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

2016 Communication on EU Enlargement Policy

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I. INTRODUCTION

In November 2015, the European Commission set out a medium-term strategy for EU enlargement policy to cover the period of the mandate of this Commission. It was endorsed by the Council in December 2015. This communication takes stock of progress in the implementation of that strategy, draws conclusions and makes recommendations as regards specific enlargement countries and on certain thematic issues.

The EU continues to face serious challenges on various fronts. Multiple crises have a destabilising potential not only in Europe, but also globally. The attractiveness of the EU in the enlargement countries has been partly affected by the economic downturn and scepticism regarding the European project.

At the same time, the firm prospect of EU membership, as continuously reaffirmed by all Member States, continues to drive transformation and anchor stability and security in the countries of Southeast Europe. Therefore, a credible enlargement process, based on strict and fair conditionality, remains an irreplaceable tool to strengthen these countries and to help support their modernisation through political and economic reforms, in line with the accession criteria.

Enlargement policy continues to deliver results and reforms are moving forward in most countries, albeit at different speeds. Given the complex nature of the necessary reforms, it is a long-term process and structural shortcomings persist, notably in the key areas of rule of law and the economy.

In Turkey specifically, the EU-Turkey Summit of 29 November 2015 and the subsequent EU-Turkey Statement of 18 March 2016 were able to lead to a significant reduction in irregular migration flows and, more broadly, to revitalise EU-Turkey relations. On 15 July, democratic institutions and society as a whole were shaken by a violent coup attempt in Turkey, which the EU immediately condemned in the strongest terms.

A continued commitment to the principle of "fundamentals first" remains essential for the enlargement countries. The Commission will continue to focus efforts on the rule of law, including security, fundamental rights, democratic institutions and public administration reform, as well as on economic development and competitiveness. These remain the fundamentals for meeting the Copenhagen and Madrid membership criteria. A stronger role for civil society and stakeholders more broadly remains crucial.

At the same time, it is important to recognise that accession negotiations are not – and never have been – an end in themselves. They are part of a wider process of modernisation and reforms. The governments of the enlargement countries need to embrace the necessary reforms more actively and truly make this their political agenda – not because the EU is asking for it, but because it is in the best interest of their citizens. Public support for future enlargements will depend on the degree of preparedness of candidate countries. Therefore, reforms through the EU accession process also help increase the confidence of citizens of EU Member States and of the candidate countries alike.

II. IMPLEMENTATION OF THE 2015 ENLARGEMENT STRATEGY

a) Rule of law

Overall, there have been efforts to modernise legal frameworks and infrastructure as well as to provide better training to judges and prosecutors. In July, Albania's Parliament unanimously adopted constitutional amendments which are the basis for a deep and comprehensive judicial reform. Serbia adopted comprehensive action plans on the rule of law, which set the work programme for reforms in chapters 23 and 24.

However, progress in setting up functioning and independent **judicial systems** remains slow, with most countries continuing to face problems of efficiency and a lack of sufficient independence and accountability. In Turkey, the independence of the judiciary was undermined by extensive changes to the structures and composition of high courts as well as continued pressure on judges and prosecutors. The dismissal of one fifth of the judges and prosecutors following the 15 July coup attempt represents a further significant challenge to the overall functioning of the judiciary. In the former Yugoslav Republic of Macedonia, the serious shortcomings brought to light by the wiretapping case have still not been adequately addressed.

