Herzegovina in

- line with European standards.
7. Strengthen the prevention and fight against corruption and organised crime, including money laundering and terrorism, notably by:
 - a) adopting and implementing legislation on conflict of interest and whistle-blowers' protection;
 - b) ensuring the effective functioning and coordination of anti-corruption bodies;
 - c) align the legislation and strengthen capacities on public procurement;
 - d) ensuring effective cooperation among law enforcement bodies and with prosecutors' offices;
 - e) demonstrating progress towards establishing a track record of proactive investigations, confirmed indictments, prosecutions and final convictions against organised crime and corruption, including at high-level;
 - f) de-politicising and restructuring public enterprises and ensuring transparency of privatisation processes.
 8. Ensuring effective coordination, at all levels, of border management and migration management capacity, as well as ensuring the functioning of the asylum system.

Fundamental Rights

9. Strengthen the protection of the rights of all citizens, notably by ensuring the implementation of the legislation on non-discrimination and on gender equality.
10. Ensure the right to life and prohibition of torture, notably by (a) abolishing the reference to death penalty in the Constitution of the *Republika Srpska* entity and (b) designate a national preventive mechanism against torture and ill-treatment.
11. Ensure an enabling environment for civil society, notably by upholding European standards on freedom of association and freedom of assembly.
12. Guarantee freedom of expression and of the media and the protection of journalists, notably by (a) ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers, and (b) ensuring the financial sustainability of the public broadcasting system.
13. Improve the protection and inclusion of vulnerable groups, in particular persons with disabilities, children, LGBTI persons, members of the Roma community, detainees, migrants and asylum seekers, as well as displaced persons and refugees in line with the objective of closure of Annex VII of the Dayton Peace Agreement.

Public Administration Reform

14. Complete essential steps in public administration reform towards improving the overall functioning of the public administration by ensuring a professional and de-politicised civil service and a coordinated countrywide approach to policy making.

The Commission encourages Bosnia and Herzegovina, at all levels of government, to agree and implement socio-economic reform measures, in line with the ERP policy guidance.

The Commission also encourages Bosnia and Herzegovina to continue engaging in regional cooperation and strengthening bilateral relations with neighbouring countries, including by concluding border agreements and striving towards lasting reconciliation in the Western Balkans.

The Commission recommends to the Council to discuss this Opinion and the follow-up to the key priorities above after the formation of governments in Bosnia and Herzegovina.

The Commission will monitor Bosnia and Herzegovina's progress within the institutional

framework of the Stabilisation and Association Agreement and will continue financially supporting the country under the Instrument for Pre-accession Assistance.

The Commission will present a report on Bosnia and Herzegovina as part of the 2020 Enlargement package that will review the implementation of the key priorities above in view of the country's next steps on its EU path.

ANNEX 2 - Summaries of the findings of the reports

Turkey

The state of emergency introduced on 15 July 2016 in the aftermath of the attempted coup ended on 18 July 2018, when its last extension expired, but was immediately followed by the adoption by the Turkish parliament of a law that retained many elements of the emergency rule for further three years. The law limits certain fundamental freedoms, allowing in particular to dismiss public servants (including judges) and to prolong detentions, to restrict freedom of movement and public assembly, and extending powers for Government-appointed provincial governors.

The EU, which immediately and strongly condemned the attempted coup, reiterated its full support for the country's democratic institutions and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature of measures taken since the attempted coup under the state of emergency, such as widespread dismissals, arrests and detentions, continued to raise very serious concerns.

During the state of emergency, 36 decrees were issued constraining certain civil and political rights, as well as defence rights, expanding police powers and those of prosecutors for investigations and prosecutions as well as foreseeing the dismissal of more than 152 000 civil servants, including academics, teachers and public officials.

The Constitutional Court has ruled that it does not have a mandate to review the legality of decrees using legal powers issued during the state of emergency. Parliament has reviewed 32 of them. In May 2017, the Turkish authorities established an Inquiry Commission on the State of Emergency Measures tasked to review all complaints individually.

As of May 2019, 126 600 applications had been made. Of these, the Inquiry Commission has reviewed 70 406 and only 5 250 have led to a reinstatement, while 65 156 complaints have been rejected. There are 55 714 applications pending. The rate of processing of applications raises concerns at whether each case is being examined individually. Since there are no hearings, there is a general lack of procedural guarantees for applicants and decisions are taken on the basis of the written files related to the original dismissal, all of which calls into question the extent to which the Inquiry Commission is an effective judicial remedy.

With the ending of the state of emergency, Turkey has withdrawn its derogations from the European Convention on Human Rights and from the International Covenant on Civil and Political Rights (ICCPR). However, the full monitoring procedure that the Parliamentary Assembly of the Council of Europe reopened in April 2017 remains in place.

Beyond the Inquiry Commission on the State of Emergency Measures, the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined. Several court rulings favourable to prominent defendants, including human rights defenders, were swiftly reversed by another or even by the same court, in some instances following comments from the executive.

Many human rights defenders, civil society activists, media, academics, politicians, doctors, lawyers, judges and lesbian, gay, bisexual, transgender and intersex (LGBTI) people, are still detained – sometimes without indictment, and are facing smear campaigns by the media and senior politicians. The space for civil society organisations working on fundamental rights and freedoms has further shrunk, notably exemplified by the introduction of further administrative obstacles. The rights-based organisations closed down under the state of emergency have not been offered any legal remedy in respect to confiscations. Since October

2018, following the amendment of the Parliament's rules of procedure, civil society organisations are excluded from the legislative consultation process at parliamentary committees. Inclusive mechanisms for consulting across society as widely as possible are not present.

Key recommendations of the Council of Europe and its bodies are yet to be addressed by Turkey. Allegations of wrongdoing need to be established by transparent procedures and on an individual basis. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial.

The new presidential system has centralised power in the hands of the executive and significantly curtailed Parliament's legislative and oversight functions. Since July 2018, Parliament has adopted 17 pieces of legislation, including controversial changes to its rules of procedure. Ministers no longer appear before Members of Parliament, who can ask only written questions.

Growing political polarisation, especially in the run-up to the March 2019 municipal elections continues to prevent constructive parliamentary dialogue. The marginalisation of the opposition, notably the People's Democratic Party (HDP) continues, and many HDP lawmakers are detained. The long-standing shortcomings of the system of parliamentary immunity have not been addressed.

The June 2018 presidential and parliamentary elections and the March 2019 municipal elections were marked by strong turnouts. Voters had a genuine choice despite the lack of conditions for contestants to compete on an equal basis. The ruling party enjoyed a notable advantage, also reflected in excessive coverage by government-affiliated public and private media. After the municipal elections, the Supreme Election Council declared four elected mayors and members of municipal councils ineligible to assume office in the south-east of Turkey, even though their candidacies had been validated before the elections. It also annulled the metropolitan mayoral elections in Istanbul and scheduled a re-run for 23 June. The decisions by the Supreme Election Council to re-run elections in Istanbul as well as to grant the mayorship of individual municipalities in the south-east to second-placed candidates are a source of serious concern regarding the respect of the legality and integrity of the electoral process and the institution's independence from political pressure. They go against the core aim of a democratic electoral process – that is to ensure that the will of the people prevails. The annulment of the metropolitan mayoral election in Istanbul and its re-scheduling were strongly contested by opposition parties.

The full entry into force of the presidential system has remodelled the executive and state administration. The presidential system, including the abolition of the position of Prime Minister and other functions such as Under Secretaries in Ministries, has led to greater politicisation of the public administration. The President now has the power to nominate the heads of the vast majority of public regulatory authorities.

Before the March 2019 municipal elections, continuing arrests and dismissals of local politicians and appointment of trustees as well as the arbitrary nature of these appointments deprived voters of political representation at local level, and seriously risked damaging local democracy.

The government has overhauled the legal framework governing the civil-military relations and increased the powers of the executive over the military significantly, thereby strengthening civilian oversight. As part of the constitutional amendments, high military courts were effectively abolished, but the military and intelligence services continue to lack

sufficient accountability to Parliament and security personnel continue to have wide-ranging legal protection. The parliamentary law enforcement oversight commission remained ineffective. The legal framework for overseeing military expenditure has not yet been improved.

The situation in the south-east has continued to be challenging, despite an improved security environment. The Government continued security operations against a background of the recurrent violent acts by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism. While the Government has a legitimate right to fight terrorism, it is also responsible for ensuring this is done in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. Despite some reconstruction, only few internally displaced persons have received compensation. There were no visible developments on the resumption of a credible political process to achieve a peaceful and sustainable solution.

Turkey is moderately prepared in the area of **public administration reform**, and there has been serious backsliding in the area of public service and human resources management, which has also affected policy developments and accountability. Changes to the civil service system have further increased the politicisation of the administration. Merit-based, competitive appointments for senior managerial positions remain the exception. Serious procedural shortcomings call into question the extent to which the Inquiry Commission on the State of Emergency Measures can be considered an effective remedy for dismissed public officials.

Turkey's **judicial system** is at an early stage of preparation. There has been further serious backsliding and the recommendations in the previous reports were not accepted or implemented. Political pressure on judges and prosecutors and transfers of a large number of judges and prosecutors against their will continued. This continues to have a negative impact on the independence and overall quality and efficiency of the judiciary. The large scale recruitments of new judges and prosecutors under the current system are concerning because no measures were taken to address the lack of objective, merit-based, uniform and pre-established criteria for their recruitment and promotion. The Justice Academy of Turkey was re-established by Presidential Decree, after it had previously been closed under the state of emergency. The chilling effect of the dismissal and forced transfers of judges and prosecutors is still observed, and risk engendering widespread self-censorship. No measures were taken to restore legal guarantees to ensure the independence of the judiciary from the executive or to strengthen the independence of the Council of Judges and Prosecutors (CJP). A judicial reform strategy for 2019-2023 was announced in August 2018 but has not yet been adopted. Turkey consulted the Council of Europe and the Commission on the draft strategy.

