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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**2020 Communication on EU enlargement policy**

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## 2020 Communication on EU enlargement policy

### I. INTRODUCTION

Since the new Commission took office in late 2019, **major developments** have taken place on the EU enlargement agenda. In February 2020, the Commission adopted proposals to **enhance the accession process**, and in March the members of the European Council endorsed the General Affairs Council's decision to **open accession negotiations** with the Republic of Albania and with the Republic of North Macedonia. At the EU-Western Balkans Summit on 6 May 2020, the EU leaders reaffirmed the Union's determination to intensify further its engagement with the region and welcomed the pledge of the Western Balkan partners to carry out necessary reforms thoroughly and vigorously.

2020 continues to be marked by the devastating impact of the **COVID-19 pandemic**. The EU, while being seriously affected itself by this crisis, has provided extensive support to the efforts of the governments in particular in the Western Balkans to address those challenges. The EU has also started to reallocate EU financial assistance in view of the urgencies faced by the region due to the crisis, both in terms of health and socio-economic needs

The EU has mobilised **a package of over EUR 3.3 billion** to the benefit of Western Balkans **citizens and businesses**<sup>1</sup>. This includes reallocations from the **Instrument for Pre-accession Assistance of EUR 38 million** of immediate support for the health sector, in particular through delivering essential supplies to save lives such as personal protective equipment, tests and ventilators, **EUR 389 million** to address **social and economic recovery needs**, a further **EUR 455 million economic reactivation package** for the region in close cooperation with the International Financial Institutions, and **EUR 8 million** from the Instrument contributing to Stability and Peace to support COVID-19 response measures for migrants, refugees and asylum seekers in the Western Balkans, as well as a proposal<sup>2</sup> for **EUR 750 million of Macro-Financial Assistance** and a **EUR 1.7 billion package** of assistance from the **European Investment Bank**.

The ongoing pandemic has clearly demonstrated how the EU and the Western Balkans are **tackling common challenges together**. This includes **joint procurement of medical equipment**, associating the region with the work of EU Health Security Committee, exempting them from the EU's export authorisation scheme for personal protective equipment<sup>3</sup> and the supply by the EU of testing material developed by the European Commission's Joint Research Centre to ensure the correct functioning of COVID-19 tests in the Western Balkans. The EU-Western Balkans cooperation and support from the EU **goes far beyond what any other partner has provided to the Western Balkans** reflecting the region's strategic anchoring.

These and other measures were set out in the Commission **Communication "Support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery"**<sup>4</sup> adopted on 29 April. That Communication outlined the immediate EU support to the Western Balkans in tackling COVID-19. Very soon after, EU and Western Balkans leaders met via videoconference on 6 May at the Zagreb Summit, reiterating the EU's strong solidarity with the Western Balkans and reaffirming the European perspective for the region.

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<sup>1</sup> Funding allocated within the existing Multi-annual Indicative Program 2014-2020

<sup>2</sup> 2020/0065 (COD) Proposal for a Decision of the European Parliament and of the Council on providing Macro-Financial Assistance to enlargement and neighborhood partners in the context of the COVID-19 pandemic crisis. 22 April 2020.

<sup>3</sup> Commission Implementing Regulation (EU) 2020/568 of 23 April 2020 making the exportation of certain products subject to the production of an export authorisation (OJ L129, 24.4.20)

<sup>4</sup> [COM\(2020\) 315 final](#)

The April communication also set the scene for the **Economic and Investment Plan**<sup>5</sup> for the region adopted in parallel with this communication. The Economic and Investment Plan aims **to spur the long-term recovery**, boost economic growth and support reforms required to move forward on the EU path, **including bringing the Western Balkans closer to the EU Single Market**. It aims to **unleash the untapped economic potential** of the region and the **significant scope for increased intra-regional economic cooperation and trade**.

In relation to **Turkey**, the EU has so far redirected EUR 83 million to support the fight against COVID-19 and support those most affected. In the context of the Facility for Refugees in Turkey, the Commission immediately launched awareness raising activities for the refugee population, who are among the most vulnerable people. An agreement was reached with the Turkish government to mobilise savings and contingencies under the Facility to support the national COVID-19 response. This support will continue. Turkey pledged EUR 75 million as its contribution to support the search for a vaccine in the COVID-19 Global Response Summit held on 4 May.

### **Overview of key developments**

On 5 February, the European Commission adopted the **Communication “Enhancing the accession process - A credible EU perspective for the Western Balkans”**<sup>6</sup>. The Communication, endorsed by the Council in March, sets out concrete proposals for strengthening the accession process, by making it more predictable, more credible, more dynamic and subject to stronger political steering. It emphasises that the accession process is based on objective and clear criteria and rigorous conditionality and strengthens reversibility, allowing the EU to more effectively and proportionally sanction any serious stagnation or backsliding in reform implementation. The Commission’s proposals underline the importance of a merit-based accession process built on trust, mutual confidence and clear commitments by the European Union and the Western Balkans, with an even stronger focus on fundamental reforms. On 2 March, the Commission presented updates on the implementation of reforms in Albania<sup>7</sup> and in North Macedonia<sup>8</sup>. The updates showed that both countries had increased efforts and delivered further tangible and sustainable results in the key areas identified in the Council Conclusions of June 2018.

Subsequently, the **General Affairs Council** of March 2020 **endorsed the Commission Communication**, decided to **open accession negotiations** with **Albania** and **North Macedonia**, and invited the Commission to submit proposals for **negotiating frameworks** with the two countries.

The Commission presented its **proposals for the negotiating frameworks in July 2020**. These proposals integrate and further develop the enhanced approach to the accession process. The Commission also reported on further implementation of reforms in Albania and in North Macedonia. The Commission looks forward to the first intergovernmental conferences to be convened as soon as possible after the adoption of the negotiating frameworks by the Council.

For Albania, the Council listed a number of conditions to be met prior to its first intergovernmental conference<sup>9</sup>. The country has already made decisive progress in meeting the conditions set by the Council in view of the first intergovernmental conference.

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<sup>5</sup> COM(2020) 641/2

<sup>6</sup> [COM\(2020\) 57 final](#)

<sup>7</sup> [SWD\(2020\) 46 final](#)

<sup>8</sup> [SWD\(2020\) 47 final](#)

<sup>9</sup> Prior to the first intergovernmental conference, Albania should adopt the electoral reform fully in accordance with OSCE/ODIHR recommendations, ensuring transparent financing of political parties and electoral campaigns, ensure the continued implementation of the judicial reform, including ensuring the functioning of the Constitutional Court and the High Court, taking into account relevant international expertise including applicable opinions of the Venice Commission, and finalising the establishment of the anti-corruption and organised crime specialised structures. Albania should also further strengthen the fight against corruption and organised crime, including through cooperation with EU Member States and through the action plan to address the Financial Action Task Force (FATF) recommendations. Tackling the

**Reporting in this year's enlargement package** also reflects the proposals of the **enhanced approach** to the accession process. The assessments and recommendations for the countries, especially the forward-looking guidance on specific reform priorities, are even clearer and more precise. The reports provide greater transparency, including on the state of play of the accession negotiations and the extent to which fundamental reforms are being implemented. Comparative overviews of performance on the fundamentals are provided, as well as external indices to complement the Commission's assessments. Stronger contributions were solicited from Member States, who were consulted during the process and provided input and expertise, including through their Embassies on the ground. The reports also include assessments of the public political commitment of authorities to the strategic goal of EU accession.

For the first time, the Commission assesses the overall balance in the accession negotiations with both **Montenegro** and **Serbia** and proposes the way ahead. This should allow the intergovernmental conferences, which should take place after publication of the Commission's annual package, to provide the fora for political dialogue on reforms, take stock of the overall accession process, and set out the planning for the year ahead, including opening and closing of chapters and possible corrective measures.

Since the last enlargement package, the Council has also adopted conclusions<sup>10</sup> endorsing the 14 key priorities from the Commission's Opinion on **Bosnia and Herzegovina's** application for membership of the European Union<sup>11</sup>. The Commission's Opinion, issued in May 2019, provides a comprehensive roadmap for reforms to guide and support the country on its path towards EU integration. As regards **Kosovo\***, limited progress was made on EU-related reforms, notably due to a prolonged electoral period and two changes of government. It will be important that Kosovo authorities redouble their efforts to advance on the European path, including through the implementation of the Stabilisation and Association Agreement.

Over the past year, the implementation of the **action plan attached to the 2018 Western Balkans Strategy** has continued. The Strategy focused on areas where further reforms and efforts are needed from the Western Balkans partners, and on the EU's enhanced support to the region. 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 in May 2018. An update of progress in the implementation of the various actions is included in annex to this communication.

**Turkey** is a key partner for the EU and a candidate country. Dialogue and cooperation with Turkey have continued, in particular on addressing challenges related to migration, despite concerns over the events at the Greek-Turkish border in March 2020. Turkey sustained its commendable efforts to host around 4 million refugees from Syria and other countries, in what is the largest refugee community in the world. The EU continued to provide significant support to refugees and host communities in Turkey, a concrete testimony of EU solidarity. The Facility for Refugees in Turkey has mobilised EUR 6 billion. A total of EUR 5.1 billion has been contracted, out of which EUR 3.8 billion has been disbursed. In July 2020, the EU agreed to mobilise an additional EUR 485 million to ensure the continuation of key Facility humanitarian support until the end of 2021. Disbursements under the Facility reached an average of EUR 60 million a month during the reference period, indicating faster implementation. There are seven contracts remaining to be signed out of a total of some 115. Assisting refugees affected by the Syrian crisis and their hosting countries will continue to be needed, and the

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phenomenon of unfounded asylum applications and ensuring repatriations and amending the media law in line with the recommendations of the Venice Commission remain important priorities.

<sup>10</sup> In its conclusions, the Council welcomes the Commission's Opinion and urges executive and legislative bodies at all levels of government to start addressing the key priorities identified in the Opinion, in line with the legitimate aspirations of the citizens of Bosnia and Herzegovina to advance towards the European Union.

<sup>11</sup> [COM\(2019\) 261 final](#)

\* 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.

recent Communication on a new Pact on Asylum and Migration noted that continued and sustained EU funding in some form will be essential.<sup>12</sup>

However, Turkey has continued to move further away from the European Union with serious backsliding in the areas of democracy, rule of law, fundamental rights and the independence of the judiciary. The continued arrest and pre-trial detention under broad anti-terrorist legislation of opposition leaders, human rights activists, journalists, civil society and academics is deeply worrying. In June 2019, the Council recalling its conclusions of 26 June 2018 noted that Turkey's accession negotiations have therefore effectively come to a standstill and no further chapters can be considered for opening or closing. Turkey's foreign policy increasingly collided with the EU priorities under the Common Foreign and Security Policy, notably due to Turkey's military operations in north-east Syria and the two Memoranda of Understanding signed with the National Accord Government of Libya, one of them on security cooperation that led to greater Turkish interference in the Libyan conflict, and the other one on the delimitation of maritime jurisdiction, which ignores the sovereign rights of Greece's islands. In light of the unauthorised drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the EU decided a number of measures, including not to hold for the time being the EU-Turkey Association Council as well as further meetings of the EU-Turkey high-level dialogues. The EU further adopted a framework for targeted measures against Turkey in November 2019 and decided in February 2020 to add two individuals to the list of designations under this sanctions framework.

On 1 October 2020, the European Council stated that the EU has a strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship with Turkey. Provided constructive efforts to stop illegal activities vis-à-vis Greece and Cyprus are sustained, the European Council agreed to launch a positive political EU-Turkey agenda with a specific emphasis on the modernisation of the Customs Union and trade facilitation, people to people contacts, High level dialogues, continued cooperation on migration issues, in line with the 2016 EU-Turkey Statement. The European Council also stressed that in case of renewed unilateral actions or provocations in breach of international law, the EU will use all the instruments and the options at its disposal, including in accordance with Article 29 TEU and Article 215 TFEU, in order to defend its interests and those of its Member States.

In order to ensure cooperation and solidarity on the COVID-19 pandemic, the first response measures financed by the EU were launched immediately after the outbreak. Some EUR 83 million of EU support have been redirected, out of which EUR 52 million from the Facility for Refugees in Turkey were swiftly mobilised for the most vulnerable refugees. The Union Civil Protection Mechanism was activated at the end of May 2020 to support Turkey in the repatriation of Turkish citizens stranded in Peru and Colombia.

## II. THE FUNDAMENTALS FOR EU MEMBERSHIP

Preparing the candidate countries and potential candidates to meet the requirements of membership requires a strong focus on the fundamental reforms in the rule of law, the economy and functioning of democratic institutions and public administration. Efforts in these areas are indivisible and mutually reinforcing and must be pursued more forcefully and with clearer political commitment. There will be an even stronger focus on these reforms following the Council's endorsement of the Commission's proposals for enhancing the accession process.

The **rule of law** is a crucial aspect of democratic transformation and the key benchmark against which the enlargement countries' progress towards membership is assessed by the EU. Progress has varied considerably over the last year. One positive element has been that the Western Balkans' operational cooperation with EU Member States and EU agencies has continued to improve and intensify in the fight against terrorism and radicalisation leading to violent extremism, as well as migration and border

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<sup>12</sup> COM(2020) 609 final on a New Pact on Migration and Asylum

management. However, credible progress in the rule of law area remains a significant challenge, which often correlates with a lack of political will, continuing existence of certain elements of state capture, limited progress on judicial independence, institutional resistance and an increasingly difficult environment for civil society. The European Commission recommended that emergency measures taken in the context of the COVID-19 pandemic respect fundamental principles and values, are proportionate, restricted to what is necessary, limited in time, implemented in a non-discriminatory way, subject to judicial and democratic oversight, and overall in line with European Standards.

### **Judiciary and fundamental rights**

An independent and efficient **judiciary**, where decisions are effectively implemented, is of crucial importance for the rule of law. A slow pace of change in judicial culture continues throughout the Western Balkans region without sufficient commitment to the principle of judicial independence and respect for court decisions. In particular, public authorities should refrain from any interference in ongoing cases and from issuing public comments, which risk undermining court decisions.

Albania continues to make good progress in its reform of the judicial system through the continuous implementation of the comprehensive justice reform and the tangible results delivered by the vetting process. There have been more than 286 decisions taken overall and all priority cases finalised in the first instance, leading to 62% of the assessed judges being dismissed or leaving voluntarily. The new independent judicial bodies have been established and are fully operational.

North Macedonia made good progress, including with the entry into force of the law on the Public Prosecutor's Office, which is a key milestone and ensures *inter alia* a sustainable solution for the cases of the Special Prosecutor's Office. Following the so called 'racket case' concerning alleged extortion and abuse of office in relation to a case of the Special Prosecutor's Office, the former Chief Special Prosecutor was sentenced for accepting bribes and misuse of office.

Bosnia and Herzegovina made no progress in the area of judiciary. Obstructions to justice reform from political actors and from within the judiciary, and the poor functioning of the judicial system continued to undermine citizens' enjoyment of rights and the fight against corruption and organised crime.

Kosovo made some progress. A new code of ethics and reinforced disciplinary procedures are in place.

In Montenegro, limited progress was made and challenges remain with regard to the independence, professionalism, efficiency and accountability of the judiciary.

In Serbia there was no progress during the reporting period as it did not implement the recommendations from the previous Commission report. Constitutional amendments aimed at aligning the constitution with European standards have been put on hold until after the parliamentary elections. This delay has repercussions on the adoption of related judicial legislation that is needed to increase safeguards for judicial independence.

In Turkey, the serious backsliding observed since the 2016 coup attempt continued. Political pressure and transfers of a large number of judges and prosecutors against their will continued, further undermining the independence of the Turkish judiciary, and serious concerns remained, in particular over the systemic lack of independence of the judiciary, including the appointment of a parallel system of peace judges. There were concerns that these procedures caused self-censorship and intimidation within the judiciary. The adoption of the Judicial Reform Strategy was a missed opportunity to tackle many of the fundamental reforms required.

The Western Balkans and Turkey continue to show widespread **corruption**. Robust results in the fight against corruption are needed to mitigate the real threats to democratic structures and for a stable and transparent business environment. Progress in successfully fighting high and medium level corruption varies across the region although the overall pace has slowed down and the track record in most countries is far from meeting the requirements for membership. High level and political corruption needs to be tackled in a clearer and more consistent way. One positive sign of engagement is the agreement of Albania, Bosnia and Herzegovina, Kosovo, Montenegro and North Macedonia to

participate in the Sofia priority action on monitoring of trials in high-level corruption and organised crime cases; further discussion in this regard is needed with Serbia. 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.

Albania has made good progress in the fight against corruption. The vetting progress is having an impact and there have been some convictions of high-level officials.

North Macedonia has made good progress in the fight against corruption. There is a consolidation of the track record on investigating, prosecuting and trying high level corruption cases and the State Commission for Prevention of Corruption is increasingly active.

In Bosnia and Herzegovina no progress has been made. The lack of harmonisation of legislation across the country and weak institutional cooperation and coordination continued to hamper the fight against corruption.

In Kosovo limited progress has been observed. Asset confiscation continues to be seen only as an auxiliary aspect of criminal proceedings with little focus and few resources put into it.

In Montenegro there has been limited progress. The track record on the confiscation of assets still needs to be improved. Despite some positive developments, challenges with regard to independence, credibility and priority setting of the Agency for Prevention of Corruption remain largely unaddressed.

In Serbia there has been limited progress. The independence of the Anti-Corruption Agency was strengthened via operational steps, but tangible improvement is needed in relation to the transparency and corruption risk assessments and mitigation in sectors particularly vulnerable to corruption in these fields.

In Turkey there has been no progress. The legal framework and institutional architecture still need to be improved to avoid any undue political influence in the investigation and prosecution phases of corruption cases.

**Fundamental rights** are largely enshrined in the legislation in the Western Balkans and some progress was made in the past year, but implementation remains a challenge in practice in a number of fields across the region. In Turkey, human rights violations continued unabated and those seeking to uphold human rights in Turkey were often arrested and detained.

**Freedom of expression**, as well as media freedom and pluralism, are pillars of democracy as they are essential components of open and free debate. While basic provisions are in place, urgent efforts are necessary to ensure freedom of expression and the independence of the media across the entire region. This is the area where there has been least progress in the last year. Threats, intimidation and violence against journalists are still a source of serious concern and investigations into and prosecutions of such attacks are slow across the region. More efforts are necessary to guarantee the independence of public service broadcasters, to promote transparency in public and private funding of the media and to tackle the distorted advertisement market in all countries in the region.

In Albania there has been no progress. Albanian authorities have committed to reconsider amendments to legislation on the media and take further action in line with the recommendations of the Venice Commission before parliamentary adoption.

In North Macedonia there has been limited progress over the reporting period. The overall situation and climate, in which media operate, are generally conducive to the promotion of media freedom, freedom of expression and critical media reporting.

Bosnia and Herzegovina has seen no progress. Authorities only react weakly to concerns over political pressure, intimidation and threats against journalists.

In Kosovo there has been limited progress. While there continued to be a lively media and pluralism of views, media struggle to sustain themselves financially through commercial means and the public

broadcaster remains vulnerable to political pressure and influence. The lack of financial self-sustainability leaves media vulnerable towards political and business interests.

In Montenegro there has been no progress overall. Although there has been progress due to the revised media legislation, this has been overshadowed by arrests and proceedings against editors of on-line portals and citizens for content they posted or shared on-line in the course of 2020. Measures taken to limit the effects of disinformation and on-line harassment or hate speech should not limit disproportionately freedom of expression and of the media.

In Serbia a new media strategy was drafted in a transparent and inclusive manner and identifying the main challenges. However, the implementation of the new strategy has not yet started and no progress has been made on the ground to improve the overall environment for freedom of expression. Cases of threats, intimidation and violence against journalists are still a source of serious concern in the country.

Despite the lifting of the state of emergency, serious backsliding continued in Turkey, where the exercise of the freedom of expression and dissemination of opposition voices remain considerably limited by the disproportionate implementation of the restrictive measures. Heavy pressure on freedom of expression and intimidation of the media continued as in previous years, with arrests, detentions, prosecutions, convictions and dismissals of media staff leading to censorship and self-censorship among media professionals. Turkey needs to adopt its human rights action plan, which will replace the one on the prevention of the European Court of Human Rights violations, with a view to ensuring full respect for human rights.

Greater efforts are required to ensure **gender equality** and to prevent and address discrimination, harassment and gender-based violence. Reports of domestic violence cases have increased across the region during the COVID-19 confinement period. Women remain underrepresented in decision-making processes and in the labour market.

More efforts are necessary to promote and protect the **rights of the child** in enlargement countries, where urgent steps are needed to strengthen child protection and child care systems. There is also an urgent need to improve protective and counselling services for children, in particular as they interact with the justice system, and when it comes to issues of juvenile detention, including a too limited recourse to restorative justice

Governments also need to further promote and protect the **rights of persons with disabilities** in line with the UN Convention on the Rights of Persons with disabilities and address discrimination against **minorities**. Limited progress has been achieved in improving the socio-economic situation of vulnerable Roma<sup>13</sup>. Existing structural problems resulted on vulnerable Roma being disproportionately negatively affected by COVID-19 crisis and the related restrictive measures. At the Western Balkans Summit, in Poznań in July 2019, Western Balkans Leaders committed to fulfilling concrete objectives on Roma integration by the time of accession, in the fields of education, employment, health, housing, civil documentation and fight against anti-gypsism.

Governments in the region should also further ensure adequate **prison conditions** and prevention of ill-treatment, in line with international human rights standards.

### **Justice, freedom and security**

**Organised crime** continues to be a very serious issue in the Western Balkans and Turkey. Powerful criminal networks with an international reach continue to operate from and via these countries and important smuggling routes run through them. The Balkan route is still the key corridor for heroin and illegal fire arms entry into the EU. The countries have addressed certain aspects of this phenomenon and there have again been important arrests and seizures of drugs reported throughout 2019 and 2020.

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<sup>13</sup> 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.



Increasingly intensive operational cooperation, including with EU agencies is taking place, 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 standalone money laundering in recent years, often the result of plea bargaining and with lenient sentences. 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 need to tackle criminal groups more forcefully, ensure no links between crime and politics are tolerated and increase significantly the **seizure and confiscation of assets** in both organised crime and corruption cases.

In Albania there has been good progress in the fight against organised crime. Operational co-operation, notably with EU Member States and agencies has been intensified.

North Macedonia has made some progress, including by establishing an asset recovery office in line with the EU *acquis*.

In Bosnia and Herzegovina there has been no progress. The authorities and the judiciary have not taken appropriate action to address the key priorities of the Commission opinion and the findings of the Expert Report on Rule of Law (“Priebe report”).

Kosovo has seen limited progress. Overall results achieved by prosecution and courts remain limited and final confiscations of assets remain low.

In Montenegro there has been some progress. Montenegro made good progress in the fight against trafficking in human beings. The capacity and professionalism of the police has been strengthened and there are an increased number of on-going proceedings on asset confiscation.