In recent years, all countries have strengthened their frameworks for tackling **corruption** and **organised crime**. New institutions – such as the Montenegrin Anti-Corruption Agency – have been established and substantial efforts were deployed to foster specialisation, both in the police and within the judiciary. Despite these efforts, several countries in the region continue to show clear symptoms and various degrees of state capture. Companies, institutions or powerful individuals use illegal practices to influence and shape policies, the legal environment and the economy to their own interests. The declared political commitment to fight corruption has not translated sufficiently into concrete results. Efforts therefore need to focus more than ever on establishing a convincing and sustained track record in these fields based on efficient, effective and unbiased investigations, prosecutions and court rulings in cases at all levels. More transparency is needed in public procurement. Results in the fight against organised crime need to go beyond individual cases. The authorities need to seriously start dismantling criminal networks and confiscating assets, including using more ambitious and powerful tools like extended confiscation of assets and systematic use of financial investigations. Efforts should be stepped up to address trafficking in firearms. Progress made in recent years in addressing trafficking in human beings varies. More efforts are required to align with the relevant *acquis* and to ensure effective implementation of prevention measures as well as protection of and assistance to victims.

Terrorism and radicalisation continue to pose a security threat to the EU and the enlargement countries. Turkey has been particularly affected by several large scale deadly terrorist attacks in the past year. The phenomenon of fighters from both the EU and enlargement countries travelling to join insurgent groups particularly in Syria and Iraq, and the security threat they may pose when they return, are also likely to persist in the coming years. Enlargement countries have amended their criminal laws and anti-terrorism legislation, arming themselves with more robust tools to counter these phenomena. Several of them have also adopted new anti-terrorism strategies and action plans, which have moved away from a purely law enforcement approach but now also focus on prevention and anti-radicalisation. However, more needs to be done to counter radicalisation in the countries, in particular in the area of education and through better control of foreign funding fostering radical content. The EU is extending its anti-radicalisation network (RAN) to enlargement countries to provide the

availability of good EU practices in anti-radicalisation. Enlargement countries should continue to use Europol as facilitator for cooperation on counter-terrorism.

b) Fundamental rights

Fundamental rights continue to be largely enshrined in the legislation of the enlargement countries. In the Western Balkans, shortcomings in practice remain, but the situation is broadly stable. In Turkey, there has been backsliding in this area and practical implementation often shows significant shortcomings. Following the attempted coup in July, a state of emergency was declared under which far-reaching measures curtailing fundamental rights were taken. Many serious violations of the prohibition of torture and ill-treatment and of procedural rights were alleged in the aftermath of the coup attempt. Turkey must ensure the effective functioning of an impartial system of judicial review of alleged human right violations in its own interest. The Commission welcomes the commitment by the Turkish authorities to this end and urges Turkey to facilitate monitoring of the subsequent trials by international organisations.

Freedom of expression and media remains a particular concern in most enlargement countries, albeit to different degrees. The lack of progress in this area, already observed over the past two years, has persisted and, in some cases, intensified. The situation with regard to freedom of expression has deteriorated further significantly in Turkey, in particular through arrests and prosecution of journalists on terrorism charges and closure of a wide range of media outlets. In the Western Balkans, undue political interference in the work of public broadcasters, untransparent public funding of media, and intimidation of journalists has continued. To address these issues, building on the Speak Up! conferences, the Commission will launch a new concept of 'media days' in the region, broadening the spectrum of media-related issues addressed beyond the freedom of expression as such, also to cover the functioning of media markets, competition distortions and related issues such as financing and advertising markets.

Discrimination and hostility towards vulnerable groups, including on grounds of sexual orientation or gender identity, remains a serious concern. Further work is required to ensure equality between women and men, including tackling domestic and gender-based violence, and ensuring equal opportunities for women, notably on the labour market. The rights of the child, including development of child protection systems and effective policies to support persons with disabilities need to be strengthened. The difficult situation of Roma remains broadly unchanged and Roma, particularly in the Western Balkans, continue to be the victims of discrimination and social exclusion. The policy framework for Roma integration is in place in all enlargement countries, but governments need to enhance their efforts to implement the existing commitments and allocate the necessary resources at central and local level.

