



Brussels, 6.10.2020
COM(2020) 660 final

ANNEXES 1 to 3

ANNEXES

to the

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

2020 Communication on EU enlargement policy

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

ANNEX 1 - Summaries of the findings of the reports

Montenegro

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

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

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

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

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

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

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

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

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

funds for party political purposes that took place in 2012 (the 'audio recordings affair'). With regard to the January 2019 'envelope affair', indictments were lodged for money laundering against two defendants. These cases require a credible, independent and effective institutional response.

As regards **governance**, there is a need to strengthen transparency, stakeholders' participation, and the government's capacity to implement reforms. Monitoring of the quality of strategic policy documents by the Government's General Secretariat has become structured and systemic. The government's policy on state-sponsored apartments or loans under favourable conditions raised concerns about the effectiveness of the national checks and balances system. Stakeholders' participation in both the accession and legislative processes remains to be improved.

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

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

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

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

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

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

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

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

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

With regard to **good neighbourly relations and regional cooperation**, Montenegro remained constructively committed to bilateral relations with other enlargement countries and neighbouring EU Member States, albeit bilateral relations with Serbia were marked by tensions. Montenegro is generally an active participant in regional cooperation.

Concerning Montenegro's **ability to assume the obligations of membership**, important work on alignment and preparation for the implementation of the EU *acquis* has taken place in most areas. The country has reached a good level of preparation in areas such as company law, intellectual property law, energy, and foreign, security and defence policy. It is moderately prepared in many chapters, such as free movement of goods, agriculture and rural development as well as food safety, veterinary and phytosanitary policy. Montenegro is at some level of preparation in the areas such as environment and climate change, and social policy and employment. Good progress has been made in the areas of Social policy and employment, Financial services, Agriculture and rural development, and food safety, veterinary and phytosanitary policy and Science and research.

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

Serbia

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

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

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

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

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

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

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

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

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

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

Serbia made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality and relevance of education and training does not fully meet labour market needs. Investment has continued to increase but, after years of underinvestment, remains insufficient to address serious infrastructure needs. Serbia needs to apply the same rules for prioritising, selecting and monitoring all capital investments regardless of the type of investment or the source of financing, including those under intergovernmental agreements. All investment decisions need to follow EU standards on public procurement, state aid, environmental impact assessments and cost-benefit analysis. Although the cost of borrowing for small and medium-sized enterprises has declined recently, they still face a number of challenges, including a volatile business environment and unfair competition.

Serbia overall remained committed to bilateral relations with other enlargement countries and neighbouring EU Member States and an active participant in **regional cooperation**. Relations with Montenegro have been marked by tensions, including concerning the 30 August parliamentary elections in Montenegro. Serbia demonstrated its commitments to provide a renewed impetus to regional cooperation and enhanced regional ownership at the summits in Novi Sad, Ohrid and Tirana. It is important that regional initiatives include all partners in the Western Balkans and are based on EU rules, building on commitments previously taken in the framework of CEFTA, the Regional Economic Area (REA) or the Transport Community Treaty.

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

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

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

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

North Macedonia

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

North Macedonia has made some progress and is moderately prepared to cope with competitive pressures and market forces within the EU. Integration with the EU in trade and investment deepened further. Exports and manufacturing output diversified further towards higher-value products. However, skills shortages, reflecting shortcomings in the education system and the outflow of skilled workers, as well as infrastructure investment gaps impair labour productivity and the competitiveness of the economy. While measures to mitigate the immediate adverse impact of the COVID-19 crisis on growth and employment are currently prevalent, addressing these structural needs in a timely manner would support a swift post-crisis economic recovery.

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

Albania

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Albania has made some progress and has some level of preparation in terms of capacity to cope with competitive pressure and market forces within the Union. Infrastructure on energy, transport and digital communication, as well as educational outcomes have improved, but significant gaps remain compared to regional and European levels. Albania's competitiveness is hindered by lack of

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

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

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

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

Bosnia and Herzegovina

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

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

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

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

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

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

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

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

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

Bosnia and Herzegovina is overall at an early stage/has some level of preparation regarding its level of preparedness and ability to take on the **obligations of EU membership** and needs to significantly step up the process to align with the EU acquis and implement and enforce related legislation. Limited to no progress was made on the different EU acquis chapters during the reporting period. Particular attention should be paid to the areas of free movement of goods, right of establishment and freedom to provide services, information society and media, agriculture and rural development, fisheries, transport policy, energy, economic and monetary policy, statistics, social policy and employment, enterprise and industrial policy, regional policy and coordination of structural instruments, education and culture, consumer and health protection, and financial control.

