



EUROPEAN
COMMISSION

Strasbourg, 19.10.2021
COM(2021) 644 final

**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

{SWD(2021) 288 final} - {SWD(2021) 289 final} - {SWD(2021) 290 final} -
{SWD(2021) 291 final} - {SWD(2021) 292 final} - {SWD(2021) 293 final} -
{SWD(2021) 294 final}

I. INTRODUCTION

This Communication takes stock of developments since the last Enlargement Package, adopted in October 2020. It examines the progress made by the Western Balkans and Turkey, the challenges encountered and reforms to be addressed, and sets out conclusions and recommendations for the period ahead. It takes into account the specific circumstances, including the COVID-19 pandemic, that have influenced developments in the EU and the region.

The **EU-Western Balkans Summit** held on 6 October 2021 sent an important signal to the EU's Western Balkan partners that their future lies in the European Union. The firm, strategic **commitment of the EU to the region** was reflected in a number of key actions bringing tangible benefits to the citizens of the Western Balkans, from continued support to the COVID-19 response to a significant funding pledge under the Economic and Investment Plan¹ to bolster the region's long-term development and sustainable recovery. Leaders agreed to strengthen cooperation in a range of fields, including security and committed to holding EU-Western Balkans summits as regular events.

The **COVID-19 pandemic** hit the Western Balkans hard in the second half of 2020 and early 2021. Following the initial EU package of over EUR 3.3 billion to benefit people and businesses in the Western Balkans², the Economic and Investment Plan has added another EUR 9 billion in support for the region's socio-economic recovery under the Instrument for Pre-Accession Assistance (IPA). The aim is to generate additional potential investments amounting to EUR 20 billion.

All the Western Balkan partners have joined the COVAX Facility, to which the EU, as part of Team Europe, has now allocated over EUR 3 billion. COVAX ensures **access to safe and efficient vaccines** against COVID-19 for participating partners, at a negotiated price. In addition to its very substantial support for COVAX, the European Union set aside EUR 70 million in grants to the Western Balkans primarily for the re-sale of vaccines purchased by the EU. As a starting point, 650,000 doses were delivered between May and August 2021, facilitated by Austria, followed by donations from several Member States, on behalf of Team Europe. In total, the EU and its Member States have provided 2.9 million vaccine doses to the Western Balkans. The EU Civil Protection Mechanism contributed to the delivery of vaccines and medical material from Member States and from the *rescEU* emergency medical stockpile. The EU will continue to support the vaccination plans of all partners to help reach similar vaccination rates to the EU average by the end of 2021.

Given the European perspective of the Western Balkans, the EU has continued to treat the region as privileged partners by associating them with the EU mechanisms and instruments, including Health Security Committee meetings, joint procurement of medical countermeasures, the Union Civil Protection Mechanism, the Solidarity Fund, consular assistance for repatriation, and the exemption from temporary EU export restrictions of medical equipment. Moreover, the grants provided for vaccine purchases can also be used by the Western Balkans partners to cover costs of the technical requirements to fully align with

¹ COM(2020) 641 final

² This includes reallocations from the Instrument for Pre-accession Assistance of EUR 41.46 million of immediate support, EUR 88 million to support health, including EUR 70 million to ensure availability and access to reliable, effective and EU authorized COVID-19 vaccines, EUR 761.5 million to support recovery from the social and economic impact of the crisis, as well as EUR 750 million of Macro-Financial Assistance and a EUR 1.7 billion package of assistance from the European Investment Bank.

the EU Digital COVID Certificate system. The Republic of North Macedonia completed such alignment in August and the Republic of Albania in early September. Participation in the EU's Digital Covid Certificate system will facilitate travel between the Western Balkans and the EU and further assist the region in mitigating the economic and social impact of the pandemic.

To cooperate and show solidarity with Turkey on the COVID-19 pandemic, the first **response measures financed by the EU** were launched immediately after the outbreak. So far, the European Union has mobilised over EUR 105 million in EU funding for the prevention and treatment of COVID-19, and for mitigating the economic and social impact. In particular, under the Facility for Refugees, some EUR 64 million were mobilised to respond to refugees' COVID-19-related needs. Turkey was among the first countries to be included in the EU Digital COVID certificate system, allowing mutual recognition of the certificate in the EU and in Turkey. In August 2021, Turkey activated the EU Civil Protection Mechanism requesting aircraft to help fight fires which broke out in the Aegean and Mediterranean coastal regions.

Overview of key developments

Montenegro and **Serbia** agreed to apply the revised methodology of 2020 set out in the Commission Communication 'Enhancing the accession process - A credible EU perspective for the Western Balkans'³. This agreement was endorsed at the first political intergovernmental conferences held with these countries on 22 June 2021, and demonstrated the EU's commitment to make progress on their accession negotiations. The first intergovernmental conference with Montenegro under the revised methodology provided a political steer on accelerating work to meet the rule of law interim benchmarks - the next milestone necessary to advance in the accession negotiations. The first intergovernmental conference with Serbia under the revised methodology set out the path towards opening clusters based on expected progress by the country, in particular on rule of law reforms.

In line with the revised methodology, in the conclusions and recommendations of this Communication, the Commission assesses the overall balance in the accession negotiations with Montenegro and with Serbia and proposes the way ahead for each country. The next intergovernmental conferences should take place following the publication of the present annual package of reports and the subsequent Council Conclusions. Subject to agreement in Council, these conferences will provide a forum for opening of clusters, for political dialogue on reforms, for taking stock of the overall accession process and planning for the year ahead, including the opening and closing of further clusters and chapters and possible corrective measures.

On the negotiating frameworks with **North Macedonia** and **Albania**, it is crucial that EU Member States conclude the discussions without further delay and that the first intergovernmental conferences with Albania and North Macedonia are held as soon as possible under the Slovenian Presidency. North Macedonia has maintained a steady and determined pace in implementing EU reforms, particularly in key areas such as the rule of law, including in the fight against corruption and organised crime. The country continues to meet the conditions for holding the first intergovernmental conference. Pending bilateral issues between Bulgaria and North Macedonia need to be resolved as a matter of priority. Albania's progress in electoral reform and continued good results in implementing key rule of law reforms has underpinned the Commission's assessment that the country has fulfilled the

³ COM(2020) 57 final

conditions for holding the first intergovernmental conference of the accession negotiations. The delays in the official launch of accession negotiations are having a negative impact on the credibility of the EU.

The Commission's Opinion on **Bosnia and Herzegovina's** application for membership of the European Union⁴ identified 14 key priorities that Bosnia and Herzegovina needs to fulfil in order for the Commission to recommend opening EU accession negotiations. The Council endorsed the 14 key priorities in December 2019. Bosnia and Herzegovina needs to deliver on a critical mass of reforms towards fulfilling the 14 key priorities before the Commission may consider recommending the country for candidate status.

The EU continued to support the implementation of the Stabilisation and Association Agreement with **Kosovo***. The Commission's proposal to lift the visa requirements for Kosovo citizens is still pending in the Council and should be treated as a matter of urgency. The Commission maintains its assessment that all criteria set by the Council for visa liberalisation with **Kosovo** have been fulfilled.

The **Economic and Investment Plan for the Western Balkans** focusses on bridging the socio-economic gap between the region and the EU. It provides the region with assistance through investments and policy initiatives in the fields of transport, energy, digital transition, green agenda, support to the private sector, economic integration, innovation and support to human capital development. It recognises the key role of rule of law as a cornerstone of sustainable development and underlines that, along with structural economic reforms, progress in the area of the fundamentals should continue while implementing the flagship initiatives.

To implement the Plan, the EU is mobilising up to EUR 9 billion of IPA III funding in 2021-2027, including up to EUR 1 billion to set up the Western Balkans Guarantee Facility, expected to crowd in capital for approximately EUR 20 billion in investments in the next decade. A continued emphasis on good neighbourly relations and regional cooperation will be necessary to achieve the Plan's objectives.

The Commission continued to implement the **Western Balkans Strategy**⁵ and the Priority Agenda adopted at the EU-Western Balkans Summit in Sofia in May 2018⁶. Most of the planned actions are now work in progress or have been completed. In particular, projects are underway that aim to measure the performance of the justice systems of the Western Balkan countries, as well as to monitor trials of high-level corruption and organised crime cases. Furthermore, the Western Balkan countries are now closely associated with the work of EU agencies in the field of justice and home affairs. Structured cooperation with the EU on migration and on security issues is ongoing, especially on counter-terrorism, prevention of radicalisation and violent extremism, and organised crime. However, a number of relevant recommendations related to rule of law reforms across the region remain to be addressed and given priority.

The region has completed all actions in the Regional Economic Area Action Plan and, at the Berlin Process Sofia Summit in November 2020, agreed an ambitious follow-up plan to establish a Common Regional Market. This **Common Regional Market** - an example of

⁴ [COM\(2019\) 261 final](#)

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

⁵ COM(2020) 57 final

⁶ [sofia-declaration_en.pdf \(europa.eu\)](#)

inclusive regional cooperation - will be crucial in increasing the attractiveness and competitiveness of the entire region, in speeding up the post-pandemic recovery, notably to attract investors looking for diversification of supply and shorter value chains, as well as in maximising the benefits of investments in connectivity infrastructure. It is therefore important that all parties play a constructive role in building the Common Regional Market and delivering on their joint commitments for the benefit of people and business in the region.

The changing nature of work, the digital and green transformations, and the COVID-19 pandemic are having a very direct impact on people's lives and affecting the socio-economic fabric of the region. To embrace the opportunities and to minimise potential negative implications of these challenges it is crucial that the Western Balkan partners maintain **macro-fiscal stability and implement structural reforms** to address identified weaknesses in their economies and to help their societies become more resilient. Implementing the reforms set out in the **Economic Reform Programmes** (ERPs) and in the policy guidance jointly adopted with EU Member States⁷ is therefore essential not only to improve competitiveness, foster job creation and facilitate social inclusion, but also to ensure fiscal sustainability and meet the economic criteria in the accession process and to maximise the potential impact of the EU's investment package.

Turkey is a candidate country and a key partner for the EU in essential areas of joint interest, such as migration, counter-terrorism, economy, trade, energy and transport.