Effective protection of personal data as well as robust systems to ensure procedural rights are still not fully established in many enlargement countries.

c) Migration

The migration crisis has been one of the key issues on the political agenda in the past year. It continued to demonstrate the strategic relevance of enlargement policy in the region. The EU reacted in a comprehensive and rights-sensitive way. The effective closure of the Western Balkans route by the countries concerned together with the EU-Turkey Statement of 18 March delivered clear results on the ground, with the number of irregular migrants and asylum seekers reaching the Greek islands dropping significantly, from several thousand a day to less than 100 per day on average. This also led to a sharp drop in the number of lives lost at sea.

Turkey has continued to make great efforts to provide shelter to more than 2.7 million refugees notably from Syria and Iraq, including by broadening the legislation on temporary protection and enabling access to the labour market. It also strengthened border management and increased patrolling at its land and sea borders. The EU Facility for Refugees in Turkey is being rolled out rapidly and delivering tangible support to those in need. The total amount allocated under the Facility currently stands at EUR 2.2 billion, of which EUR 1.2 billion have been contracted and of which EUR 677 million have been disbursed. Serbia and the former Yugoslav Republic of Macedonia significantly contributed to the management of the migration flows. Since the summer of 2015, these two most affected Western Balkan countries, have received EU humanitarian assistance as well as additional assistance under the Instrument for Pre-Accession to support their positive and constructive efforts helping refugees and migrants on their territory.

However, migrants have continued their attempts to reach destinations in Europe. Some enlargement countries had to adapt rapidly both their legal and institutional frameworks as well as their infrastructure to cope with the migration crisis. The administrative and enforcement capacity - in particular when dealing with crisis situations - in all countries requires further support. Continued actions against migrant smugglers by police and judicial actors remains necessary, including through proactive cooperation and information exchange with partner countries.

To reduce migratory pressures on the Union and enlargement countries alike, further instruments are being deployed. In addition to the Facility for Refugees in Turkey, the *EU Regional Trust Fund in response to the Syrian crisis* and the compacts with Jordan and Lebanon are helping to provide education and employment for Syrian refugees and improve their welfare and life chances whilst remaining in the region. Special Support Measures and humanitarian assistance have also been deployed for the Western Balkans.

The citizens of five enlargement countries currently benefit from visa liberalisation when travelling to the EU. Turkey and Kosovo* made significant progress in meeting the requirements of their visa liberalisation roadmaps in 2016, which allowed the Commission to propose to the Council and the European Parliament the lifting the visa requirement also for them once the remaining benchmarks will be met.

d) Functioning of democratic institutions and public administration reform

The proper functioning of **democratic institutions** remains a key challenge in a number of countries. The central role of national parliaments for the democracy needs to be embedded in the political culture. In Turkey, the attempted coup in July was a direct attack on the country's democratically elected institutions as such. Given the seriousness of the threat against the democratic institutions, a swift reaction to that threat was legitimate.

Nevertheless, the broad scale and collective nature of measures taken since the coup attempt raise a number of very serious questions. The earlier lifting of immunity in May of a large number of members of parliament is also a matter of serious concern.

In the Western Balkans the functioning of parliaments is often hampered by boycotts. Although some boycotts have been overcome, a divisive political culture remains. The agreement reached in the former Yugoslav Republic of Macedonia in July, implementing the

* 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.

Pržino Agreement of last year, provides the basis for the holding of early parliamentary elections in December 2016. Boycotting and obstruction of parliamentary activity by the opposition has continued in Kosovo, which included incidents of violence. Parliamentary scrutiny is often undermined by insufficient government reporting, weak parliamentary committee structures and the excessive use of urgent parliamentary procedures. While the conduct of elections as such is broadly without major incidents, important deficiencies, including with respect to election management and political interference in media reporting have an impact on the integrity of the overall pre-electoral and electoral process. Elections often continue to be seen as an opportunity to gain political control of the broader administration, including independent institutions.

