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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**

2018 Communication on EU Enlargement Policy

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I. INTRODUCTION

In November 2015, the European Commission set out a **medium-term strategy for EU enlargement policy**, which remains valid. This Communication takes stock of progress in the implementation of enlargement policy by the end of January 2018, and encourages the countries concerned to keep up their modernisation through political and economic reforms, in line with the accession criteria.

The enlargement process continues to be built on **established criteria and fair and rigorous conditionality**. Each country is assessed on the basis of its **own merits**. The assessment of progress achieved and the identification of shortcomings aim to provide incentives and guidance to the countries to pursue the necessary far-reaching reforms. For the prospect of enlargement to become a reality, a firm commitment to the principle of "fundamentals first" remains essential. Structural shortcomings persist, notably in the key areas of the rule of law and the economy. Accession candidates must deliver on the rule of law, justice reform, fight against corruption and organised crime, security, fundamental rights, democratic institutions and public administration reform, as well as on economic development and competitiveness. Given the complex nature of the necessary reforms, it is a long-term process.

It is important to recognise that accession negotiations are not - and never have been - an end in themselves. They are part of a **wider process of modernisation and reforms**. The governments of the enlargement countries need to embrace the necessary reforms more actively and truly make them part and parcel of their political agenda – not because the EU is asking for it, but because it is in the best interests of their citizens. Embracing core European values such as the rule of law is central to the generational choice of aspiring to EU membership. Public support for future enlargements will depend on the degree of preparedness of candidate countries. Reforms conducted through the EU accession process should contribute to increasing the confidence of citizens of EU Member States and of the candidate countries alike.

In February 2018, the European Commission reaffirmed the firm, merit-based prospect of EU membership for the **Western Balkans** in its Communication *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*¹. This is a strong message of encouragement for the whole Western Balkans and a sign of the EU's commitment to their European future. Leaders in the region must leave no doubt as to their strategic orientation and commitment. Regional cooperation and good neighbourly relations are essential for progress on the respective European paths. The European Commission also stated that our Union must be stronger and more solid, before it can eventually be bigger. This is why, in line with its Roadmap for a More United, Stronger and more Democratic Union², the Commission will throughout this year put forward a number of initiatives aimed at improving the democratic, institutional and policy framework for the Union of 2025, based on the current Treaties.

Turkey is a key partner for the EU and a candidate country, with which dialogue at high-level and cooperation in areas of joint interest have continued, including support to Syrian refugees. The Commission recognised Turkey's legitimate need to take swift and proportionate action in the face of the failed coup attempt of July 2016. However, Turkey has been significantly

¹ [COM\(2018\) 65 final](#)

² https://ec.europa.eu/commission/sites/beta-political/files/roadmap-factsheet-tallinn_en.pdf

moving away from the European Union, in particular in the areas of the rule of law and fundamental rights and through the weakening of effective checks and balances in the political system. The European Commission has repeatedly called on Turkey to reverse this negative trend as a matter of priority.

II. IMPLEMENTATION OF THE 2015 ENLARGEMENT STRATEGY

Addressing reforms in the area of the **rule of law, fundamental rights and good governance** remains the most pressing issue for the enlargement countries. It is also the key benchmark against which their prospects will be judged by the EU. They must embrace these fundamental EU values much more strongly and credibly. Failure to uphold them is also a deterrent to investment and trade. Strengthening the rule of law is not only an institutional issue. It requires societal transformation.

a) Rule of law

Despite the growing focus on rule of law reforms, progress remained uneven in enlargement countries. In the former Yugoslav Republic of Macedonia the strong commitment of the new government to implementing "Urgent Reform Priorities" has had a positive impact on the rule of law. In the aftermath of the coup attempt of July 2016, the rule of law situation in Turkey continued to deteriorate.

Successfully reforming a **judicial system** is a long-term process that requires sustained political will across the political spectrum and much work lies ahead in the enlargement countries. In Albania, the ongoing unprecedented process of re-evaluation of judges and prosecutors is expected to give a boost to the judicial system in terms of its professionalism, independence and integrity. In Turkey, the mass dismissals of judges and prosecutors as well as constitutional changes have further undermined the efficiency and independence of the judiciary.

The countries must root out **corruption** without compromise, and eliminate any element of state capture. Corruption remains widespread, despite continuous efforts to bring legal and institutional frameworks in line with the EU *acquis* and European standards. Strong and independent institutions are crucial to prevent and tackle corruption, in particular at high level, and to conduct more effective investigations and prosecutions, leading to final court rulings that are enforced and that include dissuasive sanctions. More transparency is needed in the management of public funds especially at all stages in public procurement, an area particularly prone to corruption.

Specialised bodies are in place in but cases of inexplicable wealth among politically exposed persons are rarely investigated. The limited progress shows a lack of genuine political will in combination with still limited administrative capacity. More transparency and accountability, the separation of powers and stronger independent oversight bodies remain essential. Efforts launched at Trieste in 2017 to agree a regional instrument on data exchange in asset disclosure and conflicts of interest could contribute to improving the countries' track record of dealing with corruption cases in the Western Balkans region.

Organised crime's foothold on the enlargement countries remains strong. Powerful criminal groups continue to operate in and from the Western Balkans region and Turkey. The region remains an important entry route for the trafficking of illicit goods, in particular drugs and arms, and people on their way to the EU. Enlargement countries are increasingly cooperating

with EU law enforcement agencies such as Europol and Eurojust and gradually improving their capacity to deal with specific types of organised crime, including drug trafficking. In Albania, large scale law enforcement operations led to successful seizures of large quantities of cannabis and, recently, also cocaine from Latin America. Nevertheless, staffing levels and respect for the operational independence of law enforcement bodies remain problematic in the region. There continues to be a gap between an analysis of organised crime threats and operational priorities set, reducing the success rate in effectively dismantling criminal groups. The authorities also need to start using financial investigations-in line with the Financial Action Task Force methodology-and improve results on confiscating the proceeds of crime. The establishment and reinforcement of centralised agencies in charge of the identification and tracing of criminal assets (Asset Recovery Offices) in enlargement countries could make their national asset recovery systems more effective and facilitate operational cooperation with the Asset Recovery Offices in the EU Member States. On anti-money laundering/countering terrorist financing, the enlargement countries should as a priority align their legislation and practices with the recommendations of the Financial Action Task Force. A concrete and sustained track record of tackling corruption, money laundering and organised crime should be established as a matter of urgency.

To tackle **terrorism**, violent extremism, radicalisation and, in particular, the phenomenon of (returning) foreign terrorist fighters, the EU has stepped up operational cooperation with each of the enlargement countries. There have been continued good efforts in all countries to align legislation and practices in the field of anti-terrorism and the fight against radicalisation with EU standards and practices. There remains nevertheless scope for more effective structures at national and regional levels to ensure concrete results, in particular as regards the prevention of violent extremism, arms trafficking, terrorism financing, anti-money laundering, information sharing and anti-radicalisation policies. The EU Radicalisation Awareness Network has been supporting much of this work. The fight against terrorism should be further stepped up with each Western Balkan partner and Turkey. Personal data protection standards should be brought into line with EU standards to allow for cooperation agreements with Eurojust to be concluded. Inspired by earlier joint work on anti-terrorism, the EU and Western Balkan partners agreed in 2017 on the Western Balkans Integrated Internal Security Governance as a new approach to security governance capacity-building and reforms in the region.

b) Fundamental rights

Fundamental rights are largely enshrined in the legislation in the Western Balkans but serious efforts are needed to ensure they are fully implemented in practice. Turkey has seen a continued strong deterioration in key human rights areas over the reporting period.

Particular focus is needed to safeguard **freedom of expression** and the independence of the media as a pillar of democracy across the region. There has been an important deterioration in this area in some countries, including serious backsliding in Turkey, where over 150 journalists remain in prison. Elsewhere, there has been limited progress at best. Attacks and threats against journalists have continued, while investigations and prosecutions remain slow. Efforts to influence the independence of public service broadcasters and non-transparent public funding of the media remain prevalent in all enlargement countries. These abuses undermine not just the basic right to freedom of expression, but also democracy in the region. Governments need to take urgent and concrete steps to implement the existing legal frameworks on freedom of expression, and to improve the overall climate for media freedom.

The EU strongly supports local civil society organisations, human rights defenders, journalists and independent media outlets, often at the receiving end of intimidation. Their contribution is vital to ensuring government accountability on freedom of expression, as well as on all other fundamental rights.

Increased efforts are needed across enlargement countries to effectively address **child rights** abuses which remain prevalent. Governments also need to address discrimination against **persons with disabilities, minorities** and other vulnerable groups as a matter of priority. More must be done to advance **gender equality** and to prevent and address violence against women. While progress has been made in the Western Balkans on the rights of lesbian, gay, bisexual, transgender and intersex persons, additional efforts are needed to end discrimination, threats and violence. The precarious situation of **Roma** also needs to be prioritised as they continue to face social exclusion, marginalisation and discrimination. **Prison conditions** need to improve and procedural rights of suspects and accused persons and victims' rights should be aligned with the EU *acquis*. In Turkey, decrees adopted under the State of Emergency curtailed key procedural rights including the rights of defence.

c) Functioning of democratic institutions and public administration reform

The proper functioning of **democratic institutions** remains a key challenge in a number of countries. This includes ensuring constructive dialogue across the political spectrum, notably within the **parliaments**. Despite some progress, several fundamental aspects in the conduct of democratic elections still pose challenges. The recommendations of election observation missions should be properly implemented. Parliamentary accountability, as an essential element of a well-functioning democracy, needs to be embedded in the political culture.

In Turkey, while recognising Turkey's legitimate need to take swift and proportionate action in the face of the failed coup attempt, there are serious concerns as to the proportionality of measures under the state of emergency which still remains in force and which curtailed Parliament's key legislative function whilst the space for dialogue among political parties further narrowed. Far-reaching constitutional changes assessed by the Council of Europe as lacking sufficient checks and balances and endangering the separation of powers were approved in a referendum organised under the state of emergency.

In the Western Balkans, the capacity of the national parliaments to exercise core legislative and oversight function is undermined by the lack of political dialogue, the excessive use of urgent parliamentary procedures and the absence of constructive engagement by all parties. A divisive political culture remains, although some boycotts have been overcome. In Albania, the May 2017 cross-party political agreement allowed resumption of parliamentary work ahead of the electoral recess. In the former Yugoslav Republic of Macedonia, the new Parliament made efforts to restore its oversight capacities over the executive. However, in Montenegro, the opposition has boycotted legislative activity since the convening of parliament in November 2016. In Serbia, parliamentary effectiveness and the quality of legislation suffer from the lack of proper parliamentary scrutiny on draft legislation. In Kosovo^{*}, both under the previous and the current ruling coalitions, the work of the Assembly was marked by political polarisation and paralysis, though the Assembly recently ratified the Border Demarcation Agreement with Montenegro. In Bosnia and Herzegovina, the adoption

* 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.

of legislation stemming from the Reform Agenda was negatively affected by tensions between ruling coalition parties, leading to a slowdown of the reform process. While the conduct of elections as such in the region broadly happens without major incidents, important shortcomings, including the politicisation of electoral bodies, the abuse of state resources and the lack of transparency in political party and electoral campaign financing, have an impact on the level of citizens' trust in the electoral processes.

Public administration reform is paramount to strengthening governance at all levels. This includes improving the quality and accountability of administration, increasing professionalism, de-politicisation and transparency, also in recruitment and dismissals, more transparent management of public finances, and better services for citizens. An appropriate balance between central, regional and local government also needs to be found. While there has been moderate progress in the Western Balkans in some areas, Turkey has been seriously backsliding as regards public service and human resources management and accountability.

Comprehensive public administration and public financial management **reform strategies** are now in place, except in Bosnia and Herzegovina and Turkey. Delays in implementation and the financial sustainability of reforms remain a concern. Budget transparency has in many cases improved. The quality of central government **strategic planning** and links to sector planning need to be substantially improved in the Western Balkans. Policies, legislation and public investments are still often prepared without systematic impact assessments and consultations. A key problem in most countries is the extensive use of urgent legislative procedures. **Professionalisation of the civil service** still needs to be ensured in all countries. Despite modern civil service legislation, exceptions are regularly used, especially for appointments and dismissals of senior civil servants.