Kosovo

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

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

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

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

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

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

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

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

Kosovo is at an early stage in the **fight against organised crime**. Progress has included investigating and prosecuting high-level cases, recruiting additional staff for the special prosecution office and training and awareness raising on the freezing of assets. However, overall progress has been limited. There are still few financial investigations, final confiscations of assets and final convictions. Measures are needed to strictly ensure there is no political interference with operational activities of law enforcement bodies and the prosecution. The situation in the north of Kosovo with regards to organised crime continues to pose challenges for law enforcement agencies.

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

Progress was made in the fight against terrorism, in line with the objectives set out in the EU-Kosovo implementing arrangement for the Joint Action Plan on counter-terrorism for the Western Balkans, especially with regard to the rehabilitation and reintegration of foreign terrorist fighters and their families. The Kosovo authorities need to be more effective in their efforts to fight money laundering and the relevant law should be brought in line with EU *acquis* and international standards.

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. However, the implementation of human rights legislation and strategies is often undermined by inadequate financial and other resources, particularly at local level, limited political prioritisation and lack of coordination. The large dependence on foreign donors remains. The adoption of the Law on Child Protection fulfilled one of the recommendations of last year's report. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of

cultural heritage. Kosovo has some level of preparation regarding **freedom of expression**, which is enshrined in the Constitution. Kosovo benefits from a pluralistic and lively media environment. Rule of law institutions need to continue efforts to follow-up on threats and attacks against journalists. The public broadcaster remains vulnerable to political influence and a sustainable solution for its funding still needs to be found.

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

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

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

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

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

Turkey

Despite the lifting of the state of emergency in July 2018, the adverse impacts of the two-year long emergency ruling continued to significantly impact on **democracy** and fundamental rights. Certain legal provisions granting extraordinary powers to the government authorities and retaining several restrictive elements of the emergency rule have been integrated into law. Key recommendations of the Council of Europe and its bodies are yet to be addressed. Allegations of wrongdoing need to be addressed through transparent procedures and on an individual basis. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial and due process.

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

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

The **situation in the south-east** continued to be very worrying, despite an improved security environment. The replacement of 47 democratically elected HDP municipal mayors by centrally-appointed trustees in the south-east put the results of the democratic process of the 31 March 2019 local elections into question. Arrests and dismissals of elected mayors and party representatives continued and seriously damaged local democracy. The Government continued security operations against a background of the recurrent violent acts by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism. While the government has a legitimate right to fight terrorism, it is also responsible for ensuring this is done in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. Despite some reconstruction, only few internally displaced persons have received compensation. There were no visible developments on the resumption of a credible political process to achieve a peaceful and sustainable solution.

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

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

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

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

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

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

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

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

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

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

The rights of the most disadvantaged groups and of persons belonging to minorities need better protection. Roma continue to live in very poor housing, often lacking basic public services and relying on social benefits. The urban renewal projects continue to affect primarily their settlements, forcing the displacement of entire families. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of lesbian, gay, bisexual, transgender, and intersex (LGBTI) persons are still a matter of serious concern.

In the area of **migration and asylum policy**, Turkey made some progress. Throughout 2019, Turkey was committed to the implementation of the EU-Turkey Statement of March 2016 and played a key role in ensuring effective management of migratory flows along the Eastern Mediterranean route. Turkey sustained its outstanding efforts to provide unprecedented humanitarian aid and support to more than 3.6 million registered refugees from Syria and around 370,000 registered refugees from other countries, thus hosting the largest refugee community in the world. However, in March 2020, Turkey actively encouraged migrants and refugees to take the land route to Europe through Greece. This led to the set-up of an informal camp at one of the Greek-Turkish border crossing points in Pazarkule, hosting close to 60,000 migrants and refugees in dire conditions. Later in March, the Turkish authorities organised transport for the migrants and refugees away from the border area and closed the borders with Greece and Bulgaria except for commercial traffic because of the outbreak of the COVID-19 pandemic. Nevertheless, the Turkish Minister of Interior indicated that this move did not mean a change in Turkey’s policy to allow irregular migrants’ exits over its borders and the government had no intention to prevent anyone who wishes to leave Turkey. While the EU acknowledged the increased migratory burden and risks Turkey had been facing on its territory and the substantial efforts it was making in hosting refugees, it strongly rejected Turkey’s use of migratory pressure for political purposes. Overall, the number of illegal border crossings between Turkey and Greece still remained significantly lower than prior to the adoption of the EU-Turkey Statement.