Progress on **public administration reform** has been uneven. In Turkey, the impact of the high number of recent dismissals on the professionalism and efficiency of the public administration remains to be assessed. Most Western Balkan countries have made progress in adopting public administration reform strategies and public financial management reform programmes, but implementation and long-term sustainability needs to be ensured. The politicisation of the civil service remains an issue of concern. Despite modern civil service legislation, exceptions are regularly used, especially for appointments and dismissals of senior civil servant. The quality of policy-making and legal drafting is not in line with the approach of the EU Better Regulation Agenda. Legislation, public policies and major investments are often prepared without sufficient impact assessments and internal and public consultations.

In most countries, the structure of the state administration remains complex and does not ensure sufficient accountability. Citizens' rights to good administration, access to information and administrative justice have to be better ensured. The introduction of e-government services remains a priority as a key factor for transparency, speed, and consistency in public services. Many countries have made progress with adopting modern laws on general administrative procedures, but legal certainty can only be ensured once contradicting special administrative procedures in sectoral laws are removed. Countries still need to find an appropriate balance between central, regional and local government that best supports implementation of reforms and the delivery of services to citizens.

e) Economy

The economic situation has gradually improved in the Western Balkans, with stronger growth, higher investment and more jobs created by the private sector. However, all enlargement countries face major structural economic and social challenges, with low efficiency of public administrations and high unemployment rates. Youth unemployment in particular remains worryingly high. Infrastructure and education systems need to be improved. The worsening of public debt/GDP ratios in the region has slowed down and could be even stopped in some countries due to welcome fiscal consolidation.

A lack of attractive job opportunities domestically is pushing many people to migrate. At the same time, significant inflows of remittances from abroad create disincentives to seek employment within the countries.

In the context of the EU framework to support economic governance, all candidate countries and potential candidates are invited to submit an annual Economic Reform Programme (ERP). The ERPs contain medium-term macroeconomic projections and budgetary plans for the next three years, as well as a list of priority structural reform measures aiming at boosting competitiveness and inclusive growth. The ERP process has helped to focus governments' attention to addressing urgent structural reform needs and to improve coordination. However,

the tangible results of such reform efforts on people's lives still need to materialise. Awareness of the policy guidance by the relevant stakeholders and commitment to their implementation needs to be strengthened.

The EU and Turkey advanced their preparations to negotiate a modernisation and extension of the EU-Turkey Customs Union, which has significant untapped potential. The Commission is working on a draft negotiating directive to be presented by the end of 2016.

The investment climate in many countries is negatively affected by the continuing weaknesses with the rule of law and signs of state capture, in particular as regards independent and efficient court systems, the uneven enforcement of competition rules, weak public financial management and frequent changes in permits and taxes, which exacerbate the risk of corruption. This is particularly problematic for the Western Balkans, given deficiencies in the corporate governance frameworks, small and fragmented domestic markets, incomplete privatisation and limited regional trade integration. In Turkey economic growth strengthened, but the business environment continued to deteriorate and the economy remains vulnerable to financial uncertainty, changes in global investors' confidence and continued political risks. The deteriorated security situation has led to a marked contraction of the tourism sector.

Given the impact of the rule of law on economic governance, the Commission will pay particular attention to the links between these two pillars of the accession process.

f) Regional cooperation

The impetus given through the Western Balkan Six initiative, notably regarding the EU's connectivity agenda and the 'Berlin process', has continued to foster increased regional cooperation and thus political stabilisation and economic opportunities. Building on the results of previous summits, the July 2016 summit in Paris saw further advances on the connectivity agenda, including an agreement to establish a regional market for electricity and an enhanced focus on energy efficiency improvements and greater use of renewable energy. Regional initiatives, such as the South East European Cooperation Process, continued to foster stabilisation and cooperation. The countries also opened co-operation in new areas, notably through the establishment of the Regional Youth Cooperation Office (RYCO) and the agreement to launch a new pilot scheme for exchanges of young civil servants. Western Balkan countries also agreed on trade facilitation measures and embarked on measures to further liberalise regional trade. Ultimately, the success of the cooperation will be measured against the delivery of connectivity projects on the ground. It is now urgent that physical works are launched to provide tangible proof of direct benefits for citizens. As regards transport and energy projects, however, the implementation of connectivity reform measures agreed in 2015 at the WB6 summit in Vienna needs to be accelerated.