In all enlargement countries, the **structure of the state administration** needs to be further rationalised. In the Western Balkans, similar administrative bodies have different statuses, many of them reporting directly to the government or the parliament rather than to their natural parent ministries. There is insufficient accountability and reporting between sub-ordinated agencies and their parent institutions. To improve **service delivery**, most enlargement countries have focused on introducing e-government services but initiatives often lack strategic steering and coordination. Most countries have also made progress with adopting modern laws on general administrative procedures, but in many countries a substantial amount of sector legislation still needs to be amended to reduce the special administrative procedures to a minimum.

d) Migration

Challenges related to the refugee crisis and to irregular **migration** have been central to the EU's work with enlargement countries. Progress was made through the joint work along the Eastern Mediterranean/Western Balkans migratory routes. Smuggling of migrants and human trafficking remain of concern. More efforts are needed to ensure that countries are better equipped to face migration challenges, including with regard to reducing irregular migration, activities on return and protecting the borders and preventing irregular migration, capacity building on asylum, social inclusion and integration, in line with EU *acquis*.

In an outstanding effort, Turkey currently provides shelter to more than 3.5 million registered Syrian refugees and the EU remains committed to assist Turkey in addressing this challenge. Cooperation under the EU-Turkey Statement continued to deliver concrete results. The trend of significantly reducing irregular and dangerous crossings and loss of lives in the Aegean Sea has been consolidated. 42 319 migrants arrived via the Eastern Mediterranean route in 2017,

compared to 182 277 in 2016, representing a drop of almost 77 %. The Turkish Coast Guard remained committed to active patrolling and the prevention of irregular crossing and the opening of new routes. The EU Facility for Refugees in Turkey continues to support the needs of refugees and support host communities. Its first tranche of EUR 3 billion has been fully contracted. Disbursements have reached EUR 1.9 billion to date. The mobilisation of the second tranche of the Facility has started, in line with the EU-Turkey statement. The Facility has proven to be one of the swiftest and most effective of EU support mechanisms, providing almost 1.2 million of the most vulnerable refugees with monthly cash transfers under the Emergency Social Safety Net. More than 312 000 children have received Turkish language training and the distribution of stationery and course books has started for 500 000 students. Refugees have benefitted from more than 763 000 primary health care consultations and more than 217 000 Syrian refugee infants were fully vaccinated.

EU-coordinated response measures supporting national efforts resulted in 2017 in a 91 % reduction in irregular migratory flows transiting the Western Balkans region and an overall stabilisation of the situation along the borders. The former Yugoslav Republic of Macedonia and Serbia in particular proved reliable partners of the EU in this area. Nevertheless, they remained affected and their capacity to deal with crisis situations has been continuously tested. Administrative capacity and infrastructure require further strengthening throughout the region. The EU is committed to supporting the efforts of Western Balkan partners. The Commission has been negotiating status agreements between the European Border and Coast Guard Agency and the Western Balkans. These will allow the deployment of the European Border and Coast Guard Agency teams with executive powers in the zones bordering the EU external border in support of national border authorities.

e) **Economy**

The Western Balkans and Turkey have significant **economic potential**. Increasing growth rates in the last few years have translated into job creation across the board. Despite some progress, all governments face major structural economic and social challenges, with high unemployment rates, in particular among youth, large skills mismatches, persistently high levels of informal economy, weak business environments with limited access to finance and low levels of innovation and of regional connectivity. In the Western Balkans, the investment climate continues to be hampered by signs of state capture, in particular as regards the lack of independent and efficient court systems and the uneven enforcement of competition rules. State influence in the economy is strong in the region, exacerbating the risk of corruption through weak public financial management and frequent changes in permits and taxes. Corporate governance frameworks need to be strengthened and the privatisation process finalised. Infrastructure and education systems need to be improved. Infrastructure investments in the region should be consistent with the priorities agreed with the EU, in particular in the context of the extension of the Trans-European Networks-Transport networks to the Western Balkans. In Turkey economic growth rebounded strongly, but the business environment continued to deteriorate and the economy remains vulnerable to financial uncertainty, changes in global investors' confidence and continued political risks.

The EU is supporting improved policy formulation and economic governance through the Economic Reform Programme exercise, which is an integral part of the preparation process. This exercise has become the key tool for formulating and implementing macroeconomic and structural reforms. It thereby helps to strengthen long-term sustainable growth and convergence, facilitates policy planning, and delivers progress towards the Copenhagen

economic criteria. All governments are invited to submit annual Economic Reform Programmes. Now a strong political push and ownership from the governments concerned is needed to implement the reforms identified. The EU is also supporting the improvement of the investment climate in the Western Balkans through the deepening of a Regional Economic Area that aims to remove obstacles to trade, mobility and investment across the region. In December 2016, the Commission adopted a recommendation to open negotiations with a view to the potential extension and modernisation of the EU-Turkey Customs Union, which has since been under consideration in the Council.

f) Regional cooperation and good neighbourly relations

Regional cooperation is key to ensuring political stabilisation and economic opportunities. The EU's connectivity agenda in particular has given Western Balkans' regional cooperation an added momentum. In 2017, in Trieste, leaders of the region endorsed an action plan for the Regional Economic Area and signed the Transport Community Treaty. The South East European Cooperation Process and other regional initiatives have also continued to foster stabilisation and cooperation. The Regional Youth Cooperation Office has been set up and it has launched the first call for proposals to continue enhancing people-to-people cooperation. The Erasmus+ programme has continued to foster inter-cultural dialogue in higher education and amongst young people, and has supported actions to encourage the internationalisation and modernisation of higher education institutions and systems. There has been some progress in delivering connectivity projects on the ground. The EU Strategy for the Adriatic and Ionian Regional Action Plan has contributed to foster development of joint projects, promoting further alignment with the *acquis* in the participating countries. However, far too many obligations from regional agreements and commitments have not yet been met. If citizens are to see real benefits from regional cooperation, more efforts are needed to make these agreements and commitments operational, including as regards the implementation of the connectivity reform measures agreed in 2015.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. While there have been ongoing and regular government-to-government contacts and cooperation at bilateral and regional level, there is a need for more efforts in the most sensitive areas such as war crimes, missing persons, organised crime and judicial and police cooperation. One exception concerns the return of refugees from the Balkan wars; here, the Regional Housing Programme is showing positive results. Statements which negatively impact on good neighbourly relations should be avoided. Promoting stability and the creation of an environment conducive to overcoming the legacy of the past and to reconciliation require both responsible political leadership and further substantive efforts. The Friendship Treaty between Bulgaria and the former Yugoslav Republic of Macedonia is a positive example in this regard.

The EU's enlargement policy must continue to export stability. Therefore the EU cannot and will not import **bilateral disputes**. They must be solved as a matter of urgency by the responsible parties. Results in this regard have been limited. Further efforts are required across the Western Balkans region. Urgent progress is needed in the EU-facilitated Dialogue towards the full normalisation of relations between Serbia and Kosovo, which should result in concluding and implementing a comprehensive, legally binding normalisation agreement. As regards the former Yugoslav Republic of Macedonia, the positive progress made towards finding a negotiated and mutually acceptable solution to the name issue under UN auspices

should be built on, along with the progress made on good neighbourly relations. Albania has also taken steps to resolve long-standing bilateral disputes.

Although renewed efforts made in the United Nations-led settlement talks on Cyprus failed to deliver an agreement, 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 continued commitment and contribution in concrete terms to the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework will be of paramount importance. Turkey needs to urgently fulfil its obligation of fully implementing the Additional Protocol and make progress towards normalisation of relations with the Republic of Cyprus. The Commission urges the avoidance of any kind of threat, source of friction or action that damages good neighbourly relations and the peaceful settlement of disputes. The Commission stresses all the sovereign rights of EU Member States. This includes, inter alia, the right to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. Turkey's actions and statements against several EU Member States have also created tensions that are affecting negatively its relations with the EU. Solving these bilateral issues is a matter of priority.

III. 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. The EU's **enlargement policy** is an investment in **peace, security, prosperity and therefore stability** in Europe. It provides increased economic and trade opportunities to the mutual benefit of the EU and the aspiring Member States. The firm prospect of EU membership, as continuously reaffirmed by the EU and its Member States, continues to drive transformation and anchor stability and security in the countries of Southeast Europe.
2. The enlargement process continues to be built on **established criteria and fair and rigorous conditionality**. Each country is assessed on the basis of its **own merits** so as to provide incentives to pursue far-reaching reforms. For the enlargement perspective to become a reality, a firm commitment to the principle of "fundamentals first" remains essential.
3. The Commission's **Western Balkans** strategy, adopted in February 2018, provides a **historic window of opportunity** to firmly and unequivocally bind the region's future to the European Union. The countries in the region now need to act with determination to decisively and irreversibly move forward their transformation process and address the existing shortcomings, in particular concerning the fundamentals of rule of law, fundamental rights, democratic institutions and public administration reform, as well as the economy.

II

4. **Turkey** is a key partner for the European Union. The EU, which immediately and strongly condemned the July 2016 attempted coup, reiterated its full support to the democratic institutions of the country, and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature of measures taken since the coup attempt, such as the widespread group dismissals, arrests, and detentions, continue to raise serious concerns as to the proportionality of measures under the state of emergency which still remains in force. The Turkish government reiterated its commitment to EU accession but this has not been matched by corresponding measures and reforms. On the contrary, Turkey has been significantly moving away from the European Union. Under the currently prevailing circumstances, no new chapters are considered for opening. Turkey needs to reverse the current negative trend in the rule of law and fundamental rights as a matter of priority starting with the lifting of the state of emergency and addressing the weakening of effective checks and balances in the political system, including through reinforced cooperation with the Council of Europe.

There was serious backsliding in the key areas of judiciary, public administration reform, fundamental rights and freedom of expression, and further backsliding in a growing number of other areas. The full respect of the rule of law and fundamental rights and freedoms is an essential obligation of the accession process. Since the introduction of the state of emergency, over 150 000 people were taken into custody and 78 000 were arrested. Over 150 journalists remain in prison, together with scores of writers, human rights defenders, lawyers and elected representatives. Many Turkish citizens were detained for expressing their political views on social media. The 31 decrees taken under the state of emergency, which have been exempt from judicial review and effective scrutiny by parliament, have curtailed key civil and political rights substantially, including the freedom of expression, freedom of assembly and defence rights. A State of Emergency Commission became formally operational but still needs to develop into an effective, credible remedy, in a context where the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined by a number of problematic court rulings.

In a referendum organised during the state of emergency, far-reaching constitutional amendments introducing a presidential system were approved by a close margin. These were assessed by the Council of Europe as lacking sufficient checks and balances as well as endangering the separation of powers between the executive and the judiciary. The Parliament's key function as legislator was curtailed, the space for dialogue among political parties was further narrowed down in Parliament, whilst more HDP Members of parliament were arrested and ten of them stripped of their seats. The appointment of trustees to replace elected representatives led to an important weakening of local democracy. Civil society came under increasing pressure in the face of a large number of arrests of activists, including human rights defenders, leading to a rapid shrinking space for fundamental rights and freedoms. The situation in the south-east remains one of the most critical challenges for Turkey's own stability. There were no developments on the resumption of a credible political process which is needed to achieve a peaceful and sustainable solution.

While growth rebounded strongly in 2017, it remains vulnerable unless Turkey addresses macroeconomic imbalances, conducts further structural reforms and improves the business environment. Political uncertainty, increased state control in the economic sphere and attacks on the independence of the judiciary led to a less predictable investment climate, a fall in the national currency and a significant decline in European direct investment.

The EU and Turkey continued their dialogue and cooperation in the areas of joint interest including with a number of high-level visits and Leaders' meetings in May 2017 and March 2018. High level dialogues continued on foreign and security policy, including counter-terrorism, on transport and on the economy. The European Commission underlines the importance of its proposals to the Council for an extension and modernisation of the EU-Turkey Customs Union which would be mutually beneficial.

Turkey continued to make outstanding efforts to provide shelter to over 3.5 million refugees from Syria and some 365 000 refugees from other countries. The cooperation with the EU on migration continued to deliver concrete and remarkable results in reducing irregular and dangerous crossings and in saving lives in the Aegean Sea. The EU Facility for Refugees in Turkey continues to support the needs of refugees and support host communities. As regards the implementation of the Visa Liberalisation Roadmap, at the beginning of February, Turkey submitted to the European Commission a work plan outlining how Turkey plans to fulfill the seven outstanding visa liberalisation benchmarks. The Commission is assessing Turkey's proposals and further consultation with the Turkish counterparts will follow.