In 2021, dialogue and cooperation with Turkey have increased. The Joint Communication on the 'State of play of EU-Turkey political, economic and trade relations'⁸ was submitted by the High Representative and the Commission to the European Council on 20 March 2021. On this basis, EU leaders have decided that the European Union is ready to engage with Turkey in a phased, proportionate and reversible manner to enhance cooperation in a number of areas of common interest, provided that the current de-escalation is sustained and that Turkey engages constructively, and subject to the established conditions set out in the recent European Council conclusions. In that context high level dialogues were held on climate and migration and security, to be followed by the dialogue on health soon. The European Council reiterated the EU'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. At the same time, EU leaders reaffirmed their commitment to defend EU interests and those of EU Member States.

The March 2016 **EU-Turkey Statement** continued yielding results and remained the key framework for cooperation on migration. Turkey sustained its very commendable efforts to host around four million refugees from Syria and other countries, in what is the largest refugee community in the world. However, problems arose over the implementation of the Statement due to Turkey's unilateral suspending of returns of irregular migrants and rejected asylum seekers from the Greek islands from March 2020 onwards and the emergence of alternative smuggling routes to Cyprus and Italy. Overall, the number of illegal border crossings between Turkey and the EU still remained significantly lower than prior to the adoption of the EU-Turkey Statement.

The EU continued to stand by its commitment to provide significant financial support for refugees and host communities in Turkey. The Facility for Refugees in Turkey has mobilised EUR 6 billion. Its full operational budget was contracted at the end of 2020, with over EUR

⁷ <https://www.consilium.europa.eu/media/44029/st08101-en20.pdf>

⁸ JOIN(2021) 8 final/2

4.2 billion disbursed by August 2021, through over 100 projects. Its achievements included helping 1.8 million refugees in meeting their basic needs, helping 700 000 refugee children go to school, building of 363 schools, and delivering over 18 000 000 primary health care consultations. In June, the Commission proposed to allocate an additional package of EUR 3 billion covering the 2021-2023 period, in addition to the EUR 0.5 billion in bridge humanitarian financing made available in 2020. This will include funding for migration management and border control, notably at Turkey's eastern border. The situation of refugees in the region will remain critical or even deteriorate, aggravated by COVID-19 and the subsequent economic difficulties. Migratory flows from other parts of the region, including Afghanistan, could lead to additional needs. Turkey has nevertheless not reversed the negative trend of moving further away from the European Union, with **serious backsliding in the areas of democracy, rule of law, fundamental rights and the independence of the judiciary**. EU leaders have stressed that the targeting of political parties, human rights defenders and media represents major setbacks for human rights and runs counter to Turkey's obligations to respect democracy, the rule of law and women's rights. Dialogue on such issues remains an integral part of the EU-Turkey relationship.

Both the EU and Turkey continue to benefit from the **Customs Union**. The volume of bilateral trade increased and the relative share of the EU in Turkey's foreign trade slightly increased. However, Turkey has not addressed a number of trade irritants hampering the smooth functioning of the Customs Union, despite the Commission's intensified engagement. Turkey's increasingly assertive **foreign policy** continued to be at odds with EU priorities under the Common Foreign and Security Policy and broader EU interests, notably due to its interventions and support for military actions in most of the surrounding regional conflicts. In June 2021, the EU leaders mentioned that in line with the shared interest of the EU and Turkey in regional peace and stability, the European Council expects Turkey and all actors to contribute positively to the resolution of regional crises.

Pursuing dialogue in good faith and abstaining from unilateral actions, which run counter to the EU interests and violate international law and the sovereign rights of EU Member States, is an absolute requirement to ensure a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship between the EU and Turkey. All differences must be resolved through peaceful dialogue and in accordance with international law.

The EU strongly condemned Turkey's unilateral steps and the announcements made by the Turkish President and the leader of the Turkish Cypriot community on 20 July 2021 regarding the further reopening of the fenced-off town of Varosha in Cyprus. The EU called for the immediate reversal of all steps taken on Varosha since October 2020.

The EU's **financial support** helps candidate countries and potential candidates to adopt and implement the required political, institutional, legal, administrative, social and economic reforms to comply with EU values and to progressively align with the EU's rules, standards, policies and practices with a view to EU membership, thereby contributing to their stability, security and prosperity.

In June 2021, a political agreement was reached between the Council and the European Parliament on the Commission proposal for a **Regulation on the Instrument for Pre-Accession Assistance (IPA III)**. The Regulation was adopted on 15 September 2021⁹. The completion of the legal framework will allow implementation of the Economic and

⁹ Official Journal L 330, 20.9.2021

Investment Plan for the Western Balkans, a crucial vehicle for the recovery of the region, to begin.

IPA III takes a solid policy-driven approach, involving a strategic and dynamic deployment of assistance and puts the fundamental requirements for membership at its core. By focusing EU financial assistance on key priorities, IPA III will provide even greater support for reforms, thereby fostering sustainable socio-economic development and bringing the partners closer to the EU. In line with the political agreement reached between the Council and the Parliament in June, IPA III strengthens conditionality related to democracy, human rights and the rule of law.

II. THE FUNDAMENTALS OF THE ACCESSION PROCESS

Fundamental reforms in the rule of law, the economy and the functioning of democratic institutions as well as public administration remain crucial for preparing the candidate countries and potential candidates to meet the requirements of membership. The enlargement countries' capacity and political will to focus on and push forward these reforms is central to their EU integration. It is therefore essential that progress is robust, tangible and irreversible.

In view of the COVID-19 pandemic, Western Balkan governments and Turkey continued to impose restrictions intended to protect public health. Parliaments in the Western Balkans continued to operate, in some cases with related restrictions. Freedom of assembly was often curtailed on public health grounds, in some cases against ombudsman recommendations; also other fundamental rights have been restricted. The pandemic in some cases affected the efficiency and transparency of judicial procedures. Emergency measures taken in the context of the COVID-19 pandemic need to be proportionate, restricted to what is necessary and limited in time so that rule of law and democratic and human rights standards are respected.

Judiciary and fundamental rights

Effective **judicial protection** by independent and impartial courts is a cornerstone of the rule of law. Across the Western Balkans, judicial institutions continue to face many challenges. Risks of undue pressure on the judiciary damage the overall institutional balance and the separation of powers, which ultimately undermines the principle of equality before the law. Persistent determination and commitment from the highest levels of government and all relevant stakeholders is crucial for successful judicial reforms. Decisive measures to strengthen the independence, quality and effectiveness of Western Balkan partners' judicial systems, backed by a solid long-term track-record are essential for further progress in the accession process.

Albania has made continued good progress in its comprehensive judicial reform, including tangible results in the vetting process. The Constitutional Court is now fully functional and has started to adjudicate important cases. **North Macedonia** made some progress, for example on implementing its judicial strategy. **Serbia** and **Kosovo** made limited progress in advancing their judicial reforms. In **Serbia**, there is a renewed commitment to reform, with plans to strengthen the independence of the judiciary, including through constitutional change, which is planned to be finalised by the end of 2021. In **Kosovo**, the overall capacity of judicial institutions to prosecute and try cases quickly and effectively remains weak. **Montenegro** and **Bosnia and Herzegovina** made no progress in their judicial reforms. In **Montenegro**, key judicial reforms are stagnating, and a decisive political commitment at all levels of government, parliament and judiciary is needed to unblock progress towards

meeting the rule of law interim benchmarks. **Bosnia and Herzegovina** is lagging behind, with no progress in strengthening its judiciary; in the absence of any meaningful actions, the overall integrity of the sector continued to deteriorate.

Turkey continued the serious backsliding that has been observed in recent years. It has not addressed the key issue of the systemic lack of independence of the judiciary. Political pressure on judges and prosecutors continued, further undermining independence and the overall quality of the judiciary. Large-scale dismissals of judges and prosecutors continued to weaken the judicial system's efficiency and professionalism. Turkey's refusal to implement all relevant judgements of the European Court of Human Rights has further increased concerns about Turkey's adherence to international and European standards. Turkish authorities need to address urgently serious shortcomings, especially with regards to the right to a fair trial and the strict respect of the principle of presumption of innocence.

Corruption in the Western Balkans as well as in Turkey continues to be widespread. Furthermore, some vulnerabilities to corruption have been exacerbated by the pandemic. Robust efforts and results in the fight against corruption are needed to mitigate threats to democratic governance, to legal and economical certainty, and to ensure a stable and transparent business environment. Success in preventing and fighting corruption varies across the enlargement countries, with continued progress in some areas and a clear slowdown in others. Public procurement remains particularly vulnerable to corruption. Control mechanisms throughout the procurement process need to be strengthened and transparency and accountability significantly increased with more robust and ambitious measures. Corruption risk assessments and measures to tackle corruption are not systematically conducted for the sectors most at risk. Across the board, significantly more effort and clear political will is needed to develop a credible and solid track record of investigating and prosecuting corruption cases, in particular at high level, and to ensure appropriate seizure and confiscation of criminal assets.

In **Albania**, the vetting of the judiciary and the establishment of the Specialised Structure for Anti-Corruption and Organised Crime are yielding results in the fight against corruption. **North Macedonia** has strengthened its strategic and institutional framework and consolidated its track record of investigating, prosecuting and adjudicating several corruption cases, including at high level. Progress in **Kosovo, Montenegro** and **Serbia** was limited. While Montenegro's Anti-corruption Agency took a more proactive approach, the country needs to step up efforts on the prevention and repression of corruption, as well as on the seizure and confiscation of assets. Kosovo increased the capacity of its Special Prosecution, but sustained efforts are still needed on proactive investigations, final court decisions and final confiscation of assets. In **Serbia**, the capacity of the Agency for Prevention of Corruption was strengthened, but no concrete steps were taken to adopt a new anti-corruption strategy underpinned by a credible and realistic action plan and most GRECO recommendations remain pending. **Bosnia and Herzegovina** made no progress to tackle widespread corruption and signs of political capture. The legislative and institutional frameworks remain inadequate and too fragmented. In **Turkey**, there has been no progress. Its legal and institutional frameworks against corruption remain below international standards and allow for undue political influence in the investigation, prosecution and adjudication of corruption cases. Accountability and transparency of public institutions need to be improved. The absence of an anti-corruption strategy indicates a lack of will to fight corruption.

Fundamental rights are largely enshrined in the legislation in the Western Balkans, but challenges remain in ensuring their effective implementation. Fundamental rights protection by the courts remains insufficient in a number of policy areas. Overall, there have been

limited developments or even stagnation in this area in most of the region. The concerns and recommendations of the previous country reports have only been addressed to a limited degree. In Turkey, the human rights situation deteriorated further and remains a serious concern.