The country is at an early stage in the **fight against corruption**. There was backsliding since dismantled preventive bodies have not been replaced by an independent body, in line with the United Nations Convention against Corruption to which Turkey is a party. Both the legal and institutional frameworks continued to allow undue influence from the executive in the investigation and prosecution of high-profile corruption cases. The legislative amendments envisaged in previous anti-corruption strategies have not been implemented. Public procurement legislation remained incompatible with the EU *acquis* and the scope of the derogations to the public procurement law was increased further. The absence of a robust anti-corruption strategy and action plan is a sign of lack of political will to fight decisively against corruption. No permanent, functionally independent anti-corruption body exists and there is no specialised prosecution service to lead anti-corruption investigations and only few specialised courts. Overall, corruption is widespread and remains an issue of concern.

Turkey has some level of preparation in the **fight against organised crime** but progress is limited overall. The country needs to improve its legislation on cybercrime, assets confiscation and witness protections. Turkish data protection is still not in line with European standards and will have to be revised in order to ensure the implementation of the operational agreement with Europol currently being negotiated. Turkey should develop and implement a more comprehensive and coherent legal framework for the confiscation of the proceeds of crime and improve its capacity to manage frozen assets.

Turkey made good progress in the area of **migration and asylum policy** and remained committed to the effective implementation of the March 2016 EU-Turkey statement. The declining trend in irregular crossings from Turkey to the Aegean islands since the entry into force of the Statement was supported by intensified efforts by Turkey's law enforcement agencies. Turkey sustained its outstanding efforts to provide massive and unprecedented humanitarian aid and support to more than 3.6 million registered refugees from Syria and around 370 000 registered refugees from other countries, thus hosting the largest refugee community in the world. Turkey has set up seven working groups to carry out technical work on the outstanding benchmarks of the visa liberalisation dialogue. However, no progress has been made in the harmonisation of the Turkish visa policy with the EU common visa policy.

Serious backsliding remains in terms of **human and fundamental rights**. While the legal framework includes general guarantees of respect for human and fundamental rights, it still needs to be brought in line with the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR). There has been serious backsliding in the areas of freedom of expression, assembly, and association and in procedural and property rights. No changes were made to the legislation introduced immediately after the lifting of the state of emergency, which removed crucial safeguards protecting civil society activists, human rights defenders, journalists, academics and others from abuses. The enforcement of rights is hindered by the fragmentation and limited independence of public institutions responsible for protecting those rights and freedoms as well as by the lack of an independent judiciary. Trade union rights continue to be under severe pressure. No steps were taken to investigate, prosecute or punish those involved in profound human rights violations during the state of emergency. There was a climate of intimidation across society as the state of emergency was used to narrow the space for dissenting or alternative views. As of December 2018, the total number of people in prison without indictment or pending trial is 57 000, more than 20% of the prison population. There is overcrowding and conditions are deteriorating. Severe restrictions on freedom of expression continued and the trend for prosecution of writers, social media users and other members of the public, even children, for insulting the President has dramatically increased. The lack of transparency as to media ownership continues to cast doubt on the independence of editorial comment. Roma⁸ continue to live in very poor housing, often lacking basic public services and relying on social benefits. The urban renewal projects continue to affect primarily their settlements, forcing the displacement of entire families. The rights of the most vulnerable groups and of persons belonging to minorities need better protection. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of LGBTI persons are still a matter of serious concern.

Turkey welcomed the UN's renewed efforts to consult stakeholders as to a possible resumption of negotiations regarding Cyprus. Tensions in the region around the prospect of hydrocarbon exploration off the coast of Cyprus increased, due to Turkey's actions and

⁸ In line with the terminology of European institutions, the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

statements challenging the right of the Republic of Cyprus to exploit hydrocarbon resources in the Cyprus Exclusive Economic Zone. In May 2019, Turkey sent a drilling platform accompanied by military vessels to the Republic of Cyprus' Exclusive Economic Zone, escalating tensions further. The Commission recalls the European Council statement of March 2018 strongly condemning Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea. It also recalled Turkey's obligation to respect international law and good neighbourly relations and called on Turkey to respect the sovereign rights of Cyprus to explore and exploit its natural resources in accordance with EU and International Law. In March 2019, the EU called on Turkey to refrain from any such illegal acts, to which it would respond appropriately and in full solidarity with Cyprus.

The EU has repeatedly stressed the sovereign rights of EU Member States, which include entering into bilateral agreements and exploring and exploiting their natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and has not removed all the obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus.

Operational cooperation with Greece on migration further continued. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several individual EU Member States in particular with Austria, Germany and the Netherlands improved. The Netherlands and Turkey normalised relations. There were repeated and increased violations of the territorial waters and airspaces of Greece and Cyprus by Turkey. Another source of serious concern was the six-month detention of two Greek soldiers who had been patrolling the land border but relations improved significantly on their release in August 2018 and following the Greek Prime Minister's visit to Turkey in February.

In this context, the EU has expressed once again serious concern and urged Turkey to avoid any kind of threat or action directed against a Member State, or any source of friction or actions that would damage good neighbourly relations and the peaceful settlement of disputes.

Regarding the **economic criteria**, serious backsliding continued in the Turkish economy, leading to deeper concerns over the functioning of the country's market economy. In 2018, a sharp deterioration in the external financing conditions exposed vulnerabilities built up over years. In response, the Turkish authorities took a range of policy actions that have negatively influenced the functioning of markets, more importantly, by interfering with price formation and introducing constraints on the free use of foreign exchange. Concerns regarding the independence of key economic institutions have deepened. The current account deficit reached a peak in the first half of 2018 before a strong correction set in as a result of the weakening economy and the fall in the lira. The inflation rate jumped far above the upper band of the target range following the currency crisis and years of high credit growth, high money growth and low real interest rates. There was no progress in improving the transparency of state aid.

Turkey has made some progress and has a good level of preparation to cope with competitive pressures and market forces within the EU. Turkey is well-integrated with the EU market in terms of both trade and investment. Improvements were made in the energy sector, as well as some advances in spending on research and development, education and physical capital. However, there are persistent problems with the quality of education and gender equality.

Regarding its **ability to assume the obligations of membership**, Turkey has continued to align with the *acquis*, albeit at a limited pace. There have been more instances of backsliding regarding a number of key aspects in the areas of free movement of capital, public procurement, competition, information society, economic and monetary policy, and external relations. Turkey is well advanced in the areas of company law, trans-European networks and science and research and it has achieved a good level of preparation in the areas of free movement of goods, intellectual property law, financial services, enterprise and industrial policy, consumer and health protection, customs union and financial control. Turkey is moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also moderately prepared in the area of free movement of capital, statistics, energy, taxation, economic and monetary union, regional policy, education and culture, CFSP and transport policy where further significant efforts are needed across the board. Turkey has reached some level of preparation on competition, agriculture, food safety, veterinary and phytosanitary policy, social policy and employment, environment and climate change where more ambitious and better coordinated policies still need to be established and implemented. In all areas, more attention needs to be given to enforce legislation whilst many areas require further significant progress to achieve legislative alignment with the EU *acquis*, strengthen the independence of regulatory authorities and build the administrative capacities.

Montenegro

Concerning the **political criteria** the reporting period continued to be marked by the low level of trust in the electoral framework, which needs to be revised in a comprehensive and inclusive manner. A temporary parliamentary committee on reform of electoral and other legislation was established in autumn 2018 *inter alia* for this purpose. It however still needs to deliver on its ambitious mandate. Presidential and local elections in 11 municipalities and one urban municipality took place during the reporting period. Local elections continued to take place on a rolling basis, making their international observation difficult, and leaving ample opportunities for claims of irregularities that cannot be independently evaluated.

The political scene remains fragmented, polarised and marked by lack of genuine political dialogue. Limited progress was made in re-establishing the political dialogue in Parliament in the course of 2018 with the temporary and partial return of majority of the opposition parties to Parliament and the establishment of the temporary parliamentary committee. However, following the detention of one opposition Member of Parliament in late 2018, and the allegations of corruption and illegal political party financing (the ‘envelope affair’) in early 2019, the opposition largely returned to boycotting Parliament. These allegations also triggered mobilisation of citizens through regular street protests, attempts at extra-parliamentary political dialogue and the opposition’s demands for the formation of a technical government.

Returning the political debate to the Parliament is the responsibility of all political actors. Active and constructive participation by all parties is required to enhance parliamentary accountability, oversight of the executive, democratic scrutiny and better quality of the legislation. There were no new developments in the political and judicial follow-up of the alleged misuse of public funds for party political purposes in 2012. As regards the recent allegations, the prosecution opened investigations with regard to some of the allegations, and the Anti-Corruption Agency fined the political party exposed for receiving illegal cash donation. These allegations require a credible, independent and effective institutional response.

As regards governance, there is a need to strengthen transparency, stakeholders' participation, and the government's capacity to implement reforms. A new legal framework and methodology on strategic planning should lead to better quality strategic planning, better monitoring and execution. The legal, institutional and financial environment, under which civil society organisations operate, improved overall. However, the genuine inclusion of civil society organisations in the policy-making process remains to be ensured in practice.

Montenegro is moderately prepared with the reform of its **public administration**. Some progress was made overall. There was good progress in particular on the medium-term policy-planning framework, merit-based recruitment, and rationalisation of the organisation of the state administration. However, strong political will is still needed to effectively address the de-politicisation of the public service and the optimisation of the state administration, inclusive and evidence-based policy development, the delegation of decision-making and managerial accountability.

Montenegro's **judicial system** is moderately prepared and some progress has been made. The legislative framework aimed at increasing the independence and professionalism of the judiciary has yet to be fully implemented. Institutional capacity has been strengthened.

Montenegro has achieved some level of preparation in the **fight against corruption**. There was some limited progress during the reporting period. However, corruption is prevalent in many areas and remains an issue of concern. The operational capacity of institutions has improved; however, all institutions should demonstrate a more proactive attitude. Challenges to the credibility, independence and priority-setting of the Anti-Corruption Agency still need to be addressed. Financial investigations and seizure and confiscation of assets remain to be improved. An initial track record of investigation, prosecution and final convictions in high-level corruption cases has been established, but the criminal justice response against high-level corruption remains too limited. Further improvements in this regard will only be possible in an environment where independent institutions are shielded from any undue influence and encouraged to fully use their powers.