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

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

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

The EU has repeatedly stressed the need to respect the sovereign rights of EU Member States, which include entering into bilateral agreements and exploring and exploiting their natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. Turkey needs to commit itself unequivocally to good neighbourly relations, international agreements and the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In light of the unauthorised drilling activities of Turkey in the Eastern Mediterranean, in July 2019 the Council decided a number of measures, including not to hold for the time being the EU-Turkey Association Council as well as further meetings of the EU-Turkey high-level dialogues. The EU further adopted a framework for targeted measures against Turkey in November 2019 and decided in February 2020 to add two individuals to the list of designations under this sanctions framework.

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

Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and has not removed all the obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus.

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

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

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

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

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

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

Regarding its **ability to assume the obligations of membership**, Turkey has continued to align with the EU *acquis*, albeit at a very limited pace and in a fragmented manner. There continued to be instances of backsliding regarding a number of key aspects in the areas of competition on account of an increase in State aid and its lack of transparency, information society and media, economic and monetary policy, customs union, external relations and foreign, security and defence policy. Turkey is well advanced in the areas of company law, trans-European networks and science and research, and it has also achieved a good level of preparation in a number of areas, including free movement of goods, intellectual property law, financial services, and enterprise and industrial policy. Turkey is moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also moderately prepared in areas such as free movement of capital, transport policy, energy, taxation, economic and monetary union, statistics, where further significant efforts are needed across the board. Overall, in most areas more ambitious and better coordinated policies still need to be established and implemented. In all areas, more attention needs to be given to enforce legislation whilst many areas require further significant progress to achieve legislative alignment with the EU *acquis*, strengthen the independence of regulatory authorities and build the administrative capacities.

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

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

The implementation of these priorities took place through enhanced political engagement, tightening operational links between the Western Balkans and the EU and its agencies, providing wider access to finance and technical assistance, as well as refocussing EU financial assistance under the Instrument for Pre-accession Assistance (IPA), which in 2019 alone amounted to an annual allocation for the Western Balkans of some EUR 1.1 billion.

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

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

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

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

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

Flagship Initiative 2 – Reinforcing engagement on security and migration concerns engaging with the region to address common security threats, including terrorism, violent extremism, radicalisation, organised crime, trafficking of human beings and firearms, hybrid threats, as well as building the

capacity of the partners to deal with challenges related to migration and security. This strand of activity was supported by ministerial meetings in Poznań in July and in Skopje in November 2019, which were important for closer cooperation on security, migration, small arms and light weapons, and joint counter-terrorism measures.

In the area of counter-terrorism, the Commission and the Western Balkan partners agreed on a Joint Action Plan on Counter-Terrorism in 2018, and six individual action plans were developed and signed in 2019 and are now being implemented with Commission support. The regional network of national coordinators for preventing violent extremism, established in 2018, is fully operational and meets regularly. The evaluation of the 2015-2019 Action Plan on Firearms Trafficking between the EU and South-East Europe was finalised in June 2019. A new Action Plan was adopted on 24 July 2020¹ and funding from the CFSP budget and IPA is being provided to support its implementation.

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

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

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

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

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

¹ COM(2020) 608 final

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

Flagship Initiative 3 – Supporting socio-economic development focuses on fostering progress in the implementation of the Regional Economic Area (REA), adapting the existing investment frameworks to boost investment in the region, more strategic use of Economic Reform Programmes and supporting education, labour market and social reforms. The meeting of Ministers of Economy in Poznań in July was an important milestone in this priority area, particularly the implementation of the REA and initiatives in the field of vocational training, student mobility and recognition of qualifications. The first EU-Western Balkans Ministerial meeting on employment and social affairs reflected the importance of a new reinforced social dimension in the Western Balkans, with an increased focus on employment and social reforms. 2019 also saw the eight annual meeting of the ministerial level Western Balkans Platform on Education and Training in Belgrade.