Freedom of expression, media freedom and pluralism are key pillars of a democratic society and must be upheld. In the Western Balkans, there was limited or no progress overall in this regard. Although the media landscape generally allows for freedom of expression, threats, intimidation and violence against journalists as well as derogatory remarks by public officials, continue to cause serious concern. These can have a chilling effect on the exercise of media freedom and the pace of investigations into and prosecutions of such incidents needs to be stepped up. The independence of media regulators and public broadcasters needs to be guaranteed, including through adequate funding and merit-based appointments in management structures. The effective functioning of independent self-regulatory bodies also needs to be further supported. All countries in the region need to increase transparency on media funding and on links between public and private interests that influence editorial lines and lead to self-censorship.

Serious backsliding continued in Turkey, where the exercise of the freedom of expression and dissemination of opposition voices remain considerably limited. Intimidation of the media continued through criminal cases and convictions of journalists, human rights defenders, lawyers, writers, opposition politicians, students and social media users.

The Western Balkan partners need to demonstrate that they are continuing efforts to promote and strengthen **gender equality** and to address gender-based violence. Concerns have increased in this respect in Turkey, where there has been a backlash against women's rights, as evidenced by the country's withdrawal from the Istanbul Convention.

Laws and policies on **non-discrimination** are generally in place but there is insufficient follow-up to cases of discrimination, hate crime and hate speech. Legal protection for the **rights of Lesbian, Gay, Bisexual, Transgender, Intersex and Queer (LGBTIQ) people** has improved in most of the Western Balkan partners but laws needs to be upheld in practice, as discrimination and hate speech remain frequent. In Turkey, the protection of the fundamental rights of LGBTIQ people, and hate speech and smear campaigns against the LGBTIQ community are still a matter of serious concern.

Children, especially those in vulnerable situations, have been affected by school closures and other limitations imposed by the COVID-19 crisis. Efforts are needed to strengthen the **rights of the child** and to build resilient child protection and childcare systems. Child-friendly justice systems need to be fully developed and alternatives to detention made available and used more systematically, with detention used only as a measure of last resort.

The **rights of persons with disabilities** need to be effectively protected, including their transition to community-based care and independent living, in line with the requirements of the UN Convention on the Rights of Persons with Disabilities. Protecting **minorities** and their participation in public life also needs continued attention. Roma continue to be disadvantaged compared to their non-Roma neighbours, and vulnerable Roma were disproportionately affected by the COVID-19 crisis and the related restriction measures.

Governments in the region need to address all the recommendations of international and regional human rights monitoring bodies, including the ones on **prison conditions** and prevention of ill-treatment.

Justice, freedom and security

Organised crime continues to be a threat to the region, affecting people, businesses, state institutions and the economy as a whole. Powerful criminal organisations with a global reach easily operate across borders, including in the EU. Criminal organisations active in the Western Balkans have proven very adept at exploiting the evolution of the COVID-19 pandemic. Governments' responses have included stepping up operational police cooperation with the EU, in particular through the EMPACT platform¹⁰ and with EU Agencies in areas such as drug smuggling (especially cannabis and synthetic drugs), smuggling of migrants, trafficking in human beings, organised property crime, smuggling of excise goods (mainly cigarettes), and firearms. The new EU Strategy to tackle Organised Crime 2021-2025¹¹ confirmed the EU's commitment to continue prioritising capacity building projects in third countries, including in enlargement countries. The aim is to support operational cooperation and help equip partners with the tools allowing them to root out complex criminal structures.

Good progress is being made on tackling the illegal possession, misuse and trafficking of small arms and light weapons in line with the 2020-2025 EU action plan on firearms trafficking. Continuous efforts are required on legal alignment with the EU acquis and international agreements, strengthening border security and capacities for firearms-related investigations, enhancing the effectiveness of judicial systems regarding firearms-related crimes, further facilitating operational cooperation and exchange of information among law enforcement agencies, reducing the illegal possession of firearms and decreasing the risk of proliferation and diversion of firearms, ammunition and explosives.

There has also been continued investment in the structures to fight organised crime, leading to the strengthening of specialised judiciary and police bodies. Nevertheless, **track records on final convictions** for organised crime demonstrate that the capacity of law enforcement authorities and the judiciary to successfully investigate, prosecute and try important organised crime cases, and therefore to dissuade potential perpetrators, remains inadequate. This is also the case in relation to combatting trafficking in human beings, which also implies providing protection and support to victims.

In the Western Balkans and Turkey, the authorities need to find an effective response to prevent organised crime from infiltrating the economies. Further efforts are also needed to speed up the tracing of assets derived from crime through financial investigations, and to ensure a more effective confiscation and recovery of criminal profits. In addition, law-enforcement agencies need to step up their capacity to address the emergence of new variations in criminal activity, in particular various forms of cyber criminality. Cooperation on cybercrime is increasing.

Positive examples in the region have been noted in **Albania**, where good progress was made on international police cooperation leading to high-profile arrests, and on countering the production and trafficking of drugs. **North Macedonia** has made some progress in the fight against organised crime, including at operational level. **Montenegro** also recorded some progress in improving the access of law-enforcement agencies to key databases and increasing the number of investigators and experts in key areas. Moreover, well-established

¹⁰ EMPACT (European Multidisciplinary Platform against Criminal Threats) is a security initiative driven by EU Member States to identify, prioritise and address threats posed by organised and serious international crime. EMPACT is now a permanent instrument, as set in the [Council conclusions on EMPACT 2022+](#). In May 2021, the Council adopted the [conclusions setting the EMPACT priorities for the next EMPACT cycle](#) (January 2022 - December 2025).

¹¹ Communication on the EU Strategy to tackle Organised Crime 2021-2025, COM(2021) 170 final, 14.4.2021

international police cooperation continued to yield results, with unprecedented drug seizures. However, **Kosovo, Serbia and Turkey** only made limited progress in the fight against organised crime, with no progress in **Bosnia and Herzegovina**, where the contact point for cooperation with Europol is not yet operational.

Cooperation with the Western Balkans on **counter-terrorism** and prevention of radicalisation continues to be of key importance. While extreme religious and political ideologies remain present in the region, and the rise of online radicalisation fora in general is of concern, during the reporting period no incidents of an extreme or violent nature (terrorism, extremism, radicalism) were reported and the security situation in the region remained stable.

The EU-Western Balkan Justice and Home Affairs Ministerial Forum held in October 2020 reiterated the validity of the Joint Action Plan (JAP) on counter-terrorism for the Western Balkans and reaffirmed the commitment to implement its objectives beyond 2020. The JAP and the respective implementing arrangements therefore remain a framework for joint work on preventing radicalisation leading to violent extremism and terrorism based on the five objectives and underpinned by strong regional cooperation. While the pandemic has slowed down implementation in most of the region, there has been some progress in developing counter-terrorism strategies, adopting relevant legislation, strengthening the relevant institutional capacity and introducing anti-radicalisation measures, further progress is necessary to ensure full implementation of the agreed objectives and actions. In general, more efforts are needed to prevent all forms of radicalisation, including of a religious, ethno-nationalist or political nature.

Albania adopted a new national cross-sector counter-terrorism strategy and action plan in December 2020 and delivered on its obligations under the JAP. On anti-money laundering, Albania has continued to further align its legislation with the EU acquis. **Montenegro** is implementing its 2020-2024 strategy on preventing and countering violent extremism, with a special focus on detention centres, with the support of civil society. **North Macedonia** continues to implement the national strategy (2018-2022) on countering terrorism and violent extremism. **Bosnia and Herzegovina** and **Serbia** would benefit from a more strategic approach to counter-terrorism. Bosnia and Herzegovina's strategy in this area has expired, so a follow-up strategy for 2021-2025 that aligns with EU policy, especially on preventing and countering violent extremism should be adopted and implemented. This will require having more effective counter-terrorism structures in place. Bosnia and Herzegovina needs a new law on anti-money laundering and terrorism financing in line with the EU legal standards (i.e. the fourth anti money laundering directive). In Serbia, key counter-terrorism legislation is still in the making. **Kosovo** is planning to adopt a new joint strategy on counter-terrorism and tackling violent extremism. While the Minister of Internal Affairs remains the National Coordinator, there is a need to re-establish an office supporting the coordinator and to play a stronger role in inter-institutional coordination.

Some partners in the region (Albania, Kosovo and North Macedonia) are systematically repatriating **foreign terrorist fighters** and family members. In most of the Western Balkans, repatriating foreign terrorist fighters returning from former combat zones, and doing more for their effective and systemic reintegration and resocialisation, is an issue of concern. **Kosovo** made good progress on rehabilitating and reintegrating foreign terrorist fighters and their families, although there are concerns about the early conditional release of violent extremist offenders from prison. Across the Western Balkans, the monitoring of reintegration and resocialisation measures, including in prisons, remains to be improved. This includes in particular the cooperation among institutions at national and local level. Exchange of

information through Europol's Secure Information Exchange Network Application (SIENA) has made significant progress. Western Balkan partners should continue to proactively transmit information on return of foreign terrorist fighters and their families through the appropriate channels. **Montenegro** has a good exchange of information with EUROPOL and EUROJUST on foreign terrorist fighters. **North Macedonia** adopted, in June 2020, a national plan for the reintegration, resocialisation and rehabilitation of returning foreign fighters and members of their families.

Turkey continues to face threats from terrorist groups. While the government has a legitimate right and responsibility to fight terrorism, its legal framework and response need to be brought in line with European standards and the EU *acquis*. Anti-terror measures need to be proportionate and undertaken in accordance with the rule of law, human rights and fundamental freedoms. Turkey should cease to use the broad interpretation of its anti-terror law to arrest and detain journalists, writers, lawyers, politicians, academics, human rights defenders and critical voices. Turkey prioritised the fight against the PKK, which remains on the EU's list of persons, groups and entities involved in acts of terrorism, and the dismantling of the Gülen movement. Turkey has well-developed institutional capabilities but continues to face severe money laundering and terrorist financing risks. While it made progress in strengthening its anti-money laundering/countering the financing of terrorism framework, outstanding Financial Action Task Force (FATF) recommendations remain to be fulfilled. The country needs to develop a comprehensive strategy and action plan on anti-money laundering and the financing of terrorism.