In Serbia there has been limited progress. There has been limited success in dismantling criminal networks and in establishing a track record of proactive investigations, prosecutions and convictions.

Turkey has seen limited progress. The legal framework regulating the fight against money laundering and terrorist financing needs strengthening.

The Western Balkans continue to take important measures to modernise the legal and institutional framework regarding the **fight against terrorism and violent extremism**. Operational cooperation with EU Member States and EU agencies has further improved and intensified. In 2018, a Joint Action Plan on Counter-Terrorism was adopted and all Western Balkans partners have signed respective bilateral implementing arrangements with the Commission in 2019. The Western Balkans need to continue their efforts to prevent radicalisation leading to violent extremism including in prisons and address the issue of returning foreign fighters. Exchange of information, monitoring and response capacities need to be enhanced. The Western Balkans need to step up efforts on the ground to fight money laundering, terrorism financing and undue external influence as well as illegal financing contributing to the spread of violent extremism.

Turkey needs to revise its anti-terror legislation. While Turkey still faces threats from terrorist groups, Turkish efforts to tackle terrorism resulted in an improved security climate. Turkey continued its efforts to fight against home-grown and foreign terrorist fighter cells. Cooperation continued with EU Member States on detecting and repatriating foreign terrorist fighters, which is one of the key areas of joint interest. In its threat perception, Turkey has prioritised the fight against the Kurdistan Workers’ Party (PKK), which remains on the EU list of terrorist organisations, and the dismantling of the Gülen movement. 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. This is currently not the case. Anti-terror measures need to be proportionate and undertaken in accordance with the rule of law, human rights and fundamental freedoms.

So called hybrid activities originating in particular from third-state actors, including **disinformation** around COVID-19, have become increasingly prevalent in the Western Balkans and Turkey. Such incidents expose the vulnerability of societies and infrastructure **to cyber-attacks, cybercrime and**

**hybrid threats.** As stated in the Zagreb Declaration, cooperation should be reinforced to address disinformation and other hybrid activities. Closer collaboration is needed in resilience-building, cyber security and strategic communication.

Managing the **refugee crisis** as well as addressing **irregular migration** have been key challenges for the EU, the Western Balkans and in particular Turkey, which is hosting the largest number of refugees in the world.

Cooperation continued through the joint work along the Eastern Mediterranean/Western Balkans migratory routes. Smuggling of migrants, unaccompanied minors and human trafficking, especially affecting women and children, remain of concern. There has been a marked increase in the number of migrants crossing through the region in 2019, with over 15 000 irregular arrivals to EU Member States detected on the Western Balkans route, which was a 159% increase compared to 2018. Bosnia and Herzegovina in particular saw the irregular entry of more than 29 000 refugees and migrants in 2019. While the current situation is not comparable to the number of irregular migrants at the peak of the crisis (750 000 in 2015 alone), more EU support, coordinated with Member States and EU agencies, is needed to strengthen the partners' capacity in managing migration. There is a need for further support to step up voluntary returns and cooperation on readmission with countries of origin. The EU and its Member States should continue to encourage and support regional information exchange.

The recently proposed New European Pact on Migration and Asylum stresses that in comprehensive partnerships, migration should be built in as a core issue, based on an assessment of the interests of the EU and its partner countries. The Western Balkans require a tailor-made approach, both due to their geographical location and to their future as an integral part of the EU: coordination can help to ensure they are well equipped as future Member States to respond constructively to shared challenges, developing their capacities and border procedures to bring them closer to the EU given their enlargement perspective. On Turkey, the Pact notes the contribution of the Facility for Refugees in Turkey and that continued and sustained EU funding in some form will be essential.

In the Western Balkans, EU supported the creation of new or more robust institutions, laws and procedures in the areas of asylum, protection and border management, as well as the transposition of complex and demanding EU *acquis* in each Western Balkans partner. Western Balkan partners should also assume responsibility and ownership for all aspects of migration.

Negotiations have also been completed on status agreements with five countries of the region allowing for the deployment of European Border and Coast Guard (Frontex) teams with executive powers in the zones bordering the EU external border in support of national border authorities. In order to strengthen border management and border protection, the entry into force and effective implementation of all European Border and Coast Guard Status agreements is a key priority. The agreement with Albania has already entered into force, and first border guards have been deployed. The agreement with Montenegro has also come into force on 1 July.

Partner countries should take further steps to ensure full alignment with the EU visa policy.

The EU and Turkey have been committed to implement the **EU-Turkey Statement**<sup>14</sup> of March 2016. Since then, Turkey played a key role in ensuring effective management of migratory flows along the Eastern Mediterranean route. Irregular migration from Turkey to the EU increased in 2019, although the figures continue to be substantially below those recorded prior to the Statement. This is also a partial reflection of the increase in irregular migration towards Turkey in 2019 as compared to previous years. Early in March 2020, Turkey however actively encouraged migrants and refugees to take the land route to Europe through Greece. While the EU acknowledged the increased migratory burden and risks Turkey had been facing on its territory and the substantial efforts it was making in hosting refugees, it strongly rejected Turkey's use of migratory pressure for political purposes. Later in

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<sup>14</sup> <https://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>

March, the Turkish authorities organised transports for migrants and refugees away from the border area with Greece and closed the borders with Greece and Bulgaria except for commercial traffic, because of the outbreak of the COVID-19 pandemic. Significant increases of migratory flows from Turkey to Cyprus were also recorded during this period. Turkey has continued to make remarkable efforts in **hosting 3.6 million registered refugees from Syria** and around 370 000 refugees from other countries. The EU continued to support the country in assisting refugees. The full operational budget of the EUR 6 billion **EU Facility for Refugees in Turkey**<sup>15</sup> was allocated at the end of 2019, out of which EUR 5.1 billion had been contracted, out of which EUR 3.8 billion have been disbursed so far. Disbursements continue to follow progress in contracting and in project implementation and reached an average of EUR 60 million a month during the reporting period. Over 100 projects have been signed so far, with the largest projects to run until mid-2025 at the latest. The Facility continues to address the humanitarian and development needs of refugees and host communities in Turkey, with tangible and visible results<sup>16</sup>. The Facility continues to be a flagship coordination mechanism allowing for the swift, efficient and effective delivery of EU assistance.

In addition to the EUR 6 billion already mobilised under the Facility for Refugees in Turkey, in July 2020 the EU ensured continued assistance to the most vulnerable refugees, through a package of EUR 485 million for the continuation of two EU flagship humanitarian projects until the end of 2021.<sup>17</sup>

### **Functioning of democratic institutions**

Strengthening democratic institutions and ensuring inclusive democratic processes remain key priorities for the enlargement countries. The proper functioning of parliaments, including in overseeing the executive and effective law making, is a key condition for EU accession.

Democratic systems in the Western Balkans are still not functioning properly due to strong political polarisation, in some cases limited space for the oppositions' democratic control function, and opposition boycotts of elections and parliamentary work.

Free and fair elections are pivotal for a country's democratic governance. The recommendations of election observation missions must be properly implemented and structural weaknesses need to be addressed.

In Albania, political parties reached an agreement on electoral reform that should give Albania an electoral process with higher integrity and transparency standards, based on recommendations of OSCE/ODIHR. Elections in the country suffered from boycotts by opposition groups.

In Bosnia and Herzegovina, legislative amendments adopted in July 2020 should allow holding local elections in Mostar in December, for the first time since 2008. Political leaders also reached an agreement on further electoral reform.

In Kosovo, the parliamentary elections in October 2019 were for the most part competitive, but also underlined the importance of addressing recurrent shortcomings in line with EU election observation mission recommendations.

In North Macedonia and Serbia, the elections, initially scheduled in April 2020, were postponed due to the outbreak of the COVID-19 pandemic. Parliamentary elections took place in Serbia on 21 June, in North Macedonia on 15 July and in Montenegro on 30 August.

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<sup>15</sup> [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.

<sup>16</sup> Almost 1.7 million refugees continue to benefit from monthly cash transfers, 9 million primary health care consultations have been delivered, and the families of more than 600,000 children attending school having received financial support. Implementation of some 100 Facility projects is under way.

<sup>17</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1324](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1324)

In North Macedonia, the OSCE/ODIHR assessed that the July 2020 elections were well run, despite the pandemic. Some of their previous recommendations were addressed but the legal stability was undermined by substantial revisions of the electoral code and by subsequent *ad hoc* regulations enacted during the state of emergency.

In Montenegro, tensions and mistrust among political actors were high in the run up to the elections. The temporary Parliamentary committee was not able to complete its work, due to lack of quorum, and therefore the general elections on 30 August 2020 were conducted under a largely unchanged electoral framework. No political party boycotted the elections. According to the preliminary assessment of OSCE/ODIHR, the elections in Montenegro were competitive and took place in an environment highly polarized over issues of church, and national identity. The campaign was peaceful despite the frequent confrontational tone. Contestants were able to convey their messages, but the ruling party gained an undue advantage through misuse of office and state resources and dominant media coverage.

A number of opposition parties in Serbia continued their parliamentary boycott, despite the European Parliament-led inter-party dialogue between the ruling majority and some parliamentary and extra-parliamentary opposition in 2019. Several opposition parties also boycotted the parliamentary elections in June 2020. The new Serbian parliament is marked by the overwhelming majority of the ruling coalition and the absence of a viable opposition party. While contestants in Serbia's parliamentary elections on 21 June were able to campaign and fundamental freedoms were respected, voter choice was limited by the governing party's overwhelming advantage and the promotion of government policies by most major media outlets, according to international observers from the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR). A number of opposition parties boycotted the elections.

The rules for the **public and private financing of political parties** require further reforms. In Serbia, the government adopted decisions aiming to regulate the use of public resources for electoral purposes. Shortcomings in the legal framework regulating political parties and their funding persist in Montenegro, even after the adoption of new legislation in December 2019, and its subsequent amendments on April 2020. Bringing more transparency and accountability in political party and electoral campaign financing throughout the region still require substantial efforts.

In **Turkey**, the presidential system continued to excessively centralise powers at the level of the Presidency without ensuring an effective checks and balances mechanism. The Parliament's legislative and oversight functions continued to be significantly curtailed. Many Members of Parliament of the opposition pro-Kurdish People's Democratic Party (HDP) remain in detention. Three Members of Parliament were stripped off of their membership in Parliament in June 2020. The March 2019 local elections and the mayoral election in Istanbul that was re-run in June 2019 suffered from a lack of media plurality and did not provide conditions that were objectively fair to all political parties and candidates in all respects. Turkey needs to improve the broader environment for elections and protect the integrity of the election process. Forceful dismissals of elected mayors in the south-east and their replacement by government-appointed trustees as well as arrests of local representatives continued and remain a source of great concern as they undermine local democracy.

Governments need to ensure that the opposition has adequate conditions to perform its democratic control function. At the same time, the opposition needs to engage in the democratic processes. The excessive use of shortened parliamentary procedures hampers this role of the opposition and affects the checks and balances that characterise a well-functioning democracy. The use of urgent procedures varied among the countries but in general remains excessive and open to abuse.

Even in the context of **emergency measures taken during the COVID-19 crisis**, Parliaments should continue to have the power to control executive action and should play a role in overseeing the state of emergency, including the decision if the state of emergency should be extended. The dissolution or suspension of parliament may adversely impact on this power.

In **Albania**, the government has issued a number of decrees extending until June 2020 the state of emergency, in place after the November 2019 earthquake. Parliamentary committees have continued their activities through teleworking, while weekly plenary sessions resumed on 16 April. The Parliament adopted amendments to the criminal code related to the spreading of infectious diseases. All court cases, bar urgent ones, were suspended. By the end of May, court hearings resumed.

In **Bosnia and Herzegovina**, the State-level Parliament did not hold sessions between mid-March and mid-May 2020. The assembly of the *Republika Srpska* entity introduced a state of emergency from 3 April to 20 May, vesting full legislative powers in the entity president; the Federation entity introduced online parliamentary sessions.

The **Kosovo** government declared a public health emergency in March 2020. Measures were put in place to protect citizens, including temporary restrictions to non-essential movements, quarantining of areas, bans on gatherings, freezing of most air traffic and closing of borders. Measures have also been taken to address immediate needs and to mitigate the socio-economic consequences of the crisis. The Assembly has continued to function during the crisis.

No state of emergency was declared in **Montenegro**. Measures to fight the pandemic, protect citizens and mitigate the socio-economic consequences of the crisis were taken by the authorities, with restrictions on freedom of assembly and freedom of movement of citizens. The parliament's legislative process was suspended for nearly 50 days and the role of the parliament in overseeing the government response to the pandemic was limited. The authorities are expected to ensure the right balance between protection of health and respecting confidentiality of personal health data and the right to private life of its citizens.

The President of **North Macedonia** declared the state of emergency in March, which was extended several times until June 2020. The political leaders decided by consensus to postpone the early elections, initially scheduled on 12 April, to 15 July 2020. During this period, the Parliament remained dissolved and the technical government, with the participation of the main opposition party, issued decrees. The authorities have taken unprecedented measures to protect citizens such as the limitation of non-essential movements and gatherings, imposed self-quarantine, freezing of air traffic and closing borders. Measures have also been taken to address immediate needs and to mitigate the socio-economic consequences of the crisis.

The state of emergency was declared in **Serbia** on 15 March with the signature of the President, Prime Minister and Speaker of the Parliament. The parliament only convened just over six weeks later and approved the state of emergency on 28-29 April and lifted it a week later. Parliamentary, provincial and local elections initially scheduled for April were postponed. The authorities have taken wide-ranging temporary measures, including strict curfew hours, closure of schools and universities, bans on public gatherings, freezing of most air traffic and closing of borders.

The **Turkish** Parliament passed by majority a controversial legislative package. Among other measures it aimed at reducing the high prison population and provided for the conditional release of some 90 000 prisoners. However, it excluded those held in pre-trial detention for alleged terrorism-related offences, including lawyers, journalists, politicians and human rights defenders. The Parliament decided to be in pandemic-related recess for 10 days, which was followed by a regular one-month recess during the month of Ramadan.

### **Public administration reform**

**Public administration reform** is essential for improving governance at all levels. This includes increased transparency and accountability, sound public financial management and administrations that are more professional. Albania, North Macedonia, Montenegro, Serbia are moderately prepared as regards public administration reform and there has been overall progress in the region. However, in Serbia no progress was made as the excessive number of acting senior manager positions was not reduced significantly. Kosovo has some level of preparation, while Bosnia and Herzegovina is at an early stage. Turkey has seen backsliding in the areas of policy development, accountability of the

administration as well as human resources management, which had a negative impact on its overall state of preparedness.

There has been some progress with improving **policy planning**, but further efforts are needed to ensure a strong quality control by central governments. Montenegro strengthened and rationalised policy planning and achieved a reduction in the number of strategic documents. Policies, legislation and public investments are still often prepared without impact assessments.

**Managerial accountability and professionalisation** of the civil service still need to be ensured in most countries and excessive **politicisation addressed**. Transparent and merit-based procedures for recruitment, promotion, demotion and dismissal need to be embedded in the legislative frameworks and consistently implemented across public services. 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. Enhanced inter-institutional coordination is needed to implement public administration reforms.

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 ensured. Decisions and actions taken by the Turkish authorities against municipalities with mayors from opposition parties remain of deep concern, in particular when they appear to be politically motivated.

The administrative capacity and professional standards of bodies charged with the implementation of the EU *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. Even though Serbia aligned significant parts of its public procurement legislation with the EU *acquis*, a law on special procedures for linear infrastructure adopted in February 2020 allows the exemption of infrastructure projects of “special importance” for Serbia from the application of public procurement rules and thus allows for the circumvention of EU rules and standards. In Montenegro, a high-profile tender for the concession to operate Airports of Montenegro was launched by the government in October 2019. The process constitutes a test for the government’s determination to follow the EU standards of fair and transparent public procurement. Turkey registers large gaps in its alignment with the EU *acquis* in this area, as the coverage of public procurement rules is significantly reduced by various exemptions, as well as discriminatory domestic price advantages and set-off practices. To mitigate the risks of fraud during COVID-19 pandemic, it is especially important to maintain audit trails. Posting all procurement information related to COVID-19 on government portals will also contribute to enhanced transparency and trust.

Reform of national governance systems to enhance managerial accountability, sound **financial management** and external audit of public funds, are crucial. In North Macedonia, some progress was made with the implementation of the new policy paper on public internal financial control and the national anti-fraud strategy, but improved internal control and effective follow-up of external audit recommendations have yet to be pursued, and financial inspections are still not efficient. In Montenegro, further efforts are needed to address managerial accountability and to strengthen internal control and internal audit at all levels. In times of crisis, the authorities should maintain a variety of controls to ensure that budgetary decisions are being executed as approved and resources being used as planned to avoid waste, fraud and mismanagement. Transparency of those measures should be guaranteed and external oversight bodies involved in ensuring accountability of government’ actions. Further efforts should be made in combating fraud and partner countries are encouraged to continue strengthening the cooperation in this regard and avail themselves of the support of the European Anti-Fraud Office in order to mitigate the risks of fraud.

## **Economy**

EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union. Economic governance has become even more central in the enlargement process in recent years. The Commission's monitoring in this area is done through the Economic Reform Programme exercise<sup>18</sup> and the assessment of compliance with the economic criteria for accession in the enlargement package. During the reporting period, Albania, Montenegro and Serbia made some progress as regards both the existence of a functioning market economy and the capacity to cope with competitive forces. Turkey made no progress, while Bosnia and Herzegovina, Kosovo and North Macedonia made limited progress on the existence of a functioning market economy. North Macedonia also made some progress on the capacity to cope with competitive forces, while Turkey made no progress, and Bosnia and Herzegovina and Kosovo made limited progress on this. Only Turkey is a functioning market economy, despite serious concerns in this regard, and has a good level of preparation as regards the capacity to cope with competitive pressures.

The Western Balkans have **important untapped economic potential** and significant scope for increased intra-regional economic cooperation and trade. With a population of nearly 18 million people, the region is an important market for EU goods. Before the COVID-19 pandemic, average growth rates in the region were above the EU average, but still not sufficient to support real convergence with EU income levels. The COVID-19 pandemic has led to major demand and supply shocks with falling output and rising unemployment. The duration and severity of the recession will differ across the countries, depending on economic structures and the importance of global supply chains, tourism, and remittances or, in some cases, commodity exports. Partners in the region have taken immediate and subsequent fiscal measures to mitigate crises impact, which inevitably led to higher public debt and deficit levels. A key challenge will be to ensure a targeted, effective and transparent crisis response while safeguarding fiscal sustainability over the medium term.

The COVID-19 pandemic has brought to the forefront the high level of market integration and the inter-dependence between the EU and the Western Balkans economies, as well as amongst the latter themselves. The Western Balkans region is engaged in a process of regulatory convergence with the EU. This alignment will allow the deepening of the Regional Economic Area (REA), turning it into a **common regional market** based on EU rules and standards. Both developments reinforce each other and make the region an attractive investment area.

However, the Western Balkans still face **major challenges** that do not allow them to take full advantage of their economic potential and to close the gap in convergence with the EU. 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 the youth, large skills mismatches, persistent informal economy, brain drain, low female labour market participation, and low levels of innovation. Improving the quality and relevance of the education and training systems in the region and strengthening the links between employers and educational institutions is essential. The **investment climate** remained largely unchanged and is characterised by weak rule of law, the lack of adequate enforcement of State aid rules, an entrenched grey economy, poor access to finance for businesses and low level of regional integration and connectivity. State interference in the economy persists. 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

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<sup>18</sup> The EU supports better economic governance in the Western Balkans and Turkey through the annual **Economic Reform Programme (ERP) process**. This has become the key tool for formulating and implementing macroeconomic and structural reforms designed to raise competitiveness and boost growth and job creation. The ERPs process will be adapted to take into account the economic and social impact of the COVID-19 pandemic.

on transparency and solid due diligence as is the case with the connectivity projects financed via the Western Balkans Investment Framework.

Ensuring an unobstructed flow of goods (essential foodstuffs and medical equipment in the first place) has been a key focus throughout the COVID-19 crisis. To do so, the EU and the Western Balkans established green corridors at critical border crossing points, as did the Western Balkans for intra-regional trade in a well-coordinated and expeditious manner.

The **EU remains by far the biggest trading partner** of the Western Balkans accounting for 69.4% of total trade in goods in 2019 (82.9% of total exports and 61.8% of total imports). Since 2009 trade has grown by 129.6%.

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. **Increasing business and investment activity** by third countries in the Western Balkans frequently neglects socio-economic and financial sustainability and EU rules on public procurement, and may result in high levels of indebtedness, exclusion from the market of EU companies unable to compete, sub-optimal use of public resources and transfer of control over strategic assets and resources.

The Economic and Investment Plan for the region adopted in parallel with this communication will play a significant role in addressing the challenges outlined above and in fostering mutually beneficial, sustainable economic growth and investment.

In **Turkey**, serious concerns persist over the functioning of the country's market economy. The recession and rapid fall in domestic demand led to a marked turnaround and closing of the current account deficit, but Turkey's external financing needs still remain high, exposing the economy to shifts in investors' sentiment and to the risk of sanctions. Inflation fell from a very high level but remained well above target. The economy rebounded in the second half of 2019, helped by expansionary public sector policies and a strong contribution of net exports. However, this recovery remains fragile, given the weak labour market, the need to repair corporate balance sheets, and persistent geopolitical uncertainty. The informal sector in Turkey remains large. State interventions in price setting mechanisms continued, and there is a continued lack of state aid implementation rules, enforcement and transparency, while the institutional set up remains incomplete. **Economic governance in Turkey deteriorated** further with recurrent political pressure undermining the credibility and functioning of the independent institutions. Turkey needs to reverse the trend of backsliding in market reforms. Turkey remains well integrated with the EU market in terms of both trade and investment links, but the relative share of the EU in Turkey's foreign trade declined (EU share in Turkish exports fell from 50% in 2018 to 48.5% in 2019, and from 36.25% of imports down to 34.2%), amid a growing list of deviations from Turkey's obligations under the EU-Turkey Customs Union. Significant problems remain in education as regards quality and access. Women face difficulties in accessing quality education and the labour market.

### **III. THE ABILITY TO TAKE ON THE OBLIGATIONS OF MEMBERSHIP**

The **Western Balkans** have continued to align their legislation with EU requirements in a number of areas, albeit at different paces.

Most countries in the Western Balkans are already moderately prepared in many of the areas of the **internal market**: the free movement of goods, services and capital, competition policy, financial services and consumer and health protection. Montenegro and Serbia have a good level of preparation in company law and intellectual property law. Serbia made good progress in the fields of the right of establishment and freedom to provide services, company law, intellectual property law, competition



policy, and financial services.