Turkey launched a military operation in northern Syria. While Turkey has a right to take action to prevent terrorist attacks against it, the operation raised immediate humanitarian concerns while adding concerns about a new escalation of violence.

In line with the repeated Council and Commission positions from previous years, it is urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of relations with the Republic of Cyprus. Although the Conference convened on Cyprus was closed without an agreement in July 2017, it is important to preserve progress made and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. Turkey's continued commitment and contribution in concrete terms to such a fair, comprehensive and viable settlement will be of paramount importance.

Cooperation with Greece and Bulgaria on migration further intensified. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several EU Member States deteriorated, including at times offensive and unacceptable rhetoric. The EU called on Turkey to avoid any kind of threat or action directed against a Member State, or any source of friction or action that would damage good neighbourly relations and the peaceful settlement of disputes. Moreover, in March 2018 the European Council strongly condemned Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea and recalled Turkey's obligation to respect international law and good neighbourly relations and to normalise relations with all EU Member States.

5. **Montenegro** held presidential elections in April 2018. Initial steps were taken to address the Organisation for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights Election Observation Mission's recommendations following the 2016 parliamentary elections. However, the judicial follow-up to the irregularities reported has been very limited. Further work is required to consolidate trust in the electoral framework. Returning the political debate to the parliament is the responsibility of all parties.

EU accession negotiations have further progressed, with 30 chapters opened, three of which provisionally closed. In the area of rule of law, Montenegro continued to make progress in particular on the legal and institutional framework, while the practical impact of the reforms is not yet sufficiently visible and no progress has been made in the area of freedom of expression. The entire rule of law system, in particular the judiciary, now needs to deliver more results. Progress on the rule of law chapters, demonstrated by tangible results, in particular to strengthen freedom of expression and of the media and the track record in fighting corruption and organised crime, money laundering and trafficking in human beings, will continue to determine the pace of accession negotiations overall.

Good progress has been made on legislation aimed at implementing merit-based recruitment across the public service which now needs to be implemented. Montenegro progressed in strengthening macroeconomic and fiscal stability with the start of the implementation of a medium-term fiscal consolidation strategy. The level of public debt is high and continues to increase. Present efforts to improve the infrastructure and the education system need to be complemented by labour market reform, a reduction of disincentives to work, and the development of a competitive export-oriented industry.

6. **Serbia** held presidential elections in April 2017. Following the resignation of the Prime Minister after his election as President, the new government took office in June 2017. The new government remained committed to EU integration.

EU accession negotiations have progressed, with 12 chapters opened, two of which provisionally closed. The overall pace of negotiations will continue to depend on Serbia's progress in reforms and in particular on a more intense pace of reforms on rule of law and in the normalisation of its relations with Kosovo. While some progress has been made on the rule of law, Serbia now needs to strengthen its efforts and deliver more results, in particular in terms of creating an enabling environment for freedom of expression, in strengthening the independence and overall efficiency of the judicial system, and in making sustainable progress in the fight against corruption and organised crime, including on money laundering. Economic reforms continue to produce results, especially in terms of macroeconomic stabilisation. However, public and private investment levels remain low and the business environment for small and medium enterprises needs to improve further. Major structural reforms of the public administration, the tax authority, and state-owned enterprises remain incomplete. In the context of its accession negotiations, it is essential for Serbia to develop and maintain increased administrative capacity to deal with EU issues.

Serbia needs to substantially deepen its engagement in the Dialogue with Kosovo, including the implementation of all agreements and in particular the agreement on Energy, Mitrovica Bridge, IBM and Diploma Recognition. The President's initiative to

launch an internal dialogue on Kosovo is welcome. Serbia should continue to play a positive role in the region in improving regional ties and preserving stability.

7. The **former Yugoslav Republic of Macedonia**, has, following a difficult period, finally overcome its deep political crisis, with EU and international support. The political will to move forward is once again clearly present and a positive change in the political mind-set has been seen across society, the lack of which had been a major impediment to reforms in recent years. Implementation of these necessary structural reforms is a long term process.

The Commission is satisfied that the Pržino Agreement has been largely implemented, even in a difficult political context.

Considerable work has been done to address the Urgent Reform Priorities since summer 2017, through a genuine desire to reform, followed by the preparation of overdue strategies and legislation, and consultation of all stakeholders, including the opposition, in an inclusive and transparent manner. A number of strategies and laws were adopted, notably in the area of rule of law, between November 2017 and February 2018. Many others are being prepared for adoption in the coming months. However, structural challenges remain notably in the area of the judiciary.

In light of the progress achieved, the Commission recommends that the Council decides that accession negotiations be opened with the former Yugoslav Republic of Macedonia, maintaining and deepening the current reform momentum on the urgent reform priorities, decisive for the country's further progress. To support this, the Commission would apply the reinforced approach for the negotiating chapters on judiciary and fundamental rights and justice, freedom and security to the country.

8. **Albania** has continued to make steady progress in the implementation of the five key priorities for the opening of accession negotiations. Reform of the public administration was consolidated, with a view to enhancing its professionalism and de-politicisation. Further actions were taken to reinforce the independence, efficiency and accountability of judicial institutions, particularly through advancing in the implementation of a comprehensive justice reform. This includes first tangible results in the re-evaluation of all judges and prosecutors (vetting), with the resignation of 15 high ranking judges and prosecutors, and the first hearings resulting in the dismissal of a Constitutional Court judge and the confirmation in duty of a Constitutional Court judge.

Further determined efforts were undertaken in the fight against corruption and organised crime, including in the fight against drug trafficking and cultivation, contributing towards establishing a solid track record of proactive investigations, prosecutions and convictions. Additional measures were adopted to reinforce the effective protection of human rights, including of persons belonging to minorities and of Roma, and anti-discrimination policies, as well as implementing property rights.

In light of the progress achieved, the Commission recommends that the Council decides that accession negotiations be opened with Albania, maintaining and deepening the current reform momentum in the key field of the rule of law, in particular across all five key priorities, and continuing to deliver the concrete and tangible results in the re-evaluation of judges and prosecutors (vetting). To support

this, the Commission would apply the reinforced approach for the negotiating chapters on judiciary and fundamental rights and justice, freedom and security to the country.

9. **Bosnia and Herzegovina** delivered at a slow pace throughout 2017 on the priorities stemming from its reform process, particularly as regards the Reform Agenda. The EU oriented reform efforts need to step up in order to address the deeply rooted structural problems that have been holding back the development of the country. The electoral framework remains to be urgently amended with a view to ensuring the proper organisation of the October 2018 elections and the smooth implementation of the results. In this regard all political leaders need to assume their responsibility and to find a solution with regard to the Federation House of peoples so as not to undermine the EU perspective of the country and of its citizens. Further socio-economic reforms, the strengthening the rule of law and public administration in line with European standards at all levels of government, as well as further improving cooperation between all levels continue to remain a priority. The coordination mechanism on EU matters has been effective in delivering a set of coordinated answers needed for the ongoing preparation of the Commission's Opinion on Bosnia and Herzegovina's EU membership application. The proper functioning of the mechanism will continue to remain essential in order to enable the country to face the increasing challenges of the EU integration process such as the adoption of further country-wide strategies as well as a strategic programme for the country's legal approximation with the EU *acquis*. Economic development remains slow, suffering from a weak rule of law, a still poor business environment, an inefficient and fragmented public administration and major labour market imbalances, an unsupportive investment climate.
10. In **Kosovo**, EU-related reforms slowed due to a lengthy electoral period in 2017 and a challenging domestic political context which affected parliamentary work. Political actors need to re-engage in a constructive dialogue, with the Assembly as the key forum for political debate. The new government and Assembly should bring forward reforms as a matter of priority and build consensus on key strategic issues for Kosovo. Implementation of the Stabilisation and Association Agreement and the accompanying European Reform Agenda should be accelerated. There has been progress regarding the economy, particularly on improving the business environment. However, measures should be taken against the widespread informal economy and high unemployment. The situation in the north of Kosovo remains particularly challenging. The recent ratification of the border/boundary demarcation agreement with Montenegro constitutes an important achievement in the spirit of good neighbourly relations and is a crucial step towards visa liberalisation. The Commission is assessing Kosovo's track record on the fight against organised crime and corruption.

The attempt by 43 members of the Kosovo Assembly in December 2017 to abrogate the Law on Specialist Chambers and Specialist Prosecutor's Office have raised serious concerns. It will be essential for Kosovo to fully comply with its international obligations regarding the Specialist Chambers and Specialist Prosecutor's Office, which were established to address certain allegations of international crimes committed in the context of the Kosovo conflict.

Kosovo needs to substantially deepen its engagement in the Dialogue with Serbia, including the implementation of all agreements and in particular the agreement on the Association/Community of Serb-majority municipalities. The work of the

Management Team, launched on 4 April, needs to intensify, in full compliance with the Brussels 2013 and 2015 Agreements.

IV. ANNEXES

1. Summaries of the findings of the reports³

2. Statistical annexes

³ Reference to numbers of staff working documents.



Strasbourg, 17.4.2018
COM(2018) 450 final

ANNEXES 1 to 2

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**

2018 Communication on EU Enlargement Policy

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{SWD(2018) 153 final} - {SWD(2018) 154 final} - {SWD(2018) 155 final} -
{SWD(2018) 156 final}

Annex 1 - Summaries of the findings of the reports

Turkey

The **state of emergency** declared in the wake of the attempted coup of 15 July 2016 remains in force, aiming at dismantling the Gülen movement, designated by the Turkish authorities as a terror organisation responsible of the coup attempt, as well as at supporting the fight against terrorism, against the background of repeated attacks in Turkey.

The EU, which immediately and strongly condemned the attempted coup, reiterated its full support for the country's democratic institutions, and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature, and the disproportionality of measures taken since the attempted coup under the state of emergency, such as widespread dismissals, arrests, and detentions, continue to raise serious concerns. Turkey should lift the state of emergency without delay.

Serious shortcomings affect the 31 decrees taken to date under the state of emergency. They have not been subject to a diligent and effective scrutiny by parliament. Consequently, the decrees have long not been open to judicial review and none of them has yet been subject to a decision by the Constitutional Court. These emergency decrees have notably curtailed certain civil and political rights, including freedom of expression, freedom of assembly and procedural rights. They also amended key pieces of legislation which will continue to have an effect when the state of emergency is lifted.

Since the introduction of the state of emergency, over 150 000 people were taken into custody, 78 000 were arrested and over 110 000 civil servants were dismissed whilst, according to the authorities, some 40 000 were reinstated of which some 3 600 by decree.

A State of Emergency Appeal Commission became operational and received altogether some 107 000 appeal requests. This Commission only started to take decisions in December 2017 and it has so far provided redress to only few applicants. Its decisions are open to judicial review. It still needs to develop into an effective and transparent remedy for those unjustly affected by measures under the state of emergency.

Beyond the Appeal Commission, the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined by a number of unfortunate precedents. In one instance a lower court refused to observe a ruling of the Constitutional Court regarding an emblematic case; a follow up ruling by the Constitutional Court for one of the defendants was eventually abided with by a lower court. Several court rulings favorable to prominent defendants, including Human Rights Defenders, were swiftly reversed by another or even by the same court, in some instances following comments from the executive.

Key recommendations of the Council of Europe and its bodies are yet to be addressed by Turkey. Allegations of wrongdoing need to be established by transparent procedures and on an individual basis. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial. Turkey should lift the state of emergency without delay.

In April 2017, Turkey held a referendum which approved by a close majority constitutional amendments introducing a presidential system. The amendments were assessed by the Venice Commission as lacking sufficient checks and balances as well as endangering the separation of powers between the executive and the judiciary. The referendum itself raised serious concerns in relation to the overall negative impact of the state of emergency, the 'unlevel

playing field' for the two sides of the campaigns and undermined safeguards for the integrity of the election.

Under the state of emergency, the Parliament's key function as legislative power was curtailed, as the government resorted to emergency decrees with 'the force of law' to also regulate issues which should have been processed under the ordinary legislative procedure. In light of the worsening political frictions in the country, the space for dialogue among political parties was further narrowed in Parliament. Following the one-off lifting of parliamentary immunities in May 2016, many lawmakers of the opposition party HDP have been arrested and ten of them were stripped of their seats.

The President role over the executive increased, following several transfers of powers to the Presidency through emergency decrees. The appointment of trustees to replace municipal executives and elected representatives led to an important weakening of local democracy.