In the **fight against organised crime**, Montenegro remains moderately prepared. Some progress was made in judicial cooperation and in some areas of the fight against organised crime. An initial track record of investigations into money laundering, of financial investigations and of temporary seizures of criminal assets was developed. The enhanced international police cooperation is bringing results, as illustrated by a number of high-profile international operations, arrests and drug seizures. However, further results are needed to produce a convincing track record on the more complex types of organised crimes, where local vested interests are at stake, including in money laundering, trafficking in human beings and tobacco smuggling, as well as in the confiscation of proceeds of crime.

On **fundamental rights**, Montenegro further aligned its legislation with EU standards. The capacity of the Ombudsman office and the National Preventive Mechanism has improved, but more efforts are still needed in strengthening the institutional framework and effective protection of human rights. Montenegro needs to ensure that adequate institutional mechanisms are in place to protect vulnerable groups from discrimination. Implementation of the legislation remains weak and institutional capacity on human rights needs to be increased. The Roma and Egyptians minority remains the most vulnerable and most discriminated community. Gender-based violence and violence against children remain issues of serious concern.

Montenegro has achieved some level of preparation on **freedom of expression**, but no progress was made in the reporting period. There have been very limited developments regarding investigations into cases of violence against journalists. Recent political

interference in the national public broadcaster Council and the Agency for Electronic Media are a matter of serious concern. The media scene remains highly polarised and challenges in understanding the role of free media persists. Self-regulatory mechanisms remain weak.

As regards the **economic criteria**, Montenegro has made some progress and is moderately prepared in developing a functioning market economy. The economy continued expanding at a robust pace, improving labour market outcomes even though the unemployment rate remained high. Despite positive export dynamics, the current account deficit, fuelled by strong domestic demand, remained very large and was only partially financed by net inflows of foreign direct investment. Financial sector solvency and liquidity ratios improved, but access to finance for small companies remains hampered by tight lending conditions. Fiscal consolidation efforts continued through 2018, but the budget deficit target was missed while public debt reached a new record, partly due to financing needs for a large highway project, financed by a Chinese loan. Private sector development remained constrained by weaknesses in the business environment, the judiciary, and a high prevalence of informality, reflecting poor implementation capacity in key state institutions responsible to enforce the rule of law and market competition.

Montenegro has made some progress and is moderately prepared in its capacity to cope with competitive pressures and market forces within the Union. The development of infrastructure in a number of areas is gradually setting the preconditions for improved economic competitiveness. However, further efforts are needed to enhance human capital development and to reduce the mismatch between education outcomes and labour market needs. Local companies need to grow and step up efforts to increase international competitiveness.

With regard to **good neighbourly relations and regional cooperation**, Montenegro remained constructively committed to bilateral relations with other enlargement countries and neighbouring EU Member States and an active participant in regional cooperation.

Concerning Montenegro's **ability to assume the obligations of membership**, important work on alignment and preparation for the implementation of the *acquis* has taken place in most areas. The country has reached a good level of preparation in areas such as company law, intellectual property law, energy, and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, competition policy, agriculture and rural development, food safety, veterinary and phytosanitary policy, as well as enterprise and industrial policy. Montenegro is at some level of preparation in the areas such as environment and climate change, and social policy and employment. Good progress has been made in the areas of right of establishment and freedom to provide services, intellectual property law, agriculture and rural development, and food safety, veterinary and phytosanitary policy. Looking ahead, Montenegro should focus in particular on competition policy, environment and climate change, as well as public procurement. Strengthening the administrative capacity for ensuring the application of the *acquis* remains an important challenge for Montenegro. Montenegro has continued to align with all EU common foreign and security policy positions and declarations.

In the area of **migration**, Montenegro was hit by a sharp surge in irregular migration, due to the partial shift of regional migration flux towards the so-called "coastal route" along Albania, Montenegro and Bosnia and Herzegovina. Montenegrin authorities apprehended 4 753 irregular migrants (a 460% increase compared with 2017), which put the country's reception and administrative capacities under strong pressure. The legal framework was further strengthened with the entry into force of an important legal package on migration and asylum, while some measures were taken to increase the reception and operational capacities. Important border cooperation agreements with neighbouring countries were signed and the

European Border and Coast Guard Status Agreement with the EU was initialled. In the next reporting period, Montenegro should further strengthen the capacity to deal with mixed migration flows and the integration of refugees; continue to increase human and material resources devoted to border management and migrants' registration system.

Serbia

As regards the **political criteria**, there is an urgent need to create more space for genuine cross-party debate, in order to forge a broad pro-European consensus which is vital for the country's progress on its EU path. Several opposition parties started boycotting the parliament in early 2019. The ruling coalition's parliamentary practices led to a deterioration of legislative debate and scrutiny, and undermined the parliament's oversight of the executive.

Weekly anti-government protests started in Belgrade in December 2018 in reaction to an attack on an opposition party leader. The overall peaceful protests, demanding freedom of the media and free and fair elections, grew over time. Several opposition parties have announced their intention to boycott parliamentary elections, unless demands for free and fair elections are met. Serbia needs to fully address all recommendations on the elections, identified by international observers, as a matter of priority.

Serbia is moderately prepared in the area of **public administration** reform. Some progress was made in the area of service delivery and with the adoption of several new laws. Political influence on senior managerial appointments remains an issue of serious concern, especially regarding an excessive number of acting positions. Serbia's ability to attract and retain qualified staff in the administration dealing with EU issues is crucial. A coordinated monitoring and reporting system of the public administration reform strategy and public financial management reform programme is yet to be established.

Serbia's **judicial system** has some level of preparation. Some progress was achieved during the reporting period. Last year's recommendations have only been partially addressed. Some progress was achieved in the reduction of old enforcement cases and following up on measures to harmonise court practice. The constitutional reform process, intended to align the constitution with European standards for the judiciary, is ongoing. Further to the adoption of the constitutional amendments, the system for the appointment and evaluation of judges and prosecutors needs to be revised to allow for fully merit-based judicial recruitments and careers. Currently, the scope for political influence remains of concern.

Serbia has some level of preparation in the **fight against corruption**. Limited progress has been made. There is no measureable impact of corruption-prevention reforms. A revised Law on the prevention of corruption (also known as law on the Anti-Corruption Agency) was adopted in May 2019. As regards the repression of corruption, the Law on organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption, which entered into force in March 2018, is being implemented but it is too early to fully assess its impact. Law enforcement and judicial authorities still need to establish a credible track record of operationally independent prosecutions and of finalised high-level corruption cases. Overall, corruption is prevalent in many areas and remains an issue of concern.

Serbia has some level of preparation in the **fight against organised crime**. Some progress was made over the reporting period. Serbia started to implement the new economic chapter of the criminal code and the Law on organisation and jurisdiction of state authorities in the fight against organised crime, terrorism and corruption and adopted a cybercrime strategy for 2019-2023. At the same time, no progress was made in fulfilling the recommendations of the

previous report. Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in organised crime cases, including financial investigations leading to a track record of freezing and confiscating criminal assets. The number of convictions for organised crime (notably in the fight against trafficking in human beings) remains low.

The legislative and institutional framework for upholding **fundamental rights** is broadly in place. Amendments improving the legislative framework related to national minorities were adopted. Consistent and efficient implementation of legislation and policies needs to be ensured. While Serbia has some level of preparation, no progress was made on **freedom of expression**. This lack of progress is now a matter of serious concern. A new media strategy was drafted in a transparent and inclusive manner; it needs to be adopted and implemented. Serbia needs to step up measures to protect the rights of persons facing discrimination, including LGBTI persons, persons with disabilities, persons with HIV/AIDS and other vulnerable individuals.

As regards the **economic criteria**, Serbia has made some progress and is moderately prepared in developing a functioning market economy. External imbalances are on the rise, although their financing remained healthy. Price pressures remained subdued and inflation contained. Major fiscal adjustments over previous years have significantly improved debt sustainability. Financial sector stability was preserved and labour market performance has improved with the exception of the youth activity rate, which declined. Major structural reforms of public administration, the tax authority, and state-owned enterprises advanced slowly, prolonging long-standing inefficiencies. The authorities are addressing weaknesses in the budgetary framework and its governance at a slow pace. The state retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law and in the enforcement of fair competition.

Serbia has made some progress and is moderately prepared to cope with competitive pressure and market forces within the Union. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality, equity and relevance of education and training does not fully meet labour market needs. Investment increased but remains insufficient, after years of underinvestment, to address infrastructure gaps. Although the cost of small and medium enterprises borrowing has declined recently, they still face a number of challenges, including a volatile business environment and unfair competition.

Serbia overall remained committed to bilateral relations with other enlargement countries and neighbouring EU Member States and an active participant in **regional cooperation**. In the context of being granted the seat of the Transport Community Treaty Secretariat, Serbia should now provide further support to ensure the conditions are in place for it to take up operations swiftly.

Regarding the **normalisation of relations with Kosovo**, Serbia has remained engaged in the dialogue and showed restraint in its response to the introduction of the customs tariffs. However, Serbia needs to make substantial efforts, in particular in its international relations, to establish a conducive environment to the conclusion of a legally binding agreement with Kosovo. Such an agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths.

As regards its **ability to assume the obligations of membership**, Serbia has continued to work towards aligning its legislation with the EU *acquis* across the board. Adequate financial and human resources and sound strategic frameworks will be crucial for the pace of reforms. Serbia has a good level of preparation in some areas such as company law, intellectual

property, transport policy, science and research, education and culture, and customs. Serbia improved the linking of its investment planning to budget execution but has yet to develop a single mechanism for prioritising all investments regardless of the source of funding in accordance with the government's public finance management reform programme. In areas such as public procurement, statistics, external relations, social policy and employment, monetary policy and financial services, Serbia is moderately prepared. Serbia continued to make good progress in agriculture and in aligning with the EU transport *acquis* while limited progress was noted in the area of energy. The policy areas of environment and climate change have yet to receive adequate attention.

Serbia needs to address, as a matter of priority, issues of non-compliance with the SAA, regarding in particular state aid control, fiscal discrimination on imported spirits, and restriction to competition in the card-based payment system. Serbia needs to progressively align its foreign and security policy with the European Union's common foreign and security policy in the period up to accession.