There is also a moderate level of preparation in most Western Balkan countries in areas linked to **competitiveness and inclusive growth**, namely information society and media, taxation, economic and monetary policy, enterprise and industrial policy. Albania, Montenegro, North Macedonia and Serbia are moderately prepared on the area of information society and audio-visual media, including progress made on the digital agenda strategies and e-Government services. Kosovo has some level of preparation in these areas, whereas Bosnia and Herzegovina is at an early stage of preparations. Montenegro made good progress in the areas of taxation and in science and research. Montenegro and Serbia have a good level of preparation in science and research and in education and culture. In the area of customs union, North Macedonia, which has made good progress, and Serbia have a good level of preparation, while Albania, Kosovo and Montenegro are moderately prepared. Bosnia and Herzegovina has some level of preparation. Across the board, however, socio-economic reforms must be pursued to help address the existing structural weaknesses, low competitiveness, high unemployment, as well as the impact of the COVID-19 pandemic.

The **green transition and sustainable connectivity** are key to economic integration within the region and with the European Union, facilitating cross-border trade within the region and creating real benefits for businesses and citizens. Serbia and partially Montenegro are at a good level of preparation in the area of transport policy. North Macedonia has made good progress in the area of energy and has a good level of preparation in trans-European networks, where Montenegro and Serbia demonstrate a moderate level of preparation. Albania, North Macedonia, Montenegro and Serbia show some level of preparation as regards environment and climate change, Kosovo is at an early stage of preparation, and Bosnia and Herzegovina is at an early stage / has some level of preparation. All countries need to significantly step up their efforts in this area.

In terms of **resources, agriculture and cohesion**, North Macedonia and Montenegro are moderately prepared in the area of **agriculture and rural development**, while Albania, Kosovo and Serbia have some level of preparation and Bosnia and Herzegovina is at an early stage. North Macedonia and Montenegro also made good progress in the area of food safety, veterinary and phytosanitary policy. Furthermore, within the Central European Free Trade Agreement (CEFTA) framework, the parties have adopted a decision for facilitating trade in fruits and vegetables. As regards **regional policy and coordination of structural instruments**, the Western Balkans are moderately prepared, with the exception of Bosnia and Herzegovina, which is at an early stage.

The enlargement countries must also speed up and maintain their alignment with the **EU Common Foreign and Security Policy (CFSP)**, including with restrictive measures. In the Western Balkans, Albania and Montenegro have continued to fully align with all CFSP positions (HRVP declarations on behalf of the EU and Council decisions on restrictive measures). Serbia continued to develop intense relations and strategic partnerships with a number of countries worldwide, including Russia, China and the US. Serbia's cooperation with China increased during the COVID-19 crisis and was marked by pro-China and EU sceptical rhetoric by high-ranking officials. Turkey's foreign policy increasingly collided with the EU priorities under the Common Foreign and Security Policy, notably due to Turkey's military operations in north-east Syria and the two Memoranda of Understanding that it signed with the National Accord Government of Libya, one on security cooperation, which led to greater Turkish support to the GNA, and the other one on the delimitation of maritime jurisdiction, which ignores the sovereign rights of Greece's islands.

**Turkey** has continued to align with the EU *acquis*, albeit at a very limited pace and in a fragmented manner, indicating that there is no overall alignment strategy. There continued to be instances of backsliding in a number of key aspects in the areas of competition, information society and media, economic and monetary policy, customs union, external relations and foreign, security and defence policy. Turkey is well advanced in company law, trans-European networks, and science and research, and has achieved a good level of preparation in free movement of goods, intellectual property law, financial services, enterprise and industrial policy, consumer and health protection, customs union and

financial control.

#### IV. REGIONAL COOPERATION AND GOOD NEIGHBOURLY RELATIONS

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. Regular government-to-government contacts and technical dialogue and cooperation at bilateral and regional level continued.

Inclusive regional organisations - the Regional Cooperation Council, the Transport Community, and the CEFTA - have been instrumental in putting into action the region's response throughout the COVID-19 crisis. They coordinated efficiently with all Western Balkan partners, amongst themselves and with the Commission.

**Regional cooperation** continued to deliver results. The connectivity agenda contributed to developing transport and energy networks. However, further substantial efforts are needed to meet the outstanding obligations from regional agreements and commitments, including the implementation of the connectivity reform measures agreed in 2015. Countries of the region need to take full ownership. There should be no obstruction of full and inclusive participation of all Western Balkans partners in regional cooperation initiatives and events. The Erasmus+ programme has continued to foster inter-cultural dialogue amongst young people.

Both the Western Balkans Summit in Poznan in 2019 and the Zagreb Summit between the EU and the Western Balkans in May 2020 were opportunities for the leaders of the region to agree to pursue an ambitious green and digital transformation and to continue developing connectivity in all its dimensions: transport, energy, digital and people-to-people. The leaders called for a Green Agenda for the region, which would not only directly benefit the health and well-being of their citizens, but also make the region more attractive for investments and tourism and tap the significant economic potential of green growth and the circular economy. This Green Agenda accompanies the Economic and Investment Plan for the region.

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 make the Western Balkans a more attractive investment destination. Market integration will help develop new value chains and increase the attractiveness of the region for foreign direct investments. Enhanced connectivity in transport and energy will accelerate the integration into pan-European networks. The Transport Community will support and strengthen the implementation of the connectivity agenda.

Fast and secure digital connectivity is an essential element of the reforms required for creating a market- and investment-friendly environment in the Western Balkans. As part of the Regional Economic Area, the new **Regional Roaming Agreement** signed in April 2019 has led to the progressive reduction of roaming charges as of July 2019 and will lead to the elimination of roaming charges as of July 2021. 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.

On the **trade** side, the adoption of overdue decisions in CEFTA include the adoption of the Additional Protocol 6 to liberalise trade in services, the mutual recognition of Authorised Economic Operators programmes and the adoption of an agreement to facilitate trade of fruits and vegetables.

A Declaration on recognition of **Higher Education Qualifications** was endorsed at the Western Balkans Summit in July 2019 in Poznań. This sets out an automatic recognition model for higher education qualifications and study periods spent abroad and is an important part of efforts for tighter regional economic integration. More efforts are needed to make progress on mutual recognition of professional qualifications in order to create a more integrated labour market and offer much needed possibilities for youth in the region.

Overcoming the **legacy of the past** and addressing disputes arising from the conflicts of the 1990s remain key. Important outstanding bilateral issues still have to be solved, including border issues and delivering justice to war crimes' victims, identifying the remaining missing persons, and establishing an accurate record of past atrocities at regional level. There is no place in the EU for inflammatory rhetoric or the glorification of war criminals, from any side.

One of the most pressing issue in the region remains the need to **normalise relations between Serbia and Kosovo**. Relations between Pristina and Belgrade continue to be challenging. On 1 April 2020, the caretaker government in Kosovo fully lifted the 100% tariff on imports from Serbia and Bosnia and Herzegovina, which had been in place since November 2018 and on 6 June all reciprocity measures were lifted. The resumption of the EU-facilitated Dialogue in July 2020 and the commitment of both parties to re-engage in it is a positive first step. This will need to be followed by further, tangible, progress towards a comprehensive, legally binding normalisation agreement.

Existing agreements, including the Prespa agreement between North Macedonia and Greece and the Treaty on Good Neighbourly Relations with Bulgaria, need to continue to be implemented in good faith by all parties.

Tensions in the Eastern Mediterranean and the Aegean Sea continued to undermine regional stability and security. In light of continued unauthorised Turkish hydrocarbon exploration activities in the maritime zones of Cyprus, the signing of a Memorandum of Understanding with the Libyan Government of National Accord and a sharp increase in provocative actions towards Greece, the Commission has repeatedly urged **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 has also repeatedly stressed all the sovereign rights of EU Member States. These include, *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. The sovereignty and sovereign rights over the maritime zones of all neighbouring coastal states, including those that their islands are entitled to, need to be respected and the delimitation of exclusive economic zones and continental shelf should be addressed in accordance with international law through dialogue in good faith and in pursuit of good neighbourly relations. In reaction to Turkey's unauthorised drilling activities, the EU adopted a framework for targeted measures against Turkey in November 2019 and decided in February 2020 to add two individuals to the list of designations under this sanctions framework. The withdrawal of a Turkish survey ship on 12 September 2020 allowed for the announcement of the resumption of exploratory talks with Greece.

In its conclusions of 1 October 2020, the European Council strongly condemned violations of the sovereign rights of the Republic of Cyprus, which must stop. The European Council stressed that the EU has a strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship with Turkey. Pursuing dialogue in good faith and abstaining from unilateral actions which run counter to the EU interests and violate international law and the sovereign rights of EU Member States is an absolute requirement in this regard. All differences must be resolved through peaceful dialogue and in accordance with international law. The EU welcomed the confidence building steps by Greece and Turkey, as well as the announcement that they will resume their direct exploratory talks aiming at the delimitation of the Continental Shelf and Exclusive Economic Zone of the two countries. These efforts need to be sustained and broadened.

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 and in accordance with the relevant UNSC resolutions will be of paramount importance. 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 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.

## V. CONCLUSIONS AND RECOMMENDATIONS

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**. Built on **strict but fair conditionality and the principle of own merits**, it continues to drive forward the transformation and modernisation in the partner countries in an overall challenging environment. Political will and determination by the partner countries remain key to success.
2. **Major developments** have taken place on the EU enlargement agenda, with the Commission's reinvigorated approach based on three key pillars: the proposal to enhance the accession process, the decision by the Council to open accession talks with Albania and North Macedonia and the proposal for an Economic and Investment Plan for the Western Balkans, adopted in parallel with this communication.
3. The proposal set out by the European Commission in February 2020 and endorsed by the Council in March will **further strengthen the accession process** by making it more predictable, more credible, more dynamic and subject to stronger political steering. The Commission's proposal underlines the importance of a merit-based accession process built on trust, mutual confidence and clear commitments by the European Union and the Western Balkans. Even stronger focus will be placed on reforms in the fundamental areas of rule of law, the functioning of democratic institutions, public administration and the economy. The Western Balkans also need to make progress on reconciliation, good neighbourly relations and regional cooperation.
4. The General Affairs Council of March 2020 also decided to **open accession negotiations with Albania and North Macedonia**, recognising the important reform progress in the two countries.
5. The **appointment of the new EU Special Representative** for the Belgrade Pristina Dialogue and other Western Balkan regional issues in April 2020 was an additional reflection of the priority attached to the region and to the normalisation of relations between Serbia and Kosovo. The EU Facilitated Dialogue resumed in July and several meetings at both high level and working level have been held so far.
6. The **Zagreb Declaration of 6 May 2020** has reaffirmed the unequivocal European perspective of the Western Balkans. The Western Balkan leaders have confirmed their commitment to this European perspective and the necessary key reforms as their firm strategic choice. The credibility of this commitment depends also on clear public communication and the implementation of the necessary reforms. In the Zagreb Declaration the European Commission was invited to come forward with a robust economic and investment plan for the region aiming to boost their economies.

7. **Turkey** remains a key partner for the European Union in essential areas of joint interest, such as migration, counter-terrorism, economy, trade, energy and transport. In June 2019, the Council reiterated that Turkey continues to move further away from the European Union, and that 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.
8. 2020 has also been marked by the devastating impact of the **COVID-19 pandemic**. Authorities in all enlargement countries have taken strict measures to limit the spread of the pandemic and its health impact, as well as to mitigate the socio-economic consequences. Nevertheless, the economic impact of the pandemic is substantial which leaves limited fiscal space for governments' intervention. Any emergency measure must be proportionate, limited in time and respect fundamental freedoms, including freedom of expression.
9. The EU, while being seriously affected itself by this crisis, has mobilised **a package of over EUR 3.3 billion**, including immediate support to address health challenges and a substantial funding for the economic recovery of the region. The EU is also treating the Western Balkans as privileged partners by granting them access to many initiatives and instruments normally reserved for EU Member States. This support from the EU **goes far beyond what any other partner has provided to the region** and clearly reflects the region's strategic anchoring.

## II

10. In **Montenegro**, the **public political commitment** of the authorities to the strategic goal of European integration is regularly and consistently stated as the key priority for the country and, generally, it is reflected in relevant policy decisions. This included inter alia continued full alignment with the EU's Foreign and Security Policy.

The Commission assessment is that, in line with the Negotiating Framework, an **overall balance** between progress under the rule of law chapters, on the one hand, as well as progress in the **accession negotiations** across chapters, on the other, is ensured. During the reporting period, Montenegro has made limited progress on judiciary and fundamental rights (chapter 23) and some progress on justice, freedom and security (chapter 24). After the opening of the last chapter in June 2020, the priority for further overall progress in the accession negotiations, and before moving towards the provisional closure of other chapters, remains the fulfilment of the rule of law interim benchmarks set under chapters 23 and 24.

Montenegro has come a long way in reforming its legal and institutional framework in the area of rule of law with further results in most areas. Setting the closing benchmarks will provide an opportunity for the EU to clearly spell out the requirements Montenegro will have to meet prior to the closing of these two chapters. Montenegro will only reach this stage in the accession process if the country closes the remaining gaps in the critical areas of freedom of expression and media and fight against corruption, and addresses concerns about political interference and lack of appointments in key independent institutions and the judiciary, without reversing earlier achievements in the judicial reform. Montenegro has made steady progress in negotiating chapters across the board but currently no chapter meets all the requirements for closing.

When confronted with the COVID-19 pandemic, Montenegro took a wide-range of measures, including strict curfew hours and restrictions on movement. The parliament did not play a part in the decision making process for the initial set of measures taken to deal with the COVID-19 pandemic, but was subsequently informed of the measures taken and approved several economic response packages.

Tensions and mistrust among political actors were high in the run up to the elections. The temporary Parliamentary committee was not able to complete its work, due to lack of quorum and therefore the general elections on 30 August 2020, were conducted under a largely unchanged electoral framework. No political party boycotted the elections. According to the preliminary assessment of OSCE/ODIHR

the elections in Montenegro were competitive and took place in an environment highly polarized over issues of church, and national identity. The campaign was peaceful despite the frequent confrontational tone. Contestants were able to convey their messages, but the ruling party gained an undue advantage through misuse of office and dominant media coverage. The challenging COVID-19 context did not prevent voters from turning out; turnout was at record high level of 76.6% of the electorate. In order to proceed on the EU accession path, the newly formed parliament and government need to maintain the broad consensus on EU-related political and economic reforms, with a particular focus on meeting the rule of law interim benchmarks.

Good progress has continued on policy, planning and monitoring of the quality of strategic policy documents. The government's policy on state-sponsored apartments or loans under favourable conditions for members of the judiciary and independent institutions however raised concerns about the effectiveness of the national checks and balances system. More should be done to allow for a meaningful involvement of civil society in both the accession and legislative processes.

In 2019, the economy grew by a robust 3.6%, with GDP growth driven by a record-breaking tourist season, boosting private consumption and exports of services. However, the economic performance is set to deteriorate in 2020 due to the negative effects of the COVID-19 outbreak, as Montenegro's economy is strongly dependent on tourism. Structural weaknesses have been exacerbated by COVID-19, highlighting the strong need for reforms, particularly in the areas of public health, employment, social protection and business environment.

11. The **Serbian** government continued to declare EU membership as its strategic goal. However, there is a need to place more emphasis on objective and positive unambiguous communication on the EU, which is Serbia's main political and economic partner.

Serbia's progress on the rule of law and the normalisation of relations with Kosovo is essential and will continue to determine the overall pace of the **accession negotiations**. During the reporting period, Serbia has made very limited progress on judiciary and fundamental rights (chapter 23) and some progress on justice, freedom and security (chapter 24). Relations between Pristina and Belgrade continue to be challenging, though the resumption of the EU-facilitated dialogue in July is a very positive step. In sum, the Commission assesses that an **overall balance** is currently ensured between progress under the rule of law and normalisation, on the one side, and progress in the negotiations across chapters, on the other side.

However, progress on the **rule of law** is not as fast and effective as could be expected from a negotiating country. Serbia needs to urgently accelerate and deepen reforms in particular on the independence of the judiciary, the fight against corruption, media freedom, the domestic handling of war crimes and the fight against organised crime. Serbia should also aim at meeting the interim benchmarks for chapters 23 and 24, including through a result-oriented implementation of the revised action plans for chapters 23 and 24.

On the **normalisation of relations with Kosovo**, Serbia showed commitment and engagement in the resumed Dialogue process. Serbia needs to make further substantial efforts and contribute to the establishment of a conducive environment to allow for the conclusion of a comprehensive legally binding agreement with Kosovo. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance in their respective European paths. Serbia should also continue to uphold and implement all past dialogue agreements.

Serbia's political scene is marked by continued polarisation. In response to COVID-19, the government declared a state of emergency in March 2020 and imposed wide-ranging temporary measures. The parliament only convened just over six weeks after the state of emergency was called, which limited its ability to scrutinise the executive during this period. Parliamentary, provincial and municipal elections in Serbia (initially foreseen for April 2020) were postponed to 21 June. While the elections were administered efficiently, there was a dominance of the governing parties, including in

the media. A number of opposition parties boycotted the elections despite efforts led by the European Parliament to create cross-party consensus on electoral reforms, citing democratic concerns and an uneven playing field. The newly constituted Serbian parliament is marked by the overwhelming majority of the ruling coalition and the absence of an effective opposition.

Serbia remains an important partner in EU CSDP missions and operations, but its alignment with EU foreign policy remains low.

Serbia has yet to sizeably reduce the excessive number of acting senior manager positions in its public administration. Lack of transparency and respect of the merit-based recruitment procedure for senior civil service positions is an issue of increasing concern. Serbia stepped up its work to align legislation with the EU *acquis* in the economic and internal market chapters. Economic reforms continued to produce results, especially on macroeconomic stabilisation. Labour market performance further improved. Progress was made in the reforms of the tax administration and in the privatisation of state-owned banks, while some other key reforms – particularly of public administration and state owned enterprises – continued to advance only slowly. The state retains a strong footprint in the economy. The COVID-19 crisis is projected to strongly deteriorate the economic outlook in 2020, in particular as regards GDP growth, public finances and employment.

12. **North Macedonia** has advanced towards its strategic goals with the decision to open accession negotiations with the EU and with NATO membership in March 2020. The authorities continued to demonstrate publicly their commitment to advance on the EU path. The state of emergency was declared between March and June 2020 due to COVID-19 outbreak, which enabled the technical government, with the participation of Ministers and Deputies from the main opposition party, to rule by decree. North Macedonia took measures to contain the pandemic, protect the health of its citizens and mitigate the socio-economic impact of the crisis, including with unprecedented EU support. Because of the uncertainties caused by the pandemic, the political parties decided to postpone the early elections from April to July 2020. According to OSCE/ODIHR, parliamentary elections on 15 July were generally well run and candidates could campaign freely, but legal stability was undermined by significant revisions to the legal framework and subsequent government decrees.

Over the reporting period, North Macedonia has continued to advance the EU reform agenda in an inclusive manner, involving the opposition in Parliament, civil society and international partners. North Macedonia stepped up its efforts and delivered further tangible and sustained results, including in the key areas identified in the June 2018 Council Conclusions. The sustainability of these structural reforms is a long-term process, which requires continuous engagement from both the government and the opposition. Following the July 2020 elections, the new government has committed to sustain and accelerate the implementation of EU related reforms, in particular in the field of rule of law, including the fight against organised crime and corruption. The focus needs to be on implementing existing strategies and laws and using the tools, which are already in place, in line with EU standards. Important results have been achieved in strengthening the independence of the judiciary. The adoption of the Law on the Public Prosecutor's Office was a key milestone. The track record of investigations, prosecutions and final convictions in corruption and organised crime cases, including at high level, has further improved. The former Chief Special Prosecutor was sentenced after being found guilty of misuse of official duties and authority in the so called 'racket case'. Efforts to fight corruption and organised crime need to continue unabated and in a transparent manner, irrespective of the position or political affiliation of the suspects. The State Commission for Prevention of Corruption (SCPC) has been particularly active to prevent corruption and has addressed allegations of nepotism or non-merit based appointments. It is important to ensure that the SCPC has the necessary resources and capacity to carry out its mandate. More needs to be done by all state institutions to follow up on its recommendations. Steps have been taken to make the public administration more transparent, with the adoption of the transparency strategy and the increased publication of government data. The country has worked closely in cooperation with NATO and strategic partners to reform its intelligence and

security services. However, the capacity for parliamentary oversight over the intelligence services needs to be strengthened. Alignment with EU foreign policy increased significantly.

Prior to the external shock in 2020 caused by COVID-19, economic growth accelerated to 3.6% in 2019 on the back of firming domestic demand, including the recovery of investment and supported by a fiscal stimulants and accommodative monetary policy. The unemployment rate declined to 17.3% in 2019 while the employment rate was on the rise. The share of informal employment decreased slightly but remained significant in terms of percentage of GDP. Beginning in early spring, the COVID-19 crisis started to leave a mark on economic performance and on public finances. The COVID-19 crisis required a massive lockdown of the economy, and similar measures in the main trading partners led to trade disruptions. On account of these repercussions, the economy is likely to slide into a recession in 2020 and positive trends in the labour market are likely to be reversed. The authorities have taken a range of measures supporting companies and households, to mitigate the economic and social impact of the crisis. The authorities took additional measures to improve fiscal transparency. However, fiscally significant reforms of income taxation and the pensions system were reversed.

The Commission looks forward to and stresses the importance of the continued implementation of Prespa agreement with Greece and of the Treaty on Good Neighbourly Relations with Bulgaria.

In March 2020, members of the European Council endorsed the decision to open accession negotiations with North Macedonia. In line with the Council Conclusions, the Commission has started the necessary preparatory work and looks forward the first intergovernmental conference, as soon as possible after the adoption of the negotiating framework by the Council.

13. **Albania** has advanced towards its strategic goals with the Council's decision to open EU accession negotiations. The authorities continued to demonstrate publicly their commitment to advance on the EU path, based on strong popular support for EU accession. Albania continues to maintain a 100% alignment rate with EU foreign policy. Confronted with the outbreak of the COVID-19 pandemic, Albania extended the state of emergency for natural disaster, put in place after the November 2019 earthquake, until June 2020. In spite of the emergency, Albania has made decisive progress and is close to meeting the conditions set by the Council in view of the first Inter-Governmental Conference. The intense political polarisation eased in January 2020, when the ruling majority and the parliamentary and extra-parliamentary opposition agreed to take forward the *electoral reform*. An agreement was finally reached on 5 June 2020. Amendments to the electoral code were adopted by Parliament on 23 July 2020, in accordance with the 5 June 2020 agreement, implementing the OSCE/ODIHR recommendations. These changes introduce higher integrity and transparency standards into electoral process ahead of parliamentary elections announced for April 2021. In addition, on 30 July the Parliament adopted some amendments to the Constitution relating to the electoral system. The implementation of these changes that are unrelated to the OSCE/ODIHR recommendations required further amendments to the electoral code which were discussed among parties in the Political Council, but without reaching a compromise before the Parliament voted on them on 5 October. Despite the positive outcome of the agreement reached on 5 June 2020, the political dialogue in the country needs to be improved, in particular on electoral reform and its implementation.