Civil society came under increasing pressure, notably in the face of a large number of arrests of activists, including human rights defenders, and the recurrent use of bans of demonstrations and other types of gatherings, leading to a rapid shrinking space for fundamental rights and freedoms. Many rights-based organisations remained closed as part of the measures under the state of emergency and an effective legal remedy has not been available with respect to confiscations.

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

The situation in the south-east has continued to be one of the most acute challenges for the country. The deteriorated security situation has in part shifted to rural areas. The government's pledge to continue security operations, against the background of 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, remained as a defining element of the situation in the region. While the government has a legitimate right to fight against 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. The government's investment plan for the reconstruction of damaged areas in the south-east has resulted in the ongoing construction of thousands of dwellings but only few internally displaced persons received compensation so far. There were no developments on the resumption of a credible political process which is needed to achieve a peaceful and sustainable solution.

Turkey is moderately prepared in the area of **public administration** reform, with a strong commitment to a more open administration and the use of e-government. However, there has been serious backsliding in the area of public service and human resources management and in the area of accountability of the administration with regard to the right to administrative justice and the right to seek compensation. A transparent and effective remedy still needs to be provided for the large-scale dismissals.

Turkey's **judicial system** is at an early stage of preparation. There has been further serious backsliding in the past year, in particular with regard to the independence of the judiciary. The Constitutional amendments governing the Council of Judges and Prosecutors (CJP) entered into force and further undermined its independence from the executive. The CJP continued to engage in large-scale suspensions and transfers of judges and prosecutors. No

efforts were made to address concerns regarding the lack of objective, merit-based, uniform and pre-established criteria in the recruitment and promotion of judges and prosecutors.

The country has some level of preparation in the **fight against corruption**, where no progress has been achieved. The legal and institutional framework needs further alignment with international standards and continues to allow undue influence by the executive in the investigation and prosecution of high-profile corruption cases. Turkey's track record of investigation, prosecution and conviction in corruption cases remained poor, particularly regarding high-level corruption cases. No progress was made in bolstering the accountability and the transparency in the work of public bodies. A broad, inter-party political consensus and strong political will are required to fight against corruption decisively. Turkey still needs to follow up on nearly all recommendations of the Council of Europe's Assembly of the Group of States against Corruption. Corruption remains prevalent in many areas and continues to be a serious problem. Corruption perception also remains high.

Turkey has achieved some level of preparation in the **fight against organised crime** and some progress was made with the adoption of a new strategy and improved institutional capacity. Turkey needs to improve its legislation on cybercrime, asset confiscation and witness protection. Data protection legislation is in place but it is not yet in line with European standards. Financial investigations remain underused. Precautionary freezing of assets is rarely applied and the level of confiscated assets is low. In the fight against terrorism, a comprehensive legal framework on terrorism financing is in place. Both the criminal and anti-terror legislation need to be aligned with European Court of Human Rights case-law. The proportionality principle must be observed in practice.

Turkey made good progress in the area of **migration and asylum policy** and remained committed to the implementation of the March 2016 EU-Turkey Statement effective management of migratory flows along the Eastern Mediterranean route. As regards the implementation of the Visa Liberalisation Roadmap, at the beginning of February, Turkey submitted to the European Commission a work plan outlining how Turkey plans to fulfill the seven outstanding visa liberalisation benchmarks. The Commission is assessing Turkey's proposals and further consultations with the Turkish counterparts will follow.

The Turkish legal framework includes general guarantees of respect for **human and fundamental rights**, which have however been further challenged and undermined by a number of emergency decrees. The serious backsliding on the **freedom of expression** continued, an area where Turkey is at an early stage of preparation. The scope of actions taken under the state of emergency has been extended over time to many critical voices, in media and academia amongst others, in contradiction with the principle of proportionality. Criminal cases against journalists – more than 150 of them remain detained – human rights defenders, writers, or social media users, withdrawal of press cards, as well as the closure of numerous media outlets or the appointment by the government of trustees to administer them, are of serious concern and are mostly based on selective and arbitrary application of the law, especially provisions on national security and the fight against terrorism. The Internet Law and the general legal framework continue to enable the executive to block online content without a court order on an inappropriately wide range of grounds. There was also serious backsliding in the areas of freedom of assembly, freedom of association, procedural and property rights. Freedom of assembly continues to be overly restricted, in law and practice. Measures adopted under the state of emergency also removed crucial safeguards protecting detainees from abuse thereby augmenting the risk of impunity, in a context where allegations of ill-treatment and torture have increased. Emergency decrees imposed additional restrictions to procedural rights including on the rights of defence. The enforcement of rights is hindered

by the fragmentation and limited mandate of public institutions responsible for human rights and freedoms and in a context where the judiciary's independence has been undermined. Extreme poverty and a lack of basic necessities remain common among Roma households in Turkey. The rights of the most vulnerable groups and of persons belonging to minorities should be sufficiently protected. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of lesbian, gay, bisexual, transgender and intersex persons are still a matter of serious concern.

Turkey expressed support for the talks on the Cyprus settlement between the leaders of the two communities, and for the efforts of the UN Secretary-General and his Special Adviser. A Conference on Cyprus, convened in Geneva in January 2017 and in Crans-Montana in July 2017, closed without an agreement. Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all 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 conclusions on Turkey that were adopted by the Council of the European Union and endorsed by the European Council in December 2006 remain in force. They stipulate that negotiations will not be opened on eight chapters¹ relating to Turkey's restrictions regarding the Republic of Cyprus and no chapter will be provisionally closed until the Commission confirms that Turkey has fully implemented the Additional Protocol to the Association Agreement.

Cooperation with Greece and Bulgaria on migration further intensified. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several individual EU Member States deteriorated, including at times offensive and unacceptable rhetoric. In March 2018, the European Council strongly condemned Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea and recalled Turkey's obligation to respect international law and good neighbourly relations and to normalise relations with all EU Member States. The European Council also expressed its grave concern over the continued detention of EU citizens in Turkey, including two Greek soldiers, and called for the swift and positive resolution of these issues in a dialogue with Member States.

Turkey needs to commit itself unequivocally to good neighbourly relations, international agreements, and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the EU has expressed once again serious concern and urged Turkey to avoid any kind of threat or action directed against a Member State, or source of friction or actions that damages good neighbourly relations and the peaceful settlement of disputes.

Regarding the **economic criteria**, the Turkish economy is well advanced and can be considered a functioning market economy. The economy supported by government stimulus measures, managed to recover from the contraction witnessed in the wake of the attempted coup of 2016 and achieved strong growth in 2017. However, high growth is coupled with significant macroeconomic imbalances. The current account deficit remains high and increased towards the end of 2017, making the country dependent on capital inflows and vulnerable to external shocks. Inflation moved to double-digit rates (11.1 %) in 2017, and the depreciation of the Turkish lira continued, highlighting concerns over the degree of commitment of monetary policy decision-makers to price stability. Turkey's economy continued to be characterised by a high level of informality. Overall, there was backsliding in

¹Free movement of goods, right of establishment and freedom to provide services, financial services, agriculture and rural development, fisheries, transport policy, customs union, and external relations.

this area. The tendency to increase state control in the economic sphere and the actions targeting companies, businessmen and political opponents and their businesses harmed the business environment.

Turkey has made some progress and has a good level of preparation to cope with competitive pressures and market forces within the EU. Turkey is well-integrated with the EU market in terms of both trade and investment. Some progress was made in the energy sector, particularly in the gas market, and in increasing research and development spending. However, significant problems remained with regard to the quality of education. There was no progress in improving the transparency of state aid.

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

Montenegro

Concerning the **political criteria**, the reporting period has been marked by the low level of trust towards the electoral framework and the prolonged parliamentary boycott by the entire opposition since the October 2016 parliamentary elections. Returning the political debate to the Parliament is the responsibility of all political actors. Parts of the opposition returned to the Parliament in December 2017, but this partial and selective ending of the boycott is yet to result in improved parliamentary dialogue and scrutiny. The political scene remains fragmented, polarised and marked by lack of political dialogue, notably in the democratic institutions.

The parliamentary legislative capacity and the oversight of the executive needs to be further enhanced. The parliament still addresses the State Audit Institution's audit findings in a limited manner, and there is no discussion or reporting on implementation of major policies and legislation. In December 2017, the Parliament adopted without proper public consultation a set of laws which only partially address the recommendations of the Organisation for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights. A comprehensive electoral reform should be considered. There were 8 local elections in the reporting period. Local elections do not take place on the same day nationwide, but on a rolling bases; thus a prolonged and highly personalised election mood characterises the political landscape. Due to the electoral cycle, election observation is difficult, particularly for international observers, leaving ample room for claims of irregularities that cannot be independently evaluated. There were no new developments in the political and judicial follow-up of the alleged misuse of public funds for party political purposes in 2012 (the 'audio recordings affair').

As regards governance, there is a need to strengthen transparency, stakeholders' participation, and the government's capacity to implement reforms. Coherence of the policy-making system should be ensured through co-ordinated policy development. Mechanisms for government's consultation of civil society organisations are in place, but they need clear rules, and genuine involvement on both sides.

Montenegro is moderately prepared with the reform of its **public administration**. Good progress has been made, notably through the adoption of new laws on civil servants and state employees and on local self-government aimed at implementing merit-based recruitment across the public service. Strong political will is still needed to effectively address the de-politicisation of the public service and the optimisation of the state administration, as well as to ensure efficient implementation and financial sustainability of reforms.

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

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

In the **fight against organised crime**, there is an initial track record of prosecutions in the fight against smuggling of migrants and against drug trafficking. However, further results are needed to produce a convincing track record, in particular in the fight against money laundering and trafficking in human beings.

On **fundamental rights**, Montenegro further aligned its legislation with EU standards. In particular the work of the Ombudsman office has improved, but more efforts are still needed in strengthening the institutional framework and effective protection of human rights. Following the progress made on anti-discrimination legislation, Montenegro now needs to ensure that adequate institutional mechanisms are in place to protect vulnerable groups from discrimination. Implementation of the legislation remains weak and institutional capacity on human rights needs to be increased. The Roma² minority remains the most vulnerable and most discriminated community. Gender-based violence and violence against children remains a serious concern in the country.

Montenegro has achieved some level of preparation on **freedom of expression**, but no progress was made in the reporting period. There have been no notable developments regarding investigations into old cases of violence against journalists. Recent political interference in the national public broadcaster Council and the Agency for Electronic Media are a matter of serious concern. The media scene remains highly polarised and challenges in understanding the role of free media persists. The number of defamation cases remains high, also due to weak self-regulatory mechanisms.

² All these groups are considered under the wider "Roma" umbrella term under the EU Framework for National Roma Integration Strategies.

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

As regards the **economic criteria**, Montenegro has made some progress and is moderately prepared in developing a functioning market economy. Macroeconomic and fiscal stability were strengthened but further efforts are required to address persistent challenges, especially the high public debt burden. The economy has been growing uninterruptedly since 2013 amidst low or moderate inflation. The financial sector has improved its solvency and liquidity. However, the export base needs to improve in scope and in quality to reduce the trade deficit. Rule of law weaknesses, including unfair competition from the informal economy, negatively impact on the business environment. The labour market faces structural challenges, reflected in low participation and high unemployment rates.

Montenegro has made some progress and is moderately prepared in terms of capacity to cope with competitive pressure and market forces within the Union. The construction of key infrastructure in a number of areas as well as developing human capital set the basis for improved competitiveness. Education reform is ongoing, but more efforts are needed to address the skills mismatch. SMEs remain confronted with numerous challenges, such as access to finance or regulatory complexity. Further efforts are still required to improve the overall export performance of local companies.

Concerning Montenegro's **ability to assume to the obligations of membership**, important work on alignment and preparation for the implementation of the *acquis* has taken place in most areas. The country has a good level of preparation in areas such as company law and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, agriculture, food safety, veterinary and phytosanitary policy. Montenegro is at an early stage of preparation regarding fisheries and budgetary and financial provisions, and at some level of preparation in the area of environment and climate change, statistics, social policy and employment. Good progress has been made in the areas of company law, agriculture and rural development, food safety, veterinary and phytosanitary policy. There has been backsliding in the area of public procurement. Looking ahead, Montenegro should focus in particular on competition policy, environment and climate change and public procurement. Strengthening the administrative capacity for ensuring the application of the *acquis* remains a substantial challenge for Montenegro. Montenegro has continued to align with all EU common foreign and security policy positions and declarations.