Good neighbourly relations and regional cooperation are essential elements of the Stabilisation and Association and enlargement processes. There have been ongoing contacts and cooperation at bilateral and regional level, also in sensitive areas such as war crimes, missing persons, refugee return, organised crime and police cooperation. Good neighbourly relations continue to be reinforced through various regional cooperation initiatives. At the same time, more responsible political leadership and further efforts towards reconciliation are essential for promoting stability and the creation of an environment conducive to overcoming the legacy of the past. Statements which negatively impact on good neighbourly relations should be avoided.

Further efforts are needed to overcome bilateral disputes between enlargement countries and with Member States. Bilateral issues need to be addressed by the parties concerned as early as possible and should not hold up the accession process, which should be based on established conditionality. Results in this regard have been limited. Progress in normalisation of relations between Serbia and Kosovo needs to be accelerated. As regards the former Yugoslav Republic of Macedonia, maintaining good neighbourly relations remains essential, including a negotiated and mutually acceptable solution to the name issue under UN auspices. Progress in the United Nations led settlement talks in Cyprus is very welcome. In order to facilitate further progress, Turkey needs to fulfil its obligation of fully implementing the Additional Protocol and make progress towards normalisation of relations with the Republic of Cyprus. This could provide new momentum to the accession process. The Commission also urges the avoidance of any kind of threat, source of friction or action that damages good neighbourly relations and the peaceful settlement of disputes. The Commission stresses all the sovereign rights of EU Member States. This includes, inter alia, the right to enter into bilateral agreements and to explore and exploit natural resources in accordance with the EU acquis and international law, including the UN Convention on the Law of the Sea.

III. RECALIBRATING THE ENLARGEMENT PACKAGE

a) Introducing the recalibrated reporting methodology to new areas

In 2015, the Commission introduced a number of changes to the reporting methodology. The aim was to further increase the sharpness of the assessments as well as the usability of the package as a source of information and guidance for all stakeholders and to provide greater transparency in the enlargement process, setting out more clearly where countries stand overall. The reports have an increased focus on the state of play to show more clearly where the countries stand in their respective preparations for meeting the membership criteria, they provide stronger guidance on what the countries should focus on in the following year and they have included more harmonised reporting and assessment scales, allowing countries to be directly compared. These changes reflect more clearly that the European integration efforts of the enlargement countries should entail a steady and thorough process of political and economic reforms and should not be understood as a narrow set of technical negotiations.

The recalibrated approach has been further expanded in 2016 beyond the pilot areas covered in 2015¹. It now also covers areas linked to economic development (free movement of goods, competition, transport, energy), as well as certain areas of chapter 24 (migration, border control, asylum and fight against terrorism) and environment and climate change. This gradual expansion of the methodology takes into account the need to ensure appropriate sequencing of reforms and the continued need to focus on the fundamentals. The new methodology will be further expanded in 2018.

The harmonised assessment scales increased transparency and comparability of the reports. In order to have even more precise results, the assessment of the state of play has been further fine-tuned by using, where appropriate, interim steps between each two of the existing levels.

¹ The rule of law and fundamental rights (functioning of the judiciary, corruption, organised crime, freedom of expression), the economic criteria, public administration reform and three chapters closely linked to these fundamentals (public procurement, statistics, financial control).

b) Revised reporting on the economic criteria

Building on last year's changes to the reporting on the economic criteria, the Commission has further refined its methodology and adjusted the sub-criteria that make up the two economic accession criteria. The aim of this adjustment is to ensure that enlargement countries will be economically fit and contribute to the competitiveness and stability of the EU when they become members.