The effectiveness and timeliness of Turkey's asset freezing mechanism improved, and the country continued its efforts to fight home-grown and foreign terrorist fighter cells. Police and judicial cooperation with EU Member States and EU agencies on combating terrorism remained limited due to the absence of a national personal data protection law that aligns with European standards and EU *acquis*, as well as differences in the definition of, and penalties for, terrorist offences. Turkey should continue its efforts to effectively prevent and counter radicalisation leading to violent extremism and terrorism, in full compliance with fundamental rights.

Hybrid threats, including cyber-attacks and, above all, disinformation and misinformation have continued to be a serious issue in the enlargement countries. In the Western Balkan region in particular, state and non-state actors, including from outside the region, continued to spread disinformation to challenge the EU's credibility, to undermine public trust in democratic institutions and to deepen polarisation. Dis- and misinformation campaigns have been particularly intense during the COVID-19 pandemic but also in the run-up to elections. The bulk of disinformation in the region is produced and disseminated by domestic actors for domestic purposes, although third states' proxies are also active.

In line with EU priorities under the Joint Framework on countering hybrid threats¹², the Western Balkans Strategy and the Zagreb Declaration¹³, the EEAS and the Commission have deepened their policy dialogue with enlargement partners on countering hybrid threats, in particular on cyber-resilience, the protection of critical infrastructures, strategic communication and addressing disinformation. Strategic communication continued to focus on thematic communication campaigns highlighting the benefits of the EU support for citizens and for economies, and on public diplomacy actions with direct outreach to citizens, notably the youth, to stimulate debate about the common European future. In parallel, the EU

¹² JOIN(2016) 18 final

¹³ [Zagreb Declaration, 6 May 2020 \(europa.eu\)](#)

continued to communicate the political and policy developments in EU – Western Balkans relations through web and social media channels. Promoting freedom of expression and independent journalism in the enlargement region remains a priority, while cybersecurity capacity building is a crucial part of the Digital Agenda for the Western Balkans¹⁴ and a priority in the new EU cybersecurity strategy¹⁵.

Irregular **migration** continued to be a key challenge for the Western Balkans and Turkey. Cooperation was further developed along the Eastern Mediterranean/Western Balkans migratory routes. Smuggling of migrants, unaccompanied minors, trafficking in human beings and insufficient capacity of national asylum systems remain of concern. The crisis in Afghanistan might result in a further increase of Afghan refugees and requires continued close cooperation between the EU and the partner countries.

In 2021, the overall number of irregular arrivals from the **Western Balkans** to the EU are increasing compared to 2020, with approximately 23,000 detections of irregular border crossings recorded during the year's first 7 months alone, compared to approximately 27,000 irregular arrivals for all of 2020. Intense migratory movements have continued to result in a large number of refugees and migrants present in the region, especially in Serbia and Bosnia and Herzegovina. Currently, there are approximately 20,000 migrants and refugees in the region. In addition, it is estimated that thousands are present outside reception facilities.

While progress is being achieved, further efforts are needed in the Western Balkans for the creation of new or more robust institutions, laws and procedures in the areas of asylum, return and border management, also in view of the transposition of complex and demanding EU acquis. Western Balkan partners should also assume responsibility and ownership for all aspects of migration. There is a need to strengthen asylum systems, to step up voluntary and non-voluntary returns and cooperation on readmission with countries of origin, as well as regional and international cooperation in combatting the organised crime groups engaged in migrant smuggling and in trafficking of human beings. Regional cooperation and coordination with the EU remain key.

Negotiations have been completed on status agreements with five countries of the region allowing the European Border and Coast Guard Agency (Frontex) for the deployment of European Border and Coast Guard teams with executive powers in the zones bordering the EU external border in support of national border authorities, however, with Bosnia and Herzegovina and North Macedonia they have not been signed yet. In order to strengthen border management and border protection, the entry into force and effective implementation of all status agreements is a key priority. The agreements with Albania, Montenegro and Serbia have already entered into force and deployments have ensued.

Turkey continues to host the largest refugee population in the world with approximately 4 million refugees from Syria and other countries present on its territory. In the first eight months of 2021, the total number of arrivals from Turkey to the EU was 9703 compared to 12331 in the same period in 2020. However, although the migratory pressure at the Turkish-Greek land and sea borders remained also low, in the same period 4739 people arrived from Turkey to Italy, compared to 1111 in 2020. At the same time the total number of irregular arrivals to Cyprus was 5553 (4957 after having crossed the Green Line) compared to 3800 in 2020.

¹⁴ [Launching of Digital Agenda for Western Balkans \(europa.eu\)](https://europa.eu/european-council/en/launching-digital-agenda-western-balkans)

¹⁵ JOIN(2020) 18 final

Given the situation in Afghanistan and the perception of migrants among the Turkish population, Turkish authorities are reinforcing their border infrastructure along the border with Iran. Turkish authorities are also increasing resources in preventing and combatting migrant smuggling, but there is a need for greater international law enforcement cooperation on the whole migration route, from countries of origin to Turkey, the Western Balkans and the EU, to combat smuggling networks. Continued close cooperation in the field of border management and fighting migrant smuggling remains a key priority.

Functioning of democratic institutions

Ensuring credible and sustainable reforms in the area of democracy remains a pressing challenge for the enlargement countries. The absence of genuine political will continued to be the main reason for the lack of substantial progress, or even backsliding.

Strong political polarisation, boycotts of elections and parliamentary work by the opposition, and in some cases evident mistrust across the political spectrum - notably within the parliaments - still hamper the functioning of democratic systems and institutions in the **Western Balkan** partners. In **Serbia**, the parliament and political forces continued to engage in the inter-party dialogue led by the European Parliament, to forge broad cross-party consensus on EU-related reforms, which is vital for the country's progress on its EU path. At the September plenary meeting, the Co-Facilitators from the European and Serbian Parliament reached an agreement on a working document containing 16 measures to increase trust and confidence in the electoral process, with a set of concrete actions and timelines. Inflammatory language against political opponents, journalists and civil society was used during plenary debates in some countries. Parliamentary work continued despite the COVID-19 restrictions. A democratic society based on the rule of law requires the unambiguous tackling of corruption and ensuring the independence and efficiency of the judicial systems.

In **Montenegro**, the parliamentary elections resulted in a change in the ruling coalition and a new political landscape emerged. Frictions between the executive and legislative powers have slowed down reforms, with new legislation introduced by the parliamentary majority putting into question earlier achievements. In **Kosovo**, the landslide victory of an opposition alliance at the parliamentary elections represented a major political change, and led to a government enjoying a solid majority in the Assembly. On 17 October 2021 local elections were held in Kosovo, with an EU Election Observation Mission deployed that will issue an assessment after the elections. Although the elections in the region were generally well-organised, including through greater use of IT in **Albania**, numerous recommendations of previous election observation missions to the region on voter counting, voters' lists, campaign funding, dispute resolution and sanctions for electoral violations remain to be properly implemented and structural weaknesses need to be addressed. In particular, bringing more transparency and accountability to political party and electoral campaign financing, as well as an equitable access to media, still require further substantial efforts throughout the region. In **Bosnia and Herzegovina**, an inter-agency working group was established in May 2021 to discuss electoral and constitutional reforms. Political actors and institutions need to engage in a transparent and inclusive dialogue to address long-standing electoral shortcomings ahead of the next general elections in October 2022.

In **Turkey**, democratic backsliding continued during the reporting period. Turkey needs to bring its constitutional framework in line with European standards. Despite the ending of the state of emergency in July 2018, certain legal provisions granting extraordinary powers to government authorities and retaining several restrictive elements of the emergency rule

remained integrated into the legal system, which affected 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. Access to justice remained limited for those negatively affected by the emergency decree-laws. The executive presidential system does not ensure a sound and effective separation of powers, reducing the democratic accountability of the executive. Forcefully dismissed mayors in the south-east continued to be replaced by government-appointed trustees, which is against the opinion of the Venice Commission of June 2020¹⁶. The targeting of the opposition parties and media by the judiciary seriously endangered the legitimacy of the Turkish democratic institutions and political pluralism. In this respect, the decision of the Constitutional Court to accept the indictment seeking to close down the second largest opposition party sends a further worrying signal. The politicisation of the public administration continued. Civil society faced continuous pressure and their space to operate freely continued to diminish.

Public administration reform

Public administrations design and deliver public policies, manage public investments, and provide essential public services that enhance the welfare of all citizens. To build trust, public administrations need to be transparent, accountable and effective. While there has been some good progress over the past year, the main shortcomings relate to various forms of politicisation.

Policy planning has improved somewhat, but further efforts are needed to ensure a strong quality control by central governments and to strengthen capacities for evidence-informed policymaking and enhancing a culture of evidence-based policymaking in the public administration. **Policy monitoring** capacities should be increased.

In Montenegro, the overall quality of strategic documents produced over the reporting period improved. North Macedonia adopted a new methodology for preparing, monitoring and reporting on sector strategies that aims to strengthen policy planning. In Albania, some progress was made in implementing regulatory impact assessments, improving governance arrangements on public consultations and establishing IT systems for integrated planning. In general, policies, legislation and public investments in the region are still often prepared without impact assessments.

Accountability of public administrations remains a top priority. Public bodies are not always created and organised effectively. In Montenegro, 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. In Albania, subordinated agencies have been created in recent years without strategic planning. In Kosovo, there have been delays in applying the recently adopted legislative framework meant to improve the organisation and accountability of the administration. In North Macedonia, the new Law on state organisation, aiming at streamlining the institutional framework, eliminating overlapping competences and increasing the administration's efficiency, has yet to be adopted. Turkey lacks a comprehensive public administration reform agenda and a lead institution in charge of the process.

¹⁶ [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)011-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)011-e)

Human resources and civil service management, including managerial accountability and increasing the professionalism of the civil service, still need to be ensured in most countries, by empowering senior managers and supervisors and delegating decision-making to them. Transparent and merit-based procedures for recruitment, promotion, demotion and dismissal need to be embedded in the legislative frameworks and consistently implemented across public services at central and local level. The structure of the state administration should ensure effective lines of accountability. Albania has completed key steps by fully digitalising the recruitment process of civil servants to ensure higher transparency. In Serbia, there was no progress in reducing the excessive number of acting senior manager positions. In Bosnia and Herzegovina, different working conditions stemming from the various civil service legislation as well as diverging practices across levels of government continue to hamper the mobility of civil servants and the creation of an administrative space with equal standards. Most countries have made efforts to improve services to businesses and the general public. Serbia, Albania, Montenegro and North Macedonia launched e-government initiatives and services as a reaction to the COVID-19 pandemic. Accountability of the administration and human resources management remained a source of concern in Turkey. While the politicisation of the administration continued, the political will to reform is still lacking

The **role of regional and local authorities** in the EU alignment process and eventual application of EU rules needs to be taken into account. An appropriate balance between central, regional and local government needs therefore to be ensured. In Turkey, decisions and targeted actions taken by the authorities against municipalities with elected mayors from opposition parties remain deeply concerning.