Although Montenegro so far remained outside the main Western Balkans **migration** route to the EU, it witnessed an increase in the number of migrants/asylum seekers entering its territory and must therefore strengthen its capacity to cope with sudden increases in migration-related pressure. Montenegro made further progress in particular on the migration-related legal framework. While Montenegro's capacity to handle asylum requests has been sufficient so far, it might now be challenged by: (i) the growing number of asylum seekers and the extended length of their stays, sometimes due to lengthy appeal procedures; and (ii) the introduction of more demanding asylum procedures, aligned with the EU standards. In this context, Montenegro needs to put in place a return mechanism for irregular migrants, which is in line with the EU *acquis*, as well as to align its visa policy progressively with the EU's. Montenegro should open additional reception facilities that meet the required standards and improve management of all facilities. Further to the adoption of the Schengen action plan in February 2017, Montenegro continued to align its legislation with the EU *acquis* on visas.

Serbia

As regards the **political criteria**, Serbia held presidential elections in April 2017. International observers found that the elections provided voters with a genuine choice of contestants, but that the playing field was tilted by several factors. The recommendations of international observers need to be fully addressed, including those related to the transparency and integrity of the election process during the electoral campaign.

Following the resignation of Prime Minister Vučić after his election as President, the new government, headed by Ana Brnabić, took office in June 2017. For the first time, a woman was elected Prime Minister. The parliament still does not exercise effective oversight of the executive. Transparency, inclusiveness, and quality of law making need to be enhanced and cross-party dialogue improved. The use of urgent procedures should be reduced. Actions which limit the ability of the parliament for an effective scrutiny of legislation must be avoided. The role of independent regulatory bodies needs to be fully acknowledged. Constitutional reforms are needed for alignment with EU standards in some areas.

Serbia is moderately prepared in the area of **public administration reform**. Some progress was achieved in the area of service delivery and with the adoption of several new laws. Serbia needs to implement its reform targets, professionalise and depoliticise the administration, especially regarding senior management positions, and ensure systematic coordination and monitoring of the public financial management reform programme 2016-20. Serbia's ability to attract and retain qualified staff in the administration dealing with EU issues will be crucial.

Serbia's **judicial system** has some level of preparation. Some progress was made, notably by reducing the backlog of old enforcement cases and putting in place measures to harmonise court practice. Improved rules for evaluating professional performance of judges and prosecutors were adopted. The scope for political influence over the judiciary remains a concern. A new draft of amendments to the Constitution in the domain of the judiciary was published in January 2018 and was put forward for public discussion before being sent to the Venice Commission for its opinion.

Serbia has some level of preparation in the **fight against corruption**. Some progress has been achieved, especially in adopting amendments to the Criminal Code in the economic crimes section; to the law on the organisation of state authorities in the field of fight against corruption, organised crime and terrorism; and to the law on seizure and confiscation of proceeds of crime. However, there is a serious delay in adopting the new law on the Anti-Corruption Agency. Corruption remains prevalent in many areas and continues to be a serious problem. Operational capacity of relevant institutions remains uneven. Law enforcement and judicial authorities still need to prove that they can investigate, prosecute and try all high level corruption cases in an unbiased and operationally independent manner.

Serbia has some level of preparation in the **fight against organised crime**. Some progress was made in areas such as human resource management in the Ministry of the Interior and the police. The operational capacity in both the Prosecutor's Office for Organised Crime and the Prosecutor's Office for Cybercrime was improved. A new strategy and action plan to prevent and fight trafficking in human beings were adopted, a National Coordinator for Combating Trafficking in Human Beings was appointed, and a new Law on the Prevention of Money Laundering and Terrorist Financing was adopted. However, Serbia has yet to establish an initial track record of effective financial investigations, as well as of investigations, prosecutions and final convictions in money laundering cases. The number of convictions for organised crime remains low. Serbia needs to focus on the implementation of the action plan agreed with the Financial Action Task Force.

The legal and institutional framework for the respect of **fundamental rights** is in place. Its consistent implementation across the country needs to be ensured, including as regards protection of minorities. While Serbia has some level of preparation, no progress was made on **freedom of expression**, a matter of increasing concern. Further sustained efforts are needed to improve the situation of persons belonging to the most discriminated groups (Roma, lesbian, gay, bisexual, transgender and intersex persons, persons with disabilities, persons with HIV/AIDS and other socially vulnerable groups). A gender equality law needs to be adopted.

Serbia overall remained constructively committed to bilateral relations with other enlargement countries and neighbouring EU Member States and an active participant in **regional cooperation**.

Regarding the **normalisation of relations with Kosovo**, Serbia has remained engaged in the dialogue. However, Serbia needs to make further substantial efforts on the implementation of existing agreements and contribute to the establishment of circumstances conducive to the full normalisation of relations with Kosovo, to be defined in a legally binding agreement.

As regards the **economic criteria**, Serbia has made good progress and is moderately prepared in developing a functioning market economy. Some of the policy weaknesses, in particular with regard to the budget deficit, were addressed. Growth fundamentals are sound and macroeconomic stability was preserved. Inflation was contained and monetary policy supported growth. Labour market conditions improved further. However, government debt, although reduced, is still high and the budgetary framework and its governance need to be strengthened. Major structural reforms of the public administration, the tax authority, and state-owned enterprises remain incomplete. Informal employment, unemployment and economic inactivity remain are still very high, particularly among women and youth. The private sector is underdeveloped and hampered by weaknesses in the rule of law and the enforcement of fair competition.

Serbia is moderately prepared to cope with competitive pressure and market forces within the Union. Some progress was made to increase competitiveness. However, the level of investment activity is still below the economy's needs. Despite some improvements, companies face a number of difficulties, including a challenging business environment, a high level of para-fiscal charges, and difficult and costly access to finance.

As regards its **ability to assume the obligations of membership**, Serbia has continued to align its legislation with the EU *acquis* across the board. Adequate financial and human resources and sound strategic frameworks will be crucial to maintaining the pace of reforms. Serbia has a good level of preparation in areas such as company law, intellectual property, science and research, education and culture, and customs. Serbia improved linking its investment planning to budget execution but has yet to develop a single mechanism for prioritising all investments regardless of the source of funding in accordance with the government's public finance management reform programme. In areas such as public procurement, statistics, monetary policy and financial control, Serbia is moderately prepared. Serbia needs to progressively align its foreign and security policy with the European Union's common foreign and security policy in the period up to accession. Serbia needs to address, as a matter of priority, issues of non-compliance with the SAA, regarding in particular restrictions on capital movements, state aid regulation, fiscal discrimination on imported spirits and restrictions on waste exports.

Serbia continued to manage the effects of the **migration and refugee crisis**. Serbia is in the process of negotiating with the EU the status agreement on actions to be carried out by the European Border and Coast Guard Agency in Serbia. Serbia adopted a new law on asylum

and temporary protection, a law on foreigners, and a law on border control. A strategy and an action plan for 2017-2020 to counter irregular migration needs to be adopted. In this context, Serbia needs to put in place a robust return mechanism for irregular migrants, which is in line with the EU *acquis*, as well as to align its visa policy progressively with the EU's. Stronger coordination among the various state authorities involved in migration management has to be ensured. Serbia continued to cooperate with neighbouring countries and Member States, in particular at technical level, and made substantial efforts to provide shelter and humanitarian supplies, primarily with EU support. Serbia needs to increase its capacity to address special reception needs of unaccompanied minors.

The former Yugoslav Republic of Macedonia

Concerning the **political criteria**, the country has finally overcome its most severe political crisis since 2001. The difficult process of government formation reached a critical point during the 27 April 2017 attacks in Parliament, which were condemned in the strongest terms by the international community. Since May 2017, the new reform-oriented government has taken steps to address state capture by gradually restoring checks and balances, strengthening democracy and rule of law. The country is undergoing fundamental changes in a more inclusive and open political atmosphere. The municipal elections in October 2017 confirmed the support of citizens for the EU-oriented policies of the government coalition. The Parliament has continued functioning with opposition parties chairing key committees. The Parliament needs to enhance its oversight and legislative functions, including by limiting the extensive use of shortened procedures.

While the inter-ethnic situation was fragile, the situation remained calm overall. The review of the implementation of the Ohrid Framework Agreement, which ended the 2001 conflict and provides the framework for the inter-ethnic relations, needs to be followed up in a transparent and inclusive manner. The government has shown commitment to increase trust among communities.

Civil society continued to play a constructive role in supporting democratic processes and ensuring greater checks and balances. Since the second half of 2017, the climate in which civil society organisations operate has improved and the government has shown commitment to dialogue and inclusion.

The country is moderately prepared with the reform of its **public administration**. Good progress has been made with the adoption of the public administration reform strategy and the public financial management reform programme. Concrete efforts have been made towards increasing transparency and accountability and involving external stakeholders in policy-making. The capacity of the Ministry of Information Society and Administration to drive and coordinate public administration reform needs to be improved. Strong political commitment to guarantee the professionalism of the public administration, especially on senior management appointments, and the respect for the principles of transparency, merit and equitable representation in line with the spirit and the letter of the law, remains essential.

The country's **judicial system** has reached some level of preparation and good progress was made, notably in the latter part of the reporting period. The backsliding of previous years has started to be reversed through decisive steps taken in recent months, notably to start restoring the independence of the judiciary. The country adopted a credible new judicial reform strategy which lays the basis for further reform in this field, and key pieces of legislation have been amended in line with recommendations of the Venice Commission and the "Urgent Reform Priorities". The Special Prosecutor's Office faces less obstruction from the courts,

allowing it to work more effectively. To address outstanding recommendations and to ensure the judiciary can function without undue influence will require sustained efforts.

As regards the **fight against corruption**, the country has achieved some level of preparation. The legislative and institutional framework is in place, as well as a track record on both prevention and prosecution, although final court rulings on high level corruption cases remain limited. Corruption remains prevalent in many areas and continues to be a serious problem. The capacity of institutions to effectively tackle corruption has shown structural and operational deficiencies. Political interference remains a risk.

In the **fight against organised crime**, the country has reached some level of preparation. The legislative framework is broadly in line with European standards, and efforts to implement strategies must continue. The country has taken steps towards reforming the system of interception of communications and to address the related "Urgent Reform Priorities". More needs to be done to effectively fight certain forms of crime such as money laundering and financial crimes. Coordination among all relevant stakeholders is essential. A track record on investigations, prosecutions and convictions in the fight against organised crime needs to be improved. The number of convictions remains low.

The legal and institutional framework for protection of **fundamental rights** is largely in place and reforms have enhanced compliance with European human rights standards. Full implementation requires sustained efforts. It is positive that the country ratified the Convention on preventing and combating violence against women and domestic violence (also known as the Istanbul Convention), initiated the necessary legal reforms for establishing an external oversight mechanism of the law enforcement authorities and that the amendments to the framework for non-discrimination were prepared in an inclusive manner. The situation in prisons and psychiatric institutions must be addressed, cases of hate crime and hate speech must be followed up and bodies involved in protecting and promoting human rights must be strengthened. More efforts are needed as regards **Roma** inclusion. As regards **freedom of expression**, the country has achieved some level of preparation and made good progress, notably through an improved climate for the media and decreased pressure on journalists. The country needs to address remaining challenges, including reform of the public broadcaster.

With regard to **regional cooperation**, the country maintained its good relations with other enlargement countries and participated actively in regional initiatives. Decisive steps have been taken to improve good neighbourly relations, including through the entry into force of the bilateral treaty with Bulgaria. The "name issue" needs to be resolved as a matter of urgency. Talks on the "name issue" have intensified under the auspices of the United Nations. Constructive discussions at Prime Ministerial and Foreign Minister levels positively assessed progress in the implementation of the confidence building measures. The joint announcement by the Prime Ministers of Greece and the former Yugoslav Republic of Macedonia in January 2018, involving the renaming of Skopje airport and a highway and proceeding with some delayed EU initiatives, were concrete signs of strengthening mutual trust.

As regards the **economic criteria**, the former Yugoslav Republic of Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. Despite the political stalemate in the first half of the year, noteworthy improvements took place, in particular in public finance management and transparency. Key weaknesses of the economy remain. These include shortcomings in the business environment, such as weak contract enforcement and a large informal economy. Structural problems of the labour market are reflected in low activity and high unemployment rates. The macroeconomic environment deteriorated in the first half of 2017, as the lengthy political crisis took a toll on

investment. Fiscal policy is geared towards short-term measures and lacks a durable consolidation plan.

