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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

2021 Communication on EU enlargement policy

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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. The deep polarisation between the new ruling majority and the opposition persisted throughout 2020 and intensified in the post-election period. Heated relations and mistrust fed frequent escalations and further exacerbated political divisions, including within the ruling majority. The Parliamentary elections resulted in a change of the ruling coalition and transformed the dynamics between organs of the state and demonstrated a need to find a balance in the new political landscape, including on questions concerning religious communities and ethnicity, which dominated the political agenda during the reporting period. Friction between the executive and legislative powers has slowed down reform work. In December 2020, Parliament elected the 42nd government of Montenegro, the number of ministries was substantially reduced. It is the first government in Montenegro composed mostly of non-politically affiliated experts.

In its final report on the 2020 Parliamentary elections, the OSCE Office for Democratic Institutions and Human Rights (ODIHR) limited election observation mission recommended a comprehensive reform to harmonise the electoral legal framework and regulate all key aspects of elections, through an inclusive process, well in advance of the next elections. In December 2020, the Parliament established the committee on comprehensive electoral reform, tasked to deliver legislative reforms by the end of 2021. Progress has been slow due to initial delays and periodic boycotts. Parliament dismissed the President of the State Electoral Commission (SEC) in June 2021, appointment of a new President is still pending in the Parliament. Continued efforts are needed to enhance professionalism, transparency and accountability of the SEC.

In 2021, local elections took place in two municipalities. Despite cross-party agreement to hold all local elections on the same day, the legal framework still provides for their conduct on a rolling basis, leading to nearly constant pre-electoral campaigning at national and local level. A credible, independent and effective institutional response to the so-called ‘envelope affair’ remains to be ensured.

The lack of constructive engagement of all parliamentary actors prevented a meaningful political dialogue, further polarising the political landscape. The boycott of plenary sessions by majority of MPs, from the opposition and the ruling majority caused a suspension of decision-making in Parliament in 2021. Parliament improved the transparency of its work, communicating with the public and stepped up its legislative and oversight role overall.

The ruling majority frequently initiated or passed legislation through the fast-track procedure, without necessary public consultations and without duly taking into account EU accession requirements. Parliament is yet to demonstrate in practice its commitment to Montenegro's EU reform agenda and improve coordination with the government on legislative initiatives. Parliament should strengthen the professional and expert capacity of its administrative staff and improve women's political representation.

The composition of the current Parliament is unprecedented in Montenegro's history. It should endeavour to find a broad cross-party and societal consensus on EU-related reforms, which is vital for the country to make progress on its EU path. It is clear that active and constructive participation by all parties is required to enhance parliamentary accountability,

oversight of the executive, democratic scrutiny, to improve the quality of legislation and for key appointments. So far, the Parliament was not able to secure the required 2/3 majority for important judicial appointments and therefore key functions of the judicial system are still filled on acting bases.

As regards **governance**, there is a need to strengthen stakeholders' participation, and the government's capacity to implement reforms. In December 2020, Parliament elected the 42nd government of Montenegro. The number of ministries was reduced to 12; women head four of them. The new government composition is the first expert government in Montenegro, only the position of Deputy Prime Minister is held by a political party leader. The government also adopted a new national programme for EU accession for the period 2021-2023. The negotiation structure was substantially weakened by the resignation or dismissal of 110 of its members, including 16 chapter negotiators and 24 heads of working groups. Most of these key positions remain vacant. Some key ministries failed to show sufficient commitment and constructive engagement in the EU accession process under their new leadership.

The role of **civil society** is recognised and promoted, however the current legal and institutional framework needs to be further improved to strengthen the consultation and cooperation mechanisms between state institutions and the civil society in the context of the EU accession process.

Montenegro is moderately prepared on the reform of its **public administration**. Overall, limited progress was made in the reporting period. The change of government and of the parliamentary majority severely affected the civil service: amendments to the Law on Civil Servants and State Employees lowered the requirements for competence, independence and merit-based recruitment of civil servants. Moreover, the recent reorganisations of public administration led to substantial staff changes, including at senior levels, jeopardising Montenegro's capacity to retain experienced staff in EU-accession process related matters in many sectors. Strong political will is needed to effectively depoliticise the public service, optimise the state administration and implement managerial accountability.

Montenegro remains moderately prepared to apply the EU *acquis* and European standards in the area of **judiciary and fundamental rights** and has made limited progress overall, with limited track record on accountability. No progress has been made in the area of the judiciary and the implementation of key judicial reforms is stagnating. The decisive political commitment needed to unblock important segments of those reforms is still outstanding, with a number of appointments to the judiciary remaining pending in Parliament due to the inability to secure a qualified majority. Despite a more proactive approach of the Anti-Corruption Agency, corruption remains prevalent in many areas and an issue of concern. On fundamental rights, Montenegro continued meeting obligations from international human rights instruments and legislation. However challenges remain in ensuring that national legislation on human rights is implemented effectively. There was limited progress in the area of freedom of expression.

Montenegro has achieved some level of preparation in the **fight against corruption**. It made limited progress, with last year's recommendations partially met with regard to further results on track records on repression and prevention of corruption and the efforts of the Anti-Corruption Agency to address its challenges. Track record on seizure and confiscation of assets needs to be further improved. The Anti-Corruption Agency (ACA) under new management demonstrated a more proactive approach, especially in stepping up its communication and outreach activities towards the general public, media and civil society and in addressing the caseload pending from previous years. Despite this positive trend, challenges related to Agency's independence, priority-setting, selective approach and the

quality of its decisions remain and require sustained efforts in this respect. Corruption remains prevalent in many areas. There is a need for strong political will to effectively address this issue, as well as a robust criminal justice response to high-level corruption.

Montenegro has some level of preparation/is moderately prepared in the **fight against organised crime**. It made some progress in addressing last year's recommendations, in particular in improving access for law-enforcement agencies to key databases and increasing the number of investigators and experts in key areas. The number of organised crime cases investigated and prosecuted continued to grow, and the number of cases adjudicated at courts nearly tripled. International police cooperation is well established and continued to yield results, with unprecedented drug seizures abroad. However, the capacity to address tobacco smuggling and money laundering is not yet at the expected level. Montenegro still needs to address some systemic deficiencies in its criminal justice system, including the way organised crime cases are handled in the courts.

On **fundamental rights**, Montenegro largely has the legislative and institutional framework in place and made some progress in meeting the obligations laid down in international human rights instruments and legislation. However, challenges remain in effective implementation. The efficiency of investigations into the excessive use of force by law-enforcement and hate crimes needs to improve further. Vulnerable groups, including Roma and Egyptians, and persons with disabilities continue to experience multiple forms of discrimination and difficulties in enforcing their rights in administrative and judicial proceedings. Women continue to experience inequality in participating in political and public life and accessing employment and economic opportunities. Gender-based violence and violence against children remain issues of serious concern. Incidents of ethnically and religiously motivated attacks, hate crimes and hate speech continued to rise. Montenegro has only partially addressed last year's recommendations. Access to justice, in particular for vulnerable groups remains to be improved. The amendments to the Law on Freedom of Religion of Belief were adopted after limited, and not fully inclusive, consultations with religious communities.

Montenegro has achieved some level of preparation in the area of **freedom of expression**. Overall, it made limited progress during the reporting period and only partially addressed last year's recommendations. There were some new developments on investigation into the 2018 shooting of an investigative journalist, but full and effective judicial follow-up both to this case and to other important old cases, remains to be ensured. In April 2021, the government established a new ad hoc commission for monitoring violence against the media, but it has not yet fully or effectively addressed the significant recommendations made by the previous commission. A revision of the legal framework is ongoing, to address the additional issues identified in the 2020 law on media and the law on public broadcaster RTCG, to complete it with a new law on audio-visual media, and ensure their full alignment with the EU *acquis* and European standards. More efforts are required to limit the effects of disinformation and on-line harassment and hate speech, while ensuring that such measures do not limit disproportionately freedom of expression. Parliament appointed the new RTCG Council in June 2021 without broad cross-party support. Following this change and the subsequent changes of RTCG management, the public broadcaster started to feature politically more diverse content. The media scene remains overall highly polarised, often marked by politically biased and unbalanced reporting, including extensive involvement of foreign media from the region, which was particularly notable during election periods. Self-regulatory mechanisms remain weak.

On the **economic criteria** Montenegro has made some progress and is moderately prepared in developing a **functioning market economy**. The country experienced a sharp recession in 2020 as the COVID-19 pandemic took a heavy toll on its tourism-dependent economy. This

created large negative spill over effects on private consumption, investment, employment, trade and public finances. To support citizens and the economy, authorities implemented several economic support packages. These measures were, to a large extent, well targeted, transparent and of a temporary character. In spite of some delays due to the pandemic, the government continued implementing some of the envisaged reforms to improve the business environment. An orderly government transition in the middle of the crisis preserved the effectiveness of the COVID-19 policy response. The new government managed to mitigate fiscal risks by accumulating sizeable fiscal buffers to cover the 2021 financing needs, including for additional COVID-19 support programmes. The financial sector remained stable during the crisis, as a result of its strong pre-crisis position and the support measures implemented by the authorities, but the delayed impact of the crisis on bank balance sheets calls for close monitoring of the financial institutions.

Montenegro has made some progress and is moderately prepared to **cope with competitive pressure and market forces within the EU**. The COVID-19 pandemic demonstrated that lack of diversification makes Montenegro's tourism-dependent economy highly vulnerable to shocks. Some efforts have been made to improve innovation capacities and to introduce EU standards at local companies thanks to public grants, but these remain modest given the scale of the challenge. The quality of the educational system and curricula preferences appear inadequate to raise human capital and address skill mismatches. Modern telecommunication and energy infrastructure is being deployed rapidly, but there is a substantial deficit in transport infrastructure, hindering integration with regional and EU markets. In addition, the low level of sophistication of domestic products, the small size of local companies and low level of participation in external markets represent major obstacles for increasing competitiveness and diversifying the economy.

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 marred by tensions, as nationalistic rhetoric increased. 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 many areas, albeit at a slower pace than previously.

The **internal market** cluster is key for Montenegro's preparations to meet the requirements of the EU's internal market and is of high relevance for possible early integration measures and the development of the Common Regional Market. Progress was achieved on market surveillance, accreditation and standardisation; electronic company registration legislative prerequisites; prevention of money laundering and terrorist financing; company law; state aid and aid transparency; banking; consumer and health protection. Montenegro should now focus on: alignment with the EU *acquis* governing metrology and standardisation, develop the operational capacity of the Employment Agency; regulated professions, capital movements and payments, including on the acquisition of property rights, phasing out its investor citizenship scheme; company law and corporate accounting; intellectual property; competition and State aid; consumer protection and health protection and on implementing the laws aligning with the capital requirements EU *acquis* in the banking sector.

The **competitiveness and inclusive growth** cluster has significant links to Montenegro's Economic Reform Programme. Progress was made on tobacco control; pensions; industrial policy, smart specialisation, vocational education and training, and trade facilitation. On economic and monetary policy, work to implement the action plan for alignment with the EU

acquis is ongoing. Montenegro should now focus on: independence of the media sector; VAT, excise duties and direct taxation coordination of economic and monetary issues; labour law and the anti-discrimination law, safety at work; industrial policy, research and innovation, education and training and EU-compatible computerised transit system.

The green agenda and sustainable connectivity cluster has significant links to Montenegro's Economic Reform Programme, the Commission's Economic and Investment Plan and the Green Agenda for the Western Balkans. Progress was made in creating a day-ahead energy market; Transport Development Strategy, nature protection and the National Energy and Climate Plan. Montenegro should now focus on: the energy sector; trans-European networks, telecommunications, TEN-T and TEN-E Regulations; green transition, waste management, water quality, nature protection and climate change.

Resources, agriculture and cohesion cluster comprises policies linked to EU Structural funds and Investment funds and developing the capacities to assume responsibilities of a future EU Member State. Progress was made in agriculture, food and fisheries, regional policy and structural instruments, financial and budgetary provisions and management of own resources. Montenegro should now focus on: implementation of the IPARD programme, agriculture and rural development as well as fisheries, upgrading food establishments and food safety controls, EU cohesion policy requirements, capacity for the handling of indirect management programmes in IPA and rules of administration for the own resources system.

On the **external relations** cluster, Montenegro continued to fully align with all EU CFSP positions, declarations and EU common positions. It also continued to implement actions under the common regional market based on EU rules, including through cooperation within CEFTA and the Regional Cooperation Council. Alignment to the integrity of the Rome Statute would allow the provisional closure of the remaining open chapter 31 under this cluster.

Strengthening the **administrative capacity** to apply the EU *acquis* remains an important challenge for Montenegro, including the urgent need to re-construct a functional negotiating structure.

On **migration**, both legal and irregular migration fell sharply in 2020 against the backdrop of the COVID-19 pandemic. The arrival of irregular migrants fell by 60% compared with 2019, with 3149 migrants apprehended in 2020. The Special Prosecutor's Office conducted two investigations into migrant smuggling in 2020. In one case, final convictions were issued against eight individuals. Although Montenegro's capacity to manage mixed migration flows and the integration of refugees is improving, sustained efforts are required in order for the country to cope with migratory pressure, by further increasing its reception capacity and raising standards in the reception centres. This will also include developing further its international cooperation on readmission, supporting the successful reintegration of returnees, increasing its capacity to prosecute migrant smuggling networks, and setting up a modern migrants' data collection system.