The revised sub-criteria highlight the main economic shortcomings of the current enlargement countries such as their weak business environments with limited access to finance, high unemployment rates, poor education outcomes and low levels of innovation and regional connectivity. They allow for a more focused analysis of shortcomings in the functioning of markets and weakness in competitiveness. The new focus is also better aligned with the ERPs and thus contributes to providing clearer guidance to the enlargement countries in order to reap the benefits of closer integration with the EU before accession and ultimately meeting the economic criteria.

c) From autumn to spring – the new package calendar

The Commission plans to move the adoption of the annual Enlargement package from its traditional time slot in the autumn to a new slot in the spring. This would mean that the next package would not be adopted in October/November 2017, but in spring 2018. Subsequent Council conclusions could then be adopted at the General Affairs Council (GAC) in June. This new timing would allow the Commission to harmonise its reporting period with the calendar year, which is the usual basis for gathering statistical data. This had been repeatedly proposed by the enlargement countries.

The new timing of the package will also allow the Commission to harmonise its package reporting cycle with the ERP cycle. This would lend more weight to the economic fundamentals of the enlargement policy, ensure stronger coherence between the package and the ERP process, and work to lend greater visibility to the latter.

IV. CONCLUSIONS AND RECOMMENDATIONS

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

I

1. The EU's enlargement policy continues to be a strategic investment in **peace, security, prosperity, and stability** in Europe. Built on strict but fair conditionality and the principle of own merits, it continues to drive transformation and modernisation in the partner countries in an overall challenging environment. Stabilisation through such transformation is in the EU's own interest.
2. The Commission's focus on "**fundamentals first**" has delivered results on the ground and the reform processes are moving forward overall, albeit at different speeds. Given the complex nature of the necessary reforms, it is a long-term process and shortcomings persist in a number of key areas. Reforms are needed in the areas of rule of law, fundamental rights, democratic institutions and public administration reform, as well as on the economy, and the elected institutions need to move them forward for the benefits

of their own citizens. Economic reforms and a strengthening of the rule of law produce mutually reinforcing benefits.

3. Cooperation with Turkey and the Western Balkans has been an important element in handling the **migration crisis** with several countries playing a constructive role. The EU is supporting the most affected countries, first and foremost Turkey, in their efforts to assist and protect refugees and migrants.
4. **Good neighbourly relations and regional cooperation** are essential parts of the enlargement and Stabilisation and Association processes. Further efforts are needed to overcome bilateral disputes, which must not hold up the accession process. The WB6 cooperation in the Western Balkans continues to play an important role in this context, including through the Berlin process.

II

5. **Turkey:** Turkey is a key partner for the European Union. The EU strongly condemned the failed coup attempt of 15 July as a direct attack on democratic principles and expressed its full support and solidarity with the Turkish people and its democratic institutions. Following the failed coup attempt, a state of emergency was declared on 20 July across Turkey for three months. It has since been extended by another 3 months.

EU-Turkey relations face the same long term opportunities and challenges as before 15 July. However, the far-reaching measures taken after the coup further deepened a number of crucial challenges with regard to the respect for fundamental rights in the country, notably the freedom of expression, right to fair trial and due process. Further backsliding was noted as regards freedom of expression and in the functioning of the judiciary. The situation in the south-east remained one of the most critical challenges. The country saw a continued very serious deterioration in the security situation following the collapse of the Kurdish settlement process in July 2015 and was struck by several large-scale deadly terrorist attacks attributed to PKK and Da'esh. The EU has underlined that anti-terror measures must be proportionate and respect human rights. The political settlement process of the Kurdish issue must resume without delay. The EU is gravely concerned about the arrest of several HDP Members of Parliament on charges alleging support of terrorist activities.