The economy has made some progress and is moderately prepared to cope with competitive pressures and market forces within the EU. Further progress was made towards diversification of exports and higher-value added output in the manufacturing sector. Trade and investment relations with the EU continued to intensify. The economy still suffers from weaknesses in education curricula, low innovation rates and important investment gaps including in particular public infrastructure.

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

The former Yugoslav Republic of Macedonia continued to manage the effects of the **migration and refugee crisis**. The country is in the process of negotiating with the European Union the status agreement on actions to be carried out by the European Border and Coast Guard Agency in the country. The former Yugoslav Republic of Macedonia has made efforts to improve its legal framework. Work on amending the Law on Foreigners is ongoing. The country continued to implement its Resolution on Migration Policy. The country maintained its efforts to improve its asylum system and migration management. Systematic registration of migrants and protective-sensitive profiling, to guarantee that those individuals' needs are addressed, is still needed. In this context, the former Yugoslav Republic of Macedonia needs to put in place a return mechanism for irregular migrants, which is in line with the EU *acquis*, as well as to align its visa policy progressively with the EU's. The country continued to cooperate with neighbouring countries and Member States, in particular at technical level, and made substantial efforts to provide shelter and humanitarian supplies, primarily with EU support.

Albania

As regards the **political criteria**, strong polarisation persisted in the political establishment. Parliamentary activities were affected by a prolonged boycott by the opposition in early 2017, which also delayed the appointment of the judicial vetting institutions. In May, an agreement between the main ruling party and the opposition allowed resuming parliamentary activities, triggering some changes to the electoral legislative framework. This was conducive to the smooth organisation of the general elections in June, although a number of the Organisation for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights recommendations still remained outstanding. Some progress was made towards improving the functioning of the National Council for Civil Society. Additional efforts are needed to better involve civil society organisations as part of an inclusive policy dialogue.

Albania is moderately prepared in the reform of its **public administration**. Efforts continued, resulting in some progress in the efficiency and transparency of public services delivery, the training of civil servants, more transparent recruitment procedures, and the overall strengthening of merit-based civil service procedures. Consolidation of these achievements

should advance further, to ensure a more efficient, depoliticised, and professional public administration.

Albania's **judicial system** has some level of preparation. The implementation of comprehensive and thorough justice reform has continued, resulting in good progress overall. The re-evaluation of all judges and prosecutors (vetting process) has started and is delivering first tangible results. This process has cross-party support, is carried out by an independent authority, is subject to international monitoring and its compatibility with the European Convention on Human Rights has been confirmed by the Venice Commission. Under the aegis of the European Commission, an International Monitoring Operation has been deployed to oversee the process throughout its implementation. The auxiliary institutions supporting the process have completed their first reports on the proficiency assessments, background checks and asset declarations.

Albania maintains some level of preparation in the **fight against corruption**. Good progress was made, notably with the adoption of amendments to the criminal procedure code. A chain of specialised anti-corruption bodies, including a special prosecutor office, is being established. The number of final convictions involving junior or middle-ranking officials has increased compared to the previous reporting period. Convictions of high-level officials occurred mostly in the judiciary (judges and prosecutors); however, the rate of final convictions for high-ranking officials remains overall very low. Corruption remains prevalent in many areas and continues to be a serious problem.

Albania has some level of preparation in the **fight against organised crime**. Overall there was some progress in the reporting period, notably in the fight against cannabis cultivation. Albania needs to build on operational results in this area, intensifying confiscation of assets belonging to criminal gangs and pursuing the destruction of all existing cannabis stockpiles. Amendments to the anti-mafia law and the Criminal Procedure Code have created the conditions for increased efficiency of criminal investigations. Albania participated successfully in international police cooperation, intensifying its interactions particularly with EU Member States. At domestic level, effective police-prosecution cooperation remains to be improved. As regards the track record, there has been little progress in dismantling organised criminal groups. The number of final convictions in organised crime cases remained very low and has only marginally increased. More efforts are needed to tackle **money laundering**, criminal assets and unjustified wealth.

Albania has ratified most international **human rights** conventions and has developed its legal framework in line with European standards. Enforcement and monitoring of human rights protection mechanisms remain to be strengthened. As regards the **freedom of expression**, Albania has some level of preparation/is moderately prepared. There has been some progress in strengthening the independence of the regulatory authority and public broadcaster but transparency of state advertising in the media remains to be enhanced. Progress remains to be made in the area of property rights with the update of the current legislation and reinforcement of institutional coordination. Institutional mechanisms to protect the rights of the child and to tackle gender-based violence remain weak. Important steps were made to improve the legal framework for the respect for and protection of minorities but relevant secondary legislation needs to be developed. Living conditions for Roma and Egyptians need to be improved.

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

As regards the **economic criteria**, Albania has made some progress and is moderately prepared in developing a functioning market economy. The public debt-to-GDP ratio and the

current account deficit have been reduced. Economic growth increased further and unemployment decreased but is still high. Non-performing loans in the banking sector have been reduced, but bank lending to businesses remains sluggish. Reforms crucial to improving the business environment progressed but require further efforts, including the reduction of the informal economy. The comprehensive judicial reform advanced but needs to be fully implemented. The new bankruptcy law entered into force and should strengthen the insolvency regime. However, business-relevant regulations remained cumbersome and shortcomings in the rule of law continued to hamper businesses and deter investments.

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 EU. Specifically, progress was made on energy and transport infrastructure and digitalisation, although shortcomings remain which hinder Albania's competitiveness and trade. The quality of education needs to be raised at all levels, not least to better equip people with skills that the labour market needs. Foreign trade remains below potential and sectorally concentrated. Albania's capacity for research, development and innovation remains low.

Albania continued to align its legislation to EU requirements in a number of areas, enhancing its **ability to take on the obligations of membership**. The country is moderately prepared in many areas, such as in financial control, education and culture, or has some level of preparation, including in the areas of public procurement and statistics. Albania will need to continue its efforts as regards the overall preparations for adopting and implementing the EU *acquis*. It should continue work on the development of transport and energy networks, also with a view to improving connectivity throughout the region. The administrative capacity and professional standards of bodies which would be charged with the implementation of the *acquis* need to be strengthened and the independence of regulatory bodies safeguarded. Enhancing transparency and accountability, in particular ensuring the effective, efficient and transparent functioning of the public procurement system and public finance management, remains essential. Albania has continued to fully align with all EU common foreign and security policy positions and declarations.

The number of unfounded asylum applications lodged by Albanian nationals to EU Member States and Schengen associated countries has remained high. Albania showed commitment and adopted a number of measures, including strengthened bilateral cooperation with relevant EU Member States. These measures yielded positive results. Further decisive actions have to continue, including in the framework of the post-visa liberalisation monitoring mechanism, to effectively address this phenomenon. Albania needs to put in place a return mechanism for irregular migrants, which is in line with the EU *acquis*, as well as to align its visa policy progressively with the EU's.

Bosnia and Herzegovina

Regarding the **political criteria**, the electoral framework remains to be urgently amended with a view to ensuring the proper organisation of the October 2018 elections and the smooth implementation of the results. In this regard all political leaders need to assume their responsibility and to find a solution with regard to the Federation House of Peoples. The 2010 Constitutional Court decision concerning the respect of the basic democratic right of the citizens of Mostar to vote in local elections has yet to be implemented. The adoption of legislation stemming from the Reform Agenda, including adoption of the excise tax legislation, was negatively affected by tensions between ruling coalition parties and obstruction by opposition parties in Parliaments at state and entity levels, leading to a slowdown of the reform pace. The Reform Agenda has been effectively implemented when

the state level and the entity levels have cooperated in a coordinated manner. Bosnia and Herzegovina's constitution remains in breach of the European Convention on Human Rights, as per the *Sejdić-Finci* and related cases.

The functioning of the Presidency of Bosnia and Herzegovina was affected by the expression of divergent positions by its individual members on a number of issues under its competence over foreign policy. The Council of Ministers adopted further country-wide strategies on areas such as environment and rural development. However, with the exception of a few reforms and the notable adoption of the excise legislation, delivery on a number of reforms was delayed by lack of agreement within the ruling coalition members. Countrywide strategies in areas such as energy, employment or public financial management are yet to be adopted. The coordination mechanism on EU matters has started to function as of June 2017 with the preparation of country's answers to the Commission's Opinion Questionnaire. A national programme for the country's legal approximation with the EU *acquis* has yet to be adopted.

Bosnia and Herzegovina is at an early stage with the reform of its **public administration** and no progress has been achieved in the past year. A country wide public administration reform strategy is being developed and remains to be adopted. Further fragmentation of civil service in the Federation entity and at cantonal level increased the risk of politicisation. Bosnia and Herzegovina has some level of preparation regarding its **judicial system**. Some progress was made regarding the judiciary, but overall, reforms progress at a slow pace. Any revision of the criminal procedural code should be in line with international standards and should not undermine the ability of institutions to tackle serious organised crime, corruption or other rule of law challenges. There is also some level of preparation regarding the **fight against corruption**. However, corruption is widespread and remains an issue of concern. Bosnia and Herzegovina has some level of preparation on the **fight against organised crime**. Some progress was made, notably by adopting a new strategy on fighting organised crime and suppression and fulfilling the action plan on anti-money laundering and financing of terrorism as a result of which Bosnia and Herzegovina will no longer be subject to Financial Action Task Force Monitoring. However, significant efforts are needed regarding financial investigations and improving capacities for countering terrorism as well as enhancing cooperation with neighbouring countries on border management issues.

Some progress was achieved on **human rights** and minorities' issues. However, the strategic, legal, institutional and policy frameworks for the observance of human rights are in need of substantial improvement. This includes **freedom of expression** where political pressure and intimidation of journalists continued, including physical and verbal attacks. Lack of effective implementation of legislation on the prevention of and protection from **gender-based violence**, in particular domestic violence, remains a concern. A more comprehensive and integrated approach towards the **Roma** population is required to foster their social inclusion.

Bosnia and Herzegovina's alignment with EU Common Foreign and Security Policy has yet to be improved.

Concerning the **economic development and competitiveness**, Bosnia and Herzegovina has made some progress, but is still at an early stage of establishing a functioning market economy. Some improvements of the business environment have been achieved and the financial sector has been strengthened. Key remaining issues are a weak rule of law, a still poor business environment, a fragmented and inefficient public administration and major labour market imbalances, related to a poor education system, weak institutional capacities, and an unsupportive investment climate. Moreover, the informal economy remains significant.

Bosnia and Herzegovina has made some progress and remained at an early stage in achieving the capacity to cope with competitive pressure and market forces within the Union. The overall level of education and spending on research and development has remained low. The quality of the physical capital suffers from underinvestment. Transport and energy infrastructure is insufficiently developed. The speed of structural adjustment has been slow, although there has been some diversification in the country's regional trade structure.

Migration management capacity, particularly in dealing with vulnerable groups, remains to be strengthened. Bosnia and Herzegovina needs to put in place a return mechanism for irregular migrants.

Kosovo

As concerns the **political criteria**, Kosovo held early elections in June 2017. A new Assembly and government took office in September. So far, however, the new ruling coalition has had limited success in bringing forward EU related reforms and building consensus on key strategic issues for Kosovo. The continuing political fragmentation and polarisation have adversely affected the role of the Assembly and have impacted the effectiveness of the government. Obstructive behaviour by some parliamentarians, including the use of teargas, has hindered the work of the Assembly. The ratification of the border/boundary demarcation agreement with Montenegro in March 2018 was an important breakthrough.

Parliamentary and municipal elections, held in 2017, were generally competitive and well-administered in most places in Kosovo. However, patterns of intimidation within many Kosovo Serb communities, targeting particularly candidates not belonging to the Srpska Lista party, raised concerns.

The context in the north of Kosovo poses particular challenges. The investigation of the murder of Kosovo Serb politician Oliver Ivanović in January 2018 continues.

Attempts by members of the Kosovo Assembly in December 2017 to abrogate the Law on Specialist Chambers and Specialist Prosecutor's Office have raised serious concerns. It will be essential for Kosovo to fully comply with its international obligations regarding the Specialist Chambers and Specialist Prosecutor's Office and show full and unequivocal commitment to these institutions.