Serbia

As regards the **political criteria**, the Serbian Parliament and political forces continued to engage in the inter-party dialogue led by the European Parliament, with a view to forging broad cross-party consensus on EU-related reforms, which is vital for the country's progress on its EU path. However, the political climate during the reporting period remained polarised. For the process to be successful, all political actors need to engage constructively and in good

faith, and implement the measures identified in September 2021 by the Co-facilitators from the European and Serbian Parliament during the inter-party dialogue.

On elections, Serbia started addressing long-standing recommendations by the Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) and the government reinstated the relevant working group on elections. All key recommendations should be implemented in an inclusive and transparent manner, based on wider political consensus and well ahead of the next elections.

The Serbian Parliament's mandate, which was formally constituted in August 2020, has been limited in time from the start, as the political leadership announced new elections for no later than spring 2022. Overall, the Parliament significantly reduced the use of urgent procedures and adopted a new code of conduct for Members of Parliament. However, inflammatory language against political opponents and representatives of other institutions expressing diverging political views was still used during parliamentary debates. All politicians should counter hate speech and contribute to a political dialogue on EU-related reforms, particularly on the fundamentals of democracy and the rule of law.

A newly created Ministry for human and minority rights and social dialogue initiated a series of public dialogues. However, further efforts are still needed to ensure systematic cooperation between the government and **civil society**. An enabling environment for developing and financing civil society organisations (CSOs) still needs to be established on the ground, as verbal attacks against CSOs continued, including in Parliament.

Serbia is moderately prepared in the area of **public administration reform**. Limited progress was made overall during the reporting period. Serbia still needs to ensure (i) merit-based recruitment and a reduction in the excessive number of acting senior manager positions, (ii) a strong quality control role for the Public Policy Secretariat in policy development and coordination, and (iii) a single mechanism for prioritising all investments regardless of the type and source of financing.

Serbia's **judicial system** has some level of preparation. Limited progress was made over the reporting period. The constitutional reform of the judiciary was relaunched in December 2020, and it is planned to be finalised by the end of 2021. The system for judicial appointments and for evaluating the work of judges and prosecutors needs to be thoroughly revised following the adoption of the constitutional amendments, to allow for merit-based judicial recruitments and careers since the current legal framework does not provide sufficient guarantees against potential political influence over the judiciary.

Serbia has some level of preparation in the **fight against corruption**. Limited progress was made over the reporting period. As regards the prevention of corruption, the Council of Europe's Group of States against Corruption (GRECO) concluded that its recommendation on the Agency for the Prevention of Corruption was fulfilled in a satisfactory manner. This recommendation concerned the need for an adequate degree of independence and financial and personnel resources as well as on extending the Agency's competence. Serbia has yet to adopt a new anti-corruption strategy accompanied by an action plan and to establish an effective coordination mechanism to operationalise prevention or repression policy goals and effectively address corruption. The number of indictments and the number of first instance convictions for high-level corruption cases further decreased compared to previous years. Serbia should increase its efforts in addressing these shortcomings and step up the prevention and repression of corruption.

In the **fight against organised crime**, Serbia has some level of preparation. Limited progress was made over the reporting period. Serbia has yet to establish a convincing track record of

effective investigations, prosecutions and final convictions in serious and organised crime cases, including financial investigations leading to a track record of freezing and confiscating criminal assets. The number of convictions for organised crime decreased compared to 2019. Serbia should adapt its approach from one based on cases to a strategy against organisations, and from focusing on cases of low or medium importance to high profile cases aiming at dismantling big and internationally spread organisations and seizing the assets.

Serbia's legislative and institutional framework for upholding **fundamental rights** is broadly in place. However, it needs to ensure the framework is consistently and efficiently implemented. Human rights institutions need to be strengthened and their independence guaranteed, including by means of allocating the necessary financial and human resources. Regarding **freedom of expression**, limited progress was made by adopting and starting to implement a limited number of measures under the action plan related to the media strategy. However, verbal attacks against journalists by high-level officials continued and cases of threats and violence remain a concern. Most media associations withdrew from the group on the safety of journalists in March 2021, citing hate speech and smear campaigns against journalists and civil society representatives, including by the head of the ruling party caucus in Parliament. These verbal attacks in Parliament took place even after a code of conduct was adopted in December 2020. The overall environment for exercising freedom of expression without hindrance still needs to be further strengthened in practice.

On the **economic criteria**, Serbia has made some progress and is moderately prepared/at a good level of preparation in **developing a functioning market economy**. The Serbian economy recorded only a mild contraction in 2020 as the impact of the COVID-19 crisis was mitigated by a strong pre-crisis momentum, sizeable and timely fiscal and monetary support measures, the sectoral structure of the economy and a relatively low average stringency of containment measures. External imbalances narrowed in the crisis while their financing continued to be fully covered by Foreign Direct Investment (FDI) inflows. The fiscal space created prior to the crisis allowed Serbia to provide substantial fiscal support for crisis mitigation in 2020 and 2021 and to substantially increase capital spending. Banking sector stability was preserved and lending growth was robust, supported by monetary easing, loan moratoria and liquidity-enhancing measures. The labour market has recorded a further decrease in unemployment in 2020, reflecting in particular lower participation rates during the crisis.

There has been some progress with tax administration reforms and the privatisation of state-owned banks. However, other major structural reforms of public administration and state-owned enterprises (SOEs) continued to advance slowly, prolonging long-standing inefficiencies. There has been no progress in strengthening the fiscal rules to anchor fiscal policy. The state retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular corruption and judicial inefficiency, and in the enforcement of fair competition.

Serbia has made some progress and is moderately prepared to **cope with competitive pressure and market forces within the 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. Public investment has continued to increase with the aim to address serious infrastructure gaps after years of underinvestment. Although the cost of borrowing for small and medium-sized enterprises (SMEs) has declined, they still face a number of challenges, including a volatile business environment and unfair competition.

On **good neighbourly relations and regional cooperation**, Serbia overall remained committed to bilateral relations with other enlargement countries and neighbouring EU Member States. However, relations with Montenegro have been marked by continued tensions. In general, Serbia actively participates in regional cooperation.

Regarding the **normalisation of relations with Kosovo**, the EU-facilitated dialogue continued with high-level meetings on 15 June and 19 July 2021, as well as three chief negotiators' meetings. During the reporting period, both parties appointed new chief negotiators and negotiating teams. Serbia needs to make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation agreement with Kosovo. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

Concerning Serbia's **ability to assume the obligations of EU membership**, the country has carried out important work on alignment with EU *acquis* over many areas, particularly on taxation and energy.

The cluster on **internal market** is key for Serbia's preparations for meeting the requirements of the EU's internal market and is highly relevant for possible early integration measures and the development of the Common Regional Market. Progress was made on legislative alignment on company law, freedom of movement for workers and the establishment and freedom to provide services. However, no progress was made in the areas of free movement of capital, financial services, and consumer and health protection.

The **competitiveness and inclusive growth** cluster has significant links to Serbia's Economic Reform Programme. Progress was made in the areas of taxation, social policy and employment, industrial policy, scientific and technological development and education. On taxation, social policy and employment, Serbia has also met the opening benchmarks. However, no progress was made on strengthening fiscal rules to anchor fiscal policy.

The **Green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans endorsed by Serbia in November 2020 and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan. Serbia has met the opening benchmarks on energy. The country made progress on road safety and rail reform. It also adopted a climate law, as well as a package of major energy laws, including new laws on renewables and energy efficiency.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing the capacities to assume the responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically. Serbia made progress on food safety by recruiting staff at the national reference laboratories and by drafting an action plan on fisheries; on financial and budgetary as regards the management of own resources; and on regional policy as regards financial management.

On the **external relations** cluster, Serbia's overall patterns in aligning with the EU's common foreign and security policy remained broadly unchanged. A number of actions by Serbia went contrary to EU positions on foreign policy. In 2020, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions stood at 56%, but rose to 61% as of August 2021. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy. No concrete progress was made towards finalising the accession negotiations with the World Trade Organisation.

Serbia continued to significantly help manage 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.

North Macedonia

On the **political criteria**, North Macedonia continued its efforts to strengthen democracy and the rule of law, including by activating existing checks and balances and through an outreach on key policy and legislative issues. The country has shown its commitment to deliver in the key areas of the fundamentals, including through the ‘Europe at Home’ agenda and the ‘Action Plan 21’ on the fight against corruption. The first round of the local elections took place on 17 October. The Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) has deployed an Election Observation Mission. Limited progress was made in addressing the outstanding recommendations from OSCE/ODIHR and the Venice Commission over the reporting period. The comprehensive review of electoral legislation and the adoption of the relevant laws still need to be finalised in a timely and inclusive manner.

Opposition parties remained actively engaged in Parliament and on some occasions supported key EU related laws. Parliamentary work was nevertheless impeded by political polarisation, compounded by COVID-19, which on occasion affected its ordinary functions. Efforts are needed to strengthen the role of Parliament as a forum for constructive political dialogue, particularly on the EU reform agenda. Parliament continued to exercise its legislative functions. Great care should be taken in the use of fast track procedures, which need to be limited to ensure effective scrutiny and consultation of legislation. Parliament continued to exercise proper oversight of the executive. The proposals for internal reform of Parliament, agreed during the third round of the ‘Jean Monnet Dialogue’¹ in early 2020, have yet to be put in place. The criminal responsibility for those who orchestrated or committed violence in the attack on Parliament on 27 April 2017 continued to be established, including through first instance verdicts. The government needs to keep up the reform momentum and focus on the implementation of the existing legal framework rather than launching sporadic new initiatives. Timely and substantial implementation of the reform agenda requires sustained support from society as a whole. Inter-ethnic relations remained stable and the Ohrid Framework Agreement continued to be implemented.

Civil society organisations continued to be active and have an important role to play in the reform process. Further efforts are needed to ensure a more timely, meaningful and transparent consultation process with civil society. In the context of the challenges faced in recovering from the COVID-19 crisis, governmental and non-governmental actors are expected to build long-term partnerships and to strengthen existing cooperation.

The reform of the intelligence sector, resulting in new structures being established and a legal framework being developed, has almost been completed. The country needs to strengthen the capacity for parliamentary oversight over the intelligence services.

North Macedonia is moderately prepared in the reform of its public administration. **Some progress** was made in finalising the horizontal functional review of the state administration. It is important that the horizontal functional review is adopted by the government. Recommendations were made for the new organisation of state administrative bodies with improved lines of accountability. These need to feed into the relevant legislation, which

¹ The objective of the ‘Jean Monnet Dialogue’, initiated by the European Parliament in 2018 with the Parliament of North Macedonia, aims at building confidence amongst political parties and strengthening democratic culture and practices in Parliament.

should be adopted and implemented. North Macedonia is currently reviewing the legislative framework on human resources management through the revision of the Law on Administrative Servants and the Law on Public Service Employees, and is introducing a new Law on Top Management Service. The new framework should improve the management of human resources across the administration and will contribute to ensuring better respect for merit-based recruitments, promotions and dismissals, including at senior management level. The monitoring reports on implementation of the Public Administration Reform Strategy and the Public Financial Management Reform Programme were presented. The State Commission for the Prevention of Corruption (SCPC) continued to address cases of alleged nepotism, cronyism and political influence in the process of recruitment of public sector employees and in the process of appointment of members of supervisory and management boards. Its findings and recommendations need to be systematically followed-up by the concerned institutions.

The **judicial system** of North Macedonia has some level of preparation/ is moderately prepared. Some progress was achieved regarding the implementation of the judicial reform strategy, thereby further addressing the 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 on the judicial reform strategy and the human resources strategies for the judiciary and prosecution. Judicial institutions continue applying the new rules for the appointment, promotion, discipline and dismissal of judges and prosecutors. Most of the implementing legislation of the revised Law on the Council of Public Prosecutors was adopted. It is important to continue implementing the legal framework and strategic plans related to the reform of the Judicial Council and the Council of Public Prosecutors. A new draft Law on the Academy for Judges and Prosecutors should maintain the Academy as the sole entry point to the judiciary and prosecution and should secure a fair and transparent access to these professions

North Macedonia has some level of preparation / is moderately prepared in the **prevention and fight against corruption**. Some progress has been made, as the country continued to consolidate its track record on investigating, prosecuting and trying several corruption cases, including at high level, and strengthened its institutional framework, especially the State Commission for Prevention of Corruption (SCPC) and the Prosecutor for Organised Crime and Corruption (OCCPO). In April 2021, Parliament adopted the 2021-2025 National Strategy for the Prevention of Corruption and Conflict of Interest and related Action Plan, consolidating the country's commitment to prevent corruption and sanction corrupt behaviour. The cases initiated by the former Special Prosecutor's Office (SPO) continued to move forward, thereby establishing accountability for the illegal wiretaps. A number of cases were subject to first instance rulings and new cases were opened on the basis of investigative material from the former Special Prosecutor's Office. The State Commission for the Prevention of Corruption has been pro-active in preventing corruption and opened several cases, including against high-level officials. The State Commission was allocated new premises. Nonetheless, the efforts to improve its functioning should continue, especially by allocating extra funding for the recruitment of expert staff.

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 at the operational level, but more needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes. Coordination remains crucial for all stakeholders involved in combatting organised crime.

Some progress has been made in the **fight against terrorism and preventing/countering violent extremism** in line with the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement. A national plan for reintegration, resocialisation and rehabilitation of foreign fighters returnees and members of their families was adopted in June 2020, in order to implement the identified priorities for preventing violent extremism and radicalisation.