Serbia continued to manage the effects of the **mixed migratory flows** towards the EU, which have stabilised throughout 2018. It made some progress in implementing the integrated border management strategy. The European Border and Coast Guard Status Agreement with the EU was initialled. The strategy and action plan to counter irregular migration have been adopted. Serbia needs to respect the obligation of readmission of third country nationals under the EU Serbia Readmission Agreement. Serbia furthermore should refrain from further diverging from the EU visa policy.

North Macedonia

Concerning the **political criteria**, North Macedonia has continued to maintain a steady pace of implementation of EU reforms throughout the reporting period. The government has taken steps to restore checks and balances, and to strengthen democracy and the rule of law. The country has continued to undergo fundamental changes in an inclusive and open political atmosphere. The country has continued to deliver tangible results in key areas identified in the Council Conclusions such as the judiciary, fight against corruption and organised crime, intelligence services reform and public administration. The culture of compromise in the political landscape has improved by the government's efforts to reach out to all stakeholders, including the opposition and civil society, in an inclusive and transparent manner. Following the signature of the historic agreement reached with Greece in June 2018 (also known as the 'Prespa agreement'), a consultative referendum was organised in September 2018, whereby an overwhelming majority of voters who cast their ballots supported EU and NATO membership by accepting the Prespa agreement. The presidential elections were well organised and the fundamental freedoms were respected, allowing the citizens to make informed choices between the candidates. The Parliament has improved its performance as a forum for constructive political dialogue and enhanced its oversight and legislative functions, including by limiting the use of fast-track procedures.

The inter-ethnic situation remained calm overall, despite some occasional tensions. The government pursued its commitment to increase trust among communities. The Ohrid Framework Agreement, which ended the 2001 conflict and provides the framework for preserving the multi-ethnic character of the society, is mentioned in the preamble of the Constitution and continued to be implemented.

The climate in which civil society organisations operate has continued to improve. Civil society continued to play a constructive role in supporting democratic processes. Strategic documents have been adopted, providing guidance on the cooperation between government

and civil society. Both governmental and non-governmental actors should aim at a meaningful consultation process.

On intelligence services reform, North Macedonia has made good progress. Following the reform of the system for interception of communications, the new Operational Technical Agency is fully operational. The country has also embarked on the reform of its intelligence services in cooperation with NATO and other partners. A model has been selected and the legal framework for establishing a new National Security Agency has been adopted.

North Macedonia is moderately prepared with the reform of its **public administration**. Good progress has been made, especially with the implementation of the public administration reform strategic framework, improved public consultations and increased transparency in policy-making and in the area of policy development and coordination. Steps have been taken to address alleged politicised appointments. However, further efforts are needed to enhance accountability of the administration and prevent its politicisation. Respect for the principles of transparency, merit and equitable representation remains essential.

The country's **judicial system** has reached some level of preparation / is moderately prepared and good progress was made in addressing the 'Urgent Reform Priorities' and recommendations from the Venice Commission and the Senior Experts' Group on systemic Rule of Law issues. The country demonstrated continued determination to improve the judicial system and the implementation of the new legal framework is a firm basis for continued progress. A new law on the Public Prosecutor Office to integrate the Special Public Prosecutor within the prosecutorial system has been prepared. The courts have been delivering judgements on some high profile cases filed by the Special Prosecutor's Office. Beyond legal changes, all judicial institutions need to demonstrate their exemplarity and contribute, through additional efforts, to restoring public trust in the judiciary.

As regards the **fight against corruption**, North Macedonia has some level of preparation. Good progress has been made through further consolidating a track record on investigating, prosecuting and trying high level corruption cases and through changes to the legislative framework. In this regard, the new legal framework for preventing corruption has improved and the appointment of the new members of the State Commission for Prevention of Corruption has been far more transparent than in the previous years. The Commission has taken important steps to proactively fight against corruption, involving high level officials across the political spectrum. The Special Public Prosecutor has confirmed its leading role in investigating and prosecuting high-level corruption cases. The authorities have to further step up efforts to demonstrate that fight against corruption is a national priority at all levels of powers. However, corruption is prevalent in many areas and remains an issue of concern.

In the **fight against organised crime**, the country has some level of preparation. The legislative framework is broadly in line with European standards, and efforts to implement strategies against organised crime and actively measuring their impact need to continue. Some progress was also made in meeting last years' recommendations on improving the track record, stepping up law enforcement cooperation and substantially improving the operational capacity to fight trafficking in human beings. Further progress was made at the operational level through improving the effectiveness of the National Coordination Centre for the Fight against Organised Crime and participation in joint operations with EU Member States and neighbouring countries.

The legal framework for the protection of **fundamental rights** is largely in line with European standards and the country made good progress. It increased the protection against hate crime and discrimination with amendments to the Criminal Code and the adoption of the Law on Prevention and Protection from Discrimination. It also adopted an ambitious de-

institutionalisation strategy and it transcribed its objectives to fight violence against women into an action plan for implementing the Istanbul Convention. However, the external oversight mechanism of the police is not yet fully operational and the country needs to develop further the use of alternative sanctions and probation. The country also needs to make additional efforts to consistently disseminate and address recommendations of European and international human rights bodies, notably regarding treatment of detained persons, women and persons with disabilities. The country has some level of preparation / is moderately prepared in the area of **freedom of expression** and it has made good progress over the last year. The climate for media freedom and freedom of expression continued to improve. It is essential that public officials and the political elites demonstrate a higher level of tolerance towards criticism, thereby upholding freedom of expression. The country needs to make sustained efforts to improve the independence and professional standards of the public broadcaster as well as its financial sustainability. Amendments to the Law on Audio and Audio-visual Media Services have been adopted and their implementation will require strong political commitment to guarantee professionalism, respect for the principles of transparency, merit-based appointments and equitable representation.

With regard to **regional cooperation**, the country maintained its good relations with other enlargement countries and participated actively in regional initiatives. Historic steps have been taken to improve good neighbourly relations, including through the entry into force of the Prespa agreement and its implementation, putting an end to one of the oldest disputes in the region. The Commission looks forward to the continued implementation of the bilateral treaty with Bulgaria.

As regards the **economic criteria**, North Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. Economic growth resumed after a year of stagnation, though investment remained subdued. The government took measures to improve public finance management and transparency. It adopted reforms of income taxation and the pensions system. However, the composition of spending worsened, and fiscal consolidation needs to be more ambitious in order to put public finances on a sustainable path. The functioning of the labour market is impaired by persisting structural problems. Contract enforcement and large informal economy continue posing challenges for the business environment.

North Macedonia has made some progress and is moderately prepared to cope with competitive pressures and market forces within the EU. Integration with the EU in trade and investment deepened further. Exports and manufacturing output diversified further towards higher-value products. However, skills shortages, and a lack of skills alignment with those required by companies, reflecting shortcomings in education curricula, impair labour productivity and the competitiveness of the economy. Important investment gaps in public infrastructure remain.

As regards its ability to **assume the obligations of membership**, the country is moderately prepared in most areas, including in the areas of competition, public procurement, transport and energy. The country shows a good level of preparation in areas such as company law, customs union, trans-European networks and science and research. Further efforts are needed across the board, in particular in those few areas where the country is at an early stage of preparation, such as free movement of workers as well as financial and budgetary provisions. More focus is also needed on administrative capacity and effective implementation. The country has continued to improve its alignment with the EU declarations and Council decisions on Common Foreign and Security Policy.

North Macedonia continues to play an active and constructive role in the management of **mixed migration flows**. It cooperates effectively with EU Member States and neighbouring countries. Considerable efforts to ensure basic living conditions and services for all migrants staying in the country continued. There are still uncertainties on the scope and structure of migration flows. The inconsistent registration of migrants apprehended in irregular movements prevents regular and adequate protection-sensitive profiling, as well as referral to national protection mechanisms. Effective control at the southern border has been ensured, including with the deployment of guest officers from EU Member States at the border. The European Border and Coast Guard Status Agreement with the EU was initialled. However, the problem of frequent smuggling activities at the northern border need to be further addressed. The country continues to be under severe pressure due to its geographic location.

Albania

As regards the **political criteria**, Albania has continued to make progress on its EU reform agenda throughout the reporting period. Strong polarisation persisted in the political sphere. Parliamentary activities were affected by a prolonged boycott from opposition parties, which then also relinquished *en bloc* their parliamentary mandates in February 2019. More than half of the relinquished parliamentary mandates have now been reassigned by the Central Election Commission and the quorum for the full functioning of Parliament is maintained. Main opposition parties decided not to register for the local elections, which are scheduled to take place on 30 June 2019. The main opposition parties' disengagement has negatively affected the efforts for a bipartisan electoral reform despite the majority's efforts to move forward. Opposition parties should constructively re-engage in the democratic institutions.

Albania is moderately prepared in what concerns the reform of its **public administration**. Efforts continued in several related areas, resulting in some progress in the efficiency and transparency of public services delivery, improving the regulatory framework on impact assessment of policies, more transparent recruitment procedures, and the overall strengthening of the administration's capacity to undertake merit-based civil service procedures. Consolidation of these achievements should advance further, to ensure a more efficient, depoliticised, and professional public administration.

Albania's **judicial system** has some level of preparation. The implementation of comprehensive and thorough justice reform has continued consistently, resulting in good progress overall. The new institutions for the self-governing of the judiciary, the High Judicial Council, the High Prosecutorial Council and the Justice Appointment Council have been established, representing a crucial step in strengthening the independence and accountability of the judiciary. The temporary re-evaluation of all judges and prosecutors (vetting process) has advanced steadily, producing tangible results. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. More than 140 files have been processed, resulting in 88 dismissals/resignations of magistrates from office and 53 confirmations. Most dismissals pertained to issues related to unjustified assets. These concrete and credible results have substantially strengthened the sector and consolidated independence, impartiality, professionalism, and accountability of the judiciary.