The **administrative capacity** and professional standards of bodies in charge of implementing the EU *acquis* need to be strengthened and the independence of regulatory bodies safeguarded.

The functioning of the **public procurement** and **public finance management systems** remains a challenge. Overall, transparency and accountability on COVID-19-related measures were very limited.

Kosovo, Montenegro and Serbia advanced the digitalisation of their procurement systems. Meanwhile, the circumvention of EU procurement standards in Serbia has become a concern as 54% of the cumulative value of all public procurement contracts in 2020 was exempted from the application of the Law on public procurement. Montenegro's airports concession has yet to be tendered in line with the EU standards on fair and transparent public procurement. North Macedonia and Serbia somewhat strengthened capacities in their procurement systems, but capacity development needs to be prioritised in Albania, Bosnia and Herzegovina and Kosovo. Albania and Montenegro improved their public procurement laws and Albania adopted its first-ever public procurement strategy. For most of the reporting period, Bosnia and Herzegovina gave preferential treatment to domestic bidders when awarding public contracts, in breach of the Stabilisation and Association Agreement.

Turkey continues to register large gaps in its alignment with the EU *acquis*, as the coverage of public procurement rules is significantly reduced by various exemptions, as well as discriminatory domestic price advantages and set-off practices. The use of electronic procurement system increased fourfold in Turkey.

Reforming national governance systems to increase managerial accountability, **sound financial management** and external auditing of public funds, is crucial. Progress on public internal controls and managerial accountability was slow during COVID-19, but Albania and Serbia made notable progress on defining the strategic framework and developing the

methodology for implementing their reforms. Albania made an effort to implement more of the Albanian State Audit Office's recommendations in 2020, notably to address weaknesses that limited the impact of external audits, limited legislative scrutiny and insufficient engagement with the public. Montenegro greatly improved its follow-up of audit recommendations, and achieved a more open and transparent communication with the Parliament and with the general public. Albania has taken decisive action to strengthen public internal financial control (PIFC), with measures on delegating financial responsibilities, on monitoring and following-up internal audits.

Although strengthening **public investment management** systems and capacities is set out as priority for all enlargement countries, especially in the context of the Economic and Investment Plan for the Western Balkans, little progress was made in the last year. However, as Montenegro is conducting a public investment management assessment in 2021, all Western Balkan economies now have evidence-based recommendations on how to make public investments more effective.

All candidate countries and potential candidates must strengthen their capacity to produce good quality **statistics**, in line with the principles of the European statistics Code of Practice, that are based on professional independence, impartiality, reliability, transparency and confidentiality. It is also critical to increase the provision of data to Eurostat. In the Western Balkans and Turkey, the population and housing censuses are the main focus for statistical offices and sufficient resources should be allocated for conducting the censuses. One specific sector where all need to make progress is ESA 2010, the European System of Accounts (macro-economic statistics).

Economy

The **COVID-19 pandemic** has had a significant negative impact on economic growth in the Western Balkans and Turkey in 2020. Economic activity in the Western Balkans contracted by 3.4%. Turkey showed some expansion in 2020 (1.8% real GDP growth). Across the Western Balkans, the depth of the downturn varied widely in 2020, ranging from a relatively mild 1% fall in GDP in Serbia to a very sharp output loss of 15.2% in Montenegro, with Bosnia and Herzegovina (4.6%), Albania (3.8%), North Macedonia (4.5%) and Kosovo (4.1%) recording intermediate levels of contraction. The sectoral structure of the economies, in particular the share of tourism, played a central role in the severity of the economic fallout, accounting, in particular, for the very sharp contraction in Montenegro. Strong agricultural seasons had a mitigating impact, in particular in Serbia and Albania. Differences in the policy response to the crisis, partly due to varying degrees of available policy space, also had an impact on economic outcomes. In Turkey, economic growth came with continuing high inflation, rising external deficits and a continued depreciation of the currency, largely linked to heightened risk perception brought about by frequent changes of the central bank Governor.

Most economies project economic growth to rebound in 2021 and then to recover or exceed pre-pandemic rates of expansion. Following the high fiscal deficits linked to the crisis and substantial increases in the debt-to-GDP ratio in 2020, gradual fiscal consolidation is planned to start as of 2021 or 2022.

However, to foster a sustainable recovery in the medium-term, the implementation of **structural reforms** needs to accelerate further. This is essential to meet the two economic criteria for EU membership: to ensure functioning market economies and demonstrate the capacity to cope with the competitive pressure and market forces within the EU. Whereas the

average score for implementing the ERPs reform measures stood at only 2.7 (out of 5) in 2020, the level of implementation of the jointly agreed recommendations significantly rose, from 35.5% for the policy guidance adopted in 2019, to 50.8% in 2020. This improvement is mostly linked to the particular short-term character of many recommended COVID-19 crisis-mitigating measures.

Labour markets in the Western Balkans and Turkey continue to be characterised by overall low activity and employment as well as high informality and unemployment. Activity rates decreased in all countries in 2020 as people tended to withdraw from the labour force during the COVID-19 crisis. The low rate of integration of women and young people into the labour market remains a serious challenge. In July 2021, the Western Balkans endorsed a Declaration on ensuring sustainable labour market integration of young people and taking concrete steps to gradually establish, implement and enhance, respectively the Youth Guarantee schemes. Reforms and investments in the education systems and upskilling and reskilling are key to tackling the labour market challenges.

Digitalising the industrial sector and developing **digital** skills of all segments of society are crucial for boosting employability and advancing the digital economy. The 2021-2027 digital education action plan¹⁷ adopted in September 2020 aims to help education and training systems address the challenges of the COVID-19 crisis and support the longer-term digital transformation. The media landscape has also shifted, requiring actions to support regulatory independence and protect minors in digital media.

III. THE ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

The revised methodology organises the negotiating chapters into thematic clusters in order to inject further dynamism and to foster cross-fertilisation. This new approach is also reflected in the following presentation of alignment with the EU *acquis*.

The **internal market** cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28). Alignment in these areas is crucial to benefit fully from the Stabilisation and Association Agreements and to further increase trade integration with the EU - by far the region's leading trading partner. It will also make EU investments more attractive, and facilitate supply chain synergies, job creation and access to capital.

The Western Balkans are, in general, moderately prepared in many areas of the internal market. On free movement of goods, Kosovo made some progress, whereas the other Western Balkan partners made only limited progress. Montenegro and Serbia made some progress on the free movement of services, while on free movement of capital Albania, Kosovo, Montenegro and North Macedonia made some progress, as did Bosnia and Herzegovina, Kosovo, and Montenegro in the area of competition policy. Albania, Bosnia and Herzegovina, Kosovo and Montenegro also made progress in the area of financial services.

Regional cooperation and inclusive regional cooperation frameworks like the EU Strategy for the Adriatic-Ionian Region (EUSAIR) or the EU Strategy for the Danube Region (EUSDR)

¹⁷ COM/2020/624 final

continued to facilitate preparations for eventual participation in the EU internal market. The Western Balkans Common Regional Market, which builds on EU rules and standards, is a stepping-stone in integrating the region more closely with the EU single market before accession. At the Sofia Summit on 10 November 2020, the leaders of the six Western Balkans countries adopted the Common Regional Market action plan and the Declaration on the Green Agenda for the Western Balkans.

Turkey made some progress in the areas of free movement of capital, financial services and competition policy, where however serious concerns persist with regard to State aid. It is well advanced in the area of company law, and has a good level of preparation in the areas of free movement of goods, financial services, consumer and health protection as well as intellectual property law. It remains at an early stage of preparation in the areas of free movement of services and free movement of workers, where no progress was made.

The **competitiveness and inclusive growth** cluster covers: information society and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20); science and research (Chapter 25); education and culture (Chapter 26); and customs (Chapter 29). The reforms in these areas are extremely relevant for the Western Balkans' Economic Reform Programmes and receive support through the Economic and Investment Plan, as they will help to increase the region's competitiveness and attractiveness for businesses, and help reduce the existing gap with the EU economy.

Most Western Balkan partners have a moderate level of preparation in the areas linked to this cluster. However, Bosnia and Herzegovina remains at an early stage in several areas. In the area of taxation, Serbia has made good progress, Bosnia and Herzegovina no progress, and all other partners some progress. In the area of customs union, North Macedonia has made good progress and Serbia and Albania have made limited progress, whereas Kosovo and Montenegro made some progress. In the area of education and culture, Montenegro, Serbia and Albania made some progress. In the area of science and research, Albania made good progress, while Bosnia and Herzegovina, Montenegro and Serbia made some progress. The Western Balkans partners with some progress in the area of information society and media were Albania and Kosovo, in the area of economic and monetary policy North Macedonia, in the area of social policy and employment Albania and North Macedonia. In the area of enterprise and industrial policy all the Western Balkan partners made some progress, except Bosnia and Herzegovina.

Due to its progress in this cluster, the Commission considers that Serbia meets all opening benchmarks of this cluster, in particular by removing the discriminatory taxation for imported alcohol. In general, the region must undertake socio-economic reforms to address structural weaknesses, low competitiveness, high unemployment and the impact of the COVID-19 pandemic. Progress on aligning with EU rules in the areas of VAT, excise duties and direct taxation would help encourage intra-regional and international trade. The region also needs to significantly strengthen its research and innovation ecosystem to allow the economies to catch up with developments, including in digital and green technologies. On education and culture, Montenegro and Serbia are the frontrunners in the region, while Bosnia and Herzegovina and Kosovo need to start catching up.

Turkey continued to align with the EU *acquis* to a limited degree and there was backsliding in the areas of information society and media, economic and monetary policy, social policy and employment as well as industrial policy. Turkey made some progress in the areas of science and research, and education and culture, where the country needs to continue to make education more inclusive, especially for girls. Turkey's preparations in the area of science

and research are well advanced. Turkey's trade integration with the EU is high and 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.

The **Green Agenda and sustainable connectivity** are key to a sustainable and future-proof recovery, as well as economic integration within the region and with the EU, which will benefit both businesses and the broader public.