The legal framework on the protection of **fundamental rights** is largely in line with European standards. The Law on the Prevention and Protection against Discrimination and the Commission for the Prevention and Protection against Discrimination are in place. The deinstitutionalisation process made real progress and almost all of the children concerned were resettled to community-based care. The Ministry of Labour and Social Policy is investing in community services, including supporting victims of gender-based violence. Important progress was achieved with the adoption of the Law on Prevention and Protection from Violence against Women and Domestic Violence, with cross-party support. An improvement is noted in terms of gender mainstreaming and women's rights, although women are among the categories most severely affected by the pandemic. Recommendations of European and international human rights bodies, particularly regarding the treatment of detained and convicted persons must be fully implemented without delay. It is also important for the country to enhance the implementation of the legislation on hate speech and of the national action plan for the implementation of the Istanbul Convention's provisions. The civilian external oversight mechanism over the police is not fully functional, and the absence of genuinely independent investigators impedes efforts to address police impunity and effective prosecution. The country should continue to improve the situation in prisons and to further increase alternatives to detention.

North Macedonia has achieved some level of preparation/ is moderately prepared in the area of **freedom of expression**. Overall, there was limited progress during the reporting period. The general context is favourable to media freedom and allows for critical media reporting although there have been increased tensions during the COVID-19 crisis. Self-regulation efforts need to be resumed and followed by concrete results for the advancement in professional standards of journalism. Greater transparency should be ensured regarding media advertising by state institutions and political parties. The authorities need to increase their efforts to reform the public service broadcaster, ensuring its independence and financial sustainability. The public service broadcaster adopted a five-year development strategy but the reform process is hampered by delays in appointing the members in its managing council and of the council of the Agency for Audio and Audio-visual Media Services. The COVID-19 crisis had a strong economic impact on the media sector, especially on the regional and local actors. Media outlets were included in the relief package, but the labour rights of journalists still need to be addressed.

On **regional cooperation**, the country maintained its good relations with other enlargement countries and maintained its engagement in regional initiatives. Existing bilateral agreements, including the Prespa Agreement between North Macedonia and Greece as well as the Treaty of Friendship, Good Neighbourliness and Cooperation with Bulgaria, need to be implemented in good faith by all parties.

On the **economic criteria**, North Macedonia has made some progress and is at a good level of preparation in developing a functioning market economy. Severely hit by the pandemic, the economy slipped into a recession in 2020. A gradual recovery set in as of spring 2021. The government implemented a strong fiscal response to mitigate the crisis impact on households and firms. The fiscal deficit rose to 8.2 % of GDP in 2020 while the public debt level rose sharply to 60.2 % of GDP, as additional financing needs had to be covered. Capital

expenditure was cut in a budget revision to create space for crisis-related transfer payments, yet it was still heavily under-executed. The authorities took some additional measures to improve fiscal transparency, although a fully operational state aid registry is yet to be developed. There has been little progress made in improving revenue mobilisation and collection, as well as public investment management, including through a stronger framework for public-private partnerships. The new organic budget law, which is expected to significantly improve fiscal governance, is yet to be adopted by Parliament, and its implementation is delayed. Bolstered by regulatory easing, the financial sector remained strong and lending to the private sector constant. The business environment continued to be impeded by the large size of the informal economy.

North Macedonia has made some progress in addressing last year's recommendations and is moderately prepared to cope with competitive pressure and market forces within the Union. Integration with the EU in trade and investment remained entrenched also during the pandemic. The level and structure of trade and manufacturing output were affected by lockdowns and supply chain disruptions, domestically and in trade partner countries. The structure of the industry is continuously improving. The deterioration in labour productivity and price competitiveness in 2020 reflects to a large degree the economic impact of the pandemic and the government's job-retention measures. Vocational Educational Training (VET) curricula has improved. Still, skills shortages, reflecting shortcomings in education curricula, capital investment gaps, and limited integration of domestic firms in global supply chains are restricting potential growth. Digitisation of the economy is progressing.

As regards its ability to assume the obligations of membership, North Macedonia is moderately prepared in most of the areas covered by **Cluster 2 on internal market**, namely the free movement of goods, services and capital, intellectual property and competition policy. Meanwhile, the country has a good level of preparation on company law, although it is still at an early stage on freedom of movement for workers. In the reporting period, North Macedonia made limited or no progress in all areas, except on free movement of capital, company law and intellectual property where it made some progress. Overall, more progress is needed in the coming year in the areas covered by this cluster as it is relevant for North Macedonia's preparations to meet the requirements of the EU's internal market and for the development of the Common Regional Market.

Overall, North Macedonia is moderately prepared in most of the areas covered by Cluster 3 on competitiveness and inclusive growth, including in information society and media, taxation, enterprise and industrial policy, education and culture, and economic and monetary policy. However, additional efforts are needed to bring these areas to a higher degree of preparedness. It has a good level of preparation in the areas of science and research and customs union. Some progress was made in most of these areas. More efforts are needed, particularly in areas where limited progress was made, such as information society and media, science and research as well as education and culture.

On **Cluster 4 on the Green Agenda and sustainable connectivity**, North Macedonia has a good level of preparation in trans-European networks. It is moderately prepared on transport policy and energy and as some level of preparation on environment and climate change. North Macedonia is actively participating in meetings of the Transport Community and Energy Community. It has a high level of compliance with the Energy Community Treaty, notably on electricity. As all Western Balkans, North Macedonia endorsed the Green Agenda for the Western Balkans at the Sofia Summit in December 2020. This year, some progress was made in the energy sector, notably with the progress made towards the adoption of the National Energy and Climate Plan. However, limited progress were made in transport, environment

and climate change. The country needs to substantially step-up its ambition to properly implement the *acquis* of chapters 14 and 27. These efforts will increase the efficiency of the Economic and Investment Plan and speed up the implementation of the Green Agenda for the Western Balkans. Administrative capacities need to be strengthened in all sectors. In addition, strategies, action plans and legislation in these sectors need to be coherent with the principles and priorities of the Green Agenda and to ensure consistency between relevant sectoral documents. North Macedonia is moderately prepared in most areas of **Cluster 5 on resources, agriculture and cohesion**. It has a good level of preparation in the area of food safety, veterinary and phytosanitary policy and is at an early stage of preparation in financial and budgetary provisions. Over the reporting period, good progress was made in food safety, veterinary and phytosanitary² policy and some progress was made in agriculture and rural development. However, further efforts are needed, in particular in areas where limited or no progress was made such as fisheries, regional policy and the coordination of structural instruments as well as financial and budgetary provisions.

North Macedonia is moderately prepared in the areas covered by **Cluster 6 on external relations** and has made some progress during the reporting period. In its common commercial policy, North Macedonia continued its efforts to coordinate its positions and closely align its commercial policies with those of the EU, including within the WTO. However, no progress was made in development policy and humanitarian aid. North Macedonia is moderately prepared in the area of common foreign, security and defence policy. The country has increased its alignment with the EU common foreign and security policy to 96% and its participation in EU crisis management missions and operations.

North Macedonia remains on one of the main transit routes for migration movement. The country continues to play a constructive role in the management of **mixed migration flows**. It cooperates effectively with neighbouring countries and EU Member States, including with guest officers from the EU Member States on the ground. 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 EU, that would allow the deployment of standing corps of the European Border and Coast Guard Agency (Frontex) in the country, has not yet been signed due to a bilateral issue. The country should take a more methodical approach to fighting the smuggling of migrants.

Albania

As regards the **political criteria**, general elections were held on 25 April 2021, following the cross-party agreement of 5 June 2020 that led to a wide-ranging electoral reform, in line with OSCE/ODIHR recommendations. Electronic identification of voters was implemented in 97% of polling stations, while e-voting and e-counting was piloted successfully in 32 polling stations in Tirana. The OSCE/ODIHR final assessment found that elections were generally well organised. The new electoral administration gained the trust of most stakeholders. Concerns remained related to the misuse of public resources or official functions, to allegations of vote buying, and to the leaking of sensitive personal data covering the political preferences of citizens. These cases are being investigated. Parliament continued to work under the restrictions brought in due to the pandemic. With regard to EU oriented reforms, Parliament adopted a number of significant pieces of legislation, in areas such as asylum, the population census, and the efficiency of the judiciary. Throughout the reporting period, the government maintained a focus on reforms required for the country's path towards the EU,

² Measures for the control of plant diseases, especially of agricultural crops.

despite the challenge of addressing the negative social and economic impact of the COVID-19 pandemic. In the new legislature, the majority and the opposition will need to improve political dialogue and work together with all parts of society to further advance the EU reform agenda and accession negotiations. Coordination within the administration needs to be improved, notably regarding EU integration. The territorial administrative reform should be further consolidated as part of the wider decentralisation agenda. This is particularly necessary to guarantee local fiscal autonomy and empower municipalities to provide good quality public services. Limited progress has been made to implement the roadmap on creating an enabling environment for civil society. Nonetheless, Albanian civil society has been able to provide support and services to most vulnerable people affected by the COVID-19 pandemic.

Albania is moderately prepared with the reform of its **public administration**. It made some progress was made in building capacity in line ministries to implement regulatory impact assessments, adopting guidelines for public consultations, setting up the IT systems for integrated planning, increasing the implementation rate of the National European Integration Plan, increasing the number of e-services, and completing the testing phase to automate the payroll system. Implementation of the 2015-2022 public administration reform (PAR) and the 2014-2022 public financial management (PFM) reform strategies has continued despite the impact of the pandemic.

Albania's **judicial system** is also moderately prepared. Albania has continued to implement the comprehensive justice reform, resulting in good progress. In particular, it reached an important milestone at the end of 2020, with the appointment of three new judges to the Constitutional Court. With seven judges in office, the Constitutional Court regained its necessary quorum of minimum six members to hold plenary sessions, thus being fully operational and *meeting the related outstanding condition for the first IGC, which continues to be fulfilled*. The Constitutional Court has started to fully exercise its functions, including by adjudicating on constitutional disputes between state institutions about respective competences. Progress also continued on High Court appointments. The High Court regained its quorum in March 2020. With the promotion by the High Judicial Council of six new judges in March and July 2021 its has reached nine sitting judges, which make it fully operational - *a condition for the first IGC, which continues to be fulfilled*. Further appointments to the High Court are expected. The Parliament adopted amendments to ten laws aiming to further strengthen the efficiency of the judicial system and its capacity to tackle corruption and organised crime.

The temporary re-evaluation of all judges and prosecutors (**vetting process**) has advanced steadily, continuing to deliver tangible results - *a condition for the first IGC, which continues to be fulfilled*. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. As of 15 September 2021 the vetting institutions had completed 437 cases at first instance, including all priority files. Of the 437 decisions, 298 are final (i.e. after appeal). Overall, 62 % of the vetting files processed so far have resulted in dismissals and terminations largely due to resignations by the assesseees. The vetting institutions are expected to continue to refer to the prosecution services all cases where there are indications of criminal offences.

The **Specialised Structure for Anti-Corruption and Organised Crime (SPAK)**, comprising the **Special Prosecution Office (SPO)** and the **National Bureau of Investigation (NBI)**, are operational - *a condition for the first IGC, which continues to be fulfilled*. While the 2021 budget foresees the appointment of 20 prosecutors, the SPO has reached the first target of 15 prosecutors, including the Chief Special Prosecutor. The first round of recruitment for NBI investigators resulted in the appointment of 28 investigators, who, after

an intense training programme, are now operational. A second round to recruit an additional 32 investigators was opened in April 2021 and is expected to be concluded before the end of the year.

Albania has some level of preparation in the **fight against corruption**. It made some progress in strengthening the fight against corruption - *a condition for the first IGC, which continues to be fulfilled*. Overall, the implementation of the Inter-sectoral Strategy against Corruption is on track. Although the vetting of the members of the judiciary is an administrative process, it is yielding results in the fight against corruption as judges and prosecutors dismissed, as a result of vetting, are brought to justice. Albania has made further efforts to create a solid track record in the fight against corruption, although it remains an objective that requires political will and further structured and consistent actions. Convictions in cases involving high-level officials still remain limited, fostering a culture of impunity within the higher levels of the State. The specialised structures against anti-corruption (SPAK and the anti-corruption and organised crime courts) should significantly strengthen the country's overall capacity to investigate and prosecute corruption. Overall, corruption is prevalent in many areas of public and business life and remains an issue of serious concern.

Albania has some level of preparation in the **fight against organised crime**. It made good progress to meet last year's recommendations. It achieved tangible results in the fight against organised crime, including by stepping up cooperation with EU Members States and Europol - *a condition for the first IGC, which continues to be fulfilled*. The country continued to implement the Financial Action Task Force (FATF) Action Plan to improve effectiveness in the field of anti-money laundering and the package of temporary preventive measures to boost its capacity to counter criminal organisations (Operation Force of Law) throughout the year. Exchange of qualitative information and joint police operations involving international partners further intensified. Albania has continued to show its commitment to counter the production and trafficking of drugs, as air monitoring by EU member state law enforcement services has continued. The new specialised system against organised crime and corruption enables reinforced cooperation between police and prosecution services. Financial investigations need to accompany systematically criminal proceedings. Efforts need to continue to increase the number of prosecutions and final convictions, especially at high-level. Albania adopted a new national cross-sector **counter-terrorism strategy** and action plan in December 2020 and made very good progress in implementing the bilateral arrangement with the EU on operationalising the Joint Action Plan on counter-terrorism for the Western Balkans. More efforts are needed to tackle cybercrime, trafficking in human beings and money laundering cases.