Albania has some level of preparation in the **fight against corruption**. Good progress was made, notably with the adoption of the new Action Plan 2018-2020 for the implementation of the Inter-sectoral Strategy against Corruption, the amendments to the Law on the Declaration and Audit of Assets, the Law on Public Procurement as well as the adoption of the Code of Conduct for members of Parliament. The establishment of an Anti-corruption Task Force has

increased the proactivity of administrative investigations. Direct access to databases for prosecutors and the police continued to improve. Good progress has continued through the strengthening of the track record on investigating, prosecuting and trying high level corruption cases. Concrete results in the fight against corruption include the vetting process which has led to the dismissal from office of a number of high-ranking magistrates, including at Constitutional Court and High Court level. The establishment of the High Prosecutorial Council (HPC) allowed the launch of the establishment of specialised anti-corruption bodies (Special Anti-Corruption and Organised Crime Structure – SPAK, National Bureau of Investigation – NBI). Once the vetting of candidates is completed, the bodies will become operational which will strengthen the overall capacity to investigate and prosecute corruption. However, overall, corruption is prevalent in many areas and remains an issue of concern.

Albania has some level of preparation in the **fight against organised crime**. Police operations to dismantle criminal organisations have been intensified. Several police operations resulted in multiple arrests, and a number of important indictments and convictions took place. These operations resulted in the arrest and prosecution of known leaders of organised criminal groups. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations. Consistently for the past years, Albania showed a strong commitment to counter the production and trafficking of cannabis. Albania allows an intrusive monitoring mechanism by an EU Member State (aerial surveys by the Italian *Guardia di Finanza*, co-financed by the EU) to be in place. In the past two crop seasons, aerial surveillance has certified that almost no cultivation of cannabis has taken place in Albania. These steps represent tangible progress in meeting last years' recommendations on improving the track record. Efforts need to continue, in particular by tackling money laundering and confiscating assets stemming from crimes and other unjustified wealth.

On **fundamental rights**, Albania complies overall with international human rights instruments and developed its legal framework in line with European standards. During the reporting period, Albania has made efforts to meet obligations that arise from international legal instruments. The overall implementation of those instruments remains, however, to be strengthened. Legal framework was improved in the areas of child's rights and domestic violence. A new law on social housing was approved by the parliament in May 2018, which aims to strengthen the protection of the right to housing of the most vulnerable members of the Roma and Egyptian⁹ communities. Further efforts are needed in relation to the consolidation of property rights. As regards the **freedom of expression**, the overall legislative environment is conducive to the exercise of freedom of expression, but implementation requires further efforts.

As regards the **economic criteria**, Albania has made some progress and is moderately prepared in developing a functioning market economy. Economic growth increased further and unemployment decreased but remains still high. Exports grew solidly and the current account deficit narrowed. The high public debt-to-GDP ratio continued to decrease but the pace of fiscal consolidation remained slow. Banks continued to reduce the number of non-performing loans and the use of foreign currency. The banking sector remained stable, though business credit growth did not pick up. Steps towards developing the financial market have been taken. The business environment has improved only in some aspects. Progress in the implementation of comprehensive justice reform is expected to contribute to strengthening the business environment and attracting investments. Some progress was made on increasing

⁹ In line with the terminology of European institutions, the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

labour market participation and the quality and effectiveness of labour market institutions and services, but the employment rate and labour market participation remain low, and the informal economy is still a significant job provider.

Albania has made some progress and has some level of preparation in terms of capacity to cope with competitive pressure and market forces within the Union. Albania has made some progress in terms of energy, transport and digital infrastructure development, but lack of productive know-how, low education levels and technology transfers hinder Albania's competitiveness and integration into international value chains. Exports and regional integration are below potential. Efforts to improve education and training show some results but reforms need to continue in particular to better address rural areas and vulnerable groups. Albania's capacity for research, development and innovation remained very low.

With regard to **good neighbourly relations and regional cooperation**, Albania has continued to participate actively in regional cooperation and maintain good neighbourly relations. Important steps have been taken to address bilateral issues with Greece.

Albania continued to align its legislation to EU requirements in a number of areas, enhancing its **ability to assume the obligations of membership**. The country is moderately prepared in many areas, such as financial control, education and culture and statistics, or has some level of preparation, including in the areas of public procurement and trans-European networks. Albania will need to continue its efforts related to its overall preparations to adopt and implement the EU *acquis*. Adopting a comprehensive Public Internal Financial Control policy and coordinating its implementation with ongoing public administration and public finance management reform remains key towards a functioning system of internal control in public sector. Albania should continue work on the development of the transport and energy networks, and related connectivity reform measures, also with a view to improving connectivity throughout the region.

The administrative capacity and professional standards of bodies charged with the implementation of the *acquis* need to be strengthened and the independence of regulatory bodies safeguarded. Enhancing transparency and accountability, in particular ensuring the effective, efficient and transparent functioning of the public procurement system and public finance management, remains essential. Albania has continued to fully align with all EU common foreign and security policy positions and declarations.

With regard to **migration**, some progress was made in improving the institutional capacity on border management and asylum. Albania signed the European Border and Coast Guard Status Agreement with the EU in October 2018. Reception capacity to deal with mixed migration flows was further enhanced. The number of unfounded asylum applications lodged by Albanian nationals in the EU has decreased but remains high and requires continuous and sustained efforts, as well as to address the phenomenon of unaccompanied minors.

Kosovo

As concerns the **political criteria**, Kosovo made progress in the implementation of certain key EU-related reforms, in particular as regards the improvement of the legal framework in the areas of rule of law and public administration. However, a number of measures and *ad hoc* decisions were not in line with the government's stated reform objectives. The excessive size of the government, including further increases in the number of deputy ministers, has continued to affect its credibility and effectiveness.

The Assembly was able to build majorities on some key strategic issues for Kosovo, as demonstrated by the ratification of the border/boundary demarcation agreement with

Montenegro and the adoption of important EU-related legislative reforms. However, the Assembly continued to operate in a highly polarised political context, and weaknesses in its overall functioning remained, as demonstrated notably by the frequent lack of quorum, resulting in delays in the legislative activity.

There has been limited progress in addressing the EU election observation mission findings and recommendations regarding parliamentary and municipal elections held in 2017.

The situation in the north of Kosovo remains particularly challenging.

There is some level of preparation in the area of **public administration reform**. During the reporting period, some progress was made overall, however serious efforts are needed to tackle the political influence on recruitment of senior civil servants. There was good progress with the adoption of the package of laws on the functioning and organisation of public administration, on public officials and on salaries. Other achievements include the adoption of guidelines on strategic planning and the start of the implementation of the action plan on the rationalisation of agencies. The revised legal framework is an important step towards creating a modern and professional civil service and improving accountability. While the Law on Salaries introduces a more transparent and equal salary system for public officials, its medium-term budgetary impact raises concerns.

Kosovo's **judicial system** is at an early stage. Some progress has been achieved as the Law on the Disciplinary Liability of Judges and Prosecutors and the Law on Mediation were adopted, and the roll out of an electronic case management system has advanced. The number of judicial staff in both prosecution offices and courts increased in 2018, including in the Special Prosecution Office. While the integration into the judicial system of Kosovo Serb judges, prosecutors and their support staff was formally concluded in 2017, more work is needed to ensure full functionality, in particular regarding the Court of Appeals. The judiciary is still vulnerable to undue political influence. The administration of justice remains slow and inefficient and rule of law institutions need sustained efforts to build up their capacities.

Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. Kosovo has made some progress through significant legislative reforms in the rule of law area and in investigating and prosecuting of high-level cases. Progress was also made on preliminary confiscation of assets although final confiscations remain low. Corruption is widespread and remains an issue of concern.

Kosovo is at an early stage in the **fight against organised crime**. Some progress was made notably through significant legislative reforms in the rule of law area, in investigating and prosecuting high-level cases and on the preliminary freezing of assets. However, little progress was made on final confiscation of assets and there are still few financial investigations and final convictions. Measures are needed to strictly ensure there is no political interference with operational activities of law enforcement bodies and the prosecution. The situation in the north of Kosovo with regards to organised crime continues to pose challenges for law enforcement agencies.

Progress was made in the fight against terrorism, especially with regard to creating better conditions for rehabilitation and reintegration of foreign terrorist fighters and their families. The Kosovo authorities need to be more effective in their efforts to fight money laundering and the relevant law should be brought in line with EU *acquis* and international standards.

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. However, the implementation of human rights legislation and strategies is often undermined by inadequate financial and other resources, particularly at local level, limited political prioritisation and lack of coordination. The existing mechanisms

for coordination and implementation of human rights are ineffective. The large dependence on foreign donors remains. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma and Ashkali and displaced persons, to ensure gender equality in practice, to set up an integrated child protection system and to advance the protection of cultural heritage. Kosovo has some level of preparation regarding **freedom of expression**, which is enshrined in the Constitution. Kosovo benefits from a pluralistic and lively media environment. Rule of law institutions increasingly follow up on threats and attacks against journalists and there is a decrease in the number of incidents. A sustainable solution for the funding of the public broadcaster remains to be adopted. The broadcaster remains vulnerable to political pressure and influence.

As regards the **economic criteria**, Kosovo is at an early stage and has made some progress in developing a functioning market economy. Economic growth was robust but the very challenging labour market situation remains a concern. The government adhered to the fiscal rules, but spending pressures relating to social benefits for specific groups of the population and public employees' wages pose risks to public finances and hinder private sector development. The business environment improved somewhat, but persistent challenges remain, including the widespread informal economy, a slow and inefficient judiciary, high prevalence of corruption and overall weak rule of law institutions. Despite strong growth of services exports, economic diversification has advanced slowly.

Kosovo is at an early stage and has made some progress regarding its capacity to cope with competitive pressure and market forces in the EU. Kosovo made some progress in improving roads, but there are large gaps in the railway and energy infrastructure. Little progress was made in securing a stable energy supply and losses in the electricity sector remain very high. Kosovo made some progress as regards the digitalisation of the economy. Little progress was made on improving the quality of education and addressing skills gaps in the labour market. Structural changes are emerging only slowly and the economy remains highly reliant on the domestic trade sector. Export growth is driven mainly by service exports to the diaspora, while the lack of product diversification hinders the growth of goods exports.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional fora. However, Kosovo's decision to impose a 100% tariff on imports from Serbia and Bosnia and Herzegovina has undermined regional cooperation efforts.