This cluster covers: transport policy (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Albania, North Macedonia and Serbia are moderately prepared in the area of energy, while Montenegro is at a good level of preparation. In the area of trans-European networks, Albania, Bosnia and Herzegovina and Kosovo have some level of preparation, Serbia is moderately prepared, and North Macedonia has a good level of preparation. Albania, North Macedonia, Montenegro and Serbia have some level of preparation as regards environment and climate change. Albania and Bosnia and Herzegovina registered some progress in the area of transport policy, while Kosovo, North Macedonia, and Serbia recorded limited progress, and no progress was noted in Montenegro. Due to its progress in this cluster, the Commission considers that Serbia meets all opening benchmarks of this cluster, in particular by adopting the unbundling roadmap for the gas sector.

On energy, Serbia has made good progress, North Macedonia, Kosovo and Albania some progress and Montenegro limited progress. On trans-European networks Albania, Bosnia and Herzegovina, and Serbia have made some progress, while only limited progress was recorded in Kosovo, North Macedonia and Montenegro. On environment and climate change, only limited progress was achieved across the board in the Western Balkans. Urgent action is therefore needed across the region to speed alignment with EU *acquis* and strengthen implementation, law enforcement and investments. Administrative capacities in the sector need to be significantly strengthened and structural reforms need to be implemented.

In 2020, the Commission delivered on its pledge of EUR 1 billion to support connectivity in the region. The connectivity portfolio under the Western Balkans Investment Framework now includes 45 projects worth EUR 1 billion, which will leverage more than EUR 3.8 billion in investments. This has led to safer and shorter journeys and reduced waiting times at borders, as well as an increase in trade volumes, and safer, more reliable, more diverse and greener energy supplies, with about 300k tonnes of CO₂ emissions avoided. The first set of projects to help implement the investments flagships of the Economic and Investment Plan has been launched. These investments were accompanied by regulatory work under the Transport Community and Energy Community. In the digital field, the regional roaming agreement for the Western Balkans entered into force on 1 July 2021. The connectivity agenda was revamped with the adoption of the Green Agenda for the Western Balkans, which focuses on developing sustainable transport and energy solutions in the region.

The Green Agenda for the Western Balkans aligns with the five broad areas covered by the Green Deal: (i) decarbonisation, (ii) depollution of air, water and soil, (iii) circular economy, (iv) farming and food production and (v) protecting biodiversity. Economic growth and new business opportunities will be linked to more sustainable consumption and production practices, including promoting a circular economy, resource efficiency, and better re-use of waste products in all economic sectors, including urban and rural planning, with ecosystem sustainability as a precondition for success.

Turkey is moderately prepared in terms of its transport and energy policy. It needs to work further on gas market liberalisation and to develop cooperation on nuclear safety and security. It has made some progress on energy and transport networks, with the construction of the Halkali-Kapikule railway line connecting the Bulgarian border with Istanbul, which is still ongoing. Turkey has some level of preparation in the area of environment and climate change and faces critical environmental and climate challenges, both as regards mitigation and adaptation. Turkey has ratified the Paris Agreement on climate change (pending submission of its ratification instrument to the United Nations). Turkey has also expressed readiness to cooperate with the EU on the European Green Deal objectives. These are welcome developments. However, the mainstreaming of climate action into other policies still remains limited.

On **resources, agriculture and cohesion**, preparations are stagnating. This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

North Macedonia, Montenegro and Serbia are moderately prepared in most chapters of this cluster. Albania and Kosovo mostly have some level of preparation, while Bosnia and Herzegovina is still at an early stage in most chapters.

In the area of agriculture and rural development, Albania, Montenegro and North Macedonia made some progress, and Bosnia and Herzegovina made no progress. In the area of food safety, veterinary and phytosanitary policy, North Macedonia and Montenegro made good progress, Albania some progress, and Bosnia and Herzegovina, Kosovo and Serbia limited progress. On fisheries, only Albania made good progress. Montenegro made some progress. On regional policy and coordination of structural instruments, Bosnia and Herzegovina made no progress whereas the other Western Balkans countries made limited progress.

Turkey's agricultural support policy has moved away from the principles of the EU common agricultural policy. The country has made good progress on fisheries, some progress on regional policy and coordination of structural instruments, and limited progress in the area of food safety, veterinary and phytosanitary policy, where there are concerns about the level of pesticide residues in exports of food products to the EU.

The **external relations** cluster covers external relations (Chapter 30) and foreign, security and defence policy (Chapter 31).

All the Western Balkan partners have either a good level of preparation or are moderately prepared in the area of external relations, except for Bosnia and Herzegovina, which has some level of preparation. In the area of **foreign, security and defence policy**, Albania and Montenegro have a good level of preparation, North Macedonia and Serbia are moderately prepared, and Bosnia and Herzegovina has some level of preparation.

All Western Balkans countries have achieved some progress in the area of external relations, except for Bosnia and Herzegovina, which made limited progress. On foreign, security and defence policy, Albania made good progress, Montenegro, North Macedonia and Serbia achieved some progress, Bosnia and Herzegovina no progress. The Western Balkan partners have continued to cooperate closely with the EU on common foreign and security policy/common security and defence policy (CFSP/CSDP) matters, in particular through their important contributions to the EU's CSDP missions and operations. Alignment with the EU CFSP (declarations of the High Representative on behalf of the EU and Council decisions on restrictive measures) is an important aspect of the EU integration process, underlining the countries' strategic direction. Albania and Montenegro have steadfastly maintained their

consistent 100% alignment, a sign of their commitment and strategic orientation. North Macedonia's alignment rate increased from 94% in 2020 to 96% as of August 2021. Serbia's alignment rate increased from 56% in 2020 to 61% as of August 2021, an initial step towards reversing the previous negative trend as regards the requirement for progressive alignment included in the country's negotiating framework. A marked decrease in the alignment rate of Bosnia and Herzegovina from 70% in 2020 to 43% in August 2021 is worrying. Reversing this trend would signal Bosnia and Herzegovina's commitment to its European path.

Turkey is moderately prepared in the area of external relations and has some level of preparation in the area of foreign, security and defence policy. Turkey has made limited progress on external relations. Turkey has maintained a very low CFSP alignment rate of 14% as of August 2021 (11% in 2020 and 21% in 2019). Turkey's increasingly assertive foreign policy continued to be at odds with the EU's CFSP priorities, notably due to Turkey's conflicting approach on Libya, its refusal to cooperate with Operation IRINI and its support for military actions in the Caucasus, Syria and Iraq. While this year Turkey has showed willingness to engage in dialogue with the EU on foreign and security policy and on regional issues, it should still take decisive steps to significantly improve alignment with EU declarations and Council decisions.

IV. REGIONAL COOPERATION AND GOOD NEIGHBOURLY RELATIONS

In the Western Balkans, good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past.

As part of the regional economic integration efforts, the **Western Balkans** Regional Roaming Agreement signed in April 2019 led to the progressive reduction of roaming charges since July 2019, and then to their elimination with the introduction of the 'roam like at home' scheme on 1 July 2021. This is a major step in regional cooperation and has delivered visible gains to citizens. Work is beginning to explore ways to reduce roaming costs between the Western Balkan partners and the EU, and to develop a roadmap on the process, as set out in the Digital Agenda for the Western Balkans.

Under the Regional Cooperation Council and CEFTA, and with the help of the Commission, important technical work was carried out to enable freedom of movement for persons, professionals and the provision of electronic services, and to facilitate trade and ease customs procedures within the region as part of the Common Regional Market initiative. However, these measures have not been adopted due to disagreements unrelated to their substance. The region now needs to show political leadership to complete this work and to adopt legally binding agreements or decisions amongst all Western Balkan partners, for the benefit of their citizens and businesses. This requires a joint focus on the establishment of the Common Regional Market, building on EU rules and standards, and avoiding unilateral steps jeopardising this work.

Despite the COVID-19 restrictions, the Regional Youth Cooperation Office continued to play an important role in further developing regional cooperation and good neighbourly relations by providing cooperation and exchange opportunities for young people from the Western Balkans. Young people continued to cooperate through a number of other regional initiatives online and in person including through the Regional Youth Lab.

The EU-Western Balkans Summit in Brdo reflected the importance the EU attaches to the region and reconfirmed its European perspective. The leaders welcomed progress on key

initiatives, in particular progress on roaming, the Green Agenda, the Green Lanes on the borders between the EU and the region, the Innovation Agenda and the adoption of the IPA III legal framework. These initiatives that mirror EU policy priorities, together with the Economic and Investment Plan, will move the region towards a speedier and more sustainable post-pandemic recovery, and also ensure greater integration with the European Union. The Commission announced its intention to propose an investment package of EUR 600 million under IPA 2021 for the implementation of the Economic and Investment Plan, subject to procedures in accordance with the IPA III programming framework and implementing rules. Together with the proposal of EUR 500 million announced in July, this would provide a total of EUR 1.1 billion for the implementation of the Economic and Investment Plan by the end of 2021. The EU and the Western Balkans partners agreed to strengthen their cooperation in a range of fields, including on core security issues.

The comprehensive normalisation of relations between Serbia and Kosovo through the EU-facilitated Dialogue remains central to their European future and for the stability of the whole region. Following the elections in Kosovo in early 2021, the process continued with two high-level meetings in June and July 2021, but relations between Belgrade and Pristina remain tense. Both parties need to engage constructively towards the objective of concluding a legally-binding comprehensive normalisation agreement that addresses all outstanding issues between them.

Following tensions in the north of Kosovo, an arrangement was reached in the EU-facilitated Dialogue on 30 September 2021 on de-escalation and a temporary measure for licence plate issues. The Parties also agreed to establish a Working Group led by the EU, to find a permanent solution within 6 months based on EU standards and practices. The EU expects the Parties to engage constructively in this process to ensure freedom of movement for citizens.

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.

Bilateral relations between Montenegro and Serbia have been marked by tensions, an increase in nationalistic rhetoric and allegations of external influence during electoral periods, yet cooperation in some areas such as the health-sector intensified.

Overcoming the legacy of the past and addressing disputes arising from the conflicts of the 1990s is crucial. There is no place in the EU for genocide denial, the glorification of war criminals or inflammatory rhetoric, from any side. There has been limited progress in addressing important outstanding bilateral issues, including border issues and delivering justice to victims of war crimes, identifying the remaining missing persons, and establishing an accurate record of past atrocities at regional level.

There should be no obstruction of full and inclusive participation of all Western Balkans partners in regional cooperation initiatives and events, including EU funded programmes.