On **fundamental rights**, Albania complies with international human rights instruments and has ratified most international conventions related to the protection of fundamental rights. Albania has pursued efforts to meet its obligations under these instruments. As regards the adoption of the remaining implementing legislation related to the 2017 framework law on the protection of national minorities, it adopted an additional by-law on minority education in December 2020, which brought the number of adopted by-laws to eight. The remaining implementing legislation, including on self-identification and use of minority languages has yet to be adopted. Efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights. A population census law was adopted. Albania has some level of preparation / is moderately prepared in the area of **freedom of expression**. There was no progress over the reporting period. The atmosphere of verbal attacks, smear campaigns and acts of intimidation against journalists has not improved. Tensions between political actors and journalists have increased during the COVID-19 crisis and in the context of the parliamentary elections. The reported attacks against journalists have not resulted in any final

convictions. Self-regulation in online media needs to be ensured. Steps to make the audio-visual regulatory authority fully operational need to be taken in a way that ensures its independence and legitimacy. The public service broadcaster's independence, professional standards and financial sustainability need to be strengthened. Following the unfavourable opinion of the Venice Commission and wide criticism on draft amendments to the media law aimed at regulating online media and some aspects of defamation, representatives from the ruling majority publicly committed to ensure that any new legislation on media would be in line with the Venice Commission recommendations and submitted to consultation with media organisations. The government reconsidered the matter and the Assembly did not revert to the issue. The parliament and government resulting from the 25 April elections must uphold the commitment to ensure that any possible changes to the media law would be in line with the Venice Commission Opinion and submitted to proper consultations.

On **gender equality**, the implementation of the national strategy and action plan 2016-2020 on gender equality was hampered by a persistent funding gap. A new strategy on gender equality 2021-2030 was adopted in June 2021. Albania should make efforts to ensure adequate state funding to implement it at central and local levels. Efforts are also required to ensure that all national strategies at central and local level are gender mainstreamed and apply gender responsive budgeting.

On **migration**, the legal framework on migration is largely aligned with the EU *acquis* but needs updating in line with recent developments. In February 2021, Albania adopted a new law on asylum. Strategies on an integrated border management and on the diaspora were adopted in 2020. Implementation of the national migration strategy and action plan for 2019-2022 as continued, providing a clear framework for managing and coordinating migration flows and the Commission has issued four monitoring reports. Despite border closure during March-May 2020, Albania continued to experience a growing influx of irregular migrants, mostly from Greece and leaving Albania after a few days, on the way to other EU countries. The number of irregular migrants apprehended in Albania in 2020 increased by 13% compared with 2019.

The number of **Albanian citizens lodging asylum requests** in EU Member States decreased by 66% in 2020 compared to 2019, from 20,415 to 6,935 applications, according to Eurostat data. The COVID-19 pandemic contributed in large part to this sharp decrease, but it can be noted that the average decrease of applications from the rest of the world to the EU is much smaller (-33%). The 'recognition rate' in 2020 was around 4.4% compared with 5.3% in 2019. Since applications peaked in 2017 in the most affected Member State, the number of applications has fallen from 12,130 in 2017 to 2,985 in 2020. Three Albanian police liaison officers are deployed in the EU and a liaison officer from the EU works in Tirana to help with exit checks. The issue of Albanian nationals making unfounded asylum applications to EU Member States and Schengen-associated countries still requires substantial efforts from the Albanian authorities. In addition to information campaigns, thorough border checks, awareness-raising on rights and obligations under the visa-free regime, identifying and addressing the underlying reasons, dialogue and cooperation with the countries most affected have continued. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

As regards the **economic criteria**, Albania made some progress and is moderately prepared in terms of developing a functioning market economy. Hit by the double shock from the earthquake of November 2019 and the COVID-19 pandemic, GDP contracted in 2020, although by less than initially expected. The pandemic-related domestic lockdown and international travel restrictions caused significant losses for the tourism and manufacturing sectors, but the economy started to rebound in the second half of the year. Within the limited

fiscal and monetary policy space available, the government and the central bank took swift and appropriate actions to support business, households and the health sector. This cushioned the impact on the labour market and maintained macroeconomic and financial sector stability. It also pushed up the public debt and deficit ratios and increased the country's vulnerability to external shocks. Dealing with the double shock stretched the capacity of the administration, but it largely maintained business continuity, and work continued on most ongoing reforms and legislative initiatives.

Albania made some progress and has some level of preparation in its **capacity to cope with competitive pressure and market forces** within the EU. It has made improvements on energy and transport infrastructure, the use of digital communication and on education outcomes, but significant gaps remain in comparison to its regional and European peers. Albania's competitiveness is hindered by a lack of entrepreneurial and technological know-how, significant levels of informality, unmet investment needs in human and physical capital, and low spending on R&D. Pre-existing and significant gaps in skills and education have probably widened due to COVID-19 related lockdowns and distance learning, which is not accessible to all. Regional integration and exports increased, but remained below potential. The lack of product and geographical diversification in Albania's exports compound its vulnerability to external shocks.

On **public procurement**, where Albania is moderately prepared, the country has made good progress, in particular by adopting the new law on public procurement. On **statistics**, where Albania is also moderately prepared, it made some progress on aligning with ESA 2010 standards, faster publication, and the adoption of the Population Census Law. Albania is moderately prepared in most areas on **financial control**, where the country made some progress, notably on public internal financial control and external audit.

Albania is moderately prepared in most of the areas of the **internal market**, namely the free movement of goods, services and capital, competition policy, and financial services. It has made some progress in particular by adopting a law on compulsory insurance in transport and in further aligning its banking legislation, but the State Aid Commission needs to be made independent and sufficiently resourced. Preparations are at an early stage on consumer and health protection, as the country made no progress on health outside its COVID-19 response. Albania needs to implement the One Health approach and to ensure that everyone has quality healthcare coverage. This policy cluster is key for Albania's preparations to meet the requirements of the EU's internal market and is of high relevance for early integration and the development of the Common Regional Market.

Albania has achieved a moderate level of preparation in many areas linked to **competitiveness and inclusive growth**, namely information society and media, taxation, economic and monetary policy, enterprise and industrial policy, education and culture, and the customs union. The country has some level of preparation in social policy and employment, and in science and research. Albania has made some progress in particular with the Smart Specialisation Strategy and in its participation in the Horizon 2020 research programme, but progress was limited on economic and monetary policy and customs union during the reporting period. Socio-economic reforms must be pursued to help address the existing structural weaknesses, low competitiveness, high unemployment, and the impact of the pandemic.

Albania is moderately prepared in most areas related to the **Green Agenda and sustainable connectivity**, namely the trans-European networks, energy, and environment and climate change. It has some level of preparation in the area of transport policy. The country has made some progress in most areas in particular through revised transport planning and energy

connectivity. More efforts are needed to improve the performance of ships under the Albanian flag and to enforce energy and environmental legislation, not least in the protected areas. The green transition and sustainable connectivity are key to economic integration within the region and with the European Union, facilitating cross-border trade within the region and creating real benefits for businesses and citizens. This cluster and the reforms concerned have significant links to Albania's Economic Reform Programme, the Commission's Economic and Investment Plan and the Green Agenda for the Western Balkans endorsed by Albania in December 2020.

Albania has some level of preparation in most areas linked to **resources, agriculture and cohesion**, namely agriculture and rural development, food safety, veterinary and phytosanitary policy, fisheries, and financial and budgetary provisions. It is moderately prepared as regards regional policy and coordination of structural instruments. Albania has made good progress in the area of fisheries, having reactivated the vessel monitoring system (VMS). It has made some progress on financial and budgetary provisions, on agriculture and rural development, and food safety, veterinary and phytosanitary policy, but the farm register needs to be set up. It has made limited progress on regional policy and the coordination of structural funding instruments. In this respect, inter-agency coordination for pre-accession assistance needs improvement, and issues need to be addressed as regards strategic planning, implementation and monitoring capacity of infrastructure projects under the Economic and Investment Plan.

Albania has reached a good level of preparation as regards **external relations, foreign security and defence**. As regards the external relations chapter of negotiations, Albania made good progress and reached a good level of preparation, not least by adopting and ratifying additional protocols to the Central European Free Trade Agreement and by certifying first authorised economic operators (AEO). It has worked on extending the Green Lanes/Corridors with EU Member States. The country has also delivered policy measures on humanitarian aid and on development aid. The country held a successful chairmanship of CEFTA. As regards the EU's Common Foreign and Security Policy, it continued to maintain full alignment with all relevant EU decisions and declarations. The country held the OSCE's chairmanship-in-office in 2020, demonstrating its commitment to multilateral cooperation. Albania continued to participate in EU crisis-management missions and operations.

Bosnia and Herzegovina

Regarding the **political criteria**, legislative and executive authorities had a low output due to political polarisation and the disruption caused by pandemic. The Federation entity government is still acting in a caretaker role. Bosnia and Herzegovina's Constitution remains in breach of the European Convention on Human Rights (ECHR), following the Sejdić-Finci and related cases. An inter-agency working group, is expected to discuss electoral and constitutional reforms, was established in May 2021. Municipal elections were held in Mostar in December 2020, for the first time since 2008. The Stabilisation and Association Parliamentary Committee met and adopted its rules of procedures in June 2021, following a five-year stalemate. Inclusive process of electoral reform, through genuine dialogue and in line with European standards that would eliminate all forms of inequality and discrimination in the electoral process, is paramount. No progress was made in improving the electoral framework in line with European standards and ensuring transparency of political party financing. Bosnia and Herzegovina has yet to address the recommendations by the Office for

Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR), the Venice Commission and the Council of Europe's Group of States against Corruption (GRECO). A number of Constitutional Court decisions have yet to be fully enforced. The development of a national programme for the adoption of the EU *acquis* is still pending. Limited progress was made in ensuring an enabling environment for civil society.

Bosnia and Herzegovina is at an early stage of preparation with **public administration reform** (PAR); some progress was made by adopting the action plan on public administration reform as well as strategies on public financial management at all levels of government. The country needs to ensure a professional and depoliticised civil service and a coordinated countrywide approach to policy-making.

Bosnia and Herzegovina is at an early stage/has some level of preparation as regards its **judiciary**. No progress was made in this area over the reporting period. The authorities have taken limited action to address the findings of the Expert Report on Rule of Law issues ('Priebe report'). Integrity amendments are due to enter in parliamentary procedure; their adoption is key to establish a credible and rigorous system of verification of financial statements of judicial office holders. Persistent and evident signs of deterioration continue to require urgent measures to strengthen the integrity of and regain citizens' trust in the judiciary. Lack of commitment to judicial reform from political actors, and the poor functioning of the judicial system continued to undermine the 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 this area over the reporting period; urgent action is required to adopt the pending legislation on public procurement and conflict of interest. During the pandemic, the negative effects of widespread corruption and signs of political capture continued to manifest strongly during the pandemic, directly affecting the wellbeing of citizens. The selective and non-transparent prosecution and judicial follow-up of corruption cases is a cause of concern. There are systemic shortcomings in the operational cooperation among law enforcement agencies and a very limited exchange of intelligence. The police are vulnerable to political interference. Financial investigations and asset seizures are largely ineffective. Although some preparatory steps were taken, the contact point for cooperation with Europol is not yet operational. Bosnia and Herzegovina has not taken any steps to establish cooperation with Eurojust. The country needs to continue its efforts in the fight against terrorism and drug trafficking and increase its capacity to do so.

As regards **fundamental rights**, while the legislative and institutional framework is largely in place, Bosnia and Herzegovina has yet to adopt a comprehensive strategic framework. Significant reforms are needed to ensure that all citizens are able to exercise their political rights and to ensure non-discriminatory, inclusive and quality education for all, including by overcoming the practice of 'two schools under one roof'. No progress was made on guaranteeing freedom of expression and of the media, on protecting journalists against threats and violence by ensuring an appropriate judicial follow-up, nor on ensuring the financial sustainability of the public broadcasting system. Challenges persist as regards the freedom of assembly, particularly in the *Republika Srpska* entity, where activists have been subjected to intimidation and judicial prosecution.

The failure of the authorities to establish a sustainable **migration** and asylum system led to a humanitarian crisis in December 2020. Following extensive EU engagement and support, a temporary tent camp was established in Lipa to provide shelter to all persons in need. A permanent multi-purpose reception centre is being built in Lipa in the course of 2021. Bosnia

and Herzegovina has stepped up efforts to improve migration management; it needs to ensure effective coordination, at all levels, of border management and migration management capacity, as well as the functioning of the asylum system. This requires a fair distribution of responsibilities among all entities and cantons, including in the hosting of reception centres.

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 country took measures to counter the negative effects of the COVID-19 pandemic on the economy and the labour market. The Central Bank undertook significant measures to improve its analytical capacities. Some steps were taken to strengthen the financial sector's shock resilience. However, there have been no significant measures to improve the functioning of the product markets. Cooperation and coordination among the country's stakeholders has further deteriorated. Resistance from the *Republika Srpska* entity against EU *acquis*-related country-wide reforms has further slowed down the country's compliance with the EU accession criteria. As a result, the country's institutional set-up as well as its internal market remains fragmented. No improvement has been reached with respect to the rule of law and the functioning of country-wide supervisory and regulatory institutions. This continues to impede the country's business environment. The quality of public spending has not improved, while the public sector has remained inefficient and oversized.

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

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 alignment with the EU *acquis* and implement and enforce the relevant legislation. Limited to no progress was made on the different EU *acquis* chapters during the reporting period.

Bosnia and Herzegovina has been backsliding in the area of **public procurement**, where it applied preferential treatment for domestic bidders in awarding public contracts during most of the reporting period; amendments to the public procurement law are awaiting parliamentary adoption. Limited progress was made on **statistics**, as preparation for the next population and housing census has hardly progressed. Some progress was made on public internal **financial control**, with both entities adopting strategies.