Regarding the **normalisation of relations with Serbia**, Kosovo has remained engaged in the dialogue. However, the Kosovo government needs to revoke the tariffs on imports from Serbia and Bosnia and Herzegovina. Kosovo needs to make further substantial efforts to establish a conducive environment to the conclusion of a legally binding agreement with Serbia. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

As regards alignment with **European standards**, Kosovo has some level of preparation. Legislative alignment has continued in some areas but implementation is weak. Some progress was made in the area of free movement of goods, services and capital, as well as on financial services, public procurement and competition. Good progress was made in the areas of statistics and financial control. In the area of taxation and customs, some progress was made in collecting tax revenues, reducing the grey economy, or enforcing customs measures for the protection of intellectual property rights, however Kosovo should step up the fight against the informal economy and tax evasion. Some progress has been achieved to address environmental issues, but implementation is lagging behind. The energy sector continues to face serious challenges, despite some progress especially on energy efficiency. Overall,

Kosovo needs to improve its administrative capacity and coordination, across all sectors, to ensure effective implementation of the *acquis*.

Authorities have made progress in managing regular and irregular **migration**. These efforts should be continued and built on. In this context, Kosovo needs to put in place a return mechanism for irregular migrants in line with EU standards and practices.

ANNEX 3 - Implementation of the Western Balkans Strategy and the Sofia Priority Agenda: EU enhanced engagement

The Western Balkans Strategy, adopted on 6 February 2018, has provided new momentum to EU-Western Balkans relations. The Strategy focuses on areas where further reforms and efforts are needed from the Western Balkans partners, and on the EU's enhanced support to the region. The latter encompasses 57 specific commitments grouped in six flagship initiatives. A significant proportion of these actions were subsequently endorsed by EU Member States and the Western Balkan partners through the Sofia Priority Agenda, adopted at the summit in Sofia on 17 May 2018.

Since the adoption of the Strategy, the Commission has focussed on fulfilling its commitments through enhanced political engagement, tightening operational links between the Western Balkans and the EU and its agencies, providing wider access to finance and technical assistance, as well as refocussing EU financial assistance under the Instrument for Pre-accession Assistance (IPA), which in 2018 alone amounted to an annual allocation for the Western Balkans of over EUR 1.1 billion.

In the first year of implementation of the Strategy, progress has been made in all six flagship initiatives. The region has received significant political attention. The first EU-Western Balkans summit since Thessaloniki in 2003 was held in Sofia in May 2018. There have been visits to the region from the President of the European Council and President of the European Commission, as well as a number of ministerial and high-level meetings. All these events were aimed at mustering political will for a new momentum in the reform processes and for enhanced regional cooperation.

Flagship Initiative 1 – Strengthening support to the rule of law focuses on three priorities: better monitoring of justice reforms, more targeted technical assistance on law enforcement, and enhancing support to civil society, democracy activism and independent media. The EU-Western Balkans Justice and Home Affairs Ministerial Forum in Tirana in October 2018 was crucial for progress in this field, particularly on strengthening cooperation with EU's Justice and Home Affairs (JHA) agencies and on the development of appropriate indicators for the justice systems.

In terms of monitoring justice reforms, the Commission has shifted its approach towards simultaneous missions on specific issues in all six partner administrations, where senior EU law enforcement officials meet their counterparts ("peer-reviews"). A series of reviews on the enforcement of civil and commercial judgements was completed in 2018, another series on public procurement is underway, with one more on organised crime is planned for later in 2019. The Commission is also developing new ways of collecting more harmonised data from the justice systems of the partners. A major deliverable in this respect will be a regional project with the Organisation for Security and Co-operation in Europe (OSCE) on the monitoring of trials in the field of corruption and organised crime. The World Bank has been contracted to carry out a series of regional justice surveys and the Commission for the Efficiency of Justice of the Council of Europe (CEPEJ) will assist in harmonised data collection from the region.

The Commission has also engaged in a more tailored form of technical assistance, namely advisory missions, focusing on justice reforms and the fight against organised crime and corruption. Two such missions are currently underway in Montenegro and Albania, two more are scheduled to start in 2019 in Kosovo and Bosnia and Herzegovina and another one is foreseen in North Macedonia and, possibly, in Serbia.

The Commission is also working closely with the European Endowment for Democracy (EED) to support independent media platforms, civil society and democracy activists. Through additional EU support of EUR 6 million, the Fund has been able to extend its operations to the Western Balkans in 2018, with 14 new grants financed in this field.

Flagship Initiative 2 – Reinforcing engagement on security and migration concerns engaging with the region to address common security threats, including terrorism, violent extremism, radicalisation, organised crime, trafficking of human beings and firearms, hybrid threats, as well as building the capacity of the partners to deal with challenges related to migration and security. This strand of activity was supported by ministerial meetings in London in July and in Tirana in October 2018, which were essential in establishing closer cooperation on security, on stockpile of weapons and in planning joint counter-terrorism measures.

The Commission and the six Western Balkan partners agreed on a Joint Action Plan on Counter-Terrorism at the EU-Western Balkans Justice and Home Affairs Ministerial Forum in Tirana. The Commission is now facilitating the preparation of country-specific action plans, aligned with the regional priorities. The Commission has also set up a regional network of national coordinators for preventing violent extremism, which held two meetings in 2018, and one in March 2019.

The Commission is finalising the review of its 2015-2019 Action Plan on Firearms Trafficking between the EU and South-East Europe. The EU has allocated dedicated funding from the CFSP budget line to support the implementation of the Regional Roadmap on Small Arms and Light Weapons (SALW), adopted at the London meeting of Ministers of the Interior in July 2018.

The EU has reached out to the Western Balkan partners to engage them in the EU Policy Cycle against Serious and Organised Crime and in the preparation and implementation of the relevant annual action plans. The EEAS for its part has increased the frequency of the Common Foreign and Security Policy dialogue meetings with the Western Balkans to encourage further alignment of the region with the EU's common positions. The EEAS has approached all Western Balkans partners to participate in hybrid risk surveys with a view to assessing their vulnerabilities and better directing EU assistance. So far the surveys have been launched with four partners.

On migration, the Commission, in cooperation with relevant EU agencies and international organisations, continues to pursue ambitious projects in the field of migration management, building the partners' capacity in the management of mixed migration flows, establishing asylum procedures, return mechanisms and information exchange. The Commission has also undertaken initiatives to better coordinate the work of the migration liaison officers posted in the region and to improve the exchange of operational information.

In order to achieve better synergies in the field of security and migration, the Commission has been facilitating greater involvement of JHA agencies in the Western Balkans. This included the signature of a working arrangement between the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), the signature of a cooperation agreement between Eurojust and Albania (following those already in place with Montenegro and North Macedonia), and completion of the European Border and Coast Guard Status Agreement negotiations with the five countries of the region that share a border with the EU. The agreement with Albania has entered into force, and the first border guards have been deployed. Finally, in order to improve coordination of engagement of its agencies active in the field, the Commission has set up a Task Force of EU JHA agencies to support work in the Western Balkans.

The total 2018 allocation for actions related to rule of law, security and migration amounted to over EUR 145 million.

Flagship Initiative 3 – Supporting socio-economic development focuses on fostering progress in the implementation of the Regional Economic Area (REA), adapting the existing investment frameworks to boost investment in the region, more strategic use of Economic Reform Programmes and supporting education and social reforms. The meetings of Ministers of Economy in Vienna in July and of the Ministers of Education in Brussels in June 2018 were important catalysts of progress in this flagship, particularly as concerns the implementation of the REA and various initiatives in the area of vocational training, student mobility and recognition of qualifications. In 2019, the EU is also launching systematic meetings with Western Balkans Employment Ministers.

The Commission, together with the Regional Cooperation Council, continued to facilitate the implementation of the REA Multi-annual Action Plan (REA MAP). Milestone achievements in this field included the entry-into-force of Additional Protocol 5 to the Central European Free Trade Agreement (CEFTA) on trade facilitation in April 2018, the endorsement of the Regional Investment Reform Agenda (RIRA) and the launch of a regional programme for financial markets diversification and integration. Negotiations on the liberalisation of trade in services have been completed, while they started on mobility of professionals in the region.

The expansion of the Western Balkans Investment Fund (WBIF), both strategically and financially, is underway. A mid-term review, carried out to inform this expansion, was concluded in 2018, and the Agence française de développement (AFD) became a participating international financial institution (IFI) in the WBIF in December 2018 and the World Bank Group in April 2019. The establishment of the Western Balkans Guarantee, intended to crowd in private investment in the region, is progressing with the ex-ante assessment completed in 2018 and the dialogue with IFIs launched.

The Commission has also enhanced its support to private sector development with a focus on start-ups and access to finance for young entrepreneurs. A new regional youth guarantee scheme of EUR 10 million has been launched to strengthen young people's entrepreneurial capacity and provide job opportunities – it could provide up to EUR 80 million of financing. In Serbia, the Commission has put in place a similar EUR 20 million guarantee programme, expected to leverage up to EUR 180 million in new loans for Serbian start-ups and innovative companies. The Commission is also making arrangements to extend its support for developing smart specialisation strategies to the Western Balkans, currently only offered to Member States.

The EU has taken steps to increase the strategic use of the Economic Reform Programmes (ERP) of the partners by bringing their preparation in line with the European Semester. The monitoring of employment and social reforms has been strengthened through the ERP exercise, but also through the establishment of an annual EU-Western Balkans Ministerial meeting that will take place in June 2019. Moreover, the EU's financial support to employment, education, social inclusion and health has been enhanced through a number of new bilateral assistance programmes, as well as a VET mobility scheme for vocational education and training for the region. The EU is gradually increasing its support under Erasmus+ with a view to doubling it by 2020.

The total IPA allocation in 2018 for actions related to competitiveness, growth and education amounted to over EUR 260 million.

Flagship Initiative 4 – Increasing connectivity focuses on developing links in the region in transport and energy in order to facilitate trade and foster economic growth. The actions foreseen in this flagship are planning and investment in infrastructure, as well as creating appropriate regulatory environment for regional market integration.

The meetings of Ministers of Transport in Ljubljana in April and in Brussels in December 2018 were crucial for adopting a number of transport reform declarations, while the Podgorica Energy and Environment Ministers meeting saw the adoption of a ground-breaking energy transition declaration.