Territorial cooperation has allowed Western Balkans countries to cooperate with neighbouring Member States across many issues. Beyond contributing to growth, jobs and environmental protection, it has also played an important role in increasing multi-level regional cooperation, resolving various bilateral issues and bringing stability. More specifically cross-border cooperation (CBC) constitutes a critical part of the reconciliation process in the region. Due to the conflicts of the 1990s (in the former Yugoslavia), the strengthening of good neighbourly relations including in border areas remains a prerequisite for growth and prosperity for the regions as well as for the beneficiaries involved. CBC

programmes concentrate on overcoming the legacy of past conflicts and building reconciliation by creating direct contacts between entities and administrations at all levels on both sides of the border.

Due to continued and new unauthorised **Turkish** hydrocarbon exploration activities in the maritime zones of Cyprus and Greece, tensions in the Eastern Mediterranean and Aegean Sea increased in the second half of 2020. The EU has repeatedly urged Turkey to avoid making any kind of threat, creating sources of friction or undertaking actions that damage good neighbourly relations and the peaceful settlement of disputes. 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. It also highlighted that the offer of a positive EU-Turkey agenda remains on the table, provided Turkey shows readiness to promote a genuine partnership with the Union and its Member States and to resolve differences through dialogue and in accordance with international law. The tensions in the Eastern Mediterranean decreased in the beginning of 2021. Turkey stopped illegal drilling activities in the maritime zones of Cyprus. Nevertheless, new incidents were reported in early October 2021 concerning Cypriot and Turkish surveys.

Exploratory talks between Greece and Turkey resumed, and high level contacts took place. The European Council of March 2021 reaffirmed that the EU would remain committed to defending its interests and those of its Member States as well as to upholding regional stability. The EU extended the existing framework for restrictive measures in response to Turkey's unauthorised drilling activities in the Eastern Mediterranean, adopted in November 2019¹⁸.

The sovereign rights of EU Member States include, *inter alia*, the right to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. The sovereignty and sovereign rights over the maritime zones of all neighbouring coastal states, including those that their islands are entitled to, need to be respected and the delimitation of exclusive economic zones and continental shelf should be addressed in accordance with international law through dialogue in good faith and in pursuit of good neighbourly relations. Pursuing dialogue in good faith and abstaining from unilateral actions which run counter to the EU interests and violate international law and the sovereign rights of EU Member States is an absolute requirement to ensure stable and secure environment in the Eastern Mediterranean and the development of a cooperative and mutually beneficial relationship between the EU and Turkey. All differences must be resolved through peaceful dialogue and in accordance with international law.

Turkey's continued commitment and contribution in concrete terms to the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework and in accordance with the relevant United Nations Security Council (UNSC) resolutions is of paramount importance. An informal 5+1 meeting on Cyprus took place in April 2021. It is important that Turkey reaffirms its commitment to and constructive engagement in the **United Nations-led settlement talks on Cyprus** in line with the relevant UN Security Council Resolutions, including their external aspects. No unilateral actions should be taken that could raise tensions on the island and undermine a return to talks. Related to Varosha, Turkey must immediately reverse the unilateral actions announced on 20 July 2021 and all steps taken on Varosha since October 2020 that run contrary to relevant UN Security Council resolutions. Turkey needs to urgently fulfil its obligation of fully implementing the

¹⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020D1657&from=EN>

Additional Protocol to the EU-Turkey Association Agreement and make progress towards normalisation of relations with the Republic of Cyprus.

Good neighbourly relations and reconciliation are intrinsically linked to rule of law, economic governance and regional cooperation. The specific objective of **IPA III** in this area is to contribute to societal cohesion and resilience by addressing the legacy of the conflicts of the past and bringing justice to all victims of the conflicts. Likewise, improving good neighbourly relations fosters citizens' confidence and contributes to removing impediments to political, economic and social exchanges and co-operation. In light of this, IPA III will give priority to actions that contribute to confidence building, societal cohesion and strengthening neighbourly relations, especially (1) combating impunity for serious international crimes, including through strong regional co-operation, and effective domestic prosecutions; (2) promoting victims' rights; (3) promoting increased political and policy dialogue at political and technical levels and mediation efforts to address outstanding legacy issues; promoting education and youth, including inter-cultural dialogue, as vectors for social cohesion and peaceful relations as well as drivers of sustainable socio-economic development; and (4) developing local and people-to-people exchanges in various areas, including economic and environmental cooperation, good governance and justice, media, social inclusion, human rights, in particular gender equality, rights of the child, youth participation, social rights and the rights of persons belonging to minorities.

V.CONCLUSIONS AND RECOMMENDATIONS

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

I.

1. A **credible enlargement policy** is a geostrategic investment in **peace, stability, security and economic growth in the whole of Europe**. With each successive enlargement, the EU has been able to extend its benefits to more citizens. The key to achieving this is ensuring that the process continues to be built on **strict but fair conditionality and the principle of own merits**. These conditions must be objective, precise, detailed, strict and verifiable. This helps prepare the countries concerned to meet all membership requirements, which is one of the EU's key political priorities.
2. The enlargement methodology revised in 2020 is aimed at **further strengthening the accession process** by making it more predictable, more credible, more dynamic and subject to stronger political steering. The accession process is built on trust, mutual confidence and clear commitments by the European Union and the Western Balkans.
3. The delays in the official launch of accession negotiations with Albania and North Macedonia are having a negative impact on the credibility of the EU. Pending bilateral issues between Bulgaria and North Macedonia need to be resolved as a matter of priority. It is crucial that EU Member States conclude the discussions on the Negotiating Frameworks without further delay and that the first intergovernmental conferences with Albania and North Macedonia are held as soon as possible and before the end of this year. The intergovernmental conferences with Montenegro and Serbia held in June 2021 endorsed the application of the revised methodology with these two countries.
4. The **Brdo Declaration of 6 October 2021** has sent an important signal to the EU's Western Balkans partners that their future lies in the European Union. The EU reaffirmed its unequivocal support for the European perspective of the Western Balkans and welcomed the commitment of the Western Balkans partners to the European perspective, as a mutual strategic interest and a shared strategic choice. The EU welcomed the restated commitment of the Western Balkan partners to the **primacy of democracy, fundamental values and the rule of law**.
5. The agreement to hold **EU-Western Balkans summits as regular events** is an important commitment that will provide a format for political dialogue at the highest level and for associating the region closer to EU policies as it moves towards the EU. Initiatives that were agreed at the summit in Brdo mirror policy priorities of the EU and provide new opportunities and benefits for the citizens of the region. The summit launched a dedicated **Agenda for the Western Balkans on Innovation, Research, Education, Culture, Youth and Sport** ("Innovation Agenda for the Western Balkans") which will promote scientific excellence, reform the region's education systems, create further opportunities for the youth, and help prevent brain drain. It welcomed the roadmap, which will create the conditions and set clear targets for **lowering the roaming costs** between the EU and Western Balkans. Furthermore, the summit welcomed the agreement on a detailed action plan on the **Green Agenda**, and leaders agreed to strengthen cooperation in a range of fields, including security.
6. **Turkey** remains a key partner for the European Union in essential areas of joint interest, such as migration, counter-terrorism, economy, trade, energy and transport. In that context

high level dialogues were held on climate and migration to be followed by a dialogue on health soon. In June 2019, the Council reiterated that Turkey continues to move further away from the European Union, and that Turkey's accession negotiations have effectively come to a standstill and no further chapters can be considered for opening or closing. The underlying facts leading to this assessment still hold. Nonetheless, dialogue and cooperation with Turkey increased in 2021.

7. The **COVID-19 pandemic** continued to hit the Western Balkans and Turkey hard throughout the reporting period. Authorities in the enlargement countries continued to take measures to limit the spread of the pandemic and its health impact, as well as to mitigate the socio-economic consequences. Any measures to limit infections need to be proportionate, limited in time and respect fundamental freedoms, including freedom of expression. The economic impact of the pandemic continued to be substantial, which overall left limited fiscal space for governments' intervention.
8. The EU, while being seriously affected itself by this crisis, has mobilised a **package of over EUR 3.3 billion**, including immediate support to address health challenges and a substantial funding for the economic recovery of the region. The EU is also treating the Western Balkans as privileged partners by continuing to grant them access to many initiatives and instruments normally reserved for EU Member States; by providing substantial quantities of vaccines by re-sale or donations by Member States (almost 2.9 million doses in total by the end of August 2021); and by enabling them to ensure compatibility of their COVID certificates with the **EU digital COVID certificate** (Albania, North Macedonia and Turkey being the first to do so). This support from the EU **goes far beyond, and is far more comprehensive, than that provided to the region by any other partner**. Just as the EU is the Western Balkan's biggest investor, donor and trading partner, this is another clear reflection of the region's strategic anchoring to the EU.
9. The EU's **Economic and Investment Plan** for the Western Balkans will provide a major stimulus to the region with EUR 9 billion in grants and guarantees that are set to leverage investments of up to EUR 20 billion. This almost EUR 30 billion Plan, representing around one third of the region's GDP, will provide funds for sustainable infrastructure (transport, energy, digital), connecting the region within and with the EU, the twin green and digital transition as well as post-pandemic recovery of the private sector. It will make a real difference in bridging the socio-economic gap between the Western Balkans and the EU. Following the adoption of the legal framework for the Regulation on the Instrument for Pre-Accession Assistance (IPA III) for the period 2021-2027, which is the main funding source, it is now key to accelerate the preparation of mature and sustainable projects.
10. The adoption of **IPA III legal framework provides for** a solid policy-driven approach, with its strategic and dynamic deployment of assistance, putting the fundamental requirements for membership in particular the rule of law and good governance at the core of the instrument.
11. The Economic and Investment Plan calls on the Western Balkans to better integrate their economies, and pursue regulatory reforms, in order to unleash the growth potential of market integration. At the Sofia Summit of November 2020, the Western Balkan leaders agreed to establish a **Common Regional Market**, based on EU rules and standards, structured around the four freedoms (free movement of goods, services, capital and people) and covering aspects of digital, investment, innovation and industry policy. The EU fully supports the implementation of this inclusive initiative that will remain crucial

for taking full advantage of the potential of the region and of the Economic and Investment Plan

12. Since the adoption of the Common Regional Market, the six Western Balkans partners have achieved good progress in negotiating in this framework several regional agreements to facilitate the movement of persons, professionals and services across the region. Despite this technical progress, these agreements could not be adopted due to political divergences unrelated to their substance. These obstacles need to be overcome as a matter of priority. Instead of unilateral measures, inclusive regional cooperation remains a political and economic necessity for the Western Balkans.
13. The Common Regional Market represents a stepping-stone to integrate the region more closely with the EU Single Market already before accession while ensuring a level playing field. This is key for the region to leverage its privileged relations with the EU and its efforts to align with EU rules and standards. The European Commission will continue to help the region to achieve the reduction of cross-border payment costs, to facilitate movement of industrial and consumer goods, and e-commerce between the EU and the Western Balkans.
14. Such regional cooperation is crucial also in the context of **strengthening good neighbourly relations**. Overcoming the legacy of the past and addressing disputes arising from the conflicts of the 1990s is crucial. There is no place in the EU for genocide denial, the glorification of war criminals or inflammatory rhetoric, from any side.
15. The EU-facilitated Dialogue on normalisation of relations between Serbia and Kosovo remains central to their European future and for the stability of the whole region. Both parties need to engage constructively towards the objective of concluding a legally-binding comprehensive normalisation agreement. Unilateral and uncoordinated actions that endanger stability should be avoided.