Major steps are required to align the legislative framework with the EU *acquis* on the **internal market** (free movement of goods, services and capital, competition policy, and financial services). Bosnia and Herzegovina made some progress only on competition policy, further aligning the law on State aid with the EU *acquis*, and in financial services. This cluster is key for Bosnia and Herzegovina's preparations for the requirements of the EU's internal market and is highly relevant for early integration and the development of the Common Regional Market.

Bosnia and Herzegovina made limited or no progress in most areas of **competitiveness and inclusive growth** (information society and media, taxation, economic and monetary policy, enterprise and industrial policy, education and culture, and the customs union), where it is at an early stage or has some level of preparation. These areas have significant links to the country's Economic Reform Programme. Socio-economic reforms must be pursued to help address the existing structural weaknesses, low competitiveness, high unemployment, as well

as the impact of the pandemic, which has further increased their urgency. Some progress was made with the adoption of policies on inclusive education, vocational education and training, and entrepreneurial learning.

Bosnia and Herzegovina made some or limited progress in most areas related to the **Green Agenda and sustainable connectivity**, (trans-European networks, energy, and environment and climate change), where it is at an early stage or has some level of preparation. The country needs to significantly step up its ambitions towards a green transition, and align its laws on gas and electricity with the EU *acquis*. The green transition and sustainable connectivity are key to economic integration within the region and with the EU, facilitating cross-border trade within the region and creating real benefits for businesses and citizens. This cluster and the reforms concerned have significant links to the Economic Reform Programme, the Economic and Investment Plan and the Green Agenda for the Western Balkans.

Bosnia and Herzegovina made no progress in the areas linked **to resources, agriculture and cohesion** (agriculture and rural development, food safety, veterinary and phytosanitary policy, fisheries, and financial and budgetary provisions), where preparation is mostly at an early stage.

Bosnia and Herzegovina has some level of preparation but made no progress as regards **external relations**. The country needs to intensify the efforts to finalise its accession to the World Trade Organization. Bosnia and Herzegovina is strongly encouraged to improve its alignment with the EU foreign policy statements and restrictive measures, which has significantly declined to reach 43% by August 2021, which is worrying. Bosnia and Herzegovina continued to actively participate in **regional cooperation** and maintain good neighbourly relations.

Kosovo

In terms of **political criteria**, most of the reporting period was marked by political instability in Kosovo. Following early parliamentary elections in February 2021, a new government took office, with an unprecedentedly strong parliamentary majority.

During most of the reporting period, legislative activities were limited due to this political instability, including EU-related reform efforts. The adoption of a second phase of the European Reform Agenda (ERA 2) and its Action Plan, endorsed by the Assembly in October 2021, and a solid government focus, confirmed the positive trend of Kosovo's renewed commitment to EU-related reforms.

After a Constitutional Court decision of December 2020 invalidated the election of the previous government in June 2020, the Assembly was dissolved and early elections were held in February 2021. Following the landslide victory of an opposition alliance led by the party Vetëvendosje, the new Assembly majority approved a new government in March 2021.

In November 2020, Kosovo's President in office was indicted and he was arrested on charges of war crimes and crimes against humanity by the Specialist Prosecutor's Office. He subsequently resigned from office. The then Assembly Speaker became acting President, in line with the Constitution, before being elected by the new legislature to serve a full presidential term in April 2021.

For a large part of the reporting period, the polarised political atmosphere, the lack of an effective government majority and the lack of a quorum severely affected decision-making in the **Assembly**. There is a need for the Assembly to improve its regulatory framework,

including the rules of procedure. The Assembly remained open during the pandemic, while maintaining health protection measures.

Overall, the legislative **elections** of February 2021 were well-administered, transparent and competitive, despite several shortcomings. Kosovo's electoral process remains in need of comprehensive strengthening to address long-standing weaknesses throughout the electoral cycle, as identified in successive EU election observation missions since 2014. Strengthening the legal and institutional framework on campaign and political party financing remains a pending area in need of reform.

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

There is some level of preparation in the area of **public administration reform**, but there was no progress on this front during the reporting period, given the frequent government changes. The Law on Public Officials entered into force in June but no significant efforts were made to start its implementation especially with regard to recruitments. The establishment of an effective central recruitment department was delayed. Undue political influence over appointments and dismissals of senior public functionaries and civil servants has been observed in some instances and Kosovo has met only some of its commitments to merit-based criteria. It made no progress in addressing the inequalities in the public sector salary system. The process to streamline agencies has stalled. Legal uncertainty for businesses and individuals persists due to the continued lack of progress on harmonising sectorial legislation with the Law on General Administrative Procedure. A renewed commitment to public administration reform is urgent.

Kosovo is still at an early stage in developing a well-functioning **judicial system**. The overall administration of justice continues to be slow, inefficient and vulnerable to undue political influence. Some progress was made during the reporting period. The Functional Review of the Rule of Law Sector resulted in a Rule of Law Strategy and Action Plan, which outlines the main challenges in the rule of law system and was adopted in August 2021. Kosovo rolled out an electronic case-management system and set up a central criminal records system, however challenges remain. It has made efforts to implement the Law on mediation. The COVID-19 pandemic affected effective case processing and the holding of (and public access to) court hearings in Kosovo. The new government has been considering several options for a process of 'vetting' of the judiciary and prosecution. In this context, the potential introduction of a one-off full re-evaluation of all prosecutors and judges is a source of serious concern. Such a process should be considered only as an exceptional measure of last resort, once all existing tools and mechanisms to ensure integrity and fight corruption of judicial officeholders have been exhausted, and should be in line with European and international standards as well as with Venice Commission advice.

Kosovo is at an early stage/has some level of preparation in the **fight against corruption**. During the reporting period, limited progress was made, including on the investigation and prosecution of high-level cases in the track-record. Sustained efforts are needed to achieve more proactive investigations, final court decisions and final confiscation of assets. The Special Prosecution Office was strengthened as the Corruption and Financial Crime Department became operational and it achieved an overall increase in staffing levels. The anti-corruption legal package and the revised Criminal Procedure Code still need to be adopted. The legal framework on confiscation is in force but is not being consistently applied, and the value of finally confiscated assets remains low. Overall, corruption is widespread and remains an issue of serious concern. Despite efforts made, there is a need for strong and

continual political will to effectively address systemic corruption risks, as well as a robust criminal justice response to high-level corruption.

Kosovo is at an early stage in the **fight against organised crime**. It made limited progress during the reporting period on the investigation and prosecution of organised crime cases. The Special Prosecution Office was strengthened with additional specialised staff and targeted training activities took place. However, the powerful tools envisaged by the Criminal Code and the Law on extended powers of confiscation are yet to be fully utilised by police and prosecutors. Measures are needed to strengthen the prosecution as well as to ensure that there is no political interference in the operational activities of all law enforcement bodies.

In July 2020, Europol and the Kosovo Police concluded a Working Arrangement. The additional agreements necessary to operationalise this cooperation, allowing for access to the Secure Information Exchange Network Application (SIENA) and the exchange of Liaison Officers, were finalised in September 2021.

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 combat money laundering and the applicable law should be brought in line with EU *acquis* and with international standards.

The legal framework broadly guarantees the protection of human and **fundamental rights** in line with European standards. However, additional efforts remain needed to fully implement it and to improve coordination and oversight of fundamental rights policies and legislation. Authorities still depend on donor support and guidance, and need to assume greater ownership. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma³ and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of cultural heritage. As regards **freedom of expression**, Kosovo has some level of preparation and benefits from a pluralistic and lively media environment. Concerns remain, however, regarding public smear campaigns, threats and physical attacks on journalists. The lack of financial self-sustainability, further exacerbated by the COVID-19 pandemic, leaves the media vulnerable to political and business interests. The public broadcaster also remains vulnerable to political influence and a sustainable solution for its funding still needs to be found.

The Kosovo authorities continued to make progress in managing both regular migration and mixed **migration** flows in the difficult context of the COVID-19 pandemic. Kosovo further increased its accommodation capacity and stepped up preparedness to handle an increased influx of migrants.

As regards the **economic criteria**, Kosovo has made limited progress and is at an early stage of developing a functioning market economy. The economy plunged into recession in 2020, but this trend was reversed in the first half of 2021. Long-standing structural problems, such as the lack of economic diversification and the dependence on financial flows from the diaspora made Kosovo very vulnerable to the pandemic-related lockdown and travel restrictions. In response to the crisis, the authorities suspended the fiscal rule and adopted two fiscal packages. A strong increase in spending and shrinking tax revenues resulted in a large budget deficit in 2020 but recovery in tax revenue helped achieve a budget surplus in the first half of 2021. The business environment saw little improvement. Private sector development

³ All these groups are considered under the wider 'Roma' umbrella term under the EU framework for National Roma Integration Strategies

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 has made limited progress and is at an early stage in terms of **capacity to cope with competitive pressure and market forces** in the EU. Little progress was made on improving the quality of education and addressing skill gaps in the labour market. Kosovo made some progress in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo made some progress as regards the digitalisation of the economy. Structural changes are emerging only slowly as the economy remains highly reliant on small and very small firms which cannot compete internationally, while the export structure remains dominated by a few products, such as base metals.

As regards **good neighbourly relations and regional cooperation**, Kosovo continued to participate in most regional fora. Kosovo maintained overall good relations with Albania, Montenegro and North Macedonia. There has been no change in Kosovo's formal relations with Bosnia and Herzegovina, which does not recognise Kosovo's independence and the two maintain a strict visa regime.

Regarding the **normalisation of relations with Serbia**, the EU-facilitated dialogue continued with high-level meetings on 15 June and 19 July 2021, as well as three chief negotiators' meetings. During the reporting period both parties appointed new chief negotiators and negotiating teams. Kosovo needs to engage constructively and make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation 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**, some progress was made during the reporting period in the areas of public procurement, statistics and financial control. In most of the areas covered by Cluster 2 on internal market, Kosovo has some level of preparation namely the free movement of goods, capital, company law and intellectual property, whereas it is moderately prepared on movement of workers, services and right of establishment, and on financial services. Kosovo is at an early stage of preparation on competition, as well as on consumer policy and health protection. In the reporting period, Kosovo made some progress in all areas except on consumer policy and health protection, where only limited progress was made. In the area of competitiveness and inclusive growth, it made some progress in most areas (customs, taxation, information society and media, enterprise and industrial policy), but made only limited progress on research and education and culture. It made some progress on policy areas related to the Green Agenda and sustainable connectivity, in the energy sector, but only limited progress in the areas of transport, environment and climate change. In the field of resources and agriculture, it made only limited progress on agriculture, food safety, veterinary and phytosanitary policy. In trade policy, some progress was made in reducing Kosovo's trade deficit, but Kosovo has not yet ratified the CEFTA additional protocols on trade facilitation and trade in services. Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to achieve effective implementation of the EU *acquis*.

Turkey

There are serious deficiencies in the functioning of Turkey's **democratic institutions**. Democratic backsliding continued during the reporting period. Structural deficiencies of the presidential system remained in place. Key recommendations of the Council of Europe and its

bodies remain to be addressed. The Parliament continued to lack the necessary means to hold the government accountable. The constitutional architecture continued to centralise 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. Targeting of the opposition parties continued, including by the Constitutional Court's acceptance of an indictment by the Chief Public Prosecutor of the Court of Cassation seeking to close down the second largest opposition party, which contributed to weakening political pluralism in Turkey. During the report period, the President dismissed the governor of the Central Bank twice.

Despite ending the state of emergency in July 2018, certain legal provisions granting extraordinary powers to government authorities and retaining several restrictive elements from the emergency rule remained integrated into law, which continued to have a significant impact on democracy and fundamental rights. In July 2021, Turkey's parliament approved a bill that extends the duration of these restrictive elements of the state of emergency for one more year. The Inquiry Commission on the State of Emergency has not yet finalised examining its caseload concerning the public servants who were dismissed by decree during the emergency rule.

Pressure on mayors from opposition parties by the ruling coalition government further weakened local democracy. Mayors from the opposition parties faced administrative and judicial investigations. In the south-east, the forcefully dismissed mayors continued to be replaced by government-appointed trustees, denying citizens their chosen representation. In most cases, the incoming trustees have kept the municipal assemblies suspended. Hundreds of local politicians and elected office holders were arrested on terrorism-related charges.

The **situation in the south-east** remained very worrying. The government carried out domestic and cross-border security and military operations in Iraq and Syria. The security situation remained precarious in border areas with recurrent terrorist acts by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism. The EU unambiguously condemned the PKK's attacks and expressed solidarity with the families of the victims. While the government has a legitimate right to fight terrorism, it is essential that it does so in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. There were no developments on the resumption of a credible political process to achieve a peaceful and sustainable solution. Human rights organisations and opposition parties reported serious violations of human rights by security forces.

Around 4 000 members and officials of the People's Democratic Party (HDP) remain in prison, including a number of parliamentarians. In June, the Constitutional Court accepted an indictment demanding the closure of the HDP, seeking a political ban for 451 HDP executives, including the party's co-chairs and all past and present members of Parliament and executives as well as a freeze on the party's bank accounts. There were pending requests by the prosecution in the Parliament to lift the immunity of almost all HDP lawmakers.

On **civil society issues**, serious backsliding continued. Civil society faced continuous pressure and their space to operate freely has continued to diminish limiting their freedom of expression and freedom of association. The new law on preventing financing of proliferation of weapons of mass destruction raises concerns with regard to possible restrictions on the activities of human rights defenders and civil society.

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

system. The government took steps to further consolidate the civilian control of the security forces.

Turkey has some level of preparation/is moderately prepared in the field of **public administration reform**. It made no progress during the reporting period. Turkey lacks a comprehensive public administration reform agenda and a lead institution in charge of the process. Concerns remained over the accountability of the administration and human resources management. The political will to reform is still lacking. Although policy coordination among central government institutions remained strong, policymaking is not evidence-based or participatory. The politicisation of the administration continued. Women's representation remained low in the higher echelons of the bureaucracy.