Results have continued also in the implementation of the comprehensive justice reform, which has advanced steadily. All new institutions for the self-governing of the judiciary are fully functional and operate effectively. The High Court started performing its functions. Important progress has also been made on the functioning of the Constitutional Court. The Special Anti-Corruption and Organised Crime Structure (SPAK) is fully established, including a Special Prosecution Office (SPO), which has been performing its important investigative functions. The Director of the National Bureau of Investigation (NBI) was appointed. The temporary re-evaluation of all judges and prosecutors (vetting process) has advanced steadily. It continued to produce tangible results, resulting in 62% dismissals - mostly for issues related to unjustified assets - or resignations. Vetting dossiers in which the suspicion



of a crime has emerged have been submitted to prosecution, including 10 former high-level judges of the High Court and Constitutional Court.

Albania continued to strengthen the fight against corruption, making good progress by consolidating operational coordination and monitoring capacities. Efforts towards the establishment of a solid track record on investigating, prosecuting and trying corruption cases have continued. While the number of ongoing investigations remains high, to date, final convictions in cases involving high-level officials remain limited. The newly established specialised anti-corruption bodies are expected to significantly strengthen the overall capacity to investigate and prosecute corruption. Efforts continued also in the fight against organised crime. Police operations to dismantle criminal organisations have further intensified and good progress has continued, including in countering the cultivation and trafficking of cannabis. International police cooperation, especially with EU Member States, has also increased, leading to a number of successful large-scale law enforcement operations. Efforts need to continue, in particular by tackling money laundering more effectively and further implementing the Financial Action Task Force (FATF) action plan.

On fundamental rights, efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights. The Law on the Finalisation of Transitional Ownership Processes was adopted, taking into account the recommendations of the Venice Commission. The registration and compensation processes continue. Albania needs to swiftly adopt the remaining implementing legislation related to the 2017 framework Law on the Protection of National Minorities. In December 2019, the Parliament adopted a new media law, which is being revised in light of the opinion of the Venice Commission.

Albania pursued the further implementation of public administration reform, making tangible progress on regulatory impact assessments, in developing the legislative package related to policy planning, increasing the number of e-services and improving transparency in data collection and human resources management between central and local level. Efforts need to continue in this area, including with a view to adopting a salary policy for civil servants.

Prior to the November 2019 earthquake and the external shock in 2020 caused by COVID-19 pandemic, unemployment continued to decrease to record lows, exports grew solidly, and the public-debt-to-GDP ratio continued to decline but remained high. Banks continued reducing the number of non-performing loans and lending to private sector picked up. Steps towards developing the financial market have been taken, but financial intermediation remained low.

In March 2020, members of the European Council endorsed the decision to open accession negotiations with Albania. In line with the Council Conclusions, the Commission has started the necessary preparatory work and looks forward the first intergovernmental conference, as soon as possible after the adoption of the negotiating framework by the Council.

14. **Bosnia and Herzegovina** needs to address the **14 key priorities** from the Commission's May 2019 Opinion on the EU membership application of the country, in line with the relevant Council Conclusions of December 2019. The Opinion is a comprehensive roadmap for deep reforms in the areas of democracy/functionality, rule of law, fundamental rights and public administration reform. Bosnia and Herzegovina needs to fundamentally improve its legislative and institutional framework, including at constitutional level where necessary, to comply with the requirements of EU membership. Fulfilling the 14 key priorities will allow the country to open EU accession negotiations.

After leaders spent a large part of the reporting period engaging solely in party politics, this period of little progress and Parliamentary backlog ended with the appointment of a new government in late 2019, 14 months after the general elections. In the past few months the political situation in Bosnia and Herzegovina has shown some positive developments and a positive dynamic, amid the COVID-19 pandemic. Steps have been taken in the recent months to address some of the key priorities from the

Opinion: In October 2019, the Council of Ministers adopted an action plan for the implementation of the recommendations from the Commission's 2019 analytical report, although the content was not fully agreed among all levels of government. The Constitutional Court repealed the provision on the death penalty in the *Republika Srpska* entity constitution, fulfilling part of key priority 10. Legislative amendments following a political agreement in June 2020 should allow holding local elections in Mostar in December for the first time since 2008, thus fulfilling part of key priority 1. Further reforms are needed to ensure that elections are conducted in line with European standards. In July 2020, all levels of government adopted the strategic framework on public administration reform, contributing to key priority 14. All levels of government now need to adopt the related action plan. Bosnia and Herzegovina adopted the revised National War Crimes Strategy in September 2020, contributing to key priority 5. Preparations are also ongoing to hold the joint parliamentary committee. Bosnia and Herzegovina needs to move forward on the other key priorities too.

The need for a coordinated response to the COVID-19 crisis helped to temporarily put party politics aside, but tensions persisted. While executive authorities reacted swiftly to the outbreak to the pandemic, the state of emergency limited the oversight powers of legislative assemblies.

The country needs to ensure a professional and depoliticised civil service and a coordinated countrywide approach to policy making. Of particular importance, Bosnia and Herzegovina needs to ensure effective coordination, at all levels, of border management and migration management, and establish an effective asylum system. Bosnia and Herzegovina is at an early stage of preparation in the prevention and fight against corruption and organised crime. No progress was made in addressing the Opinion key priorities and the findings of the Expert Report on Rule of Law issues. Political obstruction and resistance from within the judiciary to integrity reforms continue to undermine the citizens' enjoyment of rights and trust in institutions, as well as the fight against corruption and organised crime. Urgent measures are required, starting with a credible and rigorous system of verification of assets of judicial office holders and members of the High Judicial and Prosecutorial Council. Corruption remains widespread, and all levels of government show signs of political capture directly affecting the daily life of citizens. Criminal organisations take advantage of legal and administrative loopholes, and the police is vulnerable to political interference. Significant efforts are needed regarding financial investigations and asset seizure. Establishment of cooperation with EU agencies (Frontex, Europol, Eurojust) remains pending.

Significant reforms are needed to ensure that all citizens are able to effectively exercise their voting rights and to overcome the practice of "two schools under one roof". Bosnia and Herzegovina needs to guarantee freedom of expression and of the media, and the protection of journalists, as well as an enabling environment for civil society, notably by upholding European standards on freedom of association and freedom of assembly. Meaningful and systematic consultations with civil society remain to be ensured. The political leaders also need to take concrete steps to promote an environment conducive to reconciliation; revisionism, denial of genocide and glorification of war criminals contradict EU values.

As regards the economic criteria, Bosnia and Herzegovina is at an early stage of establishing a functioning market economy. Prior to the external shock caused by COVID-19, the economic situation showed macroeconomic stability. Investments in education and infrastructure are absolutely necessary to boost the country's economy, as alignment with European standards and the EU *acquis* chapters are of utmost importance.

15. In **Kosovo**, the reporting period was marked by early elections, government changes and also relatively long periods with only a caretaker government in place. In this difficult context, limited progress was made on EU-related reforms, including as regards the implementation of recently adopted legislation. In the wake of the COVID-19 pandemic, the government declared a public health emergency in March 2020, put in place strict prevention measures and introduced initial economic

support measures for citizens and businesses. The authorities continued to demonstrate publicly their commitment to advance on the EU path.

The early legislative elections held on 6 October 2019 were competitive (except in Kosovo Serb areas), but the vote-counting process exposed vulnerabilities. Recurrent election process shortcomings and related EU Election Observation Mission recommendations should be addressed with a greater sense of urgency.

Kosovo needs to reinvigorate the reform processes and step up the fight against corruption and organised crime and public administration reform, building on Kosovo's achievements to date.

During the reporting period Kosovo lifted the 100% tariffs on imports from Serbia and Bosnia and Herzegovina, as well as all reciprocity measures. This decision has allowed for a restoration in trade with Serbia and Bosnia and Herzegovina. The tariff decision, imposed by Kosovo in November 2018 in violation of the Central European Free Trade Agreement (CEFTA), had serious political implications and undermined the development of a regional economic area in the Western Balkans.

On the normalisation of relations with Serbia, Kosovo showed commitment and engagement in the resumed Dialogue process. Kosovo needs to make further substantial efforts and contribute to the establishment of a conducive environment to allow for the conclusion of a comprehensive legally binding agreement with Serbia. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance in their respective European paths. Kosovo should also continue to uphold and implement all past dialogue agreements."

Despite robust GDP growth figures since 2015, averaging 4.1% between 2015-2018, growth dynamics are still heavily reliant on service exports, gross-fixed capital formation and private consumption, which is supported by remittances from abroad, noticeable wage and credit growth. As a consequence, the announced recession in the EU will have a direct impact on Kosovo's economy, with real GDP expected to contract by 5% in 2020. Kosovo should establish an effective and transparent mechanism to support the private sector affected by the COVID-19 crisis. It should also preserve employment including through short-time work schemes, and ensure increased coverage of unemployment benefits and needs-based social benefits for the most vulnerable groups. Fiscal space should be freed up, including by containing spending for transfers for specific groups, including war veterans' pensions. The execution of capital spending should be improved.

The Commission's proposal for visa liberalisation is pending in the Council and should be treated as a matter of urgency. The Commission stands by its assessment of July 2018 that Kosovo has fulfilled all visa liberalisation benchmarks. The European Parliament has confirmed its support for the Commission's proposal for visa liberalisation.

16. **Turkey** remains a key partner for the European Union in essential areas of joint interest, such as migration, counter-terrorism, economy, trade, energy and transport. In June 2019, the Council reiterated that Turkey continues to move further away from the European Union, and that 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, despite the government's repeated commitment to the objective of EU accession. The EU's serious concerns on continued negative developments in the rule of law, fundamental rights and the judiciary have not been credibly addressed by Turkey. Turkey needs to reverse this negative trend as a matter of priority with addressing the weakening of effective checks and balances in the political system.

Turkey needs to bring its constitutional framework in line with European standards. Despite the lifting of the state of emergency in July 2018, certain legal provisions granting extraordinary powers to the government and retaining several restrictive elements of the emergency rule have been integrated into law. Access to justice remained limited for those negatively affected by the emergency decree-laws. The executive presidential system does not ensure a sound and effective separation of powers reducing

the democratic accountability of the executive. It has further increased the politicisation of the public administration.

The far-reaching decision to re-run metropolitan mayoral election in Istanbul following extraordinary appeals that contested the initially certified outcome undermines the electoral process to which the Turkish people have shown their commitment by casting their votes in very large numbers. While the elections were professionally organised, they were characterised by conditions not objectively fair for all political parties and candidates. Turkey should ensure a free, fair and transparent election process.

Continued forceful dismissals of elected mayors in the south-east and their replacement by government-appointed trustees as well as arrests of further local representatives damage local democracy. Turkey should repeal measures inhibiting the functioning of local democracy, in line with the recommendations of the Venice Commission and with Turkey's commitment to the European Charter of Local Self-Government.

Turkey has a legitimate right to fight against terrorism, however, it is responsible for ensuring this is done in accordance with the rule of law, human rights and fundamental freedoms. Turkey should cease to use the broad interpretation of its anti-terror law to arrest and detain journalists, writers, lawyers, politicians, academics, human rights defenders and critical voices. Turkish authorities need to address urgently serious shortcomings, especially with regards to the right to a fair trial and the strict respect of the principle of presumption of innocence. Civil society and its organisations continued to operate under pressure in an increasingly challenging atmosphere.

The Turkish economy is well advanced, though serious concerns persist over the functioning of the Turkish market economy. It rebounded from the recession but the recovery was fragile also due to the outbreak of the COVID-19 pandemic. Turkey remains exposed to rapid changes in investors' sentiment, aggravated by the pandemic and geopolitical developments. Economic governance lacks credibility and is hampered by the lack of independence of regulatory authorities; the dismissal of the governor of the Central Bank and the recurrent pressure by the authorities on monetary policy decision-makers remain of concern. Significant problems need to be addressed in education as regards quality and access. The development of intense trade relations between the EU and Turkey has been one of the key achievement of the EU Turkey Customs Union. It is therefore regrettable that Turkey's deviations from its obligations under the Customs Union have increased together with a high number of trade irritants. Turkey has continued to align with the EU *acquis*, albeit at a very limited pace and in a fragmented manner.

Turkey continued to make significant efforts in hosting and addressing the needs of almost four million refugees, and in preventing illegal crossings towards the EU. Throughout 2019, Turkey was committed to the implementation of the EU-Turkey Statement of March 2016 and played a key role in addressing the challenges of migratory flows along the Eastern Mediterranean route, but as of late February 2020, actively encouraged crossings to the EU and called for a new agreement replacing the March 2016 Statement. While the EU acknowledged the increased migratory burden and risks Turkey had been facing on its territory and the substantial efforts it was making in hosting refugees, it strongly rejected Turkey's use of migratory pressure for political purposes. Later in March, the Turkish authorities organised transports for migrants and refugees away from the border area with Greece. In spite of the increase in irregular migration in 2019 from Turkey to the EU, the figures continue to be far below those recorded prior to the EU-Turkey Statement. The EU Facility for Refugees in Turkey continued to mobilise both humanitarian and development assistance for refugees and host communities in Turkey. Its achievements included helping 1.7 million refugees in meeting their basic needs, helping 600 000 refugee children go to school, building of 180 schools, and delivering over 8 000 000 primary health care consultations. The full operational budget of the Facility was mobilised at the end of 2019. The EU decided to mobilise additional EUR 485 million to ensure the continuation of flagship projects providing refugees with basic needs and access to education. Despite this considerable support, the needs of refugees in Turkey, who are also negatively affected by the economic impact of the COVID-19 pandemic, will not disappear soon. Assisting refugees affected by

the Syrian crisis and their hosting countries will continue to be needed, and the recent Communication on a new Pact on Asylum and Migration noted that continued and sustained EU funding in some form will be essential. The Commission continued to provide EU funding in an efficient and speedy manner. The key principles guiding the Facility's implementation remained speed, efficiency and effectiveness, while ensuring sound financial management. Sustainability of Facility interventions and co-ownership by the Turkish authorities are also important.

Tensions in the East Mediterranean region, undermining regional stability and security, 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, provocative actions towards Greece, including Turkish flights over Greek inhabited area, and the signature of the two memoranda of understanding with the National Accord Government of Libya on security cooperation and delimitation of maritime jurisdiction, that ignore the sovereign rights of Greece in the areas concerned. These actions run counter to the EU interests, violate international law and undermine efforts to resume dialogue and negotiations, and to pursue de-escalation. The Commission stands in full solidarity with Cyprus and Greece, and stresses that concrete steps towards creating an environment conducive to dialogue are needed. The Council reiterated on several occasions that Turkey needs to commit itself unequivocally to good neighbourly relations, international agreements and the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice.

In light of the illegal drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the Council adopted a number of measures. In reaction to Turkey's unauthorised drilling activities, the EU further adopted a framework for targeted measures against Turkey in November 2019 and decided in February 2020 to add two individuals to the list of designations under this sanctions framework. In December 2019, the European Council underlined that the bilateral memorandum of understanding on the delimitation of maritime jurisdiction areas between Turkey and the National Accord Government of Libya infringes upon the sovereign rights of third States, does not comply with the United Nations Convention on the Law of the Sea and cannot produce any legal consequences for third States.

Turkey is expected to actively support the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework, in accordance with the relevant UN Security Council resolutions and in line with the principles, on which the EU is founded. It is important to preserve the progress made so far and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. Turkey's commitment and contribution in concrete terms to this comprehensive settlement remains crucial.

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 the Republic of Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus.

In October 2020, the European Council reaffirmed that EU has a strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship with Turkey. Pursuing dialogue in good faith and abstaining from unilateral actions which run counter to the EU interests and violate international law and the sovereign rights of EU Member States is an absolute requirement in this regard. All differences must be resolved through peaceful dialogue and in accordance with international law. In this context, the European Council reiterated its full solidarity with Greece and Cyprus, whose sovereignty and sovereign rights must be respected.

Provided constructive efforts to stop illegal activities vis-à-vis Greece and Cyprus are sustained, the European Council agreed to launch a positive political EU-Turkey agenda with a specific emphasis on the modernisation of the Customs Union and trade facilitation, people to people contacts, High level dialogues, continued cooperation on migration issues, in line with the 2016 EU-Turkey Statement. The

European Council invited its President, in cooperation with the President of the Commission and with the support of the High Representative, to develop a proposal for re-energising the EU-Turkey agenda to this effect.

Recalling and reaffirming i.a. its previous conclusions on Turkey of October 2019, in case of renewed unilateral actions or provocations in breach of international law, the European Council confirmed that the EU will use all the instruments and the options at its disposal, including in accordance with Article 29 TEU and Article 215 TFEU, in order to defend its interests and those of its Member States.

The European Council agreed to continue to closely monitor developments and revert accordingly and take decisions as appropriate at the latest at its December meeting.



Brussels, 6.10.2020  
COM(2020) 660 final

ANNEXES 1 to 3

## **ANNEXES**

*to the*

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

### **2020 Communication on EU enlargement policy**

{SWD(2020) 350 final} - {SWD(2020) 351 final} - {SWD(2020) 352 final} -  
{SWD(2020) 353 final} - {SWD(2020) 354 final} - {SWD(2020) 355 final} -  
{SWD(2020) 356 final}

## ANNEX 1 - Summaries of the findings of the reports

### Montenegro

Concerning the **political criteria** the reporting period was marked by tensions and mistrust between political actors and low level of trust in the electoral framework. Due to the COVID-19 pandemic parliament was inactive in the early months of 2020 and was subsequently dissolved, due to the August 30 parliamentary elections.

No political party boycotted the elections, which were contested by 11 candidate lists.

According to the preliminary findings from the Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) the elections were competitive and were managed transparently and efficiently, but took place in an environment highly polarized over issues of church, and national identity. The campaign was peaceful despite the frequent confrontational tone. Contestants were able to convey their messages, but OSCE/ODIHR expressed a number of concerns in relation to an undue advantage for the ruling party and unbalanced media coverage.

The elections resulted in an unprecedented change of the ruling majority composition. The new parliament should endeavour to find a broad cross-party and societal consensus and demonstrate in practice its commitment to Montenegro's EU reform agenda, which is vital for the country's progress on its EU path; as well as engage in a transparent, decisive and inclusive dialogue on the implementation of OSCE/ODIHR outstanding recommendations.

In December 2019, due to lack of quorum, the parliament enacted solely with the votes of the hitherto ruling majority some legal solutions aimed at partially addressing the recommendations of OSCE/ODIHR. The adopted changes did not significantly affect the existing electoral framework, with the exception of campaign finance. Outstanding priority OSCE/ODIHR recommendations, such as professionalism, impartiality and transparency of the election administration; candidate registration and mechanisms for authentication of credibility of voter signatures; media supervision during electoral campaign, an audit of the voter register; measures against the misuse of state resources and gender balanced political representation in the elections, remain unaddressed. Thus, review of the electoral framework in a comprehensive and inclusive manner remains pending.

The new chair of the State Electoral Commission (SEC) was appointed in March 2020. Efforts to enhance the transparency and accountability of the SEC's work need to continue. Despite cross-party agreement to hold local elections on the same day, the legal framework still provides for their conduct on a rolling basis. It remains to be decided when a new system will be implemented.

The political scene prior to the August 2020 elections was fragmented, polarised and marked by lack of genuine political dialogue. Some initial steps were taken in the course of 2019 towards re-establishing the political dialogue in Parliament with the partial participation of the opposition parties in work in the temporary parliamentary committee. However opposition members suspended their participation after the government tabled the draft Law on religious freedoms or belief for plenary adoption. The latter resulted in large-scale religious protests as of December 2019, which were temporarily put on hold in spring 2020, due to COVID-19 crisis.

The outcome of the Parliamentary elections paves the way for returning the political debate to the Parliament. Active and constructive participation by all parties is required to enhance parliamentary accountability, oversight of the executive, democratic scrutiny, better quality of legislation and to enable key appointments. In 2019 and the first half of 2020 the parliament could not secure the required 2/3 majority for important judicial appointments and therefore key functions of the judicial system are filled on an acting basis. The mandate of the Supreme State Prosecutor expired in October 2019 and his successor remains to be appointed.

There were no new developments in the political and judicial follow-up of the alleged misuse of public



funds for party political purposes that took place in 2012 (the 'audio recordings affair'). With regard to the January 2019 'envelope affair', indictments were lodged for money laundering against two defendants. These cases 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. Monitoring of the quality of strategic policy documents by the Government's General Secretariat has become structured and systemic. The government's policy on state-sponsored apartments or loans under favourable conditions raised concerns about the effectiveness of the national checks and balances system. Stakeholders' participation in both the accession and legislative processes remains to be improved.

Montenegro is moderately prepared on the reform of its **public administration**. Overall, some progress was made during the reporting period. Montenegro started the implementation of the law on civil servants. The medium-term policy-planning framework, merit-based recruitment, human resource management and rationalising of the organisation of the state administration continued to advance well. Strong political will is still needed to effectively ensure the de-politicisation of the public service, the optimisation of the state administration, and the implementation of managerial accountability.

Montenegro remains moderately prepared to apply the EU *acquis* and the European standards in the area of the **judiciary** and has made limited progress overall, namely through the continuous implementation of the ICT strategy for the judiciary. Last year's recommendations regarding the judiciary were only partially addressed. Challenges remain, in particular with regard to the independence, professionalism, efficiency and accountability of the judiciary. The decision of the Judicial Council to re-appoint seven court presidents, including the President of the Supreme Court, for at least a third term raises serious concerns over the Judicial Council's interpretation of the letter and the spirit of the Constitutional and legal framework, which limits those appointments to maximum two terms in order to prevent over-concentration of power within the judiciary. It is not in line with GRECO recommendations on the independence of the judiciary, which Montenegro is expected to comply with, in order not to reverse earlier achievements in the judicial reform.

Montenegro has achieved some level of preparation in the **fight against corruption**. It made limited progress on last year's recommendations which were only partially addressed regarding the track record on repression and prevention of corruption and a new institutional framework for the Asset Recovery Office. The Anti-Corruption Agency, operating under newly appointed leadership, continued to be strengthened through capacity building activities and technical assistance. However, challenges related to its independence, priority-setting, selective approach and quality of its decisions remained. The Agency is yet to demonstrate a proactive approach in all areas falling under its mandate, including on the protection of whistle blowers, the control of financing of political parties and electoral campaign, and oversight of lobbying. The track record on seizure and confiscation of criminal assets needs to be further improved. Corruption remains prevalent in many areas and a serious concern. There is a need for strong political will to effectively address this issue of concern, as well as a robust criminal justice response to high-level corruption.

Montenegro has some level of preparedness/is moderately prepared in the **fight against organised crime**. Some progress was made, including in addressing last year's recommendations, in particular as regards the creation of a centralised bank account register, a stronger capacity and professionalism of the police and an increased number of on-going proceedings on asset confiscation. An initial track record of investigations into trafficking in human beings and money laundering was established. Internal organisation and coordination of law-enforcement agencies was further improved, as reflected in the increasing number of investigations, arrests and seizures. However, Montenegro still needs to address some fundamental and systemic deficiencies in its criminal justice system, including the way organised crime cases are handled in the courts. Some progress was made in the fight against terrorism and preventing/countering violent extremism in line with the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement.