II

16. In **Montenegro**, the **public political commitment** of the authorities to the country's EU strategic direction and its commitment to the accession process is regularly and consistently stated as the key priority for the country and is generally reflected in relevant policy decisions. This included inter alia a continued 100 % alignment rate with the EU's Foreign and Security Policy.

The Commission assessment is that, in line with the negotiating framework, an **overall balance** is currently ensured between progress under the rule of law chapters, on the one hand, and progress in the **accession negotiations** across chapters, on the other. The priority for further overall progress in the accession negotiations - and before moving towards the provisional closure of other chapters or clusters - remains the fulfilment of the rule of law interim benchmarks set under chapters 23 and 24. In order to reach this milestone, Montenegro needs to further intensify its efforts to address the outstanding issues, including in the critical areas of freedom of expression and media freedom and fight against corruption and organised crime, without reversing earlier achievements in the judicial reform. This requires the authorities to demonstrate in practice their commitment to Montenegro's EU reform agenda.

17. The **Serbian** government continued to declare European integration as its strategic goal. The government prioritised EU-related reforms in the first half of 2021 and delivered on a number of important outstanding commitments in particular on taxation and energy.

Serbia remains an important partner in EU CSDP missions and operations, and it has improved alignment with EU foreign policy reaching 61% in August 2021, up from 56% in 2020; further efforts are still expected. On the **normalisation of relations** with Kosovo, Serbia engaged in the Dialogue process. Serbia needs to continue to engage constructively and contribute to reaching a comprehensive legally binding normalisation agreement with Kosovo. Such an agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths. Serbia should also uphold and fully implement all past dialogue agreements.

The Commission assessment is that, in line with the negotiating framework, an **overall balance** is currently ensured between progress under the rule of law chapters and normalisation of relations with Kosovo, on the one hand, and progress in the **accession negotiations** across chapters, on the other. Serbia needs to continue and to accelerate and deepen reforms on the independence of the judiciary, the fight against corruption, media freedom, the domestic handling of war crimes and the fight against organised crime. In particular, the Serbian authorities should finalise the constitutional reform process in the area of the judiciary by the end of this year. Serbia's progress on the rule of law and the normalisation of relations with Kosovo is essential and will continue to determine the overall pace of the accession negotiations. In addition to the reforms, the Serbian authorities need to place more emphasis on proactive and objective communication on the EU, which is Serbia's main political and economic partner.

The Commission welcomes that Serbia has fulfilled the benchmarks to **open cluster 3** (Competitiveness and inclusive growth) and **cluster 4** (Green agenda and sustainable connectivity). The Commission supports Serbia's ambition to open as soon as possible new accession clusters, on the basis of continuing reform progress.

18. **North Macedonia** continues to fulfil the conditions to **open accession negotiations** and the authorities have demonstrated publicly their firm commitment to advance on their EU path. The country has maintained a steady and determined pace in advancing EU reforms and stepped up its efforts to deliver further tangible results. The sustainability of these structural reforms is a long-term process, which requires continuous engagement from both the government and the opposition as well as other parts of society. North Macedonia has continued to improve its alignment rate with the EU's foreign and security policy, reaching 96% in August 2021, up from 94% in 2020. In March 2020, members of the European Council endorsed unanimously the decision to open accession negotiations with North Macedonia.

The delays in the official launch of accession negotiations are having a negative impact on the credibility of the EU. Pending bilateral issues between Bulgaria and North Macedonia need to be resolved as a matter of priority. The Commission looks forward to and stresses the importance of the continued implementation of the Prespa Agreement with Greece and of the Treaty of Friendship, Good Neighbourliness and Cooperation with Bulgaria by all parties. In line with the Council Conclusions, the Commission has continued the necessary preparatory work and looks forward to the first intergovernmental conference, as soon as possible after the adoption of the negotiating framework by the Council and before the end of this year.

19. **Albania** continues to fulfil the conditions to **open accession negotiations**. It continued to show its **commitment** to advance on the EU path and delivered tangible and sustainable reform results. The implementation of the comprehensive justice reform has continued. With the appointment of three new judges to the Constitutional Court the Court regained the necessary quorum to hold plenary sessions and became fully operational, thus meeting

the related outstanding condition for holding the first IGC. The country now needs to maintain its commitment to its reform agenda, including on rule of law. Albania has maintained its 100% alignment rate with the EU's foreign and security policy.

In March 2020, members of the European Council endorsed unanimously the decision to open accession negotiations with Albania. The adoption of the Negotiating Framework with Albania and holding the first Intergovernmental Conference (IGC) is delayed. In line with the Council Conclusions, the Commission has continued the necessary preparatory work and looks forward to the first intergovernmental conference, as soon as possible after the adoption of the negotiating framework by the Council and before the end of this year.

20. In **Bosnia and Herzegovina**, the **public political commitment** of the authorities at all levels of government to the strategic goal of European integration has not been turned into concrete action, as political leaders continued to engage in divisive rhetoric and unconstructive political disputes, which have hindered overall progress on the 14 key priorities. The blockage of the State institutions is of deep concern and can only be overcome by political dialogue. Still, some significant steps have been taken, to address a few key priorities from the Opinion. No progress was made as regards the functioning of the judiciary. Persistent and evident signs of deterioration continue to require urgent measures to strengthen the integrity of the judiciary and regain citizens' trust. Bosnia and Herzegovina's rate of alignment with the EU's foreign and security policy has declined to 43% in August 2021, from 70% in 2020.

Bosnia and Herzegovina needs to address the **14 key priorities** from the Commission's May 2019 Opinion on the EU membership application of the country, in line with the relevant Council Conclusions of December 2019. Bosnia and Herzegovina needs to fundamentally improve its legislative and institutional framework, including at constitutional level where necessary, to comply with the requirements of EU membership. Political actors and institutions need to engage in a transparent and inclusive dialogue, including on electoral and constitutional reforms to address long-standing electoral shortcomings. Bosnia and Herzegovina will have to deliver on a critical mass of reforms before the Commission could recommend granting candidate status to the country. Fulfilling the 14 key priorities will allow the Commission to recommend the opening of EU accession negotiations.

21. In **Kosovo**, overall, due to the changing political context and the focus on pandemic response and recovery, limited progress was made on EU-related reforms and SAA implementation. The early parliamentary elections in February 2021 resulted in the formation of a new government that enjoys a clear parliamentary majority. The adoption of a second phase of the European Reform Agenda (ERA 2) and its Action Plan, endorsed by the Assembly in October 2021, confirmed Kosovo's **renewed commitment** to EU-related reforms. Full and effective implementation of the action plan over the coming period will be essential.

On the normalisation of relations with Serbia, Kosovo engaged in the Dialogue process. Kosovo needs to engage constructively 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. Kosovo should also uphold and fully implement all past dialogue agreements.

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

22. The European Council repeatedly stated that the EU has a strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually beneficial relationship with **Turkey**. It welcomed the de-escalation in the Eastern Mediterranean. The EU is ready to engage with Turkey in a phased, proportionate and reversible manner to enhance cooperation in a number of areas of common interest, including on economic cooperation, high-level dialogues on climate, migration, public health, counterterrorism and regional issues, strengthen cooperation on people-to-people contacts and mobility, provided that the current de-escalation is sustained and that Turkey engages constructively and subject to the established conditionalities set out in European Council conclusions. In case of renewed unilateral actions or provocations in breach of international law, the EU will use all the instruments and the options at its disposal, in order to defend its interests and those of its Member States.

Turkey is expected to actively support the negotiations on a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework, in accordance with the relevant UN Security Council resolutions and in line with the principles on which the EU is founded. It is important that Turkey reaffirms its commitment to and constructive engagement to the United Nations-led settlement talks on Cyprus in line with the relevant UN Security Council resolutions. No unilateral actions should be taken that could raise tensions on the island and undermine a return to talks. It is urgent that Turkey fulfils its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and removes all the obstacles to the free movement of goods, including restrictions on direct transport links with the Republic of Cyprus.

There are serious deficiencies in the functioning of Turkey's democratic institutions. The EU's serious concerns on continued deterioration of the rule of law, fundamental rights and the independence of the judiciary have not been credibly addressed by Turkey. Turkey needs to reverse this negative trend as a matter of priority with addressing the weakening of effective checks and balances in the political system. EU leaders confirmed that dialogue on rule of law and fundamental rights remains an integral part of the EU-Turkey relationship.

The EU-Turkey Statement of March 2016 continued to deliver results and Turkey continued to play a key role in addressing migration along the eastern Mediterranean route and hosting the largest refugee population in the world. The Commission proposed to allocate EUR 3 billion in additional assistance to refugees and host communities in Turkey. The Commission recalls the importance of continued implementation of the statement including returns and prevention of irregular migration routes. The EU welcomes the ratification of the Paris Agreement on climate change by Turkey and looks forward to engaging with Turkey on the implementation of the European Green Deal. The EU and Turkey continue to benefit from the EU - Turkey Customs Union. Turkey should continue intensified engagement with the Commission to address its trade irritants hampering the smooth functioning of the Customs Union.

**

VI. ANNEXES

- 1. Summaries of the findings of the reports**
- 2. Statistical data**
- 3. Third party indicators related to the status of democracy, good governance and the rule of law in candidate countries and potential candidates**