Turkey's **judicial system** is at an early stage of preparation. The serious backsliding observed since 2016 continued. Concerns remained, in particular over the systemic lack of independence of the judiciary and undue pressure on judges and prosecutors. The new human rights action plan envisages certain positive measures but it does not address any of the key shortcomings related to the independence of the judiciary. In particular, no measures are envisaged to improve respect for the principle of the separation of powers or to improve the structure and the selection process of members of the Council of Judges and Prosecutors, long outstanding recommendations of the Council of Europe Venice Commission and the European Commission. Despite their acquittal, none of the judges or prosecutors dismissed following the coup attempt were reinstated. The lack of objective, merit-based, uniform and pre-established criteria for recruiting and promoting judges and prosecutors remains a source of concern. The institution of criminal law judges of peace continued to raise concerns over their jurisdiction and practice.

Regarding the **fight against corruption**, Turkey remained at an early stage of preparations and made no progress in the reporting period. The country did not establish anti-corruption bodies in line with Turkey's international obligations. The flaws of the legal framework and institutional architecture allowed undue political influence in the investigation and prosecution phases of corruption cases. The accountability and transparency of public institutions need to be improved. The absence of an anti-corruption strategy and action plan indicated a lack of will to fight decisively against corruption. Most of the Council of Europe's Group of States against Corruption (GRECO) recommendations have not been implemented. Overall, corruption is widespread and remains an issue of concern.

Turkey has some level of preparation in the **fight against organised crime** and made limited progress. Cooperation between Europol and Turkey is based on a Strategic Agreement on Cooperation, which entered into force in July 2004. Negotiations concerning an international agreement on the exchange of personal data between Europol and the Turkish authorities competent for fighting serious crime and terrorism are ongoing, requiring Turkey to reform its legislation aligning its data protection law with the 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 in line with the recommendations of the Financial Action Task Force (FATF) and those of the Venice Commission on the law on preventing financing of proliferation of weapons of mass destruction. Efforts are needed to improve the legislation on cybercrime and witness protection.

The deterioration of **human and fundamental rights** continued. Many of the measures brought in during the state of emergency remain in force. 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 the European Court of Human Rights (ECtHR) case-law. Broad-scale restrictions imposed on the activities of journalists, writers, lawyers, academics, human rights defenders and critical voices continued to have a negative effect on the exercise of their freedoms and have led to self-censorship. Turkey's refusal to implement ECtHR rulings, notably in the cases of Selahattin Demirtaş and Osman Kavala, further increased concerns regarding the judiciary's adherence to international and European standards. Turkey's withdrawal from the Istanbul Convention also put into question its commitment to such standards. The new human rights action plan, which promised reforms in a number of areas, does not address critical issues.

Serious backsliding continued on freedom of expression. Legislation and its implementation, especially national security and anti-terrorism provisions, continued to contravene the European Convention on Human Rights and other international standards and to diverge from ECtHR case law. The dissemination of opposition voices and freedom of expression were negatively affected by the increasing pressure and restrictive measures. Criminal cases and convictions of journalists, human rights defenders, lawyers, writers, opposition politicians, students and social media users continued.

There was further serious backsliding in the area of freedom of assembly and association in light of recurrent bans, disproportionate interventions and excessive use of force in peaceful demonstrations, investigations, administrative fines and prosecutions against demonstrators on charges of terrorism-related activities. Legislation and its implementation are not in line with the Turkish Constitution, European standards or with international conventions.

The rights of the most disadvantaged groups and of persons belonging to minorities need better protection. Roma remained largely excluded from formal jobs and their living conditions severely deteriorated. Gender-based violence, discrimination, hate speech against minorities, in particular against lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons are still a matter of serious concern.

On **migration and asylum policy**, Turkey made some progress. After the incidents of March 2020 when Turkey actively encouraged migrants and refugees to take the land route to Europe through Greece, the situation has eventually de-escalated. Some progress was made on strengthening surveillance and protection capacity of the eastern land border. The EU-Turkey Statement of March 2016 continued to deliver results and Turkey continued to play a key role in ensuring effective management of migratory flows along the eastern Mediterranean route. The return of irregular migrants from the Greek islands under the EU-Turkey Statement remained however suspended by Turkey citing COVID-19 restrictions. However, resettlements from Turkey to the EU resumed in July 2020 despite restrictions. Although the volume of irregular arrivals to Greece fell, smuggling routes to Italy and to the government-controlled areas of Cyprus were increasingly used. Turkey has still not implemented the provisions relating to third-country nationals in the EU-Turkey readmission agreement, despite these entering into force in October 2017. Overall, the number of illegal border crossings between Turkey and Greece still remained significantly lower than it was prior to the adoption of the EU-Turkey Statement.

Turkey continued to make significant efforts to host and meet the needs of the largest refugee community in the world. The full operational budget of EUR 6 billion under the Facility for Refugees was contracted by the end of 2020 and over EUR 4.2 billion was disbursed by August 2021. Efficient integration measures are necessary to address the extended presence of refugees in the country. Access to public health for migrants and refugees should be increased. No outstanding visa liberalisation benchmarks were fulfilled. Turkey still needs to further align its legislation with the EU *acquis* on visa policy.

Turkey's increasingly assertive **foreign policy** continued to collide with EU priorities under the CFSP, notably due to its support for military action in the Caucasus, Syria and Iraq. While the institutional framework enabling Turkey's participation in the CFSP and the Common Security and Defence Policy (CSDP) is in place, Turkey maintained a very low alignment rate of around 14 %. Turkey's military support in Libya, including the deployment of foreign fighters on the ground, and its persistent criticism of, and lack of cooperation with Operation IRINI, are detrimental to the EU's effective contribution to the UN arms embargo implementation, and have led to conflicting approaches on Libya. Turkey wants to see a stable and prosperous Syria, an objective it shares with the EU. However, Turkey pursued its own military action in northern Syria, including through Turkish-backed militias. At the same time, Turkey increased the provision of basic services and extended its infrastructure networks in northern Syria.

In November 2020, the Council extended the duration of the existing framework for restrictive measures in response to Turkey's unauthorised drilling activities in the Eastern Mediterranean. In its conclusions of December 2020, the European Council strongly condemned Turkey's unilateral actions, provocations and escalated rhetoric against the EU, EU Member States and European Leaders. The tensions in the Eastern Mediterranean decreased as from the beginning of 2021. Turkey stopped its illegal hydrocarbon exploration activities in the maritime zones of Greece and Cyprus. However, in early October Turkish warships obstructed the vessel Nautical Geo from conducting a survey in the Cypriot Exclusive Economic Zone, and Turkey issued a NAVTEX for conducting seismic surveys which would encompass parts of Cyprus' EEZ. Furthermore, Turkey continued undertaking actions towards changing the status of the fenced-off city of Varosha with unacceptable unilateral decisions which go against the relevant UN SC Resolutions 550 (1984) and 789 (1992). The EU has strongly condemned Turkey's unilateral steps and the unacceptable announcements made by the Turkish President and the leader of the Turkish Cypriot community on 20 July 2021 on the further reopening of the fenced-off town of Varosha in Cyprus, and called for the immediate reversal of these actions and the reversal of all steps taken on Varosha since October 2020.

The EU has repeatedly stressed the need for Turkey 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 to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice.

Turkey failed to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and the removal of 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 and the informal talks in April 2021 failed to pave the way for the resumption of formal negotiations.

The March 2021 and the June 2021 European Council recalled the European Union's strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship with Turkey. In light of the discontinuation of illegal drilling activities, the resumption of bilateral talks between Greece and Turkey and the forthcoming, at that time, talks on the Cyprus problem under the auspices of the United Nations, the leaders offered to nurture a more positive dynamic in EU-Turkey relations. To this end, they expressed readiness to engage with Turkey in a phased, proportionate and reversible manner in a number of areas of common interest, subject to

Turkey meeting the established conditionalities set out in previous European Council conclusions, and provided that the de-escalation in the Eastern Mediterranean is sustained. The leaders called on Turkey to abstain from renewed provocations or unilateral actions in breach of international law. Taking into account the Joint Communication, they reaffirmed the determination of the European Union, in case of such action, to use the instruments and options at its disposal to defend its interests and those of its Member States as well as to uphold regional stability.

Turkey continued to assert the validity of the Turkish-Libyan maritime delimitation and military agreements of 2019. The EU considers this an infringement of the sovereign rights of third States, not complying with the Law of the Sea and having no legal consequences for third States.

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 authorities issued a sizeable and wide-ranging set of measures to boost domestic demand and soften the economic repercussions of the COVID-19 pandemic. As a result, the economy rebounded quickly from the crisis, reaching pre-crisis levels already in the third quarter of 2020. Amid a strong policy response to the crisis, institutional and policy coordination weaknesses undermined the credibility and effectiveness of authorities' actions and the imbalances increased. The macroeconomic policy mix relied too heavily on the credit channel, while direct fiscal support measures were rather limited in view of the magnitude of the social and labour market challenges. The strong monetary expansion last year weakened the lira, increased inflation and dollarization, and triggered portfolio outflows. The closing of the current account deficit in 2019 turned out to be short-lived and external imbalances remain a major vulnerability. Monetary policy tightened in autumn 2020 but the abrupt dismissal of the central bank governor in March 2021, only four months after his appointment, stirred financial market instability and called into question the authorities' commitment to reducing inflation.

The institutional and regulatory environment weakened further and there are persistent issues with the predictability, transparency, and implementation of regulations. Market exit remained costly and slow. The informal sector declined during the crisis but still accounts for a large part of the economy. State intervention in price setting mechanisms persists. The provision of State aid lacks proper rules on implementation, enforcement and transparency. Supported by loose monetary policy until the autumn 2020 and favourable regulatory measures, bank lending grew strongly, spurred in particular by state-owned banks. The banking sector remained well capitalised, benefiting from regulatory forbearance and other crisis-mitigation measures. The pandemic had a deeply negative impact on the labour market and on poverty. The number of discouraged workers increased significantly and employment levels fell far below from where they were a few years ago. Female labour market participation and employment remained at particularly low levels. The proportion of young people not in employment, education or training increased.

Turkey 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. Despite some progress made in improving access to education, the mismatch between the education system and labour market needs persists. Expenditure on research and development continued increasing at a slow pace, but remained well below the government's target. Supported by favourable financing conditions and concessional lending, investment activity rebounded in 2020. Progress was made with regard to the diversification of energy supplies and the development of the renewable energy sector. The extension of local content requirement practices continued to raise concerns. The relative share of the EU in Turkey's foreign trade slightly

increased, despite extensive deviations by Turkey from its obligations under the EU-Turkey Customs Union.

Regarding its **ability to assume the obligations of membership**, Turkey's alignment with the EU *acquis* was very limited and pursued on a rather *ad hoc* basis.

The internal market cluster is key to the good functioning of the Customs Union and to integrating Turkey in the EU's single market. Turkey has achieved a good level of preparation for the free movement of goods. Although it continued to align with technical EU legislation under the 'New and Global Approach', technical barriers to trade remain, which hamper the good functioning of the Customs Union. Preparations in the areas of freedom of movement for workers and right of establishment and freedom to provide services are at an early stage as many professions are closed to EU nationals. Turkey is moderately prepared on free movement of capital notably because of the substantial remaining obstacles for acquisitions of assets and real estate. It improved its legal framework regulating the fight against money laundering and terrorism financing. It has reached a good level of preparation in terms of the legislative alignment of consumer and health protection, as exemplified by Turkey's strong vaccination campaign against COVID-19. However, in both areas, there is a need to strengthen administrative capacity, consultations and coordination among stakeholders. Turkey has some level of preparation in the area of competition policy. There is a continued lack of State aid implementation rules, enforcement and transparency, while the institutional set up remains incomplete. In the cluster on competitiveness and inclusive growth, there has been mostly backsliding on the economic-related chapters. This was notably the case on enterprise and industrial policy, mainly due to Turkey bringing in measures incompatible with EU industrial policy principles, and on economic and monetary policy, reflecting intensified political pressure on the central bank. There was also backsliding in the area of social policy and employment, linked to the curtailment of trade union rights, the lack of genuine social dialogue and persistent levels of informal economic activity. On taxation, while Turkey is moderately prepared, there is a need for a clear strategy, avoiding frequent changes in tax rates and enabling tax information exchange with all EU Member States. Turkey maintains a good level of preparation for the customs union but made limited progress, including in its implementation. Turkey's deviations from its obligations under the EU-Turkey Customs Union continue, contributing to a high number of trade irritants. Turkey has some level of preparation in the area of information society and media. It continued backsliding, mostly due to inadequate competition, concentration of media ownership and the lack of independence of regulatory authorities. Turkey's preparations in the area of science and research are well advanced and it continued to implement the action plan to boost the national research and innovation capacity and to align with the European Research Area (ERA). Turkey is moderately prepared on education and culture, and needs to further improve inclusive education, with a particular focus on girls and children from disadvantaged groups.