In the field of energy, the Commission is facilitating expanding the EU Energy Union to the Western Balkans and creating a single regulatory space under the Energy Community Treaty. Further progress in this field will require progress in the relevant part of the Belgrade-Pristina dialogue.

A major achievement has been the signature of a joint Statement on Clean Energy Transition by the Ministers of Energy and of Environment of the Western Balkans at their meeting in February 2019 in Podgorica. The Commission has made available EUR 30 million in grants for energy efficiency, in addition to the EUR 50 million already available under the Regional Energy Efficiency Facility (REEF). In 2018, the Commission supported the signature of the Bulgaria-Serbia gas interconnector, which will be partly financed through IPA and European Regional Development Fund. In the area of transport, the Commission has continued to support the implementation of the Transport Community Treaty and the operation of its secretariat. In particular, the Community institutions were established (Regional Steering Committee and Ministerial Council) and the Headquarter agreement with Serbia signed, with an acting Director appointed in early 2019.

The Commission has facilitated a ministerial declaration aimed at removing barriers at borders through integrated road and rail border crossings. The declaration is based on an EU-financed study which identified 32 priority border crossing in the region that could be subject to integration. Bilateral agreements between the concerned countries are now being signed in respect of each of the crossings.

Following the adoption of the relevant ministerial declarations at the Ljubljana TEN-T ministerial meeting and the Sofia summit, the Commission is also facilitating the preparation of a new regional rail strategy and a road safety action plan aimed in particular at reducing road fatalities by removing blackspots. In 2018, the Commission financed 24 inspections of these blackspots by Connecta experts.

In terms of investment in infrastructure, the Western Balkans Investment Framework continued to support the connectivity agenda in 2018. At the Sofia summit, the Commission announced grants for eleven new transport projects with an overall EU grant value of EUR 192.7 million. Since the inception of WBIF, the Commission has provided grant support of EUR 700 million to 31 priority projects through this instrument, which in turn leveraged more than EUR 2.4 billion EUR of external investment.

Flagship Initiative 5 – Digital Agenda for the Western Balkans focuses on building digital economy and society in the region. The Agenda, based on a Commission staff working document setting out the key initiatives, was launched in June 2018 at the EU's annual Digital Assembly. The Commission has also set up information and communications technology (ICT) dialogues with the Western Balkan partners, including visits by the Commissioner for Digital Economy and Society to most capitals in the region.

The Commission has also provided intensive support to the negotiations on a new Regional Roaming Agreement, leading to the abolition of intra-regional roaming charges across the Western Balkans. This was adopted at the Digital Ministerial meeting in April 2019 and will enter into force in July 2019.

The Commission has earmarked EUR 30 million under the WBIF for technical assistance in preparation for broadband connectivity investments and a further EUR 8 million for a regional cybersecurity building initiative.

The EU is also working to open up access of the Western Balkans partners to various European forums and groups. In particular, the partners have been included as observers in the European Regulators Group for Audio-visual Media Services (ERGA) and the Digital Single Market High Level Group (DSM HLG). They were also invited as observers in the Body of European Regulators for Electronic Communications (BEREC).

Finally, the Commission is involving the partners in various Community initiatives in the field of digital skills, eGovernment and eHealth. These include Broadband Competence Office network, Digital Opportunity Traineeship scheme, EU Code Week ambassadors ISA2 programme, “eHealth network”, European Artificial Intelligence Alliance and the EU Blockchain Observatory & Forum.

The total IPA allocation in 2018 for actions related to connectivity in transport, energy and the digital sector amounted to EUR 450 million.

Flagship Initiative 6 – Supporting reconciliation and good neighbourly relations focuses on fostering sustainable and lasting peace in the region, through work on three themes: dealing with the legacy of the past, re-establishing people-to-people connections between communities, and strengthening cooperation in the areas of mutual interest. These issues are systematically on the agenda of the meetings of Ministers of Foreign Affairs of the Western Balkans, as well as a series of high-level meetings on bilateral issues launched by the Austrian Presidency in 2018.

The Commission continues to support the International Residual Mechanism for Criminal Tribunals and the Kosovo Specialist Chambers. Together with the International Commission on Missing Persons and the International Committee of the Red Cross, the Commission is supporting efforts to solve the remaining cases of missing persons and address the needs of their families. The Commission has also strengthened its support to the establishment of a regional truth commission.

The EU provides financial assistance to the Regional Youth Cooperation Office (RYCO) as an important vehicle for increasing mobility and cooperation among young people. The Western Balkans Youth Lab was launched to empower young people to input into policy making. Support has been increased to cooperation between cultural and creative industries under the Creative Europe Programme.

In addition to various multi-country actions supporting regional cooperation, the Cross-Border Cooperation (CBC) Programme is enabling concrete joint community projects on issues such as natural resources management, tourism and culture. The overall EU support to institutional and socio-economic reforms contributes to restoring citizens’ and communities’ confidence and thus fostering an environment conducive to reconciliation.

The total IPA allocation in 2018 in support of good neighbourly relations and reconciliation was close to EUR 80 million.

The Commission will continue to build on the above achievements in the six flagships in the coming years to fully meet the commitments made in the Western Balkans Strategy. We will

continue to keep the partners and the Member States involved and informed through political dialogue, regular stocktaking and dedicated working level meetings. Continued engagement and constructive regional cooperation of the Western Balkans partners will be crucial for the achievement of the ambitious objectives of the Strategy and its action plan.

ANNEX 4 – Key statistics

STATISTICAL DATA (as of 29.04.2019)

Demography	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Total population (thousands)		622.2	622.4	2071.3	2 073.7	2 875.6	2 876.6	7 076.4	7 040.3	78 741	79 815	3 516.0	3 509.7	1 771.6	1 785.5	510 182p	511 373bp
Share of 15-64 in total population (%)		67.6	67.4		70.2	68.7	68.7	66.6	66.3	67.8	68	:	:	65.6p	66.8	65.3	65.0b
Crude rate of natural population change (per 1 000 inhabitants)		1.8	1.5	1.2	0.7	3.6	3.0	-5.1	-5.5	11.2	10.8	-1.8p	-2.0	8.4p	8.2	0.0p	-0.4bp
Life expectancy at birth, males (years)		74.1	73.9	73.4	74.1	77.1	77.1	73.2	73.1	75.4	75.7	:	:	75.9p	:	78.2	78.3b
Life expectancy at birth, females (years)		78.9	79.2	77.5	77.9	80.1	80.1	78.3	78.1	81	81.3	:	:	81.6p	:	83.6	83.5b

Labour market	Note	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	1)	69.1	69.3	69.6	70.3	73.3e	73.9	70.0	71.2	60.9	61.9	58.8	58.4	44.0	49.0	77.6	78.0
Economic activity rate for males aged 20–64: proportion of the male population aged 20–64 that is economically active (%)	1)	76.7	77.0	83.8	84.4	82.5e	84.3	78.0	78.8	83.3	83.7	72.0	71.3	66.8	75.1	83.7	84.1
Economic activity rate for females aged 20–64: proportion of the female population aged 20–64 that is economically active (%)	1)	61.6	61.7	54.9	55.7	64.2e	63.5	62.0	63.6	38.5	40.0	45.3	45.6	20.9	22.6	71.4	72.0
Employment rates, aged 20–64 (% of the population)																	
Total		57.1	58.2	53.3	54.8	62.1e	63.9	59.1	61.5	54.3	55.3	44.2	46.6	32.3	34.4	71.1	72.2
Males		63.0	65.2	63.7	65.6	69.4e	72.1	66.3	68.5	75.5	76.1	56.4	58.1	49.9	54.0	76.9	78.0
Females		51.3	51.4	42.5	43.7	55e	55.6	51.9	54.5	33.2	34.4	32.0	35.1	14.6	14.6	65.3	66.5

Labour market, cont.	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Persons aged 15-24 not in employment, education or training, % of the population in the age group		18.4	16.7	24.3	24.9	26.9e	25.9	17.7	17.2	24.0	24.2	26.4	24.3	30.1	27.4	11.6	10.9
Persons aged 15-29 not in employment, education or training, % of the population in the age group		22.3	21.4	31.3	31.1	30e	29.7	22.3	21.7	27.8	27.5	31.4	28.8	37.3	35.0	14.2	13.4
Employment by main sectors																	
Agriculture, forestry and fisheries (%)		7.7	7.9	16.6	16.2	40.2e	38.2e	18.6	17.2	19.5	19.4	18.0	18.9	4.2	4.4	4.3	4.2
Industry (%)		9.8	9.5	23.1	22.5	12.8e	12.5e	20.2	21.2	19.5	19.1	22.7	22.2	18.0	17.4	17.3	17.3
Construction (%)		7.7	7.6	7.2	7.2	6.5e	6.9e	4.3	4.1	7.3	7.4	8.6	7.3	11.5	12.9	6.7	6.8
Services (%)		74.8	75.0	53.1	54.1	40.5e	42.4e	57.0	57.5	53.7	54.1	50.8	51.6	66.3	65.3	71.7	71.7
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	2)	31.2	32.6	:	:	15.6e	16.4e	28.3	27.8	13.8	13.3	17.8	18.4	30.8	28.4	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	2)	47.0	45.5	:	:	84.4e	83.6e	71.7	72.2	86.2	86.7	82.2	81.6	69.2	71.6	:	:
Unemployment rates (% of the labour force)																	
Total	1)	17.8	16.1	23.7	22.4	15.2e	13.7e	15.4	13.6	10.9	10.9	25.5	20.7	27.5	30.3	8.6	7.6
Males	1)	18.3	15.4	24.4	22.7	15.9e	14.6e	14.8	13.0	9.6	9.4	22.6	19.0	26.2	28.5	8.4	7.4
Females	1)	17.1	16.9	22.7	21.8	14.4e	12.6e	16.2	14.4	13.6	13.9	30.2	23.3	31.7	36.4	8.8	7.9
Youth, aged 15–24	1)	35.9	31.7	48.2	46.7	36.5e	31.9e	34.9	31.9	19.5	20.5	54.3	45.8	52.4	52.7	18.7	16.8
Long-term (>12 months)	1)	13.4	12.4	19.2	17.4	10.1e	8.9e	10.0	8.2	2.2	2.4	21.7	17.0	18.0	21.7	4.0	3.4
Average nominal monthly wages and salaries (EUR)	3)	499	510	363	372	397	446	516	544	607	555	429	435	:	:	:	:

Education	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Early leavers from education and training: percentage of the population aged 18–24 with at most a lower secondary education and not in further education or training (%)		5.5	5.4	9.9	8.5	19.6e	19.6	7.0	6.2	34.3	32.5	4.9	5.1	12.7	12.2	10.7	10.6
Public expenditure on education relative to GDP (%)		:	:	:	:	3.1p	3.1p	3.6	3.7	4.7	4.2	:	:	4.6	4.4	:	:
Percentage of the population aged 20-24 with at most lower secondary education, total		6.8	4.9	12.0	9.3	:	:	7.8	6.8	43.9	42.8	5.8u	6.1u	14.6	13.8	16.8	16.6
Percentage of the population aged 20-24 with at most lower secondary education, males		5.8	4.9	10.9	8.8	:	:	8.6	7.3	44.2	42.9	5.5u	6.1u	12.5	12.8	19.1	19.1
Percentage of the population aged 20-24 with at most lower secondary education, females		7.9	4.9	13.1	9.8	:	:	7.0	6.3	43.7	42.7	6.3u	6.2u	17.0	14.9	14.4	14.1
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total		82.2	86.9	77.2	80.3	:	:	84.9	85.0	35.7	36.1	86.6	86.9	70.5	70.8	65.3	65.1
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males		86.9	90.6	82.5	83.7	:	:	86.3	86.3	38.3	39.4	89.0	89.4	74.5	74.2	66.1	65.8
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females		77.2	82.9	71.8	76.7	:	:	83.3	83.5	33.3	32.9	83.7	84.0	66.0	66.9	64.4	64.4
Percentage of the population aged 30-34 with tertiary education, total		33.9	34.0	29.1	30.5	20.9e	23.5e	29.9	31.4	26.5	27.3	23.1	23.8	19.1	21.8	39.0	39.8
Percentage of the population aged 30-34 with tertiary education, males		31.8	30.0	24.5	24.6	18.0e	21.1e	24.7	25.4	28.3	28.6	16.6u	19.4	18.9	22.4	34.3	34.8
Percentage of the population aged 30-34 with tertiary education, females		35.9	37.7	33.8	36.8	23.9e	26.0e	35.3	37.6	24.6	26.0	29.4	28.4	19.4	21.2	43.8	44.8

National accounts	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Gross domestic product																	
In current prices (EUR billion)		4.0	4.3	9.7p	10.0p	10.7	11.6p	36.7	39.2	780.2	753.9	15.3	:	6.1	6.4	14 958.3	15 382.6
Per capita (EUR)		6 400	6 900	4 700e	4 800p	3 700	4 000p	5 200	5 600	9 800	9 400	4 400	4 700	3 400	3 600	29 300	30 000
In purchasing power standards (PPS) per capita		13 000	13 700	10 800e	10 800p	8 600	9 100p	11 400	11 600	19 200	19 900	9 000	9 500	:	:	29 300	30 000
In purchasing power standards (PPS) per capita, relative to the EU average (EU-28 = 100)		44	46	37e	36p	30	30p	39	39	65	66	31	32	:	:	-	-
Real (volume) annual rate of change, compared with the previous year (%)		2.9	4.7	2.8	0.2p	3.3	3.8p	3.3	2.0	3.2	7.4	3.1	:	4.1	4.2	2.0	2.4
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		9.0	8.4	10.6	9.1p	22.6	21.8p	8.2	7.3	7.0	6.9	7.5	:	13.0	11.4	1.6	1.7
Industry (%)		12.2	11.2	19.7	20.6p	14.0	12.8p	26.3	26.5	22.3	23.2	22.6	:	21.5	21.8	19.5	19.7
Construction (%)		6.7	8.2	8.0	7.2p	10.2	10.5p	4.7	5.0	9.7	9.7	4.6	:	8.1	9.9	5.3	5.4
Services (%)		72.1	72.2	61.7	63.1p	53.2	54.9p	60.8	61.2	61.0	60.2	65.3	:	57.4	56.9	73.6	73.2
Balance of payments																	
Net (inward - outward) foreign direct investment (FDI) (million euro)		371.6	484.3	316.9	180.0	936.5	993.8	1 899.2	2 418.1	9 211.3	7 277.2	256.8	330.1	177.2	212.0	30 664.7	- 72 791.5
Net (inward - outward) foreign direct investment (FDI) (% of GDP)		9.4	11.3	3.3	1.8p	8.7p	8.6	5.2	6.2	1.2	1.0	1.7	:	2.9	3.3	0.2	-0.5
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (million euro)		-25.6	174.1	199.1	100.2	274.7	:	1 304.4	1 756.7	3 166.7	1 786.0	214.9	217.0	15.6	107.3	-	-
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (% of GDP)		-0.6	4.0	2.1	1.0p	2.6	:	3.6	4.5	0.4	0.2	1.4	:	0.3	1.7	-	-
Remittances as % of GDP		4.8	4.7	2.0	1.9p	5.7p	5.5	7.3	7.6	0.1	0.0	8.2	:	11.4	11.8	0.1	0.1

External trade in goods	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Share of exports to EU-28 countries in value of total exports (%)		37.4	34.8	80.0	81.1	77.9	77.2	67.6	67.6	47.9	47.0	71.3	71.2	22.6	24.9	-	-
Share of imports from EU-28 countries in value of total imports (%)		48.2	47.4	61.9	62.9	63.1	61.7	58.7	58.9	39.0	36.4	61.9	60.9	43.1	43.1	-	-
Trade balance (EUR million)		-1 736	-1 932	-1 786	-1 818	-2 399	-2 622	-2 483	-3 194	-50 676	-67 771	-3 448	-3 646	-2 480	-2 669	37 238	21 099
International trade in goods and services relative to GDP																	
Imports (% of GDP)		63.1	64.5	65.5	69.2p	45.8	46.6p	53.4	57.1	24.9	29.3	52.3	:	50.9	52.5	40.4	42.0
Exports (% of GDP)		40.6	41.1	50.7	55.4p	29.0	31.6p	48.6	50.5	22.0	24.8	35.4	:	23.7	26.7	43.9	45.7

Public finance	Note	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
** General government surplus (+) / deficit (-) (% of GDP)		-2.8	-5.6	-2.7	-2.7	-1.8	-2.0	-1.2	1.1	-1.1	-2.8	1.2	2.6	:	:	-1.7	-1.0
** General government debt (% of GDP)		64.4	64.2	39.9	39.5	68.6	66.8	68.8	58.7	28.3	28.3	40.5	36.1	14.6e	16.6e	83.4	81.7

Financial indicators	Note	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Annual change in consumer prices (%)	4)	0.1	2.8	0.2	2.1	1.5	3.3	1.3	3.3	7.7	11.1	-1.1	1.2	0.3	1.5	0.2	1.7
**Private debt, consolidated, relative to GDP (%)	5)	:	:	:	:	:	:	:	:	84.8	85.1	84.5	83.3	:	:	141.9	140.3
Total external debt, relative to GDP (%)		:	:	74.7	73.6p	73.4p	68.7	72.1	65.3	47.4	53.4	:	:	33.2	32.6	:	:
Total debt in foreign currency, relative to GDP (%)	6)	:	:	:	:	73.5	68.7	:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	7)	7.45	6.81	4.25	3.75	5.89	5.98	5.50	5.00	15.79	18.12	4.97	3.88	7.47	6.83	:	:
Deposit interest rate (one year), per annum (%)	8)	0.93	0.69	0.25	0.25	0.80	0.75	2.50	2.00	10.33	13.53	0.09	0.06	1.01	1.04	:	:
Value of reserve assets (including gold) (million euro)		803.0	897.7	2 613.4	2 336.3	2 945.0	2 995.9	10 204.6	9 961.6	95 863.2	95 361.6	4 873.2	5 397.5	605.1	683.4	:	:
International reserves - equivalence in months of imports		3.9	3.9	4.9	4.0	7.2	6.7	6.2	5.4	6.0	5.2	7.3	7.2	2.3	2.4	:	:

Business	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Industrial production index (2010 = 100)		84.4s	81.8s	122.0	122.2	143.8	142.9	111.7	115.8	126.3	134.3	112.0	115.5	:	:	105.6	109.1s

Infrastructure	Note	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Density of railway network (lines in operation per thousand km ²)	9)	18.4	18.4	27.4	27.4	12.2	12.2	48.6	48.5	13.2	13.3	20.0	20.0	30.9	30.9	:	:
Length of motorways (kilometres)		0	0	259	259	:	:	741	963	2542	2657	163	172	98	108	:	:

Energy	Note	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Net energy imports in relation to GDP		3.4	4.9	5.2	5.9	1.3	2.5	3.4	4.3	1.0	1.5	4.3	:	4.1	5.4	1.3	1.5

: = not available
b = break in series
e = estimated value
p = provisional
s = Eurostat estimate/calculation
u = low reliability
- = not applicable

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

** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes:

- 1) Turkey: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 2) Bosnia and Herzegovina: the public sector includes NACE Rev. 2 Sections O, P and Q while the private sector includes other NACE Sections. Montenegro: excludes NGOs; data refer to number of employees (in private or public sectors) as a share of the total number of persons employed.
- 3) Albania: public sector. Bosnia and Herzegovina: net earnings. Serbia: wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 4) Harmonised index of consumer prices except for Bosnia and Herzegovina.
- 5) Bosnia and Herzegovina: data for monetary financial institutions.
- 6) Albania: external debt (including FDI).
- 7) Albania: average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity. Montenegro: weighted average effective interest rate, outstanding amounts, annual. North Macedonia: end of year (31 December). Bosnia and Herzegovina: short-term lending rates in national currency to non-financial corporations (weighted average).
- 8) Albania: deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity. Montenegro: weighted average effective interest rate, outstanding amounts, annual. North Macedonia: end of year (31 December). Turkey: overnight deposit facility. Bosnia and Herzegovina: demand deposit rates in national currency of households (weighted average).
- 9) Serbia: based on total area rather than land area.