Given the scale and collective nature of measures taken since July, the EU has called on Turkey, as a candidate country, to observe the highest standards in the rule of law and fundamental rights. The Turkish authorities undertook clear commitments to this end. The Commission urges Turkey to implement them in full, including through international monitoring of the detentions, trials and procedures after the coup attempt. The EU is committed to working together with a democratic, inclusive and stable Turkey to address our common challenges. Yet, the rule of law, human rights and fundamental freedoms must be respected under all circumstances, and the parliament and all forces represented in the democratic institutions of the country must be able to play their constitutional role in full. Regarding the renewed considerations to introduce a bill in parliament to reinstate the death penalty, the EU recalls that the unequivocal rejection of the death penalty is an essential element of the EU acquis and a central international obligation to which Turkey has committed.

The EU and Turkey deepened their relations in key areas of joint interest, as agreed at the EU-Turkey Summit of 29 November 2015. High level political dialogues and high level dialogues on energy and the economy took place. Turkey continued to make outstanding efforts to provide shelter to over 2.7 million refugees from Syria and Iraq. The

cooperation with the EU on migration was stepped up following the EU-Turkey Statement of 18 March 2016. In combination with other measures taken, this led to a drastic decrease in deaths at sea and a substantial reduction in the numbers of refugees and irregular migrants leaving Turkey for Greece. Turkey made substantial progress over the past year in fulfilling the benchmarks of the visa liberalisation roadmap. The Commission made a proposal to lift the visa requirement on the understanding that Turkey would fulfil the outstanding benchmarks. The accession process saw the opening of two more chapters in November 2015 and June 2016 respectively. This includes also preparatory work on three other chapters and the ongoing updating of the screening reports in the key chapters 23 and 24. Both sides continued to explore possible options for upgrading the Customs Union. As a NATO, G20, OSCE and Council of Europe member, Turkey is an active international actor. Turkey remains active in the international coalition in the fight against Da'esh and a key partner in the region.

Turkey should also address macroeconomic imbalances, conduct further structural reforms and improve the business environment, particularly in the sensitive phase after the failed coup attempt.

Finally, in line with the repeated Council and Commission positions from previous years, it is now urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of relations with the Republic of Cyprus. The Commission welcomes the engagement by the parties to the UN-led settlement talks. It is now important that further progress is made in these talks. In order to facilitate such progress, Turkey's commitment and contribution in concrete terms to a comprehensive settlement is crucial. The EU is ready to accommodate the terms of a settlement in line with the principles on which the Union is founded.

6. **Montenegro:** EU accession negotiations have progressed. The parliamentary elections of October 2016 were conducted under a substantially revised legal framework and, overall, in a more participatory and transparent manner. The environment was competitive and characterised by general respect for fundamental freedoms. The relevant national authorities are expected to swiftly and transparently investigate alleged procedural irregularities, the arrests made and the temporary closure of two mobile communication platforms. The legal framework in the area of rule of law is largely complete and the institutional set-up is in place. The entire rule of law system now needs to deliver more results, in particular to strengthen the track-record in the fight against corruption and organised crime. Progress on the rule of law chapters, demonstrated by tangible results notably on fighting corruption and organised crime, will continue to determine the pace of accession negotiations overall. Montenegro's fiscal position deteriorated and increasing public debt levels challenge fiscal sustainability. As a matter of priority, Montenegro needs to take measures to restrain current spending and improve revenue collection. It should also reduce disincentives to work, develop human capital and a competitive export-oriented industry. In December 2015, Montenegro received an invitation to join NATO, which is an important achievement.
7. **Serbia:** Following early national elections in April, the new Serbian government programme included Serbia's EU accession as a priority goal. Serbia has taken major steps towards this goal, leading to the first four chapters of the accession negotiations being opened, including on rule of law and on normalisation of its relations with Kosovo. The overall pace of EU accession negotiations will depend in particular on sustainable progress in these two areas. Serbia needs to deepen its engagement in the Dialogue with Kosovo, including the implementation of all agreements. The Commission looks forward to the opening of further chapters in the coming period.

The economic reforms are producing results and need to continue, with particular emphasis on restructuring state owned enterprises and public utilities. Serbia's leading role in the region is instrumental in improving regional ties and preserving stability. Serbia has been affected by the migration crisis and played an active and constructive role and cooperated with neighbouring countries and Member States while managing mixed migration flows.