There is some level of preparation in the area of **public administration reform**. Some progress has been made especially with the review of agencies and (semi)independent bodies. The continued politicisation of the public administration remains a concern, and adversely affects the efficiency and professional independence of the public administration.

Kosovo's **judicial system** is at an early stage. Some progress has been achieved in implementing the 2015 justice package laws. The integration of Kosovo Serb judges and prosecutors and their support staff across Kosovo into the Kosovo judicial system was a big achievement of 2017. The judiciary is still vulnerable to undue political influence and rule of law institutions need sustained efforts to build up their capacities. The administration of justice remains slow and inefficient.

Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. Kosovo has made some progress as regards the track record on the investigation and prosecution for high level corruption and organised crime cases, including final convictions. Progress was also made on preliminary confiscation of assets although final confiscations remain low. Corruption is widespread and remains an issue of concern. Concerted efforts are needed to tackle this problem in a comprehensive and strategic manner.

Kosovo is at an early stage in the **fight against organised crime**. Some progress was made with the track record on high level corruption and organised crime cases. While there is more preliminary confiscation of assets, there are still few final convictions, financial investigations and final confiscations of assets. Law enforcement agencies struggle to effectively fight organised crime in the north of Kosovo. Some progress was made in the fight against terrorism, including through measures to tackle violent extremism and radicalisation and in preventing citizens from joining conflicts abroad. 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, additional efforts are needed regarding enforcement. Implementation of human rights strategies and legislation is often undermined by inadequate financial and other resources, particularly at local level, limited political prioritisation and lack of coordination. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma and Ashkali and displaced persons, to ensure gender equality in practice, to set up an integrated child protection system and to advance the protection of cultural heritage. Kosovo has some level of preparation in the area of **freedom of expression**, which is enshrined in the constitution. Kosovo benefits from a pluralistic and lively media environment. However, threats and attacks against journalists have continued. The Assembly showed limited commitment to finding a solution for sustainable funding of the public broadcaster, leaving it vulnerable to political pressure.

As regards the **economic criteria**, Kosovo has made good progress and is at an early stage of developing a functioning market economy. The business environment has improved and the government adhered to the fiscal rule on budget deficit; however, war veterans' benefits continue to pose a challenge for public finances. The informal economy remains widespread. The increase in the labour force participation rate was not matched by gains in employment so the unemployment rate increased further. It particularly affected women and young and unskilled workers. Despite strong export growth the high trade deficit reflects a weak production base.

Kosovo has made some progress and is at an early stage in terms of capacity to cope with competitive pressure and market forces within the EU. No progress was made on improving the quality of education and addressing skills gaps in the labour market. Kosovo made some progress in improving road infrastructure but large infrastructure gaps in the railway and energy sectors remain. Structural changes in the economy are slow as it remains reliant on the retail trade sector. Integration with the EU is hampered by the slow implementation of the SAA.

Kosovo continued its efforts to maintain good and constructive **bilateral relations** with other enlargement countries. Kosovo is represented in most regional organisations that fall within the scope of the Arrangements on Regional Representation and Cooperation agreed between Belgrade and Pristina in 2012.

Regarding the **normalisation of relations with Serbia**, Kosovo has remained engaged in the dialogue. However, Kosovo needs to make further substantial efforts on the implementation of existing agreements and contribute to the establishment of circumstances conducive to the full normalisation of relations with Serbia, to be defined in a legally binding agreement.

As regards alignment with **European standards**, Kosovo is at an early stage. Legislative alignment has continued in some areas but implementation is weak. Some progress was made in the area of free movement of goods and services, public procurement and competition as well as in improving the business environment. In the area of taxation and customs, some

progress was also made in collecting revenue and simplifying administrative procedures, but Kosovo should step up the fight against the informal economy and tax evasion. The energy sector continues to face serious challenges. No progress has been achieved to address environmental issues. Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to ensure effective implementation of the *acquis*.

Authorities have made progress in managing regular and irregular **migration**. These efforts should be continued and built on. Kosovo needs to put in place a return mechanism for irregular migrants.

Annex 2 – Key statistics

STATISTICAL DATA (as of
15.02.2018)

| Demography | Note | Montenegro | | The former Yugoslav Republic of Macedonia | | Albania | | Serbia | | Turkey | | Bosnia and Herzegovina | | Kosovo * | | EU-28 | |
|---|------|------------|-------|---|---------|----------|---------|---------|---------|--------|--------|------------------------|--------------|----------|---------|--------------|---------------|
| | | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Total population (thousands) | | 622.1 | 622.2 | 2 069.2 | 2 071.3 | 2 892.3e | 2 886.0 | 7 114.4 | 7 076.4 | 77 696 | 78 741 | 3 825.3 | 3 516.0 p | 1 804.9 | 1 771.6 | 508 504 p | 510 279 bp |
| Share of 15-64 in total population (%) | | 67.8 | 67.6 | 70.5 | 70.3 | 69.1e | 69.5 | 67.1 | 66.6 | 67.8 | 67.8 | : | : | : | 65.6p | 65.5ep | 65.3bep |
| Crude rate of natural population change (per 1 000 inhabitants) | | 1.7 | 1.8 | 1.3 | 1.2 | 3.6e | : | -5.4 | -5.1 | 11.8 | 11.2 | : | -1.8p | 9.2p | : | -0.2ep | 0.0bep |
| Life expectancy at birth, males (years) | | 74.4 | : | 73.5 | : | 76.2e | : | 72.8 | : | 75.4 | : | : | : | : | : | 77.9ep | : |
| Life expectancy at birth, females (years) | | 78.6 | : | 77.4 | : | 79.7e | : | 77.9 | : | 81.0 | : | : | : | : | : | 83.3ep | : |
| Labour market | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) | 1) | 68.5 | 69.1 | 70.2 | 69.6 | 71.3e | 73.3e | 68.1 | 70.0 | 59.9 | 60.9 | 59.2 | 58.8 | 42.8 | 44.0 | 77.1 | 77.5 |
| Economic activity rate for males aged 20–64: proportion of the male population aged 20–64 that is economically active (%) | 1) | 74.9 | 76.7 | 83.8 | 83.8 | 81.8e | 82.5e | 76.7 | 78.0 | 82.7 | 83.3 | 71.9 | 72.0 | 65.1 | 66.8 | 83.4 | 83.7 |
| Economic activity rate for females aged 20–64: proportion of the female population aged 20–64 that is economically active (%) | 1) | 62.1 | 61.6 | 56.2 | 54.9 | 61.1e | 64.2e | 59.5 | 62.0 | 37.3 | 38.5 | 46.3 | 45.3 | 20.4 | 20.9 | 70.8 | 71.4 |
| Employment rates, aged 20–64 (% of the population) | | | | | | | | | | | | | | | | | |
| Total | | 56.7 | 57.1 | 51.9 | 53.3 | 59.3e | 62.1e | 56.0 | 59.1 | 53.9 | 54.3 | 43.2 | 44.2 | 29.1 | 32.3 | 70.0 | 71.0 |

| | | | | | | | | | | | | | | | | | |
|---|----|------|------|------|------|-------|-------|------|------|------|------|------|------|------|------|------|------|
| Males | | 61.9 | 51.3 | 61.5 | 63.7 | 68.1e | 69.4e | 63.7 | 66.3 | 75.3 | 75.5 | 53.9 | 56.4 | 44.9 | 49.9 | 75.8 | 76.8 |
| Females | | 51.5 | 63.0 | 42.1 | 42.5 | 50.7e | 55.0e | 48.3 | 51.9 | 32.6 | 33.2 | 32.4 | 32.0 | 13.2 | 14.6 | 64.2 | 65.3 |
| Persons aged 15-24 not in employment, education or training, % of the population in the age group | | 19.1 | 18.4 | : | : | 29.6 | 26.9e | 19.9 | 17.7 | 24.0 | 24.0 | 27.7 | 26.4 | 31.4 | 30.1 | 12.0 | 11.6 |
| Persons aged 15-29 not in employment, education or training, % of the population in the age group | | 23.4 | 22.3 | : | : | 32.8 | 30.0e | 24.5 | 22.3 | 28.0 | 27.8 | 32.8 | 31.4 | 39.2 | 37.3 | 14.8 | 14.2 |
| Employment by main sectors | | | | | | | | | | | | | | | | | |
| Agriculture, forestry and fisheries (%) | | 7.7 | 7.7 | 17.9 | 16.6 | 41.3e | 40.2e | 19.4 | 18.6 | 20.6 | 19.5 | 17.9 | 18.0 | 2.3 | 4.2 | 4.5 | 4.3 |
| Industry (%) | | 10.8 | 9.8 | 23.4 | 23.1 | 11.6e | 12.8e | 19.9 | 20.2 | 20.0 | 19.5 | 22.0 | 22.7 | 18.7 | 18.0 | 17.3 | 17.3 |
| Construction (%) | | 6.6 | 7.7 | 7.1 | 7.2 | 6.9e | 6.5e | 4.5 | 4.3 | 7.2 | 7.3 | 7.5 | 8.6 | 9.5 | 11.5 | 6.8 | 6.7 |
| Services (%) | | 74.8 | 74.8 | 51.6 | 53.1 | 40.2 | 40.5 | 56.1 | 57.0 | 52.2 | 53.7 | 52.6 | 50.8 | 69.5 | 66.3 | 71.4 | 71.6 |
| People employed in the public sector as a share of total employment, persons aged 20-64 (%) | 2) | 32.4 | 31.2 | : | : | 16.7e | 15.6e | 29.7 | 28.3 | 13.5 | 13.8 | 31.2 | 29.0 | 32.6 | 30.8 | : | : |
| People employed in the private sector as a share of total employment, persons aged 20-64 (%) | 2) | 46.6 | 47.0 | : | : | 83.3e | 84.4e | 70.3 | 71.7 | 86.5 | 86.2 | 63.2 | 65.9 | 67.4 | 69.2 | : | : |
| Unemployment rates (% of the labour force) | | | | | | | | | | | | | | | | | |
| Total | 1) | 17.5 | 17.8 | 26.1 | 23.7 | 17.1e | 15.2e | 17.8 | 15.4 | 10.3 | 10.9 | 27.9 | 25.5 | 32.9 | 27.5 | 9.4 | 8.6 |
| Males | 1) | 17.7 | 18.3 | 26.7 | 24.4 | 17.1e | 15.9e | 16.9 | 14.8 | 9.3 | 9.6 | 25.9 | 22.6 | 31.8 | 26.2 | 9.3 | 8.4 |
| Females | 1) | 17.3 | 17.1 | 25.1 | 22.7 | 17.1e | 14.4e | 18.8 | 16.2 | 12.6 | 13.6 | 30.9 | 30.2 | 36.6 | 31.7 | 9.5 | 8.8 |
| Youth, aged 15-24 | 1) | 37.6 | 35.9 | 47.3 | 48.2 | 39.8e | 36.5e | 43.2 | 34.9 | 18.4 | 19.5 | 62.3 | 54.3 | 57.7 | 52.4 | 20.3 | 18.7 |
| Long-term (>12 months) | 1) | 13.6 | 13.4 | 21.3 | 19.2 | 11.3e | 10.1e | 11.4 | 10.0 | 2.2 | 2.2 | 22.8 | 21.7 | 23.8 | 18.0 | 4.5 | 4.0 |
| Average nominal monthly wages and salaries (EUR) | 3) | 480 | 499 | 356 | 363 | 386 | 397 | 506 | 516 | 604 | : | 424 | 429 | : | : | : | : |

| | | | | | | | | | | | | | | | | | |
|--|------|------|------|-------|------|-------|-------|------|------|------|------|------|------|------|------|------|------|
| Education | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Early leavers from education and training: percentage of the population aged 18-24 with at most a lower secondary education and not in further | | 5.7 | 5.5 | 11.3p | 9.9 | 21.3e | 19.6e | 7.4 | 7.0 | 36.7 | 34.3 | 5.2 | 4.9 | 14.5 | 12.7 | 11.0 | 10.7 |