On **fundamental rights**, Montenegro made some progress. The legislative and institutional framework in the area of fundamental rights is now largely in place. In July 2020, the law on life partnership of same-sex couples was enacted by Parliament, making Montenegro the first country in the region to regulate the status of same-sex couples. The capacity of human rights institutions and of the Ministry of Human and Minority Rights has been reinforced, and trust in the Ombudsperson's office is increasing. However, important challenges remain in ensuring that national legislation on human rights is effectively implemented. The reports of excessive use of force by the police and allegations of torture call for swift and effective investigations. Ethnically and religiously motivated attacks in the context of the August 2020 elections are a matter of serious concern. Further efforts are necessary to mainstream human rights across all areas of work, public policies and sectors. Disadvantaged groups, including Roma and Egyptians, and persons with disabilities continue to experience multiple types of discrimination and difficulty in enforcing their rights in administrative and judicial proceedings. Gender-based violence and violence against children remain issues of serious concern.

During the reporting period Montenegro made no progress on **freedom of expression**. Although there has been progress on the media legislation, this has been overshadowed by arrests and proceedings against editors of on-line portals and citizens for content they posted or shared on-line in the course of 2020. Important old cases of attacks remain unresolved, including the 2004 murder of the editor-in-chief of daily newspaper, *Dan*, and the 2018 shooting of an investigative journalist. Concerns also remain about national public broadcaster RTCG's editorial independence and professional standards. The media scene continues to be highly polarised and self-regulatory mechanisms remain weak. The growing volume of region-wide disinformation further polarised the society in the aftermath of the adoption of the Law on freedom of religion and during the electoral campaign.

In the area of **migration** the 2018 upward trend in the number of incoming irregular migrants was confirmed in 2019. 7,978 irregular migrants were apprehended in 2019, a 60% increase from 2018. All of the apprehended migrants expressed their intention to request asylum, which continued to put the country's reception facilities under pressure. Montenegrin authorities prevented 516 illegal entries to the country and 1514 illegal exits from the country. The Special Prosecutors Office (SPO) conducted three investigations into migrant smuggling, involving more than 40 people. The European Border and Coast Guard Status Agreement with the EU, signed in October 2019, entered into force on 1 July 2020. The implementation of the first Joint Operation under the Agreement was launched on 15 July. Montenegro must continue its efforts to cope with the migratory pressure, by further developing its international cooperation on readmission, raising its capacity to prosecute migrant smuggling networks, increasing its reception capacity and enhancing its migrants' data collection system.

As regards the **economic criteria**, Montenegro has made some progress and is moderately prepared in developing a functioning market economy. Due to lower investment growth, the economy slowed down to a more sustainable pace in 2019. Exports, in particular of services, were growing but not enough to curb the large current account deficit. Financial sector stability has been reinforced following the bankruptcy and resolution of two local banks and the strengthening of the banking supervision framework. Labour market conditions improved, but the unemployment rate remains high, particularly among women, youth, Roma and low-skilled people. Labour activation measures and coordination between employment and social services recorded limited progress. Montenegro's economic outlook deteriorated substantially since the second quarter of 2020, as the COVID-19 quarantine measures introduced in April brought large parts of the economy to a halt. Public finances, which improved in 2019, are under significant pressure in 2020 due to fast growing costs to finance the authorities' policy response to the pandemic combined with a sharp decline in budget revenue due to lower economic activity. Meanwhile, in spite of some signs of improvement of the business environment, measures to fight against informality were delayed and there is a persistent and very large number of companies with frozen bank accounts. State-owned transport companies are not competitive and their losses are being transferred to the state. The institutional capacities of the competition and anticorruption agencies remain weak.

Montenegro has made some progress and remains moderately prepared in terms of its capacity to cope with competitive pressure and market forces within the EU. Investment in knowledge and human capital is very modest, resulting in low innovation and productivity levels of local companies. Educational outcomes need to improve across the board, as well as the provision of upskilling and reskilling measures. Several important infrastructure projects are being implemented, gradually transforming Montenegro into a net exporter of electricity and developing transport networks. Physical broadband networks are being developed by the private sector while the authorities strengthened the legislative framework. However, the economy presents a weak industrial base characterised by low value-added activities, constrained by the small size of the market and the low technological know-how of most local companies.

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, albeit bilateral relations with Serbia were marked by tensions. Montenegro is generally 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 EU *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, agriculture and rural development as well as food safety, veterinary and phytosanitary 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 Social policy and employment, Financial services, Agriculture and rural development, and food safety, veterinary and phytosanitary policy and Science and research.

Looking ahead, Montenegro should focus in particular on competition policy, economic and monetary policy, statistics and financial control, and specifically on the functioning of the judiciary and freedom of expression. Strengthening the administrative capacity for ensuring the application of the EU *acquis* remains an important challenge for Montenegro. Montenegro has continued to fully align with all EU common foreign and security policy positions and declarations.

## **Serbia**

As regards the **political criteria**, the parliamentary, provincial and municipal elections in Serbia initially foreseen for April were postponed following the outbreak of the COVID-19 pandemic and held on 21 June 2020. While contestants were able to campaign and fundamental freedoms were respected, voter choice was limited by the governing party's overwhelming advantage and the promotion of government policies by most major media outlets, according to the Organisation for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR). Numerous recommendations previously made by ODIHR remain unaddressed. It is crucial that the Serbian authorities address long-standing electoral shortcomings through a transparent and inclusive dialogue with political parties and other relevant stakeholders well ahead of the next elections. A number of opposition parties boycotted the elections.

The newly constituted Serbian parliament is marked by the overwhelming majority of the ruling coalition and the absence of a viable opposition, a situation which is not conducive to political pluralism in the country. During the previous legislature, some steps were taken to address shortcomings in the work of the parliament with the reduction of urgent procedures and previous practices of filibustering. Several opposition parties continued their boycott of parliamentary sessions. Inflammatory language against political opponents and representatives of other institutions expressing diverging political views was used during parliamentary debate. The effectiveness, independence and transparency of the parliament, including the role and prerogatives of the parliamentary opposition, need to be strengthened to ensure the necessary checks and balances indispensable in a democratic

parliament. The new parliament and political forces should continue to engage in the inter-party dialogue led by the European Parliament, with a view to improving parliamentary standards and forging broad cross-party and societal consensus on EU-related reforms, which is vital for the country's progress on its EU path.

Serbia is moderately prepared in the area of **public administration reform**. No progress was made overall as the excessive number of acting senior manager positions was not sizeably reduced. Lack of transparency and respect of the merit-based recruitment procedure for senior civil service positions is an issue of increasingly serious concern. The effective implementation of the law on the planning system needs to be ensured through a strong quality control of the Public Policy Secretariat.

Serbia's **judicial system** has some level of preparation. No progress was made over the reporting period. The constitutional reform on the judiciary was put on hold until after the 2020 parliamentary elections. This delay has repercussions on the adoption of related judicial legislation that is needed to increase safeguards for judicial independence. The scope for continued political influence over the judiciary under the current legislation is a serious concern. Serbia continued its efforts to reduce old enforcement cases and harmonise court practice.

Serbia has some level of preparation in the **fight against corruption**. Limited progress was made over the reporting period. Operational steps have been taken to strengthen the mandate and to ensure the independence of the Anti-Corruption Agency, as well as to enhance its capacities with a view to implementing the law on the prevention of corruption upon its entry into force in September 2020. The changes brought by the law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption, in force since March 2018, produced some results in terms of finalised cases. Overall, corruption remains an issue of concern. There is still no effective prevention coordination mechanism in place. The number of finalised high-level corruption cases has decreased compared with the previous years. Serbia needs to increase its efforts and step up the prevention and repression of corruption.

In the **fight against organised crime**, Serbia has some level of preparation with limited progress over the reporting period related notably to structural reforms and interagency cooperation. Serbia is stepping up its cooperation with Europol. Overall, Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, leading to an increased amount of confiscated assets. Serbia needs to increase its efforts in dismantling large and internationally active criminal organisations.

The legislative and institutional framework for upholding **fundamental rights** is broadly in place. However, its consistent and efficient implementation still needs to be ensured. Human rights institutions need to be strengthened and their independence guaranteed, including via the allocation of the necessary financial and human resources. Serbia has adopted a new media strategy, which was drafted in a transparent and inclusive manner and identifies the main challenges related to media freedom in Serbia. However, implementation of the new strategy has not yet started and no progress was made yet on the ground to improve the overall environment for **freedom of expression**. As identified in the media strategy, cases of threats, intimidation and violence against journalists are still a source of serious concern. Transparency of media ownership and of allocation of public funds, especially at local level, has yet to be established. ODIHR found that most TV channels with national coverage and newspapers promoted government policy during the electoral campaign. It also found that the few media outlets which offered alternative views had limited outreach and provided no effective counterbalance, which compromised the diversity of political views available through traditional media, through which most voters receive information.

Serbia continued to significantly contribute to the management of the mixed **migration** flows towards the EU by playing an active and constructive role and cooperating effectively with its neighbours and EU Member States. It also continued to effectively implement the integrated border management strategy and its action plan.

On the **economic criteria**, Serbia made some progress and is moderately prepared/at a good level of preparation in developing a functioning market economy. Prior to the COVID-19 crisis, the pace of GDP growth picked up as domestic demand strengthened. External imbalances widened but their financing remained healthy due to high inflows of foreign direct investment. Price pressures remained subdued and inflation expectations contained. By reducing the budgetary deficit and maintaining a prudent fiscal stance, Serbia has significantly improved debt sustainability. Labour market performance has improved, with the lowest unemployment rates in the last decade; however, this was also due to large-scale emigration. The COVID-19 crisis is however projected to strongly deteriorate the economic outlook in 2020, in particular as regards GDP growth, public finances and employment. While some progress has been made in the reforms of the tax administration and the privatisation of state-owned banks, other structural reforms of public administration and state owned enterprises advanced slowly. Weaknesses in the budgetary framework need to be addressed. There has been no progress in strengthening the fiscal rules. The state retains a strong footprint in the economy and the private sector is hampered by weaknesses in the rule of law.

Serbia made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality and relevance of education and training does not fully meet labour market needs. Investment has continued to increase but, after years of underinvestment, remains insufficient to address serious infrastructure needs. Serbia needs to apply the same rules for prioritising, selecting and monitoring all capital investments regardless of the type of investment or the source of financing, including those under intergovernmental agreements. All investment decisions need to follow EU standards on public procurement, state aid, environmental impact assessments and cost-benefit analysis. Although the cost of borrowing for small and medium-sized enterprises 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**. Relations with Montenegro have been marked by tensions, including concerning the 30 August parliamentary elections in Montenegro. Serbia demonstrated its commitments to provide a renewed impetus to regional cooperation and enhanced regional ownership at the summits in Novi Sad, Ohrid and Tirana. It is important that regional initiatives include all partners in the Western Balkans and are based on EU rules, building on commitments previously taken in the framework of CEFTA, the Regional Economic Area (REA) or the Transport Community Treaty.

Regarding the **normalisation of relations with Kosovo**, the EU-facilitated dialogue resumed with high-level meetings on 12 and 16 July, and 7 September 2020. A number of expert level meetings took place in Brussels. Serbia needs to make further substantial efforts and contribute to reaching a comprehensive legally binding agreement with Kosovo. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

As regards its **ability to assume the obligations of membership**, Serbia stepped up its work to align legislation with the EU *acquis* in the economic and internal market chapters. The country made good progress in economic areas such as company law, intellectual property law, competition and financial services. However, limited progress was made on public procurement. Even though Serbia aligned significant parts of its public procurement legislation with the *acquis*, a law on special procedures for linear infrastructure projects, adopted in February 2020, allows exemption of infrastructure projects of “special importance” for Serbia from the application of public procurement rules and, thus, allows for the circumvention of EU rules and standards. Especially the implementation of intergovernmental agreements concluded with third countries do not seem to be systematically in line with the principles of equal treatment, non-discrimination, transparency and competition and neither fully consistent with the relevant EU *acquis* and national legislation. Environment and climate change need to receive adequate political attention, translating into better coordination, stronger institutions, more financing and mainstreaming across all sectors of the economy. Advancing on a green energy transition, away

from coal, needs to become a priority, and a part of Serbia redoubling its efforts to fight air pollution. Regarding transport, Serbia continued with rail reforms. Transport investment decisions need to ensure best value for money. Adequate financial and human resources and sound strategic frameworks will be crucial for the pace of reforms, including in particular the appointment of a head of Serbia's EU negotiating team.

Serbia continued to develop intense relations and strategic partnerships with a number of countries worldwide, including Russia, China and the US. Cooperation with China increased during the COVID-19 crisis and was marked by pro-China and EU sceptical rhetoric by high-ranking state officials. Frequent high-level contacts and regular bilateral visits with Russia were maintained as well as military technical cooperation, including joint military drills and arms trade arrangements. The President of Serbia pledged to move the Serbian embassy in Israel to Jerusalem by July 2021. Serbia aligned with 60% of the EU CFSP positions in 2019 and needs to step up its efforts in order to progressively align its foreign and security policy with that of the European Union in the period up to accession.

## **North Macedonia**

Concerning the **political criteria**, North Macedonia continued to implement EU-related reforms throughout the reporting period. Efforts continued to strengthen democracy and the rule of law, including by activating existing checks and balances and through discussions and debates in key policy and legislative issues. Opposition parties remained engaged in the Parliament and supported key issues of common national interest, such as EU-related reforms and the NATO integration process, which North Macedonia joined in March 2020. Following the outcome of the European Council in October 2019, political parties decided in common agreement to hold early parliamentary elections on 12 April 2020. In line with the national legislation, a technical government, with Ministers and Deputy Ministers from the main opposition party, was appointed in January 2020. Following the outbreak of the COVID-19 pandemic, a state of emergency was declared between March and June 2020, which enabled the technical government to rule by decree. The early parliamentary elections were postponed to July 2020. The Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) assessed that these elections were generally well run and the campaign was genuinely competitive, but legal stability was undermined by substantial revisions of the legal framework and subsequent government decrees. During the reporting period, the Parliament improved its role as the primary forum for constructive political dialogue and fulfilled its legislative functions, including by adopting key EU-related laws. However, the significant increase of the use of fast track procedures raises concerns and should be limited. The Parliament operated in greater transparency and used its oversight functions, restoring checks and balances over the executive. The Parliament dissolved in February 2020, in anticipation of early elections, and the Speaker's view was that it could not reconvene. Following the July 2020 elections, the newly constituted Parliament elected the government in August 2020. The inter-ethnic situation remained calm overall. Efforts were made to strengthen inter-ethnic relations and to implement the Ohrid Framework Agreement, which ended the 2001 conflict and provides the framework for preserving the multi-ethnic character of the society.

Civil society remains active and plays a key role in policy and decision-making processes. Measures have been taken to implement the 2018-2020 Strategy and Action Plan for the Cooperation between Government and Civil Society. However, efforts are needed to ensure a more meaningful and timely consultation process.

The ongoing reform of the intelligence services resulted in the setting up in September 2019 of the National Security Agency, designed as an independent state body without police powers, unlike its predecessor the Bureau for Security and Counterintelligence (UBK). This is in line with

recommendations of the Senior Experts' Group on systemic rule of law issues. The Operational Technical Agency continued to function. Further efforts are needed to ensure that it has access to all necessary tools to fulfil its mandate. The capacity for parliamentary oversight over the intelligence services needs to be strengthened.

North Macedonia is moderately prepared with the reform of its **public administration**. Some progress was made in improving transparency, with the adoption of the 2019-2021 Transparency Strategy, the operationalisation of the open government data portal and the publication of data on government spending. The monitoring reports on implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were produced and accompanied by adequate visibility actions. Ensuring respect for the principles of transparency, merit and equitable representation remains essential. The State Commission for Prevention of Corruption continued to address allegations of nepotism, cronyism and political influence in the process of recruitment of public sector employees. A proper follow-up to the reports and recommendations of the State Commission needs to be ensured.

The **judicial system** of North Macedonia has some level of preparation/is moderately prepared. There was good progress in the implementation of the judicial reform strategy, thereby addressing the 'Urgent Reform Priorities' and recommendations from the Venice Commission and the Senior Experts' Group on systemic Rule of Law issues. Efforts are still needed to ensure systematic implementation of the updated action plan of the judicial reform strategy. Judicial institutions are implementing new rules for appointment, promotion, discipline and dismissal of judges and the Judicial Council has been exercising its role more pro-actively. As a result of its reform efforts in recent years, North Macedonia has established mechanisms to ensure judicial independence and accountability, such as rules on merit-based appointments, checking assets and conflicts of interest and disciplinary procedures. It should ensure their determined and consistent use before envisaging further changes in this area. The Law on the Public Prosecutor's Office entered into force in June 2020. The purpose of the law is *inter alia* to ensure a sustainable solution for the cases of the Special Prosecutor's Office and to establish accountability for the crimes arising from and surrounding the illegal wiretaps. The revised Law on the Council of Public Prosecutors was also adopted. Effective implementation of the legal framework as well as increased efforts by all stakeholders to demonstrate their exemplarity will contribute to increasing public trust in the judiciary.

As regards the **fight against corruption**, North Macedonia has some level of preparation/is moderately prepared. Good progress was made through consolidating its track record on investigating, prosecuting and trying high level corruption cases. The State Commission for Prevention of Corruption has been particularly pro-active in preventing corruption and opened a high number of cases, including those involving high-level officials from across the political spectrum, in line with last year's recommendation. Efforts continue to move forward with the Special Prosecutor's Office cases and establish accountability for the illegal wiretaps. The former Chief Special Prosecutor was convicted in June 2020 in the first instance verdict in the so-called 'racket case' concerning alleged extortion and abuse of office in relation to a case of the Special Prosecutor's Office. Corruption is prevalent in many areas and a more proactive approach from all actors engaged in preventing and fighting corruption needs to be ensured.

The country has some level of preparation in the **fight against organised crime**. The legislative framework is broadly in line with European standards, and efforts to implement strategies against organised crime must continue. Some progress was made in meeting last year's recommendation to establish an asset recovery office in line with the EU *acquis*. The office will now have to demonstrate its capacity to support a proactive policy of asset confiscation. The country is engaged in threat assessment at the regional level, and will have to broaden its scope in line with the EU practices. There is some progress at the operational level, but more needs to be done to improve the effectiveness of law enforcement in fighting specific forms of crime, such as money laundering and financial crimes. The cooperation with Europol is increasing across the different criminal areas. Coordination remains crucial for all stakeholders involved in fighting organised crime.

Some progress has been made in the fight against terrorism and preventing/countering violent extremism in line with the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement.

The legal framework on the protection of **fundamental rights** is largely in line with European standards. The deinstitutionalisation process is under way and resettlement of children to community-based care is being carried out. The Ministry of Labour and Social Policy is investing in community services, including to support victims of gender-based violence. It is essential that these services continue to be made available. Additional efforts are needed to address recommendations of European and international human rights bodies, particularly regarding the treatment of detained and convicted persons. The Constitutional Court's decision to repeal the Law on Prevention and Protection against Discrimination on procedural grounds means that the country currently lacks a comprehensive legal framework on non-discrimination and an equality body. This serious gap needs to be addressed by the new legislature. It is also important for the country to enhance implementation of the legislation on hate speech and of the national action plan for implementation of the Istanbul Convention. While the set-up of the external oversight mechanism of the police is complete, the absence of genuinely independent investigators may impede the work of the unit to effectively address police impunity. The country should take urgent measures to further improve the situation in prisons and to support alternatives to detention.

The country has some level of preparation / is moderately prepared in the area of **freedom of expression** and has made limited progress during the reporting period. The overall situation and climate in which media operates remain generally conducive to media freedom and allow for critical media reporting, although there have been some increased tensions during the COVID-19 crisis and in the context of the elections. Self-regulation efforts need to be intensified to support advancement in professional standards and the quality of journalism. It is important to ensure greater transparency of media advertising by state institutions, political parties and public enterprises. Sustainable solutions to ensure the public service broadcaster's independence, professional standards and financial sustainability are needed. It is essential to continue supporting media pluralism, promoting professionalism, unbiased reporting and investigative journalism, and building resilience to effectively combat disinformation. The financial sustainability of independent media and working conditions of journalists remain a challenge.

With regard to **regional cooperation**, the country maintained its good relations with other enlargement countries and participated actively in regional initiatives. It is important to continue implementing bilateral agreements, including the Prespa agreement and the Treaty on Good Neighbourly Relations with Bulgaria.

North Macedonia continues to play an active and constructive role in the management of **mixed migration flows**. It remains on one of the main transit routes for mixed movement. It cooperates effectively with neighbouring countries and EU Member States, including with guest officers from the EU Member States on the ground. Considerable efforts to ensure basic living conditions and services for all migrants staying in the country continued. The registration of migrants and adequate protection-sensitive profiling improved but needs to be carried out in a more systematic manner. The Status Agreement with the European Border and Coast Guard Agency has not been signed yet. The problem of frequent smuggling activities at the northern border needs to be further addressed.

As regards the **economic criteria**, North Macedonia is at a good level of preparation in developing a functioning market economy but made limited progress during the reporting period. Economic growth accelerated in 2019 as investment picked up, but, since April 2020, the COVID-19 crisis has left its mark on the economy and on public finances. The authorities have taken a range of measures supporting companies and households, to mitigate the economic and social impact of the crisis. In the reporting period, fiscal transparency was further improved. However, fiscally significant reforms of income taxation and the pensions system, introduced at the beginning of 2019, were reversed. Moreover, public capital expenditure implementation remained markedly low, and public debt



stabilisation is not yet secured. Before the COVID-19 crisis, unemployment rates declined further, also for young workers, and informal employment decreased slightly. However, the impact of the COVID-19 crisis will likely reverse those positive trends. Participation rates remain low, even though the share of women in the labour market increased. The financial sector remained robust and lending to the private sector strengthened. The business environment continues to be impeded by a high share of the informal economy.

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, reflecting shortcomings in the education system and the outflow of skilled workers, as well as infrastructure investment gaps impair labour productivity and the competitiveness of the economy. While measures to mitigate the immediate adverse impact of the COVID-19 crisis on growth and employment are currently prevalent, addressing these structural needs in a timely manner would support a swift post-crisis economic recovery.

As regards its ability to assume **the obligations of membership**, the country continues to be moderately prepared in most areas, including in the areas of competition, public procurement, statistics, financial control, transport, energy. The country shows a good level of preparation in areas such as company law, customs union, trans-European networks and science and research. The country is at an early stage of preparation in areas such as free movement of workers as well as financial and budgetary provisions. Over the coming period, more focus is also needed on administrative capacity and effective implementation. The country has continued to improve its alignment with the EU common foreign and security policy.