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

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

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

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

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

The EU Economic Reform Programmes of the Western Balkans partners are now aligned with the European Semester, and their assessment by the Commission is more analytical and more focussed on the identified key structural challenges for each economy. Technical assistance for costing and budgeting of structural reforms is also being provided. Moreover, the EU's financial support to employment, education, social inclusion and health has been enhanced through a number of new

bilateral assistance programmes, as well as a mobility scheme for vocational education and training for the region, with two calls published in 2019 and 2020 respectively. The projects selected under these calls will support the international mobility of VET staff and learners as well as capacity building for VET schools. The EU is gradually increasing its support under Erasmus+ and has doubled it in 2019 and 2020 compared to 2018.

Flagship Initiative 4 – Increasing connectivity focuses on developing transport and energy links in the region to facilitate trade and foster economic growth. The actions foreseen in this flagship are planning and investment in infrastructure, as well as creating appropriate regulatory environment for regional market integration. The meeting of Ministers of Energy and Environment in Podgorica in February 2019 saw the adoption of the Clean Energy Transition Declaration by all six Western Balkan partners. It was further built upon at the Poznań Summit, where the partners agreed to pursue an ambitious Green Agenda for the region, which accompanies now the Economic and Investment Plan for the Western Balkans.

In the field of energy, the Commission is facilitating expanding the EU Energy Union to the Western Balkans and creating a single regulatory space under the Energy Community Treaty. Further progress in this field will require amendments to the Treaty and progress in the normalisation of relations between Serbia and Kosovo. A number of financial instruments continue to assist the region in the greening of the energy sector, including Green for Growth and Regional Energy Efficiency Programme.

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

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

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

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

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

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

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

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

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

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

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

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

ANNEX 3

STATISTICAL DATA (as of 03.04.2020)

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

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

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

Education	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Early leavers from education and training: percentage of the population aged 18-24 with at most a lower secondary education and not in further education or training (%)		5.4	4.6	8.5	7.1	19.6	17.4	6.2	6.8	32.5	31.1	5.1	5.4	12.2	9.6	10.6	10.5
Public expenditure on education relative to GDP (%)		:	:	:	:	3.1p	3.2p	3.7	3.6	4.2	4.2	:	:	4.4	4.5	:	:
Percentage of the population aged 20-24 with at most lower secondary education, total		4.9	3.9	9.3	8.1	:	:	6.8	7.5	42.8	41.4	6.1u	6.5u	13.8	12.9	17.0	16.8
Percentage of the population aged 20-24 with at most lower secondary education, males		4.9	3.6	8.8	6.6	:	:	7.3	7.7	42.9	41.8	6.1u	6.3u	12.8	12.0	19.5	19.3
Percentage of the population aged 20-24 with at most lower secondary education, females		4.9	4.2	9.8	9.7	:	:	6.3	7.3	42.7	41	6.2u	6.6u	14.9	14.0	14.4	14.2
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total		86.9	84.6	80.3	82.5	:	:	85.0	85.6	36.1	37.3	86.9	87.1	70.8	78.9	66.7	66.7
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males		90.6	88.2	83.7	87	:	:	86.3	87.3	39.4	40.2	89.4	89.4	74.2	81.0	67.4	67.4
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females		82.9	80.7	76.7	77.8	:	:	83.5	83.8	32.9	34.5	84.0	84.4	66.9	76.6	66.0	66.0
Percentage of the population aged 30-34 with tertiary education, total		34.0	32.4	30.5	33.3	23.5e	27.3e	31.4	32.8	27.3	28.8	23.8	23.5	21.8	20.9	38.4	39.3
Percentage of the population aged 30-34 with tertiary education, males		30.0	29.3	24.6	26.4	21.1e	22.5e	25.4	26.4	28.6	30.2	19.4	18.8u	22.4	20.9	33.1	34.0
Percentage of the population aged 30-34 with tertiary education, females		37.7	35.5	36.8	40.4	26.0e	33.2e	37.6	39.4	26.0	27.4	28.4	28.4	21.2	20.8	43.8	44.7