| | | | | | | | | | | | | | | | | | |
|--|--|------|------|------|------|-------|-------|------|------|------|------|-------|-------|------|------|------|------|
| education or training (%) | | | | | | | | | | | | | | | | | |
| Public expenditure on education relative to GDP (%) | | : | : | : | : | 3.1p | 3.1p | 4.0 | 3.9 | 4.3 | 4.6 | : | : | 4.5 | 4.7p | : | : |
| Percentage of the population aged 20-24 with at most lower secondary education, total | | 6.6 | 6.8 | : | : | : | : | 8.6 | 7.8 | 46.5 | 43.9 | 6.2u | 5.8u | : | 14.6 | 17.2 | 16.8 |
| Percentage of the population aged 20-24 with at most lower secondary education, males | | 6.9 | 5.8 | : | : | : | : | 9.3 | 8.6 | 46.2 | 44.2 | 5.6u | 5.5u | : | 12.5 | 19.4 | 19.1 |
| Percentage of the population aged 20-24 with at most lower secondary education, females | | 6.3 | 7.9 | : | : | : | : | 7.9 | 7.0 | 46.8 | 43.7 | 6.9u | 6.3u | : | 17.0 | 14.9 | 14.4 |
| Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total | | 80.6 | 82.2 | : | : | : | : | 83.2 | 84.9 | 34.9 | 35.7 | 86.3 | 86.6 | : | 70.5 | 65.2 | 65.3 |
| Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males | | 85.3 | 86.9 | : | : | : | : | 84.5 | 86.3 | 37.8 | 38.3 | 88.6 | 89.0 | : | 74.5 | 65.9 | 66.1 |
| Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females | | 75.7 | 77.2 | : | : | : | : | 81.7 | 83.3 | 32.2 | 33.3 | 83.5 | 83.7 | : | 66.0 | 64.5 | 64.5 |
| Percentage of the population aged 30-34 with tertiary education, total | | 31.0 | 33.9 | 28.6 | 29.1 | 22.1e | 20.9e | 28.9 | 29.9 | 23.5 | 26.5 | 17.2 | 23.1 | 17.2 | 19.1 | 38.6 | 39.0 |
| Percentage of the population aged 30-34 with tertiary education, males | | 29.9 | 31.8 | 23.1 | 24.5 | 19.6e | 18.0e | 24.2 | 24.7 | 25.0 | 28.3 | 13.4u | 16.6u | 19.5 | 18.9 | 33.9 | 34.3 |
| Percentage of the population aged 30-34 with tertiary education, females | | 32.2 | 35.9 | 34.5 | 33.8 | 24.7e | 23.9e | 33.7 | 35.3 | 22.1 | 24.6 | 21.3 | 29.4 | 14.7 | 19.4 | 43.3 | 43.8 |

National accounts

| | | | | | | | | | | | | | | | | |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

| | | | | | | | | | | | | | | | | | |
|--|--|--------|--------|--------|--------|-------|-------|--------|--------|--------|--------|-------|-------|-------|-------|----------|----------|
| Gross domestic product | | | | | | | | | | | | | | | | | |
| In current prices (EUR billion) | | 3.7 | 4.0 | 9.1 | 9.7p | 10.2p | 10.7p | 33.5 | 34.6 | 773.0 | 780.2 | 14.6 | 15.3 | 5.8 | 6.0p | 14 797.4 | 14 907.9 |
| Per capita (EUR) | | 5 827 | 6 355 | 4 382 | 4 691 | 3 547 | 3 728 | 4 720 | 4 904 | 9 949 | 9 909 | 4 312 | 4 494 | 3 278 | 3 304 | 29 033 | 29 148 |
| In purchasing power standards (PPS) per capita | | 12 200 | 13 000 | 10 500 | 10 900 | 8 500 | 8 500 | 10 500 | 10 700 | 18 900 | 18 800 | 9 100 | 9 300 | : | : | 29 000 | 29 100 |
| In purchasing power standards (PPS) per capita, relative to the EU average (EU-28 = 100) | | 42 | 45 | 36 | 37 | 29 | 29 | 36 | 37 | 65 | 64 | 31 | 32 | : | : | - | - |
| Real (volume) annual rate of change, compared with the previous year (%) | | 3.4 | 2.9 | 3.9 | 2.9p | 2.2p | 3.4p | 0.8 | 2.8 | 6.1 | 3.2 | 3.1 | 3.3 | 4.1 | 3.4p | 2.3 | 2.0 |
| Gross value added by main sectors | | | | | | | | | | | | | | | | | |
| Agriculture, forestry and fisheries (%) | | 9.7 | 9.0 | 11.1 | 10.5p | 22.9p | 22.9p | 8.2 | 7.9 | 7.8 | 7.0 | 7.3 | : | 12.6 | 13.4p | 1.5 | 1.5 |
| Industry (%) | | 12.8 | 12.3 | 19.3 | 19.9p | 13.9p | 13.2p | 25.9 | 25.9 | 22.4 | 22.3 | 21.9 | : | 20.8 | 21.1p | 19.4 | 19.4 |
| Construction (%) | | 4.5 | 6.8 | 8.1 | 8.6p | 10.2p | 10.5p | 5.5 | 5.4 | 9.3 | 9.7 | 4.6 | : | 8.4 | 8.2p | 5.3 | 5.3 |
| Services (%) | | 73.0 | 71.9 | 61.5 | 61.0p | 53.0p | 53.4p | 60.4 | 60.8 | 60.5 | 61.0 | 66.2 | : | 58.2 | 57.3p | 73.8 | 73.8 |

| Balance of payments | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|--|------|-------|-------|-------|-------|-------|-------|---------|---------|------|------|-------|-------|-------|-------|----------|----------|
| Net (inward - outward) foreign direct investment (FDI) (million euro) | | 619.3 | 371.6 | 202.8 | 316.9 | 818.4 | 936.5 | 1 803.8 | 1 899.2 | : | : | 248.9 | 240.5 | 271.8 | 177.2 | -129 867 | -116 465 |
| Net (inward - outward) foreign direct investment (FDI) (% of GDP) | | 16.9 | 9.4 | 2.2 | 3.3p | 8.0p | 8.7p | 5.4 | 5.5 | : | : | 1.7 | 1.6 | 4.7 | 3.0p | -0.9 | -0.8 |
| Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (million euro) | | 403.0 | -32.5 | -20.7 | 199.1 | : | : | 1 480.4 | 1 304.4 | : | : | 160.5 | 190.9 | 11.2 | 15.6 | - | - |
| Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (% of GDP) | | 11.0 | -0.8 | -0.2 | 2.0p | : | : | 4.4 | 3.8 | : | : | 1.1 | 1.2 | 0.2 | 0.3p | - | - |
| Remittances as % of GDP | | 1.2 | 1.0 | 2.3 | 2.0p | 5.9p | 5.7p | 8.5 | 7.8 | : | : | 8.3 | 8.2 | 11.5 | 11.5p | 0.1 | 0.1 |

| External trade in goods | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| International trade in goods | | | | | | | | | | | | | | | | | |
| Share of exports to EU-28 countries in value of total exports (%) | | 35.6 | 37.4 | 77.0 | 79.9 | 75.4 | 77.9 | 67.0 | 67.6 | 44.5 | 47.9 | 71.6 | 71.3 | 32.6 | 22.6 | - | - |

| | | | | | | | | | | | | | | | | | |
|---|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|--------|--------|
| Share of imports from EU-28 countries in value of total imports (%) | | 41.3 | 48.2 | 62.0 | 62.0 | 61.8 | 63.1 | 57.3 | 58.7 | 38.0 | 39.0 | 60.8 | 61.9 | 42.2 | 43.1 | - | - |
| Trade balance (EUR million) | | -1 524 | -1 736 | -1 714 | -1 777 | -2 154 | -2 399 | -2 978 | -2 483 | -56 981 | -50 676 | -3 510 | -3 448 | -2 309 | -2 480 | 59 553 | 32 002 |
| International trade in goods and services relative to GDP | | | | | | | | | | | | | | | | | |
| Imports (% of GDP) | | 60.6 | 62.9 | 65.0 | 64.7p | 44.7p | : | 56.4 | 57.5 | 26.0 | 24.9 | 53.2 | 52.3 | 49.5 | 51.3p | 40.3 | 40.5 |
| Exports (% of GDP) | | 42.1 | 40.5 | 48.7 | 50.0p | 27.4p | : | 46.7 | 50.0 | 23.3 | 22.0 | 34.6 | 35.4 | 19.3 | 22.5p | 43.8 | 44.0 |

| Public finance | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Government finance statistics, relative to GDP | | | | | | | | | | | | | | | | | |
| ** General government surplus (+) / deficit (-) (%) | | -7.4 | -2.8 | -3.5 | -2.7 | -4.1 | -1.8 | -3.7 | -1.3 | 1.3 | : | 0.7 | 1.2 | : | : | -2.4 | -1.7 |
| ** General government debt (%) | | 66.2 | 64.4 | 38.1 | 39.6 | 69.1 | 68.7 | 76.0 | 73.0 | 27.5 | : | 41.9 | 40.5 | 12.8 | : | 84.5 | 83.2 |

| Financial indicators | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|---|------|-------|-------|---------|---------|---------|---------|----------|---------|----------|------|---------|---------|-------|-------|------|------|
| Annual change in consumer prices (%) | 4) | 1.4 | 0.1 | -0.3 | -0.2 | 2.0 | 2.5 | 1.5 | 1.3 | 7.7 | 7.7 | -1.0 | -1.1 | -0.5 | 0.3 | 0.0 | 0.3 |
| Total external debt, relative to GDP (%) | | : | : | 69.3 | 74.2p | 74.7p | 73.5p | 78.3 | 76.5 | 47.1 | : | 72.2 | 71.0 | 33.3 | 33.7p | : | : |
| Lending interest rate (one year), per annum (%) | 5) | : | : | : | : | 74.7 | 73.5 | : | : | 53.0 | : | : | : | : | : | : | : |
| Deposit interest rate (one year), per annum (%) | 6) | 8.53 | 7.45 | 3.75 | 4.25 | 7.77 | 5.89 | 6.50 | 5.50 | 10.79 | : | 5.74 | 4.97 | 8.32 | 7.47 | : | : |
| Value of reserve assets (including gold) (million euro) | 7) | 1.23 | 0.93 | 0.25 | 0.25 | 1.35 | 0.80 | 2.50 | 2.50 | 7.27 | : | 0.09 | 0.09 | 0.90 | 1.01 | : | : |
| International reserves - equivalence in months of imports | | 673.7 | 803.0 | 2 261.8 | 2 613.4 | 2 880.0 | 2 945.0 | 10 378.0 | 10204.6 | 99 619.6 | : | 4 414.6 | 4 887.4 | 706.4 | 605.1 | : | : |

| Business | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|--|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|-------|-------|
| Industrial production index (2010 = 100) | 8) | 88.3 | 84.4 | 118.0 | 122.0 | 161.7 | 130.5 | 107.1 | 112.1 | 124.1 | 126.3 | 107.4 | 112.0 | : | : | 103.9 | 105.6 |

| Infrastructure | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Density of railway network (lines in operation per | | 18.1 | 18.1 | 28.1 | 27.4 | 13.8 | 12.2 | 48.6 | 48.6 | 13.2 | : | 20.1 | 21.9 | 30.9 | 30.9 | : | : |

| | | | | | | | | | | | | | | | | | |
|----------------------------------|--|---|---|-----|-----|---|---|-----|-----|-------|-------|-----|---|----|----|---|---|
| thousand km ²) | | | | | | | | | | | | | | | | | |
| Length of motorways (kilometres) | | 0 | 0 | 259 | 259 | : | : | 693 | 741 | 2 282 | 2 542 | 128 | : | 80 | 98 | : | : |

| Energy | Note | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Net energy imports in relation to GDP | | 4.2 | 3.4 | 6.4 | 5.1p | 0.8p | 1.3p | 4.8 | 3.6 | 1.2 | 1.0 | 5.3 | 4.3 | 5.4 | 4.1p | 1.6 | 1.3 |

: = not available
b = break in series
e = estimated value
p = provisional
u = low reliability
- = not applicable

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

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

Footnotes:

- 1) Turkey: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 2) Bosnia and Herzegovina: the shares do not sum to 100% because other types of ownership are excluded. Montenegro: excludes NGOs; data refer to number of employees (in private or public sectors) as a share of the total number of persons employed.
- 3) Albania: public sector. Bosnia and Herzegovina: net earnings. Serbia: wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 4) Harmonised index of consumer prices except for the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina and 2015 data for Albania. Albania: variation between December of one year and December of the previous year.
- 5) Albania external debt (including FDI).
- 6) 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). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December).
- 7) 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). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December). Turkey: overnight deposit facility.
- 8) Montenegro and Serbia: gross series, rather than calendar adjusted.