## **Albania**

As regards the **political criteria**, the political environment in Albania continued to be marked by intense polarisation. Parliamentary activities were affected by the opposition relinquishing their mandates. Institutional continuity was still ensured through gradual filling of vacant parliamentary seats. At the end of the reporting period, the Assembly had 122 out of 140 members. The opposition decided to boycott the 30 June 2019 local elections. These were held, while the President had issued a decision to postpone the vote to October. The Parliament initiated an impeachment procedure on the President that was finalised in late July 2020. The *ad hoc* inquiry committee of the Parliament concluded that while the President had overstepped his Constitutional competences, the violations did not justify his impeachment. The country's political stalemate saw an opening in January 2020, when the ruling majority and the parliamentary and extra-parliamentary opposition reached an agreement to take forward the *electoral reform*, by establishing a Political Council, platform to complete technical and political talks and to implement the outstanding recommendations of the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR), ensuring transparent financing of political parties and electoral campaigns. On 5 June 2020, the Political Council reached a breakthrough agreement to gradually introduce a depoliticised electoral administration, in line with OSCE/ODIHR recommendations. The parties also agreed to introduce electronic identification of all the voters (where technically viable), to restructure the Central Election Commission, and for the Electoral College to be comprised of vetted judges. The amendments to the electoral code were adopted by the Parliament on 23 July 2020, in accordance with the 5 June 2020 agreement *thus meeting the condition for first IGC*. In addition, the Parliament adopted on 30 July some amendments to the Constitution relating to the electoral system. These amendments that are unrelated to the implementation of the OSCE/ODHIR recommendations required further amendments to the electoral code which were discussed among parties in the Political Council, but without reaching a compromise before the Parliament voted on them on 5 October. Despite the positive outcome of the agreement reached on 5 June 2020, the political dialogue in the country needs to be improved, in particular on electoral reform and its implementation.

On 9 June 2020, the Government presented to an extended meeting of the National Council for European Integration an action plan to address the conditions and priorities set by the March 2020 Council Conclusions on Albania. On 6 May 2020, the Government nominated the Chief Negotiator and the negotiating team.

Albania is moderately prepared in the reform of its **public administration**. Efforts continued in several related areas, resulting in some progress in enforcing the guidelines on regulatory impact assessments across line ministries, in developing the legislative package related to policy planning, in increasing the number of e-services and improving transparency in data collection and human resources management between central and local level. These tangible achievements need further consolidation. Particularly the government needs to step up efforts towards more evidence-based policy making, by building administrative capacity in line ministries on policy planning and monitoring, data collection as well as usage of regulatory impact assessments to inform better policies.

Albania's **judicial system** has some level of preparation / is moderately prepared. The implementation of a comprehensive and thorough justice reform has continued consistently, resulting in good progress overall. The new institutions for the self-governance of the judiciary have been performing their duties, including managing the processes to fill the vacancies at the High Court and the Constitutional Court. The High Judicial Council finalised the selection of three non-magistrate candidates for the *High Court*, appointed on 11 March 2019, thus allowing one of the chambers of the Court to function and meeting the related *condition for the first IGC*. The selection process for the fourth non-magistrate member is close to finalisation. The other magistrate candidates are in the process of being promoted from within the court system. Albania is making progress to reconstitute the *Constitutional Court* and has appointed three new members. This provides the basis for the Constitutional Court to regain functionality – a *condition for the first IGC close to being met* – and increase public trust. In December 2019, the Court had one judge in office out of nine as a result of the vetting. The Court now has four members. There was a dispute about the appointment procedure of one of the latest judges nominated. The Venice Commission has issued an opinion on the matter, providing the necessary guidance to the Albanian authorities to complete the outstanding appointments to the Constitutional Court. With the current four members, the Court has the minimum quorum to adjudicate on the admissibility of cases. The selection process for three vacant posts is ongoing. The process has been affected slightly by the COVID-19 crisis, but is expected to be finalised as a priority. Completion of appointments at the Constitutional Court will proceed once the High Court reaches the required quorum of three fifths of members in office, as the latter is the third appointing authority alongside the Assembly and the President of the Republic. The new General Prosecutor has been appointed, for the first time based on the procedures established in the latest justice reform.

The establishment of the **Special Anti-Corruption and Organised Crime Structure (SPAK)** was finalised in 2019 with the appointment of the Chief Special Prosecutor in December. With thirteen out of fifteen Special Prosecutors appointed, the **Special Prosecution Office (SPO)** is fully operational. On 30 July 2020 the Director of the **National Bureau of Investigation (NBI)** was also appointed by the High Prosecutorial Council and started performing his functions. *The above developments fulfil the condition for the first IGC.*

The temporary re-evaluation of all judges and prosecutors (**vetting process**) has advanced steadily, continuing to produce tangible results, *hence meeting the condition for the first IGC*. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. More than 286 dossiers have been processed thus far, resulting in 62% dismissals, mostly for issues related to unjustified assets or resignations. During the COVID-19 lockdown period, the vetting institutions have continued to perform a number of important investigative activities in remote modality. The vetting institutions have resumed public hearings in June 2020.

Albania has some level of preparation in the **fight against corruption**. Good progress was made in the reporting period. Albanian authorities strengthened operational, coordination and monitoring capacities in the fight against corruption, *thus meeting the condition for the first IGC*. Albania has

continued its efforts towards the establishment of a solid track record on investigating, prosecuting and trying corruption cases. Although the vetting of the members of the judiciary is an administrative process, it is relevant to assess the concrete results by Albania to fight corruption. These have included the dismissal from office of a number of high-ranking magistrates, including at Constitutional Court and High Court level. In 2019, there were two final convictions for passive corruption of judges, prosecutors and other officials of the judiciary. In 2019, there were 262 first-instance convictions involving lower or middle-ranking officials in addition to 294 first-instance convictions in 2018. In 2019, there were 246 final convictions at appeal level involving lower or middle-ranking officials in addition to 289 final convictions in 2018. Further efforts towards establishing a solid track record in the fight against corruption have been made, although it remains a long-term objective that continues to require further structured and consistent efforts. While the number of ongoing investigations remains high, to date, final convictions in cases involving high-level officials remain limited. The newly established specialised anti-corruption bodies (SPAK and the Anti-Corruption and Organised Crime Courts) are expected to significantly strengthen the overall capacity to investigate and prosecute corruption. However, overall, corruption remains widespread and is a serious concern.

Albania has some level of preparation in the **fight against organised crime**. Albania has made good progress in strengthening the fight against organised crime, including through cooperation with EU Member States and through the action plan to address the Financial Action Task Force (FATF) recommendations, *hence meeting the condition for the first IGC*. Police operations to dismantle criminal organisations have further intensified and good progress has been made. As in the past years, Albania showed also in 2019 a strong, constant commitment to counter the production and trafficking of cannabis. Albania allows a very intrusive monitoring mechanism by a third country (aerial surveys by the Italian *Guardia di Finanza*, co-financed by the EU) to be in place. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations in the course of 2019, also continuing in 2020. Cooperation between police and prosecutors further intensified. The SPO was established and provided with a set of important investigative tools. These steps represent some tangible progress in meeting last years' recommendations on improving the track record. Efforts need to continue, to ensure increased prosecutions and final convictions, as well tackling money laundering and confiscating assets stemming from crimes and other unjustified wealth. *On the fight against money laundering*, the Albanian Parliament adopted a 'Moneyval package' in July 2019 aimed at addressing the recommendations issued by Moneyval in their report on Albania published in December 2018. On 21 February 2020, the Financial Action Task Force (FATF) however listed Albania for enhanced monitoring and proposed an action plan focussing on some outstanding recommendations. Albania has made a high-level political commitment to work with the FATF to address that action plan and has started implementing its measures. In that respect, a new law on the register of beneficial owners was adopted in Parliament in July 2020. Good progress has been made in the fight against terrorism and preventing/countering violent extremism through the implementation of the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement. Implementation efforts should be sustained notably as regards anti money-laundering.

On **fundamental rights**, Albania complies with international human rights instruments and has developed its legal framework in line with European standards. During the reporting period, Albania made efforts to meet obligations that arise in this context. The overall implementation remains, however, to be strengthened. Regarding the implementation of the Law on Social Housing, nine sub-legal acts were approved following a wide consultation process. The legal framework in the areas of children rights and juvenile justice was also improved by sub-legal acts. Efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights. The Law on the Finalisation of Transitional Ownership Processes was adopted in March 2020, taking into account the recommendations of the Venice Commission Opinion of October 2019. Efforts need to continue to advance the process for registration and compensation. Albania needs to swiftly adopt the remaining implementing legislation related to the 2017 framework Law on the Protection of National Minorities.

Albania is also in the process of preparing the law on the implementation of the forthcoming census. Swift progress is needed on this, and on the advancement of the process of registration of properties. Concerns have been raised by citizens belonging to the Greek minority in relation to property rights in the southern coastal region. As regards the **freedom of expression**, the country has some level of preparation / is moderately prepared. In December 2019, the Parliament approved a set of amendments to the media law, aiming to regulate online media and some aspects of defamation on which, in June 2020, the Venice Commission issued an opinion. The amendments fall short of international standards and principles of media freedom and raise concerns about increased censorship and self-censorship, and about possible setbacks on freedom of expression in the country. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission opinion. The draft media law is currently being revised in light of the opinion of the Venice Commission.

With regard to **migration**, some progress was made in improving the institutional capacity on border management and asylum. Reception capacity to deal with mixed migration flows was further enhanced and remained sufficient to accommodate the increased number of arrivals. Albania is the first of the Western Balkan countries where the European Border and Coast Guard Status Agreement with the EU has entered into force (May 2019). The Frontex joint operation, deploying teams together with Albanian border guards at the Greek-Albanian border, has proved successful in strengthening border controls, enhancing security at the EU's external borders and combating migrant smuggling.

The number of unfounded asylum applications lodged by Albanian nationals in the EU has decreased but remains high and requires continuous and sustained efforts, including addressing the phenomenon of unaccompanied minors. Albania has maintained its efforts to tackle unfounded asylum applications lodged by Albanian citizens to EU Member States and Schengen-associated countries.

In 2019 there were around 2.7% fewer of these unfounded asylum applications than in 2018 and almost 20% fewer than in 2017. The decrease continued in the first two months of 2020 (pre COVID-19), with 35% fewer than in the same period in 2019. In the period January-May 2020, there were 3 305 applications lodged against 10 375 in the same period in 2019, which represents a decrease of around 74% in applications. The 'recognition rate' (i.e. the number of successful applications expressed as a percentage of all decisions) was around 6%, 1.6 pps less than in 2018.

This issue has required and will continue to require substantial efforts by Albanian authorities. In addition to information campaigns on the rights and obligations of the visa-free regime, thorough border checks, refusal of departure for citizens with insufficient means and actions on addressing the underlying reasons, Albanian authorities have strengthened dialogue and cooperation with the most affected countries. In this regard, three Albanian police liaison officers have been deployed to the EU to expedite repatriation to Albania, and a liaison officer from the EU is located in Tirana to assist on exit checks.

As regards the **economic criteria**, Albania has made some progress and is moderately prepared in developing a functioning market economy. While GDP growth slowed down due to lower hydroelectric power production, other sectors performed well and unemployment continued to decrease to record lows. Exports grew solidly, and the public-debt-to-GDP ratio continued to decline but remained high during the reporting period. Banks continued reducing the number of non-performing loans and lending to private sector picked up. Steps towards developing the financial market have been taken, but financial intermediation remained low. The implementation of comprehensive justice reform advanced well, but has not yet improved the legal certainty for business. The COVID-19 pandemic has exacerbated the structural weaknesses and its economic fall-out erases some of the progress.

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. Infrastructure on energy, transport and digital communication, as well as educational outcomes have improved, but significant gaps remain compared to regional and European levels. Albania's competitiveness is hindered by lack of

entrepreneurial and technological know-how, a significant skills gap, weak institutions and low levels of investment and infrastructure quality. Integration into international value chains, and exports remained below potential. Furthermore, consolidation of property rights and a fully functioning cadastre are critical prerequisites for increasing investments and access to finance, as well as to achieve competitiveness of the agricultural and tourism sectors.

With regard to **good neighbourly relations and regional cooperation**, Albania has continued to participate actively in regional cooperation and maintain good neighbourly relations.

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, social policy and employment and trans-European networks. Albania will need to continue its efforts as regards the overall preparations for adopting and implementing 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. Albania has to finalise the adoption of the secondary legislation for the implementation of the employment reform and strengthen inter-institutional coordination on measures affecting the most vulnerable groups.

The administrative capacity and professional standards of bodies charged with the implementation of the EU *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.

## **Bosnia and Herzegovina**

Regarding the **political criteria**, during most of the reporting period the Parliamentary Assembly of Bosnia and Herzegovina was blocked for political reasons, which resulted in a legislative backlog, and the Council of Ministers acted in caretaker function, pending the appointment of a new government, which only took place in December 2019, 14 months after the general elections. The Federation entity government is still in a caretaker function. Bosnia and Herzegovina's Constitution remains in breach of the European Convention on Human Rights (ECHR), as per the Sejdić-Finci and related cases. No progress was made in improving the electoral framework in line with European standards and ensuring transparency of political party financing. Amendments adopted in July 2020 should allow holding local elections in Mostar for the first time since 2008. Preparations are also ongoing to hold the Stabilisation and Association Parliamentary Committee, as well as develop and adopt a national programme for the adoption of the EU *acquis*. No progress was made in ensuring an enabling environment for civil society. Meaningful and systematic consultations with civil society remain to be ensured.

Bosnia and Herzegovina is at an early stage with **public administration reform** (PAR) and there was no progress on ensuring a professional and depoliticised civil service and a coordinated countrywide approach to policy making. All levels of government adopted the strategic framework on public administration reform and now need to adopt the related action plan. A political body steering the coordination of public administration reform is not yet established. To guarantee a professional civil service, civil service procedures must be based on merit principles and free from political interference.

Bosnia and Herzegovina is at an early stage/has some level of preparation in the area of **judiciary**. No progress was made in this area during the reporting period. No appropriate action was taken to address the findings of the Expert Report on Rule of Law issues. Integrity reforms have met resistance from within the judiciary. Evident signs of deterioration require urgent measures to strengthen the integrity and regain citizens' trust in the judiciary, starting with a credible and rigorous system of verification of financial statements of judicial office holders. Obstructions to judicial reforms from political actors and from within the judiciary and the poor functioning of the judiciary undermine citizens' enjoyment of rights and the fight against corruption and organised crime.

Bosnia and Herzegovina is at an early stage/has some level of preparation in the prevention and **fight against corruption and organised crime**. No progress was made in addressing the Opinion key priorities and 2019 recommendations in this area, as well as the findings of the Expert Report on Rule of Law issues. Corruption remained widespread and is a serious concern, with all levels of government showing signs of political capture directly affecting the daily life of citizens. There are systemic shortcomings in the operational cooperation of law enforcement agencies and a very limited exchange of intelligence. The police is vulnerable to political interference. Financial investigations and asset seizures are largely ineffective. The contact point for cooperation with Europol is not yet operational. No steps were taken to establish cooperation with Eurojust. The country needs to improve its capacity and continue its efforts in the fight against terrorism and drug trafficking.

As regards **fundamental rights**, while the legislative and institutional framework is largely in place; a comprehensive strategic framework remains to be adopted. Some steps were made – notably, the Constitutional Court repealed the provision on the death penalty in the *Republika Srpska* entity constitution, and the first LGBTI Pride Parade took place peacefully in Sarajevo. Challenges remain on freedom of assembly, notably in the *Republika Srpska* entity. Significant reforms are needed to ensure that all citizens are able to exercise their political rights and to overcome the practice of 'two schools under one roof' and ensure inclusive and quality education for all. There was no progress on guaranteeing freedom of expression and of the media and the protection of journalists by ensuring the appropriate judicial follow-up to cases of threats and violence against journalists and media workers, and ensuring the financial sustainability of the public broadcasting system.

The EU has provided considerable support to Bosnia and Herzegovina to manage **migration**. The EU urges Bosnia and Herzegovina authorities to urgently take all necessary measures to prevent a humanitarian crisis from unfolding. The EU also expects violations of the law to be duly investigated. Bosnia and Herzegovina needs to ensure effective coordination, at all levels, of border management and migration management capacity, as well as the functioning of the asylum system.

As regards the **economic criteria**, Bosnia and Herzegovina has made limited progress and is at an early stage of establishing a functioning market economy. The quality of economic governance suffered from delays in government formation and insufficient cooperation at entity and state levels, paralysing among others progress towards improving the business environment which is held back by significant weaknesses, including in market entry and exit procedures, the rule of law and supervisory and regulatory institutions. Economic growth benefitted from strong domestic demand, reflecting sizeable inflows of workers remittances and low inflation. The public sector remained oversized and inefficient. The financial sector remained stable and lending increased, while unemployment has declined, partly due to a substantial labour force outflow. However, the economic impact of COVID-19 led to a sharp drop in economic activity and a marked deterioration in the labour market.

Bosnia and Herzegovina made limited progress, and remains at an early stage in terms of capacity to cope with the competitive pressure and market forces in the EU. The overall quality of education remained low, while measures to improve the transport and energy infrastructure have remained insufficient. The extent of structural adjustment has been limited, although there has been some diversification in the country's trade structure.

Bosnia and Herzegovina has continued to participate actively in **regional cooperation** and maintain good neighbourly relations. Progress on alignment with the EU Common Foreign and Security Policy has been made and should be further pursued.

Bosnia and Herzegovina is overall at an early stage/has some level of preparation regarding its level of preparedness and ability 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. Limited to no progress was made on the different EU acquis chapters during the reporting period. 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.

## **Kosovo**

As concerns the **political criteria**, the reporting period was marked by early legislative elections, two changes of government and relatively long periods with only a caretaker government in place. Due to this volatile political context and the necessary focus on the pandemic response, there was overall limited progress on EU-related reforms in Kosovo.

Following the resignation of the then Prime Minister Ramush Haradinaj in July 2019, early legislative elections took place in October 2019, with a higher turnout than for the previous elections. The new Assembly was constituted in December 2019 and a new government headed by Prime Minister Albin Kurti took office on 3 February 2020, with a stated commitment to pursue EU-related reforms, foster economic development and the fight against corruption and organised crime. However, this government was dismissed less than two months after, by a no-confidence vote, following disagreements between the coalition partners. The vote of no-confidence led to a political crisis, notably over the constitutional procedures regarding the formation of a new government. After the Constitutional Court clarified the issue, a new government led by Prime Minister Avdullah Hoti took office on 3 June 2020.

During the reporting period, the Assembly did not improve its overall performance as a forum for constructive political dialogue and representation, as demonstrated notably by the frequent lack of quorum. Under the new legislature, there have however been some improvements in the organisation of its work. The Assembly should prioritise EU-related reforms and ensure parliamentary best practices.

The legislative elections of October 2019 were overall well-administered and transparent, but the vote-counting process exposed vulnerabilities. The campaign was competitive, except in the Kosovo Serb areas where the campaign environment was marred by intimidation against non-Srpska Lista candidates and supporters. Recurring election process shortcomings need to be urgently addressed, in line with the recommendations of several EU election observation missions.

The situation in the north of Kosovo remains challenging, in particular when it comes to corruption, organised crime, and the conditions for freedom of expression.

There is some level of preparation in the area of **public administration reform**. During the reporting period, limited progress was made in increasing transparency in the public administration and of public procurement procedures. Implementation of the package of three public administration reform laws adopted in February 2019 was stalled as a result of the political situation and the request for constitutional review of the Law on salaries and the Law on public officials. On 30 June 2020, the Constitutional Court declared the Law on salaries unconstitutional in its entirety and ruled that the Law on public officials needs to be amended for it to fully enter into force. The Law on organisation and functioning of the state administration is fully in force and its implementation should continue.

Weak central and inter-ministerial coordination remains a challenge for the overall implementation of the reform. During the reporting period, non-merit based recruitments remained a concern, while inclusive and evidence-based policy-making was hampered by *ad hoc* decisions, often influenced by special interests. Kosovo authorities need to ensure that the reform of the public administration remains a priority and should build on the progress achieved so far.

Kosovo's **judicial system** is at an early stage of preparation. Some progress was achieved with the partial implementation of rule of law related legislation including the Law on the disciplinary liability of judges and prosecutors and the Law on mediation, and with the advancement of the roll out of an electronic case management system and central criminal record registry. The judiciary is still vulnerable to undue political influence. The ongoing Functional Review of the Rule of Law Sector has provided a sound basis to reform and modernise various aspects of the judiciary. The Kosovo authorities should now take this work forward. The administration of justice remains slow and inefficient and rule of law institutions need sustained efforts to build up their capacities. The COVID-19 pandemic limited the holding of court hearings in Kosovo; yet the Criminal Procedure Code specifies that if no hearings are held for 3 months, the trial has to re-start. An important number of criminal trials (including high-profile ones) may be affected by this rule. Kosovo authorities should follow-up on this issue and take the necessary measures to ensure effective and efficient conduct of justice. Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. Kosovo has made limited progress in this area, including on the investigation and prosecution of high level cases, on the confiscation of assets as well as through the creation of the Special Departments handling cases regarding high-level corruption (and organised crime) in the courts. Final confiscations of assets and the overall capacity of the prosecution, including as regards supporting staff, remain low. Corruption is widespread and remains an issue of serious concern. There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption. The adoption of the revised Criminal Procedure Code is still pending, while the revision of political party financing legislation was delayed.

Kosovo is at an early stage in the **fight against organised crime**. Progress has included investigating and prosecuting high-level cases, recruiting additional staff for the special prosecution office and training and awareness raising on the freezing of assets. However, overall progress has been limited. There are still few financial investigations, final confiscations of assets 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.

In July 2020 Europol and the Kosovo Police concluded a Working Arrangement. Kosovo was the only partner in the Western Balkans without any structured and formalised cooperation with Europol, which created a significant gap. The arrangement will constitute the basis for enhanced cooperation between Kosovo Police, Europol and EU Member States, in particular in addressing terrorism and extremism as well as organised crime.

Progress was made in the fight against terrorism, in line with the objectives set out in the EU-Kosovo implementing arrangement for the Joint Action Plan on counter-terrorism for the Western Balkans, especially with regard to the 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 large dependence on foreign donors remains. The adoption of the Law on Child Protection fulfilled one of the recommendations of last year's report. 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, 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 need to continue efforts to follow-up on threats and attacks against journalists. The public broadcaster remains vulnerable to political influence and a sustainable solution for its funding still needs to be found.

The Kosovo authorities have made progress in managing both regular migration and mixed **migration** flows. Kosovo activated its contingency plan due to the influx of asylum seekers and irregular migrants. Its efforts should be continued and built on.

As regards the **economic criteria**, Kosovo is at an early stage and has made limited progress in developing a functioning market economy. Robust economic growth continued in 2019, but the difficult labour market situation and the lack of economic diversification remain a challenge. While the government adhered to the fiscal rule in 2019, the composition of public spending has further deteriorated. Decreasing capital spending, rising pressures related to non-poverty-targeted social benefits and increasing public wages pose risks to public finances and hinder private sector development. The business environment saw limited improvements. Private sector development remains constrained by a widespread informal economy, a slow and inefficient judiciary, a high prevalence of corruption and the overall weak rule of law. Kosovo's economic outlook started to deteriorate rapidly in spring 2020, as the COVID-19 quarantine measures disrupted the financial flows with diaspora. Kosovo is at an early stage and has made limited progress in terms of capacity to cope with competitive pressure and market forces in the EU. The quality of education remains a concern. Kosovo made some progress in improving road infrastructure, but there are large gaps in railway and energy infrastructure. Although investments in renewables are gradually increasing, Kosovo remains reliant on a predominantly coal-based, outdated and unreliable energy production system. Kosovo made some progress as regards the digitalisation of the economy. The economy's sectorial structure is shifting towards non-tradable activities, which weight on competitiveness and growth of merchandise exports.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional fora. In April 2020, the Kosovo government lifted the tariffs imposed since November 2018 on imports from Serbia and Bosnia and Herzegovina and on 6 June all reciprocity measures were lifted. This has allowed for a restoration in trade with Serbia and Bosnia and Herzegovina and for the resumption of the EU-facilitated Belgrade-Pristina dialogue.