National accounts	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Gross domestic product																	
In current prices (EUR billion)		4.3	4.7	10.0e	10.7p	11.6p	12.8e	39.2	42.9	754.9	652.5	16.0	16.8	6.4	6.7	13 046.8	13 484.8
Per capita (EUR)		6 910	7 490	4 840e	5 150p	4 020p	4 460e	5580	6140	9400	8 020	4 580	4 780p	3 580e	3 740e	29 230	30 160
In purchasing power standards (PPS) per capita		13 420	14 390	10 670e	11 370 p	8 960p	9 290e	11 390	12 120	19 540	19 730	9 100	9 470p	:	:	29 230	30 160
In purchasing power standards (PPS) per capita, relative to the EU average (EU-27 = 100)		45.9	47.7	36.5e	37.7p	30.7p	30.8e	39.0	40.2	66.9	65.4	31.1	31.3p	:	:	-	-
Real (volume) annual rate of change, compared with the previous year (%)		4.7	5.1	1.1	2.7p	3.8p	4.1e	2.0	4.4	7.5	2.8	3.2	3.1	4.2	3.8	2.7	2.1
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		8.4	8.2	9.1	9.8p	21.8p	21.0e	7.3	7.7	6.9	6.5	6.6	7.0	11.4	8.9	1.9	1.8
Industry (%)		11.3	12.5	20.5	21.4p	12.8p	13.9e	26.5	25.4	23.3	24.9	23.3	23.0	21.8	21.8	20.3	20.1
Construction (%)		6.9	7.0	7.5	6.2p	10.5p	10.4e	5.0	5.4	9.7	8.0	4.7	4.7	9.9	10.8	5.2	5.4
Services (%)		73.4	72.3	62.9	62.6p	54.9p	54.7e	61.2	61.5	60.1	60.6	65.4	65.3	56.9	58.5	72.6	72.7
Balance of payments																	
Net (inward - outward) foreign direct investment (FDI) (million euro)		484.3	322.5	180.0	603.7	993.8	1 022.2	2 418.1	3 187.9	7 277.2	:	329.7	428.3	212.0	:	28 665.4	36 000.0
Net (inward - outward) foreign direct investment (FDI) (% of GDP)		11.3	6.9	1.8	5.6p	8.6p	8.0	6.2	7.4	1.0	:	2.1	2.6	3.3	:	0.2	0.3
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (million euro)		166.0	-61.9	78.9	290.0p	:	:	1 634.6	1 865.8	:	:	:	:	:	:	-	-
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (% of GDP)		3.9	-1.3	0.8	2.7p	:	:	4.2	4.4	:	:	:	:	:	:	-	-
Remittances as % of GDP		4.7	4.9	1.9	1.9p	5.5p	5.2	7.6	8.0	0.0	0.0	8.4	8.2	11.8	11.9	0.1	0.1

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

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

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

Business	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Industrial production index (2015 = 100)		93.0	113.8	103.6	109.2	81.4	96.6	109.3	110.8	112.7	114.1	107.6	109.4	:	:	105.2	106.4

Infrastructure	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Density of railway network (lines in operation per thousand km ²)	9)	18.4	18.4	27.4	27.4	12.2	12.2	48.6	48.1	13.3	13.5	20.0	20.0	30.9	30.9	48.2	47.9e
Length of motorways (kilometres)		0z	0z	259	287	:	:	963	963	2 657	2 842	172	198	108	119	:	:

Energy	Note	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Net energy imports in relation to GDP		4.9	4.1	5.9	6.3	2.5	1.4	4.3	4.9	1.5	2.1	5.5	5.1	5.4	6.3	1.7	2.1

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

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

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

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

Footnotes:

- 1) Turkey: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 2) Bosnia and Herzegovina: the public sector includes NACE Rev. 2 Sections O, P and Q while the private sector includes other NACE Sections.
Montenegro: excludes NGOs; 2017 data refer to the number of employees (in private or public sectors) as a share of the total number of persons employed.
- 3) Bosnia and Herzegovina: net earnings.
Serbia: 2017, wages and salaries paid to employees of legal entities and of unincorporated enterprises; 2018, total amount of accrued earnings per full-time equivalent employee.
- 4) Harmonised index of consumer prices except for Bosnia and Herzegovina.
- 5) Bosnia and Herzegovina: data for monetary financial institutions; 2018, relative to GDP for 2017.
Turkey: debt securities and loans.
- 6) Albania: external debt (including FDI).
- 7) Albania: average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity.
Bosnia and Herzegovina: short-term lending rates in national currency to non-financial corporations (weighted average); 2018, data for November.
Montenegro: weighted average effective interest rate, outstanding amounts, annual.
North Macedonia: end of year (31 December).
- 8) Albania: deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
Bosnia and Herzegovina: demand deposit rates in national currency of households (weighted average); 2018, data for November.
Montenegro: weighted average effective interest rate, outstanding amounts, annual.
North Macedonia: end of year (31 December).
- 9) Serbia: underestimate as the density has been calculated relative to the total surface area (including inland waters) rather than to the land area.
Turkey: main lines only.