Regarding the cluster on the Green Agenda and Sustainable Connectivity, Turkey is moderately prepared in transport and energy policies. It has made some progress on energy and transport networks, with the construction of the Halkali-Kapikule railway line connecting the Bulgarian border to Istanbul continuing. Turkey has some level of preparation on environmental and climate change and faces critical environmental and climate challenges, both as regards mitigation and adaptation. It made some progress, including the ratification of the Paris Agreement on climate change and increasing capacity in waste management, wastewater treatment and on legislative alignment, but enforcement and implementation remain weak. Turkey needs to follow up with an enhanced nationally determined contribution under the Paris Agreement, long-term strategic decarbonisation and adaptation plans and appropriate legislation reflecting them domestically. On the cluster covering resources,

agriculture and cohesion, Turkey reached some level of preparation in the area of agriculture and rural development. However, there was backsliding over the reporting period, as its agricultural policy diverged from the main principles of the EU common agricultural policy. Turkey is a major exporter of food products to the EU, and made limited progress in the area of food safety, veterinary and phytosanitary policy. Turkey needs to make further progress on meeting EU standards, particularly on pesticide residues. It made good progress on fisheries in implementing the fisheries law, resources and fleet management, and inspection and control. Turkey is moderately prepared in the area of regional policy and the coordination of structural instruments. Overall, it made some progress in this area, especially in accelerating the absorption of IPA II funds and in addressing some structural weaknesses. Turkey has some level of preparation in the area of financial and budgetary provisions and made limited progress during the reporting period to strengthen administrative capacity or to design implementing rules for the correct application of the own resources system.

Turkey is moderately prepared in the area of external relations, notably due to the continuing deviations from the Common Customs Tariff and the common commercial policy. It made limited progress in the reporting period, when it successfully concluded a trade agreement with the UK after the EU-UK agreement. Turkey has some level of preparation in the area of foreign, security and defence policy. There was backsliding in the framework of political dialogue on foreign and security policy as Turkey's increasingly assertive foreign policy collided with the EU priorities under the common foreign and security policy.

Overall, in many areas further significant efforts are needed on legislative alignment with the EU *acquis*. In all areas, implementation and enforcement needs substantial improvement. Ensuring the independence of regulatory authorities and developing administrative capacity are key for Turkey to achieve further progress.

ANNEX 2 - STATISTICAL DATA (as of 09.09.2021)

Demography	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Total population (thousands)		622 s	622 s	2 075 es	2 077 s	2 870 s	2 862 s	7 001 s	6 964 s	80 811 s	82 004 s	3 500 s	3 492 ps	1 799 es	1 796 s	446 209 ps	446 446 bps
Share of 15-64 in total population (%)		67.2 s	66.9 s	69.9 s	69.6 s	68.8 s	68.7 s	65.7 s	65.3 s	67.9 s	67.8 s	:	:	66.8 s	67.1 s	64.8 ps	64.6 bps
Crude rate of natural population change (per 1 000 inhabitants)		1.2	1.0	0.8	- 0.3	2.5	2.3	- 5.4	- 5.3	10.1	9.1	- 2.4 p	:	7.7	6.9	- 1.0 ep	-1.1 bep
Life expectancy at birth, males (years)		74.5	74.0	74.6	74.7	77.4	77.6	73.5	73.4	76.2	76.4	:	:	:	:	78.2 ep	78.5 bep
Life expectancy at birth, females (years)		79.3	79.5	78.8	78.6	80.5	80.7	78.4	78.6	81.6	81.8	:	:	:	:	83.7 ep	84.0 bep

Labour market	Note	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		70.5	71.8	70.4	71.5	74.8 ew	75.9 ew	72.5	72.9	62.3	62.2	58.4 w	59.0 w	46.6 w	45.2 w	77.9	78.2
Economic activity rate for males aged 20–64: proportion of the male population aged 20–64 that is economically active (%)		78.6	79.2	84.2	83.4	84.5 ew	84.4 ew	80.2	80.1	83.8	83.3	71.7 w	71.3 w	72.7 w	67.3 w	84.0	84.2
Economic activity rate for females aged 20–64: proportion of the female population aged 20–64 that is economically active (%)		62.5	64.4	56.3	59.3	65.4 ew	67.6 ew	64.8	65.6	40.8	41.1	45.0 w	46.9 w	20.7 w	23.2 w	71.8	72.2
Employment rates, aged 20–64 (% of the population)																	
Total		59.8	60.8	56.1	59.2	65.6 ew	67.1 ew	63.1	65.2	55.6	53.8	47.7 w	49.7 w	33.2 w	34.2 w	72.3	73.1
Males		66.7	67.5	66.6	69.7	73.9 ew	74.7 ew	70.5	72.1	76.0	73.2	59.5 w	61.6 w	52.6 w	53.0 w	78.2	78.9
Females		52.9	54.2	45.2	48.4	57.4 ew	59.7 ew	55.8	58.2	35.2	34.4	35.8 w	38.0 w	14.1 w	15.6 w	66.4	67.2

Labour market, cont.	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Persons aged 15-24 not in employment, education or training, % of the population in the age group		16.2	17.3	24.1	18.1	26.5 w	25.5 w	16.5	15.3	24.4	26.0	21.6 w	21.0 w	30.1 w	32.7 w	10.5	10.1
Persons aged 15-29 not in employment, education or training, % of the population in the age group		21.0	21.3	29.8	24.5	28.6 w	26.6 w	20.1	19.0	27.6	29.5	25.5 w	25.0 w	37.3 w	39.9 w	13.1	12.6
Employment by main sectors																	
Agriculture, forestry and fisheries (%)		8.0 s	7.1 s	15.7 s	13.9 s	37.4 ew	36.4 ew	15.9 s	15.6 s	18.4 s	18.1 s	15.7 w	18.0 w	3.5 w	5.2 w	4.5 s	4.3 s
Industry (%)		9.9 s	9.5 s	23.9 s	24.1 s	12.7 ew	13.1 ew	22.5 s	22.6 s	19.7 s	19.8 s	23.5 w	23.8 w	14.3 w	15.1 w	18.2 s	18.1 s
Construction (%)		9.0 s	9.9 s	7.4 s	7.0 s	7.0 ew	7.0 ew	4.4 s	4.8 s	6.9 s	5.5 s	8.7 w	7.9 w	11.9 w	12.6 w	6.7 s	6.7 s
Services (%)		72.5 s	73.1 s	52.9 s	55.0 s	42.9 ew	43.5 ew	57.2 s	56.9 s	54.9 s	56.6 s	52.1 w	50.3 w	70.3 w	67.1 w	69.9 s	70.1 s
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	1) 2)	31.7 w	29.3 w	:	:	15.9 ew	15.3 ew	27.3 w	26.6 w	15.4 w	16.8 w	18.4 w	17.2 w	30.8 w	27.6 w	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	3) 2)	63.9 bw	66.5 w	:	:	84.1 ew	84.7 ew	72.7 w	73.4 w	84.6 w	83.2 w	81.6 w	82.8 w	69.2 w	72.4 w	:	:
Unemployment rates (% of the labour force)																	
Total		15.2	15.2	20.8	17.3	12.3 ew	11.5 ew	12.8	10.5	10.9	13.7	18.5 w	15.9 w	29.4 w	25.5 w	7.3	6.7
Males		15.3	14.7	21.3	16.5	12.7 ew	11.6 ew	12.1	10.0	9.6	12.4	17.3 w	13.8 w	28.3 w	22.4 w	7.0	6.4
Females		15.1	15.7	19.9	18.4	11.9 ew	11.4 ew	13.8	11.2	13.8	16.5	20.5 w	19.0 w	33.3 w	34.4 w	7.6	7.1
Youth, aged 15–24		29.4	25.2	45.4	35.6	28.3 ew	27.2 ew	29.7	27.5	20.2	25.2	38.8 w	33.8 w	55.4 w	49.4 w	16.1	15.1
Long-term (>12 months)		11.4	12.0	15.5	12.4	8.3 ew	7.3 ew	6.5	5.3	2.4	3.2	15.2 w	12.1 w	17.2 w	16.2 w	3.1	2.6
Average nominal monthly wages and salaries (EUR)	4)	16.2	17.3	24.1	18.1	26.5 w	25.5 w	16.5	15.3	24.4	26.0	21.6 w	21.0 w	30.1 w	32.7 w	10.5	10.1

Education	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
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 (%)		4.6	5.0	7.1	7.1	17.4 w	16.3 w	6.8	6.6	31.0	28.7	5.4 w	3.8 w	9.6 w	8.2 w	10.5	10.2
Public expenditure on education relative to GDP (%)		:	:	:	:	3.2 psw	:	3.6 sw	:	4.3	:	:	:	4.5 sw	:	:	:
Percentage of the population aged 20-24 with at most lower secondary education, total		:	4.8	8.1	8.1	:	:	7.5	7.5	41.4	38.0	:	:	12.9 w	8.6 w	16.8	16.5
Percentage of the population aged 20-24 with at most lower secondary education, males		:	:	6.5	6.4	:	:	7.7	7.3	41.8	39.5	:	:	12.0 w	7.7 w	19.3	19.0
Percentage of the population aged 20-24 with at most lower secondary education, females		:	:	9.7	9.9	:	:	7.3	7.6	40.9	36.6	:	:	14.0 w	9.6 w	14.2	13.8
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total		84.6	82.4	82.5	83.7	:	:	85.6	85.9	37.4	39.8	87.1 w	87.3 w	78.9 w	78.9 w	66.9	66.6
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males		88.2	85.3	87.0	87.6	:	:	87.3	88.1	40.2	41.7	89.4 w	89.9 w	81.0 w	83.3 w	67.6	67.3
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females		80.7	79.3	77.8	79.4	:	:	83.8	83.7	34.6	37.9	84.4 w	84.1 w	76.6 w	73.9 w	66.2	65.8
Percentage of the population aged 30-34 with tertiary education, total		32.4	36.8	33.3	35.7	27.3 ew	31.3 ew	32.8	33.5	28.8	31.4	23.5 w	22.5 w	20.9 w	24.5 w	39.4	40.3
Percentage of the population aged 30-34 with tertiary education, males		29.3	35.4	26.4	32.1	22.5 ew	27.1 ew	26.4	26.9	30.2	32.7	18.8 w	17.3 w	20.9 w	22.5 w	34.1	35.1
Percentage of the population aged 30-34 with tertiary education, females		35.5	38.1	40.4	39.4	33.2 ew	36.6 ew	39.4	40.4	27.4	30.0	28.4 w	28.6 w	20.8 w	26.8 w	44.8	45.6

National accounts	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Gross domestic product																	
In current prices (EUR billion)		4 663	4 951	10 744	11 209 p	12 828	13 753 p	42 892	45 970	658 464	679 510	17 100	18 046	6 672	7 056	13 519 807	13 983 467
Per capita (EUR)		7 490	7 960	5 170 e	:	4 480	4 820 p	6 140	6 620	8 090	8 230	4 885 s	5 168 ps	3 740 es	3 956 s	30 270	31 250
In purchasing power standards (PPS) per capita		14 890	16 020	11 560 e	:	9 360	9 840 p	12 250	12 990	19 530	18 940	9 800	10 300	:	:	30 850	31 920
In purchasing power standards (PPS) per capita, relative to the EU average (EU-27 = 100)		48.3	50.2	37.5	:	30.4	30.8	39.7	40.7	63.3	59.3	31.7 s	32.3 s	:	:	100	100
Real (volume) annual rate of change, compared with the previous year (%)		5.1	:	2.9	3.2 p	:	:	4.5	4.2	3.0	0.9	3.7	2.8	3.4	4.8	2.1	1.6
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		8.2	7.9	9.8	9.3 p	21.1	21.0 p	7.7	7.2	6.4	7.1	6.9	6.6	8.1	9.0	1.8	1.8
Industry (%)		12.5	11.9	21.5	20.7 p	14.1	13.8 p	25.4	24.0	24.9	24.2	23.9	23.1	24.2	23.4	20.2	19.8
Construction (%)		7.0	7.9	6.2	6.4 p	10.3	9.8 p	5.4	6.9	7.9	6.0	4.8	5.0	10.4	10.1	5.3	5.5
Services (%)		72.4 s	72.2 s	62.6 s	63.6 ps	54.6 s	55.4 ps	61.6 s	61.9 s	60.7 s	62.8 s	64.4 s	65.3 s	57.2 s	57.5 s	72.7 s	73.0 s
Balance of payments																	
Net (inward - outward) foreign direct investment (FDI) (million euro)	20) 23) 24)	322.5 w	305.1 w	603.7 w	363.3 w	1 022.2 w	1 036.3 w	3 156.5 w	3 551.1 w	7 937.3 w	5 473.9 w	507.1 w	354.5 w	225.8 w	188.4 w	- 58382.8 s	25685.2 s
Net (inward - outward) foreign direct investment (FDI) (% of GDP)		6.92 sw	:	5.64 psw	:	8.00 sw	:	7.44 sw	:	:	:	2.56 sw	:	:	:	-0.4 s	0.2 s
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (million euro)	20) 23) 25)	- 59.0 s	40.0 s	290.0 w	193.0 s	215.6 w	610.3 s	1 837.4 w	2 186.0 s	1 425.4 s	- 325.5 w	293.4 w	200.1 w	45.7 s	152.5 s	- 44 692.0 s	12 492.4 s
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (% of GDP)	25) 26)	- 1.27 s	0.81 s	2.70 sw	1.72 ps	1.68 sw	4.44 ps	4.28 sw	4.76 s	0.22 s	- 0.05 sw	1.72 sw	1.11 sw	0.69 s	2.16 s	- 0.33 s	0.09 s
Remittances as % of GDP		4.89 s	4.83 s	1.86 s	1.75 ps	5.22 s	5.11 ps	5.01 s	5.83 s	0.05 s	0.02 s	8.52 s	8.36 s	12.00 s	12.07 s	0.15 s	0.15 s