Regarding the **normalisation of relations with Serbia**, the EU-facilitated dialogue resumed with high-level meetings on 12 and 16 July, and 7 September 2020. A number of expert level meetings took place in Brussels. Kosovo needs to make further substantial efforts and contribute to reaching 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.

As regards alignment with **European standards**, Kosovo has overall some level of preparation. Legislative alignment has continued in some areas but implementation is often weak. Good progress was made in the area of taxation, including as regards revenue collection. 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. Some progress was also made in the area of energy, notably with energy efficiency measures in the public sector and a gradual increase of investments in renewable energy sources. Limited progress was achieved in addressing environmental issues. No progress was made in the area of education and the quality of education needs to be improved considerably. Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to ensure effective implementation of the EU *acquis*.

## Turkey

Despite the lifting of the state of emergency in July 2018, the adverse impacts of the two-year long emergency ruling continued to significantly impact on **democracy** and fundamental rights. Certain legal provisions granting extraordinary powers to the government authorities and retaining several restrictive elements of the emergency rule have been integrated into law. Key recommendations of the Council of Europe and its bodies are yet to be addressed. Allegations of wrongdoing need to be addressed through 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 and due process.

The constitutional architecture continued centralising powers at the level of the Presidency without ensuring a sound and effective separation of powers between the executive, legislative and the judiciary. In the absence of an effective checks and balances mechanism, the democratic accountability of the executive branch remains limited to elections. Under these conditions, the serious backsliding of the respect for democratic standards, the rule of law, and fundamental freedoms continued. Political polarisation continued to prevent constructive parliamentary dialogue. Parliamentary oversight of the executive remained weak. Under the presidential system, many regulatory authorities and the Central Bank were directly linked to the Presidency, undermining their independence.

The opposition candidate won the re-run of the metropolitan mayoral elections in Istanbul on 23 June 2019. While the elections were professionally organised, they were characterised by limited plurality for democratic media and conditions that were objectively not fair to all political parties and candidates in all respects. Turkey needs to take steps to improve the broader environment for elections, ensuring a level playing field for all candidates and protecting the integrity of the election process. The implementation of Venice Commission recommendations is crucial in this regard.

The **situation in the south-east** continued to be very worrying, despite an improved security environment. The replacement of 47 democratically elected HDP municipal mayors by centrally-appointed trustees in the south-east put the results of the democratic process of the 31 March 2019 local elections into question. Arrests and dismissals of elected mayors and party representatives continued and seriously damaged local democracy. 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.

**Civil society** came under continuous pressure and their space to operate freely has continued to diminish. The Gezi trial and the continued pre-trial detention of Osman Kavala, despite the existence of a ruling of the European Court of Human Rights calling on his release, had a deterrent effect. Administrative difficulties for national and international non-governmental organisations (NGOs) continued to hamper civil society activities. Civil society organisations remained excluded from genuine legislative consultation processes.

The legal and institutional framework governing the security and intelligence sector remained unchanged with strengthened **civilian oversight of the security forces** under the presidential system.

Turkey has some level of preparation/is moderately prepared in **public administration reform**. There was backsliding during the reporting period. The major restructuring of public administration and civil service after the shift to the presidential system in 2018 continued to have a negative impact on policy development, accountability of the administration as well as human resources management, although policy coordination among central government institutions remained strong. Changes to the civil service system have increased the politicisation of the administration. No steps were taken to develop a

comprehensive public administration reform strategy and an overarching public financial management reform programme. An effective remedy still needs to be provided for the large-scale dismissals that took place during the state of emergency. There remained questions over the extent to which the Inquiry Commission is an effective judicial remedy.

Turkey's **judicial system** is at an early stage of preparation and serious backsliding continued during the reporting period. Concerns remained, in particular over the systemic lack of independence of the judiciary. The President announced the Judicial Reform Strategy for 2019-2023 in May 2019. However, it falls short of addressing key shortcomings regarding the independence of the judiciary. No measures were announced to remedy the concerns identified by the Council of Europe's Venice Commission and in the European Commission's annual country reports. There are concerns that dismissals in the absence of respect for due procedures caused self-censorship and intimidation within the judiciary. No measures were taken to change the structure of, and process for, the selection of members of the Council of Judges and Prosecutors to strengthen its independence. Concerns regarding the lack of objective, merit-based, uniform and pre-established criteria for recruiting and promoting judges and prosecutors persisted. No changes were made to the institution of criminal judges of peace so that concerns regarding their jurisdiction and practice remained.

Regarding the **fight against corruption**, Turkey remained at an early stage and made no progress in the reporting period. The country continued to lack preventive anti-corruption bodies. The flaws of the legal framework and institutional architecture allowed undue political influence in the investigation and prosecution phases of corruption cases. Accountability and transparency of public institutions need to be improved. The absence of an anti-corruption strategy and action plan indicated the lack of political will to fight decisively against corruption. Overall, corruption is widespread and remains an issue of concern.

Turkey has some level of preparation in the **fight against organised crime** and there was limited progress. The 2019-2021 national action plan, for the implementation of the 2016-2021 national strategy on the fight against organised crime, was adopted in May 2019. Cooperation between Europol and Turkey is based on a Strategic Agreement on Cooperation, which entered into force in July 2004. Negotiations concerning an operational cooperation agreement on the exchange of personal data between Europol and Turkey were ongoing, requiring Turkey to align its data protection law in line with European standards. Turkey should improve its track record on dismantling criminal networks and confiscating criminal assets. The legal framework regulating the fight against money laundering and terrorist financing needs to be improved. Efforts are needed to improve the legislation on cybercrime, asset confiscation and witness protection. A cooperation agreement with CEPOL has been in force since 2010.

The deterioration of **human and fundamental rights** continued. Many of the measures introduced during the state of emergency remained in force and continued to have a profound and devastating impact. The legal framework includes general guarantees of respect for human and fundamental rights but the legislation and practice still need to be brought into line with the European Convention on Human Rights (ECHR) and with the European Court of Human Rights (ECtHR) case-law. The lack of institutional independence, lengthy review procedures, the absence of sufficiently individualised criteria, and the absence of a proper means of defence cast serious doubt over the Inquiry Commission on the State of Emergency Measures' ability to provide an effective remedy against dismissals. Legislation introduced immediately after the lifting of the state of emergency removed crucial safeguards protecting detainees from abuse, thereby increasing the risk of impunity. The enforcement of rights is hindered by the fragmentation and limited independence of public institutions responsible for protecting human rights and freedoms, and is aggravated by the lack of an independent judiciary. Restrictions imposed on, and surveillance of, the activities of journalists, writers, lawyers, academics, human rights defenders and critical voices on a broad scale have a negative effect on the exercise of these freedoms, and lead to self-censorship. Credible allegations of torture and ill-treatment continued to be reported. In light of the COVID-19 pandemic, a controversial legislative package provided for the conditional release of up to 90,000 prisoners. As of July, 65,000 prisoners had been released.

However, it excluded those held in pre-trial detention for alleged terrorism-related offences, including lawyers, journalists, politicians and human rights defenders.

Serious backsliding continued on freedom of expression. The disproportionate implementation of the restrictive measures continued to negatively affect the freedom of expression and dissemination of opposition voices. Criminal cases and convictions of journalists, human rights defenders, lawyers, writers and social media continued. The ban on Wikipedia was lifted in December 2019, however, the blocking and erasing of online content without a court order on an inappropriately wide range of grounds continued. There was further backsliding in the area of freedom of assembly and association in light of recurrent bans, disproportionate interventions in peaceful demonstrations, investigations, administrative fines and prosecutions against demonstrators on charges of ‘terrorism-related activities’.

The rights of the most disadvantaged groups and of persons belonging to minorities need better protection. Roma 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. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of lesbian, gay, bisexual, transgender, and intersex (LGBTI) persons are still a matter of serious concern.

In the area of **migration and asylum policy**, Turkey made some progress. Throughout 2019, Turkey was committed to the implementation of the EU-Turkey Statement of March 2016 and played a key role in ensuring effective management of migratory flows along the Eastern Mediterranean route. Turkey sustained its outstanding efforts to provide 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. However, in March 2020, Turkey actively encouraged migrants and refugees to take the land route to Europe through Greece. This led to the set-up of an informal camp at one of the Greek-Turkish border crossing points in Pazarkule, hosting close to 60,000 migrants and refugees in dire conditions. Later in March, the Turkish authorities organised transport for the migrants and refugees away from the border area and closed the borders with Greece and Bulgaria except for commercial traffic because of the outbreak of the COVID-19 pandemic. Nevertheless, the Turkish Minister of Interior indicated that this move did not mean a change in Turkey’s policy to allow irregular migrants’ exits over its borders and the government had no intention to prevent anyone who wishes to leave Turkey. While the EU acknowledged the increased migratory burden and risks Turkey had been facing on its territory and the substantial efforts it was making in hosting refugees, it strongly rejected Turkey's use of migratory pressure for political purposes. Overall, the number of illegal border crossings between Turkey and Greece still remained significantly lower than prior to the adoption of the EU-Turkey Statement.

The prolonged presence of refugees in the country requires efficient integration measures to avoid social tensions. The authorities should increase access to public health for migrants and refugees in the country. A comprehensive amendment to the Law on Foreigners and International Protection was adopted in 2019. Turkey still did not implement the EU-Turkey Readmission Agreement towards all Member States nor the provisions relating to third-country nationals. Despite an announced acceleration of work on visa liberalisation, no outstanding visa liberalisation benchmarks were fulfilled and amendments to the anti-terror law and data protection law are still outstanding. Turkey still needs to further align its legislation with the EU *acquis* on visa policy.

Turkey’s **foreign policy** increasingly collided with the EU priorities under the Common Foreign and Security Policy. Tensions in the Eastern Mediterranean region further increased in the reporting period as a result of Turkey’s illegal actions and provocative statements challenging the right of the Republic of Cyprus to exploit hydrocarbon resources in the Exclusive Economic Zone of the Republic of Cyprus. Turkey deployed two drilling and two seismic vessels in the Exclusive Economic Zone of the Republic of Cyprus, including in the areas that have been licensed by the Government of Cyprus to European oil and gas companies, as well as in Cypriot territorial sea. The Turkish Armed Forces

accompanied the drilling and seismic ships during their operations, posing a grave threat to the security of the region. Turkey also challenged the status of the fenced-off city of Varosha.

The EU has repeatedly stressed the need to respect 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 needs to commit itself unequivocally to good neighbourly relations, international agreements and the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In light of the unauthorised drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the Council decided a number of measures, including not to hold for the time being the EU-Turkey Association Council as well as further meetings of the EU-Turkey high-level dialogues. The EU further adopted a framework for targeted measures against Turkey in November 2019 and decided in February 2020 to add two individuals to the list of designations under this sanctions framework.

On 1 October 2020, the European Council stated that, provided constructive efforts to stop illegal activities vis-à-vis Greece and Cyprus are sustained, the European Council agreed to launch a positive political EU-Turkey agenda with a specific emphasis on the modernisation of the Customs Union and trade facilitation, people to people contacts, High level dialogues, continued cooperation on migration issues, in line with the 2016 EU-Turkey Statement. The European Council also stressed that in case of renewed unilateral actions or provocations in breach of international law, the EU will use all the instruments and the options at its disposal, including in accordance with Article 29 TEU and Article 215 TFEU, in order to defend its interests and those of its Member States.

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.

The signing of a bilateral Memorandum of Understanding on the delimitation of maritime jurisdiction areas between Turkey and the National Accord Government of Libya in November 2019 increased tensions in the Eastern Mediterranean, as it ignored the sovereign rights of Greece's islands in the area concerned. There was a sharp increase in provocative actions by Turkey towards Greece, in particular Turkish overflights of Greek inhabited areas. In this respect, the European Council, in December 2019, unequivocally reaffirmed its solidarity with Greece and Cyprus regarding actions by Turkey in the Eastern Mediterranean and the Aegean Sea. It stressed that the Memorandum infringes upon the sovereign rights of third States, does not comply with the United Nations Convention on the Law of the Sea and cannot produce any legal consequences for third States. In May 2020, EU Foreign Ministers reaffirmed the EU's position on Turkey's continued illegal activities in the Eastern Mediterranean as well as on Turkey's provocative and aggressive behaviour in relation to Cyprus and Greece, underlining that abstaining from unilateral actions is a basic element to allow dialogue between the EU and Turkey to advance and that Turkey's illegal actions have serious negative impact across the range of EU-Turkey relations. In October 2020, the European Council called on Turkey to accept the invitation by Cyprus to engage in dialogue with the objective of settling all maritime-related disputes between Turkey and Cyprus.

The EU condemned Turkey's unilateral military action in north-east Syria and urged Turkey to end its military action, withdraw its forces and respect international humanitarian law. The vast majority of Member States decided to halt arms export licensing to Turkey. Following airstrikes against Turkish troops in the Idlib governorate at the end of February 2020, Turkey launched the military operation 'Spring Shield' in the area. Turkey and Russia agreed on a ceasefire in March 2020 that stabilised frontlines in north-west Syria, established a new corridor along the M4 highway, and created a framework for joint Russian-Turkish military patrols. Turkey maintained its military observation posts on the ground, including those situated in territories now controlled by the Syrian regime, and brought in further reinforcements to the region. Turkey further significantly increased its military involvement

in the conflict in Libya, contributing to a reversal of the situation on the ground.

Regarding the **economic criteria**, the Turkish economy is well advanced, but made no progress over the reporting period and serious concerns persist over its functioning. The economy rebounded from the summer 2018 sharp currency depreciation and the resulting recession faster than expected, helped by expansionary policies and a strong contribution of net exports. However, the recovery remained fragile given the weak labour market and the need to repair corporate balance sheets. As the COVID-19 crisis unfolded, the authorities took a number of measures to cushion the economic impact of the pandemic, including a significant monetary expansion. These measures were constrained, however, by a limited policy space, in particular on the fiscal side, and institutional weaknesses. The current account balance, which had improved markedly since 2017, started deteriorating again by the end of 2019, triggering a sizeable increase of import duties and non tariff barriers. Due to high external financing needs, Turkey remained exposed to rapid changes in investor sentiment, aggravated by the pandemic and rising geopolitical risks. Inflation fell from a very high level but remained elevated and well above target. Monetary policy credibility weakened further because of the dismissal of the governor of the Central Bank of the Republic of Turkey (CBRT) and recurrent political pressures. Price competitiveness continued to benefit from the weakening of the lira and the real effective exchange rate depreciated in 2019, a trend that accelerated further in 2020.

The government continued to further improve the regulatory environment for businesses. However, the informal sector remains large. State interventions in price setting mechanisms continued, and there is a continued lack of state aid implementation rules, enforcement, transparency and institutional set up. The financial sector remained stable. However, vulnerabilities increased, in particular due to rapid credit growth in state owned banks, and various regulatory measures aimed at boosting lending activity. The high level of unemployment, in particular among young people and women, paired with declining employment, low labour mobility and a high share of undeclared work remain major concerns.

Turkey has made limited progress and has a good level of preparation in achieving the capacity to cope with the competitive pressure and market forces within the EU. Expenditure on research and development increased, although remaining well below the Government's target. Investment excesses and misallocations declined. Progress was made in the diversification of energy supplies but reforms are needed to open up the natural gas market and increase competition on it. Significant problems remain in education as regards quality and access. Women face difficulties in accessing quality education and the labour market. Although Turkey remains well integrated with the EU market in terms of both trade and investment links, the relative share of the EU in Turkey's foreign trade declined further amid a growing list of deviations from Turkey's obligations under the EU-Turkey Customs Union.

Regarding its **ability to assume the obligations of membership**, Turkey has continued to align with the EU *acquis*, albeit at a very limited pace and in a fragmented manner. There continued to be instances of backsliding regarding a number of key aspects in the areas of competition on account of an increase in State aid and its lack of transparency, information society and media, economic and monetary policy, customs union, external relations and foreign, security and defence policy. Turkey is well advanced in the areas of company law, trans-European networks and science and research, and it has also achieved a good level of preparation in a number of areas, including free movement of goods, intellectual property law, financial services, and enterprise and industrial policy. Turkey is moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also moderately prepared in areas such as free movement of capital, transport policy, energy, taxation, economic and monetary union, statistics, where further significant efforts are needed across the board. Overall, in most areas 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.

## **ANNEX 2 - Implementation of the Western Balkans Strategy and the Sofia Priority Agenda: enhanced EU engagement**

The implementation of the Western Balkans Strategy and the Sofia Priority Agenda adopted at the EU-Western Balkans Summit in Sofia in May 2018 continued in 2019-2020. Both these documents foresee actions in six flagship priority areas: rule of law, migration and security, socio-economic development, connectivity, digital agenda and good neighbourly relations.

The implementation of these priorities took place 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 2019 alone amounted to an annual allocation for the Western Balkans of some EUR 1.1 billion.

Following the first EU-Western Balkans summit in 15 years in Sofia in May 2018, 2019 saw further political engagement with the region with a Berlin Process Summit in Poznań, Poland, and as many as 12 ministerial meetings dedicated to enhancing regional cooperation and building closer ties with the EU in the priority areas. The Zagreb EU-Western Balkans Summit on 6 May 2020 focussed on enhancing regional cooperation and EU support in the context of the COVID-19 crisis. This continuous engagement has led to progress in all flagship initiatives and to completion of more than two-thirds of the planned actions.

**Flagship Initiative 1 – Strengthening support to the rule of law** focuses on three objectives: better monitoring of justice reforms, more targeted technical assistance on law enforcement, and enhancing support to fundamental rights, including gender equality, civil society, democracy activism and independent media. The Western Balkans Justice and Home Affairs Ministerial Forum in Skopje in November 2019 was an important milestone in this field, particularly in terms of further strengthening cooperation with EU's Justice and Home Affairs (JHA) agencies and engagement on security, fighting corruption and organised crime, and the reform of the justice system.

In terms of monitoring justice reforms, the Commission's new approach is based on simultaneous "peer reviews" in all six partner administrations on specific issues. In 2019, the Commission completed the three series of peer reviews planned in the Strategy, concerning: enforcement of court decisions, public procurement and high-level corruption. Together with the World Bank and the Commission for the Efficiency of Justice of the Council of Europe (CEPEJ), the Commission is also developing new ways of collecting harmonised data from the justice systems. A series of regional justice surveys and a harmonised data collection in the region are being undertaken in the first half of 2020. A major project in this area is also the monitoring of trials in the field of corruption and organised crime by the Organisation for Security and Co-operation in Europe (OSCE). It is close to signature with Albania, Bosnia and Herzegovina, Kosovo, Montenegro and North Macedonia, whereas discussions are still ongoing with Serbia.

The Commission is also engaged in a more tailor-made form of technical assistance, namely advisory missions, focusing on justice reforms and the fight against organised crime and corruption. Four such advisory missions are currently underway in Montenegro, Albania, Kosovo and Bosnia and Herzegovina, while funding for missions in North Macedonia and Serbia has been adopted and the activities will be launched in 2020.

Finally, the Commission continues to work closely with the European Endowment for Democracy to support independent media platforms, civil society and democracy activists. Through additional EU support, the Fund has extended its operations to the Western Balkans with 19 new grants targeting 90 independent media organisations.

**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 Poznań in July and in Skopje in November 2019, which were important for closer cooperation on security, migration, small arms and light weapons, and joint counter-terrorism measures.

In the area of counter-terrorism, the Commission and the Western Balkan partners agreed on a Joint Action Plan on Counter-Terrorism in 2018, and six individual action plans were developed and signed in 2019 and are now being implemented with Commission support. The regional network of national coordinators for preventing violent extremism, established in 2018, is fully operational and meets regularly. The evaluation of the 2015-2019 Action Plan on Firearms Trafficking between the EU and South-East Europe was finalised in June 2019. A new Action Plan was adopted on 24 July 2020<sup>1</sup> and funding from the CFSP budget and IPA is being provided to support its implementation.

The EU continued to engage the Western Balkan partners in the EU Policy Cycle against Serious and Organised Crime and in the preparation and implementation of the relevant annual action plans. Since 2018 there has been an increase in the use of joint investigation teams for cases involving organised crime. A total of 226 cases involving Western Balkan partners and Turkey were registered for 2018-2019, and 16 joint investigation teams were deployed. Additionally, two Western Balkan countries, Bosnia and Herzegovina and Serbia, participated in three coordination centres for the first time in 2019. The cooperation between the Western Balkans and Europol has been further enhanced with the IPA-funded roll out of Liaison Officers for Albania, Bosnia and Herzegovina and Serbia in 2019-2020, as well as new working arrangements between Europol and Kosovo signed in July 2020.

On Common Foreign and Security Policy / Common Security and Defence Policy, the EEAS has maintained the increased frequency of the CFSP dialogue meetings with the Western Balkans to encourage further alignment of the region with the EU's common positions. Framework Partnership Agreements are in place with five Western Balkan countries, which contribute to CSDP military missions and operations. Hybrid risk surveys in four of the Western Balkan partners have been completed with EEAS and Commission support with a view to assessing their vulnerabilities and better directing EU assistance to help build capacities and increase resilience.

Work progressed on cybersecurity and the implementation of the Budapest Convention on cybercrime in cooperation with ENISA, ECTEG, Europol and CEPOL, supported by dedicated regional IPA programmes. The European Cybercrime Centre has signed cooperation agreements with five Western Balkan countries and closer relations with ENISA are being established.

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.

The Commission continued its efforts to facilitating greater involvement of JHA agencies in the Western Balkans. In addition to the working arrangements with the European Monitoring Centre for Drugs and Drug Addiction, and the Eurojust cooperation agreements with Albania, Montenegro, North Macedonia and Serbia, the Commission completed negotiations of the European Border and Coast Guard (Frontex) status agreements with the five countries of the region that share a border with the EU. The agreements with Albania, Serbia and Montenegro have been signed and the first border guards have been deployed. Eurojust has concluded cooperation agreements with four Western Balkan countries. The cooperation agreements signed with Albania in October 2018 and with Serbia in November 2019 are in force. Finally, Europol has signed operational agreements with five Western Balkan countries and signed a working arrangement on strategic cooperation with Kosovo. A Europol

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<sup>1</sup> COM(2020) 608 final



Liaison Officer has been deployed to Albania with IPA support, while the accreditation of the liaison officer in Serbia is still pending.