External trade in goods	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Share of exports to EU-27 countries in value of total exports (%)		43.1 s	37.0 s	80.3 s	78.5 s	75.9 s	76.4 s	67.0 s	66.3 s	43.3 s	42.2 s	72.2 s	72.3 s	27.5 s	33.2 s	:	:
Share of imports from EU-27 countries in value of total imports (%)		47.1 s	47.0 s	52.9 s	50.8 s	60.0 s	57.7 s	55.9 s	54.7 s	32.9 s	31.6 s	59.7 s	61.1 s	42.7 s	49.1 s	:	:
Trade balance (EUR million)		- 2 154	- 2 185	- 1 804	- 2 040	- 2 596	- 2 843	- 4 424	- 5 356	- 46 047	- 27 836	- 3 770	- 4 093	- 2 980	- 3 114	148224,8	191345,8
International trade in goods and services relative to GDP																	
Imports (% of GDP)		66.7	64.8	72.8	76.5 p	45.2	45.0 p	59.1	61.0	31.3	29.9	57.3	55.2	57.3	56.4	45.4	45.9
Exports (% of GDP)		42.9	43.7	60.4	62.3 p	31.6	31.3 p	50.4	51.0	31.2	32.7	42.5	40.5	29.1	29.3	49.3	49.4

Public finance	Note	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
** General government surplus (+) / deficit (-) (% of GDP)		- 4.6 w	- 2.0 w	- 1.8 w	- 2.0 w	- 1.6 w	- 1.9 w	0.6 ew	- 0.2 ew	- 2.9 w	- 4.5 w	1.6 w	:	:	:	- 0.4	- 0.5
** General government debt (% of GDP)	5)	70.1 ew	76.5 w	40.4 w	40.7 w	65.0 w	63.8 w	54.4 ew	52.9 ew	30.2 w	32.6 w	40.8 w	:	17.1 ew	:	79.5	77.5

Financial indicators	Note	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Annual change in consumer prices (%)	6)	2.9 w	0.5 w	2.3 d	0.7 d	1.8 w	1.7 w	2.0 d	1.9 d	16.3 d	15.2 d	1.4 w	0.6 w	1.1 w	2.7 w	1.8	1.4
**Private debt, consolidated, relative to GDP (%)	7) 8) 9)	:	:	:	:	:	:	:	:	2.3 w	3.3 w	3.4 w	:	:	:	:	:
Total external debt, relative to GDP (%)	10)	164.7 s	:	73.0 s	72.7 ps	65.1 s	59.9 ps	62.5 sw	:	:	:	68.0 sw	:	:	:	:	:
Total debt in foreign currency, relative to GDP (%)	11)	:	15 w	:	:	65 w	61 w	:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	12) 13) 14) 15)	6.36 w	6.01 w	3.00 w	2.75 w	5.66 w	6.27 w	4.25 w	3.50 w	28.89 w	15.82 w	3.79 w	3.29 w	6.65 w	6.51 w	:	:
Deposit interest rate (one year), per annum (%)	12) 13) 16) 17) 18) 19)	0.56 w	0.40 w	0.15 w	0.15 w	0.73 w	0.49 w	1.75 w	1.00 w	22.31 w	14.56 w	0.05 w	0.06 w	1.31 w	1.46 w	:	:
Value of reserve assets (including gold) (million euro)	13) 20) 21)	1 049.8 w	1 366.8 w	2 867.1 w	3 262.6 w	3 399.0 w	3 359.6 w	11 261.8 w	13 378.5 w	78 770.5 w	94 413.6 w	5 944.1 w	6 441.1 w	769.3 w	863.7 w	:	:

International reserves - equivalence in months of imports	13) 22)	4.0 sw	5.1 sw	4.4 sw	4.6 sw	7.0 sw	6.5 sw	5.3 sw	5.7 sw	4.5 sw	5.6 sw	7.3 sw	7.8 sw	2.4 sw	2.6 sw	:	:
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Business	Note	Montenegro		North Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo		EU-27	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Industrial production index (2015 = 100)	27)	113.7	106.7	109.2	113.2	96.6 w	95.5 w	110.8	111.2	114.2	113.6	109.4	103.5	:	:	106.5	105.7

Infrastructure	Note	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Density of railway network (lines in operation per thousand km ²)	28)	18.1 sw	:	26.9 s	26.9 s	11.6 sw	5.9 sw	42.5 sw	42.5 sw	13.2 ds	13.3 s	19.9 sw	19.9 sw	30.5 sw	30.5 sw	:	:
Length of motorways (kilometres)		0 zw	0 zw	287	335	:	:	963 w	781 w	2 842	3 060	198 w	208 w	119 w	137 w	:	:

Energy	Note	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Net energy imports in relation to GDP		4 s	4 s	6 s	7 ps	1 s	2 ps	5 s	5 s	2 s	1 s	5 s	5 s	6 s	6 s	2.9 s	2.6 s

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

: = not available

b = break in series

d = definition differs

e = estimated value

p = provisional

s = Eurostat estimate

w = data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

z = not applicable and therefore equal to 0

Footnotes:

- 1) Montenegro: Data refer to number of employees in the public sector as a share of the total number of persons employed.
- 2) Bosnia and Herzegovina: The public sector includes NACE Rev. 2 Sections O, P and Q while the private sector includes other NACE Sections.
- 3) Montenegro: Break in series as previously only employees were answering this question; Since 2018 all employed persons are giving answer to this question.
- 4) Bosnia and Herzegovina: Net earnings.
- 5) Bosnia and Herzegovina: End of year (31 December).
- 6) Bosnia and Herzegovina: Consumer price inflation
- 7) Turkey: Data cover debt securities and loans.
- 8) Bosnia and Herzegovina: Data for monetary financial institutions.
- 9) Bosnia and Herzegovina: GDP data for 2017 have been used.
- 10) Serbia: Official external debt of the Republic of Serbia.
- 11) Albania: External debt (including FDI).
- 12) Montenegro: Weighted average effective interest rate, outstanding amounts, annual.
- 13) North Macedonia: End of year (31 December).
- 14) Albania: Average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity.
- 15) Bosnia and Herzegovina: Short-term lending rates in national currency to non-financial corporations (weighted average).
- 16) Albania: Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 17) Turkey: Average of monthly data. Overnight deposit facility.
- 18) Bosnia and Herzegovina: Demand deposit rates in national currency of households (weighted average).
- 19) Bosnia and Herzegovina: Data for December 2018.
- 20) Turkey: Average of year exchange rate used to convert to euros.
- 21) Bosnia and Herzegovina: Based on IMF balance of payments manual, sixth edition.
- 22) Albania: January-September 2019.
- 23) Turkey: Based on BPM5.
- 24) Bosnia and Herzegovina: Based on IMF balance of payments manual, Asset - Liability Approach
- 25) Bosnia and Herzegovina: Based on IMF balance of payments manual, sixth edition and OECD Benchmark Definition of Foreign Direct Investment - 4th edition
- 26) Turkey: Average of year exchange rate used to convert to euros.

Based on BPM5.

- 27) Albania: Activity B_D
- 28) Serbia: Underestimate as the density has been calculated relative to the surface area (including inland waters) rather than to the land area.

Indexes ⁴	THIRD PARTY INDICATORS RELATED TO THE STATUS OF DEMOCRACY, GOOD GOVERNANCE AND THE RULE OF LAW IN CANDIDATE COUNTRIES AND POTENTIAL CANDIDATES ⁵						
	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Montenegro	Serbia	Turkey
Nations in Transit 2021 -Democracy Scores, Freedom House https://freedomhouse.org/countries/nations-transit/scores	Total score: 46/100 Status: Transitional or Hybrid Regime	Total score: 39/100 Status: Transitional or Hybrid Regime	Total score: 36/100 Status: Transitional or Hybrid Regime	Total score: 47/100 Status: Transitional or Hybrid Regime	Total score: 47/100 Status: Transitional or Hybrid Regime	Total score: 48/100 Status: Transitional or Hybrid Regime	<i>n/a</i>
Freedom in the World 2021 - Global Freedom Scores, Freedom House https://freedomhouse.org/countries/freedom-world/scores	Total score: 66/100 (2020: 67/100) Status: Partly free (2020: Partly free)	Total score: 53/100 (2020: 53/100) Status: Partly free (2020: Partly free)	Total score: 54/100 (2020: 56/100) Status: Partly free (2020: Partly free)	Total score: 66/100 (2020: 63/100) Status: Partly free (2020: Partly free)	Total score: 63/100 (2020: 62/100) Status: Partly free (2020: Partly free)	Total score: 64/100 (2020: 66/100) Status: Partly free (2020: Partly free)	Total score: 32/100 (2020: 32/100) Status: Not free (2020: Not free)
Democracy Index 2020, The Economist Intelligence Unit https://www.eiu.com/n/campaigns/democracy-index-2020/	Score: 6.08 (2019: 5.89) Rank: 71/167 (2019: 79/167) Regime type: Flawed democracy (2019: Hybrid regime)	Score: 4.84 (2019: 4.86) Rank: 101/167 (2019: 102=167) Regime type: Hybrid regime (2019: Hybrid regime)	<i>n/a</i>	Score: 5.89 (2019: 5.97) Rank: 78/167 (2019: 77/167) Regime type: Hybrid regime (2019: Hybrid regime)	Score: 5.77 (2019: 5.65) Rank: 81/167 (2019: 84/167) Regime type: Hybrid regime (2019: Hybrid regime)	Score: 6.22 (2019: 6.41) Rank: 66/167 (2019: 66/167) Regime type: Flawed democracy (2019: Flawed democracy)	Score: 4.48 (2019: 4.09) Rank: 104/167 (2019: 110/167) Regime type: Hybrid regime (2019: Hybrid regime)
World Press Freedom Index 2021, Reporters without borders https://rsf.org/en/ranking	Score: 30.59 (2020: 30.25) Rank: 83/180 (2020: 84/180)	Score: 28.34 (2020: 28.51) Rank: 58/180 (2020: 58/180)	Score: 30.32 (2020: 29.33) Rank: 78/180 (2020: 70/180)	Score: 31.67 (2020: 31.28) Rank: 90/180 (2020: 92/180)	Score: 34.33 (2020: 33.83) Rank: 104/180 (2020: 105/180)	Score: 32.03 (2020: 31.62) Rank: 93/180 (2020: 93/180)	Score: 49.79 (2020: 50.02) Rank: 153/180 (2020: 154/180)
Rule of Law Index 2020, World Justice Project https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2020	Score: 0.50 (2019: 0.51) Rank: 78/128 (2019: 71/126)	Score: 0.52 (2019: 0.53) Rank: 64/128 (2019: 60/126)	Score: 0.54 (2019: n/a) Rank: 54/128 (2019: n/a)	Score: 0.53 (2019: 0.54) Rank: 58/128 (2019: 56/126)	<i>n/a</i>	Score: 0.50 (2019: 0.50) Rank: 75/128 (2019: 78/126)	Score: 0.43 (2019: 0.42) Rank: 107/128 (2019: 109/126)
Worldwide Governance Indicators 2020 – Rule of Law The World Bank Group https://info.worldbank.org/governance/wgi/	RoL (Percentile Rank): 40.87/100 (2019: 38.94/100)	RoL (Percentile Rank): 43.27/100 (2019: 46.63/100)	RoL (Percentile Rank): 38.94/100 (2019: 39.90/100)	RoL (Percentile Rank): 52.40/100 (2019: 46.15/100)	RoL (Percentile Rank): 55.29/100 (2019: 57.21/100)	RoL (Percentile Rank): 47.60/100 (2019: 50.00/100)	RoL (Percentile Rank): 40.38/100 (2019: 44.71/100)
Worldwide Governance Indicators 2020 – Government Effectiveness,	GE (Percentile Rank): 48.08/100	GE (Percentile Rank): 15.38/100	GE (Percentile Rank): 40.87/100	GE (Percentile Rank): 57.69/100	GE (Percentile Rank): 53.37/100	GE (Percentile Rank): 54.33/100	GE (Percentile Rank):

⁴ Not all of the candidate countries and potential candidates are considered in the third-party rankings and indexes that are listed in the table.

⁵ The table presents the latest available ranking and/or scores by third parties. Additional reference to data from the previous assessment is shown in between parenthesis, when available.

The World Bank Group https://info.worldbank.org/governance/wgi/	(2019: 50.48/100)	(2019: 28.85/100)	(2019: 39.42/100)	(2019: 52.40/100)	(2019: 58.65/100)	(2019: 53.37/100)	52.40/100 (2019: 54.33/100)
Worldwide Governance Indicators 2020 – Control of Corruption, The World Bank Group http://info.worldbank.org/governance/wgi/	Percentile Rank: 31.73/100 (2019: 33.17/100)	Percentile Rank: 20.85/100 (2019: 30.29/100)	Percentile Rank: 36.54/100 (2019: 31.73/100)	Percentile Rank: 37.98/100 (2019: 38.94/100)	Percentile Rank: 56.25/100 (2019: 55.29/100)	Percentile Rank: 37.50/100 (2019: 37.02/100)	Percentile Rank: 44.23/100 (2019: 44.71/100)
Corruption Perceptions Index 2020, Transparency International https://www.transparency.org/en/cpi/2020/index/nzl	Score: 36 (2019: 35) Rank: 104/180 (2019: 106/180)	Score: 35 (2019: 36) Rank: 111/180 (2019: 101/180)	Score: 36 (2019: 36) Rank: 104/180 (2019: 101/180)	Score: 35 (2019: 35) Rank: 111/180 (2019: 106/180)	Score: 45 (2019: 45) Rank: 67/180 (2019: 66/180)	Score: 38 (2019: 39) Rank: 94/180 (2019: 91/180)	Score: 40 (2019: 39) Rank: 86/180 (2019: 91/180)