**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, labour market and social reforms. The meeting of Ministers of Economy in Poznań in July was an important milestone in this priority area, particularly the implementation of the REA and initiatives in the field of vocational training, student mobility and recognition of qualifications. The first EU-Western Balkans Ministerial meeting on employment and social affairs reflected the importance of a new reinforced social dimension in the Western Balkans, with an increased focus on employment and social reforms. 2019 also saw the eight annual meeting of the ministerial level Western Balkans Platform on Education and Training in Belgrade.

The Commission, together with the Regional Cooperation Council, continued to facilitate the implementation of the REA Multi-annual Action Plan. Despite a complex political climate throughout 2019, a number of achievements can be reported in this area, including an agreement on certificates of origin, the adoption of CEFTA's Customs Risk Management Strategy, adoption of CEFTA Additional Protocol 6 on Trade in Services, agreement on authorised economic operators and the green light to launch negotiations on Additional Protocol 7 on Trade Dispute Settlement Mechanism. An EU-sponsored World Bank report on financial markets diversification in the region has been published and will be the basis for developing future action in this respect.

The expansion of the Western Balkans Investment Framework (WBIF) continued in 2019, with new and formerly dormant donors joining the fund and preparations for interventions in new areas, such as the green agenda, social infrastructure or the digital agenda. The regional youth guarantee scheme of EUR 10 million, designed to support start-ups, which could provide up to EUR 80 million of financing, is also fully operational. The Commission has also extended its support for developing smart specialisation strategies to the Western Balkans, with Montenegro adopting the first Smart Specialisation Strategy in the region in 2019 and Serbia in early 2020.

As part of the European Union “Support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery”, DG NEAR mobilised, through International Financial Institutions, a EUR 455 million Economic Reactivation Package to mitigate the economic impact of the pandemic. This includes a EUR 95 million Special Measure package comprising a EUR 60 million top-up to the WB Enterprise Development and Innovation Facility (WB EDIF), the acquisition of new shares under the European Fund for Southeast Europe (EFSE) and the Green for Growth Fund for a total of EUR 20 million, and a EUR 15 million contribution to the WB EDIF Regional Competitiveness Programme to increase the available liquidity needed by SMEs to survive the crisis.

The package also includes the reorientation of the EUR 120 million Western Balkans Guarantee, which, in the spring of 2020 awarded three ‘Specific fit for purpose COVID-19 guarantees’ to support access to liquidity for SMEs and thus mitigate the pandemic’s economic consequences.

In addition to the urgent liquidity needs for SMEs, the package also prepares the ground for the recovery phase by providing, as part of the package, a EUR 30 million EU contribution to the new Enterprise Innovation Fund II (ENIF II) and Enterprise Expansion Fund II (ENEF II), to ensure SMEs have access to a diversified source of funding and liquidity, as well as a EUR 8 million contribution to the EFSE Development Facility to provide grant technical assistance support to SMEs and entrepreneurs.

The EU Economic Reform Programmes of the Western Balkans partners are now aligned with the European Semester, and their assessment by the Commission is more analytical and more focussed on the identified key structural challenges for each economy. Technical assistance for costing and budgeting of structural reforms is also being provided. 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 mobility scheme for vocational education and training for the region, with two calls published in 2019 and 2020 respectively. The projects selected under these calls will support the international mobility of VET staff and learners as well as capacity building for VET schools. The EU is gradually increasing its support under Erasmus+ and has doubled it in 2019 and 2020 compared to 2018.

**Flagship Initiative 4 – Increasing connectivity** focuses on developing transport and energy links in the region 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 meeting of Ministers of Energy and Environment in Podgorica in February 2019 saw the adoption of the Clean Energy Transition Declaration by all six Western Balkan partners. It was further built upon at the Poznań Summit, where the partners agreed to pursue an ambitious Green Agenda for the region, which accompanies now the Economic and Investment Plan for the Western Balkans.

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 amendments to the Treaty and progress in the normalisation of relations between Serbia and Kosovo. A number of financial instruments continue to assist the region in the greening of the energy sector, including Green for Growth and Regional Energy Efficiency Programme.

In the area of transport, the Commission has continued to support the implementation of the Transport Community Treaty and the operation of its secretariat. The secretariat was officially inaugurated in 2019 and the permanent Director was appointed in 2020. The Transport Community continued to facilitate the negotiation of bilateral agreements on the integration of 32 priority border crossings in the region. It also prepared the Regional Rail Strategy Action Plan and the Road Safety Action Plan for the region, both of which were endorsed in the Poznań Summit. A EUR 15 million grant scheme for road safety was also launched on that occasion.

In terms of investment in infrastructure, the Western Balkans Investment Framework continued to support the connectivity agenda in 2019 with the adoption of a EUR 180 million package of 8 new connectivity projects in the fields of energy and transport, announced at the Poznań Summit. Since the inception of the WBIF, the Commission has provided grant support of EUR 880 million to 39 priority projects through this instrument, which in turn leveraged more than EUR 3.2 billion EUR in external investment. The fulfilment of the initial EUR 1 billion pledge made in 2015 for the implementation of the connectivity agenda is expected as planned by the end of 2020.

**Flagship Initiative 5 – Digital Agenda for the Western Balkans** focuses on building digital economy and society in the region. Since its launch in 2018, the EU has opened up access of the Western Balkans partners to European digital forums and groups. In particular, the partners are observers in the European Regulators Group for Audio-visual Media Services, the Digital Single Market High Level Group and the Body of European Regulators for Electronic Communications. Efforts are underway to associate them with the work of the European Information Security Agency (ENISA).

A key achievement of the Agenda in 2019 was the adoption of the new Regional Roaming Agreement on the abolition of intra-regional roaming charges across the Western Balkans and its entry into force in July 2019.

The Commission is supporting the deployment of broadband in the region. Since 2018, eleven technical assistance grants for five beneficiary partners have been approved for this purpose through the WBIF out of the EUR 30 million package announced in the Sofia Summit for this purpose. The approved grants support project preparation for broadband deployment in rural area, advancing digital connectivity of municipalities (e.g. smart city concepts) or assessing the potential for developing high performance computing infrastructure.

The Connecting Europe Facility programme has made available a set of generic and reusable Digital Service Infrastructures, also known as Building Blocks, which can be re-used by Western Balkans partners to ensure cross-border digital infrastructures and services, facilitating the delivery of digital public services across borders and sectors.

Finally, the Commission continued to involve the partners in various Community initiatives in the field of digital skills, eProcurement, 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.

**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 the regular high-level meetings on bilateral issues.

In terms of dealing with the legacy of the past, the Commission continued to support the International Residual Mechanism for Criminal Tribunals and the Kosovo Specialist Chambers to strengthen the fight against the impunity of war crimes. 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 also launched a scoping exercise on landmines in the region. The Commission continued its active support for the establishment of a regional truth commission in the run up to the Summits in London and Poznań, however progress in this area has stalled. The Commission also continued to support other civil society initiatives fostering reconciliation and exchanges between communities in various key areas, such as media, human rights and gender equality.

The Commission supported a number of successful initiatives in culture and sport as vectors for people-to-people contacts and economic growth, including through the Cultural Diplomacy Platform, the Europe for Citizens Programme, an anti-trafficking of cultural goods action with UNESCO, a dedicated call for Western Balkans organisations under the Creative Europe Programme, as well as Western Balkans participation in the EU week of sport and a pilot-project on mobility in sport.

To bring young people of the region closer together, the EU also provides financial assistance to the Regional Youth Cooperation Office (RYCO). The Western Balkans Youth Lab was launched to empower young people to input into policy making, while an intra-regional school exchange scheme is currently under preparation and the EU Scheme for Young Professionals in the region will be renewed. The Western Balkan Alumni Association has also celebrated its first General Assembly and selected the first two rounds of local projects. Finally, the Cross-Border Cooperation Programme continued to strengthen cooperation in the areas of mutual interest, such as tourism, employment and labour mobility and natural heritage.

The Commission intends to continue to build on the above achievements in 2020 to fully meet the commitments in the Western Balkans Strategy. Where appropriate, they will be further developed into actions under the 2020 Economic and Investment Development Pact. Continued engagement and constructive regional cooperation of the Western Balkans partners as well as of Member States and other international institutions will be essential for the completion of these ambitious regional cooperation goals.

### ANNEX 3

#### STATISTICAL DATA (as of 03.04.2020)

Demography	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total population (thousands)		622.4	622.4	2 073.7	2 075.3	2 876.6	2 870.3	7 040.3	7 001.4	79 815	80 811	3 509.7	3 502.6	1 783.5	1 798.5	445 534	446 098
Share of 15-64 in total population (%)		67.4	67.2	70.2	69.9	68.7	68.8	66.3	65.7	68.0	67.9	:	:	66.8	66.8	65.1	64.8p
Crude rate of natural population change (per 1 000 inhabitants)		1.5	1.2	0.7	0.8	3.0	2.5	-5.5	-5.4	10.8	10.1	-2.0	:	8.2e	10.3e	-0.8	-1.0p
Life expectancy at birth, males (years)		73.9	74.5	74.1	74.6	77.1	77.4	73.1	73.5	75.7	76.2	:	:	:	:	78.1	78.2p
Life expectancy at birth, females (years)		79.2	79.3	77.9	78.8	80.1	80.5	78.1	78.4	81.3	81.6	:	:	:	:	83.6	83.7p

Labour market	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	1)	69.3	70.5	70.3	70.4	73.9	74.8	71.2	72.5	61.9	62.3	58.4	58.4	49.0	46.6	77.5	77.9
Economic activity rate for males aged 20–64: proportion of the male population aged 20–64 that is economically active (%)	1)	77.0	78.6	84.4	84.2	84.3	84.5	78.8	80.2	83.7	83.8	71.3	71.7	75.1	72.7	83.6	84.0
Economic activity rate for females aged 20–64: proportion of the female population aged 20–64 that is economically active (%)	1)	61.7	62.5	55.7	56.3	63.5	65.4	63.6	64.8	40.0	40.8	45.6	45.0	22.6	20.7	71.4	71.8
Employment rates, aged 20–64 (% of the population)																	
Total		58.2	59.8	54.8	56.1	63.9	65.6	61.5	63.1	55.3	55.6	46.6	47.7	34.4	33.2	71.3	72.3
Males		65.2	66.7	65.6	66.6	72.1	73.9	68.5	70.5	76.1	76.0	58.1	59.5	54.0	52.6	77.2	78.2
Females		51.4	52.9	43.7	45.2	55.6	57.4	54.5	55.8	34.4	35.2	35.1	35.8	14.6	14.1	65.4	66.4

Labour market, cont.	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Persons aged 15-24 not in employment, education or training, % of the population in the age group		16.7	16.2	24.9	24.1	25.9	26.5	17.2	16.5	24.2	24.5	24.3	21.6	27.4	30.1	11.0	10.5
Persons aged 15-29 not in employment, education or training, % of the population in the age group		21.4	21.0	31.1	29.8	29.7	28.6	21.7	20.1	27.5	27.7	28.8	25.5	35.0	37.3	13.7	13.1
Employment by main sectors																	
Agriculture, forestry and fisheries (%)		7.9	8.0	16.2	15.7	38.2e	37.4e	17.2	15.9	19.4	18.4	18.9	15.7	4.4	3.5	4.7	4.5
Industry (%)		9.5	9.9	22.5	22.6	12.5e	12.7e	21.2	22.5	19.1	19.7	22.2	23.5	17.4	14.3	18.3	18.2
Construction (%)		7.6	9.0	7.2	7.4	6.9e	7.0e	4.1	4.4	7.4	6.9	7.3	8.7	12.9	11.9	6.6	6.7
Services (%)		75.0	73.1	53.2	52.9	42.4e	42.9e	57.5	57.2	54.1	54.9	51.6	52.1	65.3	70.3	70.4	70.6
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	2)	32.6	31.7	:	:	16.4e	15.9e	27.8	27.3	13.3	15.4	18.4	18.4	28.4	30.8	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	2)	45.1	63.2b	:	:	83.6e	84.1e	72.2	72.7	86.7	84.6	81.6	81.6	71.6	69.2	:	:
Unemployment rates (% of the labour force)																	
Total	1)	16.1	15.2	22.4	20.7	13.7e	12.3e	13.6	12.8	10.9	10.9	20.7	18.5	30.3	29.4	8.2	7.3
Males	1)	15.4	15.3	22.7	21.3	14.6e	12.7e	13.0	12.1	9.4	9.5	19.0	17.3	28.5	28.3	7.9	7.0
Females	1)	16.9	15.1	21.8	19.9	12.6e	11.9e	14.4	13.8	13.9	13.8	23.3	20.5	36.4	33.3	8.5	7.6
Youth, aged 15–24	1)	31.7	29.4	46.7	45.4	31.9e	28.3e	31.9	29.7	20.5	20.1	45.8	38.8	52.7	55.4	18.0	16.1
Long-term (>12 months)	1)	12.4	11.4	17.4	15.5	8.9e	8.3e	8.2	7.6	2.4	2.5	17.0	15.2	21.7	17.2	3.8	3.2
Average nominal monthly wages and salaries (EUR)	3)	510	511	372	395	365	397	544	580b	555	:	435	449	528	558	:	:

Education	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
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 (%)		5.4	4.6	8.5	7.1	19.6	17.4	6.2	6.8	32.5	31.1	5.1	5.4	12.2	9.6	10.6	10.5
Public expenditure on education relative to GDP (%)		:	:	:	:	3.1p	3.2p	3.7	3.6	4.2	4.2	:	:	4.4	4.5	:	:
Percentage of the population aged 20-24 with at most lower secondary education, total		4.9	3.9	9.3	8.1	:	:	6.8	7.5	42.8	41.4	6.1u	6.5u	13.8	12.9	17.0	16.8
Percentage of the population aged 20-24 with at most lower secondary education, males		4.9	3.6	8.8	6.6	:	:	7.3	7.7	42.9	41.8	6.1u	6.3u	12.8	12.0	19.5	19.3
Percentage of the population aged 20-24 with at most lower secondary education, females		4.9	4.2	9.8	9.7	:	:	6.3	7.3	42.7	41	6.2u	6.6u	14.9	14.0	14.4	14.2
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total		86.9	84.6	80.3	82.5	:	:	85.0	85.6	36.1	37.3	86.9	87.1	70.8	78.9	66.7	66.7
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males		90.6	88.2	83.7	87	:	:	86.3	87.3	39.4	40.2	89.4	89.4	74.2	81.0	67.4	67.4
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females		82.9	80.7	76.7	77.8	:	:	83.5	83.8	32.9	34.5	84.0	84.4	66.9	76.6	66.0	66.0
Percentage of the population aged 30-34 with tertiary education, total		34.0	32.4	30.5	33.3	23.5e	27.3e	31.4	32.8	27.3	28.8	23.8	23.5	21.8	20.9	38.4	39.3
Percentage of the population aged 30-34 with tertiary education, males		30.0	29.3	24.6	26.4	21.1e	22.5e	25.4	26.4	28.6	30.2	19.4	18.8u	22.4	20.9	33.1	34.0
Percentage of the population aged 30-34 with tertiary education, females		37.7	35.5	36.8	40.4	26.0e	33.2e	37.6	39.4	26.0	27.4	28.4	28.4	21.2	20.8	43.8	44.7

National accounts	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Gross domestic product																	
In current prices (EUR billion)		4.3	4.7	10.0e	10.7p	11.6p	12.8e	39.2	42.9	754.9	652.5	16.0	16.8	6.4	6.7	13 046.8	13 484.8
Per capita (EUR)		6 910	7 490	4 840e	5 150p	4 020p	4 460e	5580	6140	9400	8 020	4 580	4 780p	3 580e	3 740e	29 230	30 160
In purchasing power standards (PPS) per capita		13 420	14 390	10 670e	11 370p	8 960p	9 290e	11 390	12 120	19 540	19 730	9 100	9 470p	:	:	29 230	30 160
In purchasing power standards (PPS) per capita, relative to the EU average (EU-27 = 100)		45.9	47.7	36.5e	37.7p	30.7p	30.8e	39.0	40.2	66.9	65.4	31.1	31.3p	:	:	-	-
Real (volume) annual rate of change, compared with the previous year (%)		4.7	5.1	1.1	2.7p	3.8p	4.1e	2.0	4.4	7.5	2.8	3.2	3.1	4.2	3.8	2.7	2.1
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		8.4	8.2	9.1	9.8p	21.8p	21.0e	7.3	7.7	6.9	6.5	6.6	7.0	11.4	8.9	1.9	1.8
Industry (%)		11.3	12.5	20.5	21.4p	12.8p	13.9e	26.5	25.4	23.3	24.9	23.3	23.0	21.8	21.8	20.3	20.1
Construction (%)		6.9	7.0	7.5	6.2p	10.5p	10.4e	5.0	5.4	9.7	8.0	4.7	4.7	9.9	10.8	5.2	5.4
Services (%)		73.4	72.3	62.9	62.6p	54.9p	54.7e	61.2	61.5	60.1	60.6	65.4	65.3	56.9	58.5	72.6	72.7

Balance of payments																	
Net (inward - outward) foreign direct investment (FDI) (million euro)		484.3	322.5	180.0	603.7	993.8	1 022.2	2 418.1	3 187.9	7 277.2	:	329.7	428.3	212.0	:	28 665.4	36 000.0
Net (inward - outward) foreign direct investment (FDI) (% of GDP)		11.3	6.9	1.8	5.6p	8.6p	8.0	6.2	7.4	1.0	:	2.1	2.6	3.3	:	0.2	0.3
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (million euro)		166.0	-61.9	78.9	290.0p	:	:	1 634.6	1 865.8	:	:	:	:	:	:	-	-
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (% of GDP)		3.9	-1.3	0.8	2.7p	:	:	4.2	4.4	:	:	:	:	:	:	-	-
Remittances as % of GDP		4.7	4.9	1.9	1.9p	5.5p	5.2	7.6	8.0	0.0	0.0	8.4	8.2	11.8	11.9	0.1	0.1

External trade in goods	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Share of exports to EU-27 countries in value of total exports (%)		33.4	43.0	79.7	80.3	77.0	75.9	65.7	67.0	40.9	43.3	70.4	72.2	22.0	27.4	-	-
Share of imports from EU-27 countries in value of total imports (%)		46.4	47.1	52.8	52.9	60.8	60.0	57.5	55.9	33.6	32.9	60.0	59.7	42.3	42.7	-	-
Trade balance (EUR million)		-1 932	-2 153	-1 818	-1 804	-2 622	-2 595	-3 194	-4 424	-67 771	-46 047	-3 646	-3 770	-2 669	-2 980	223 067	152 317
International trade in goods and services relative to GDP																	
Imports (% of GDP)		64.5	66.7	69.0	73.2p	46.6p	45.4e	57.1	59.3	29.3	30.6	56.4	56.9	52.5	55.6	44.1	45.0
Exports (% of GDP)		41.1	42.9	55.1	60.6p	31.6p	31.7e	50.5	50.8	24.8	29.5	40.1	41.4	26.7	26.4	48.5	49.2

Public finance	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
** General government surplus (+) / deficit (-) (% of GDP)		-5.7	-3.9	-2.7	-1.8	-2	-1.6	1.1	0.6e	-2.8	-2.8	2.6	1.6	:	:	-0.8	-0.4
** General government debt (% of GDP)		64.2	70.9e	39.4	40.6	66.9	65.1	58.7	54.4e	28.2	30.4	36.1	40.8	16.6e	17.1e	81.6	79.7

Financial indicators	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Annual change in consumer prices (%)	4)	2.8	2.9	2.1	2.3	3.2	1.8	3.3	2.0	11.1	16.3	0.8	1.4	1.5	1.1	1.6	1.8
**Private debt, consolidated, relative to GDP (%)	5)	:	:	:	:	:	:	:	:	13.9	:	3.2	3.4	:	:	134.7	133.2p
Total external debt, relative to GDP (%)		160.6	164.7	73.4	73.3p	68.7p	65.3	65.1	62.5	53.4	:	67.5	68.0	32.6	:	:	:
Total debt in foreign currency, relative to GDP (%)	6)	:	:	:	:	68.7	65.3	:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	7)	6.81	6.36	3.75	3.00	5.98	5.66	5.00	4.25	18.12		3.88	3.52	6.83	6.65	:	:
Deposit interest rate (one year), per annum (%)	8)	0.69	0.56	0.25	0.15	0.75	0.73	2.00	1.75	13.53	:	0.06	0.05	1.04	1.31	:	:
Value of reserve assets (including gold) (million euro)		847.2	1 049.8	2 336.3	2 867.1	2 995.9	3 399.0	9 961.6	11 261.8	95 361.6	:	5 427.0	5 944.1	683.4	:	:	:
International reserves - equivalence in months of imports		3.7	4.0	4.1	4.4	6.7	7.0	5.4	5.3	5.2	:	7.1	7.3	2.4	:	:	:



Business	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Industrial production index (2015 = 100)		93.0	113.8	103.6	109.2	81.4	96.6	109.3	110.8	112.7	114.1	107.6	109.4	:	:	105.2	106.4
<b>Infrastructure</b>	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Density of railway network (lines in operation per thousand km <sup>2</sup> )	9)	18.4	18.4	27.4	27.4	12.2	12.2	48.6	48.1	13.3	13.5	20.0	20.0	30.9	30.9	48.2	47.9e
Length of motorways (kilometres)		0z	0z	259	287	:	:	963	963	2 657	2 842	172	198	108	119	:	:
<b>Energy</b>	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Net energy imports in relation to GDP		4.9	4.1	5.9	6.3	2.5	1.4	4.3	4.9	1.5	2.1	5.5	5.1	5.4	6.3	1.7	2.1

Source: Eurostat and the statistical authorities in Western Balkans and Turkey

: = not available  
b = break in series  
e = estimated value  
p = provisional  
z = None  
u = low reliability  
- = not applicable

\* = 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.

\*\* = 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; 2017 data refer to the number of employees (in private or public sectors) as a share of the total number of persons employed.
- 3) Bosnia and Herzegovina: net earnings.  
Serbia: 2017, wages and salaries paid to employees of legal entities and of unincorporated enterprises; 2018, total amount of accrued earnings per full-time equivalent employee.
- 4) Harmonised index of consumer prices except for Bosnia and Herzegovina.
- 5) Bosnia and Herzegovina: data for monetary financial institutions; 2018, relative to GDP for 2017.  
Turkey: debt securities and loans.
- 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.  
Bosnia and Herzegovina: short-term lending rates in national currency to non-financial corporations (weighted average); 2018, data for November.  
Montenegro: weighted average effective interest rate, outstanding amounts, annual.  
North Macedonia: end of year (31 December).
- 8) Albania: deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.  
Bosnia and Herzegovina: demand deposit rates in national currency of households (weighted average); 2018, data for November.  
Montenegro: weighted average effective interest rate, outstanding amounts, annual.  
North Macedonia: end of year (31 December).
- 9) Serbia: underestimate as the density has been calculated relative to the total surface area (including inland waters) rather than to the land area.  
Turkey: main lines only.