8. **The former Yugoslav Republic of Macedonia:** The last year has been one of continuing political crisis. Concerns about state capture affecting the functioning of democratic institutions and key areas of society persist. The country needs to fully implement the Pržino agreement, notably by ensuring a credible electoral process in relation to the December early parliamentary elections. The efforts of the Special Prosecutor to establish legal accountability must be supported and the Parliament must establish political responsibility for the wiretaps and their content. Substantial progress is still needed in terms of concrete implementation of the Urgent Reform Priorities. Macroeconomic stability should continue to be preserved and in particular the public deficit should be controlled more rigorously and transparency and implementation of public expenditure improved. Building upon recent progress in implementing confidence-building measures with Greece, decisive steps are needed to solve the 'name issue'. The country has been affected by migration crisis and has cooperated with neighbouring countries and Member States while managing mixed migration flows.

Recent positive steps in the context of the Pržino Agreement provide a real opportunity for political leaders to finally overcome the long-standing crisis and address systemic issues. In light of this, the Commission is prepared to extend its recommendation to open accession negotiations with the former Yugoslav Republic of Macedonia. This shall, however, be conditional on progress with the implementation of the Pržino Agreement, notably the holding of credible parliamentary elections and substantial progress in the implementation of the Urgent Reform Priorities.

9. **Albania:** Albania has continued to make steady progress towards fulfilling all of the five key priorities for the opening of accession negotiations. Pivotal constitutional amendments were unanimously adopted in July 2016, launching a thorough and comprehensive reform process of the judicial system. This process will include an in-depth re-evaluation of judges and prosecutors. Public administration reform continued to be implemented consistently. Work towards the establishment of solid track records of proactive investigations, prosecutions and convictions in the fight against corruption and organised crime has continued. Fundamental rights continue to be broadly respected in the country.

In view of the above progress in meeting the key priorities and subject to credible and tangible progress in the implementation of the justice reform, in particular the re-evaluation of judges and prosecutors (*vetting*), the Commission recommends opening accession negotiations with Albania.

10. **Bosnia and Herzegovina:** Bosnia and Herzegovina delivered on the priorities stemming from its reform process, particularly as regards the Reform Agenda. On this basis, the Council tasked the Commission to prepare an opinion on the membership application. The significant EU oriented reform efforts need to be sustained in order to address the deeply rooted structural problems that have been holding back the development of the country, including in socio-economic terms. Strengthening the rule of law and public administration in line with European standards on all levels of government, as well as further improving cooperation between all levels remains a priority. The adopted

coordination mechanism on EU matters needs to be implemented to enable the country to face the challenges of the EU integration process, including with regard to the adoption of the necessary country-wide strategies. The protocol on SAA adaptation initialled in July 2016 needs to be signed.

11. **Kosovo:** The Commission welcomes the entry into force of the Stabilisation and Association Agreement (SAA) on 1 April 2016, which provides a comprehensive framework for closer political and economic relations between the EU and Kosovo. Kosovo has taken major steps in fulfilling the requirements of the visa liberalisation roadmap, allowing the Commission to issue a formal proposal in May 2016 to lift the visa requirement, provided the two remaining requirements - to ratify the border/boundary agreement with Montenegro and continue to strengthen its track record in the fight against organised crime and corruption – are met. Parliamentary work was adversely affected by fundamental obstruction by different political parties.

Political actors need to find a way to overcome the protracted political stalemate and to pave the way for addressing the numerous reform challenges ahead, in particular as regards the rule of law and the need for structural economic reforms addressing the high level of unemployment. A European Reform Agenda has been developed to assist the necessary implementation of the SAA. Kosovo met the remaining international obligations in relation to the establishment of the Specialist Chambers and Specialist Prosecution Office to investigate allegations of international crimes committed in the context of the Kosovo conflict. The mandate of EULEX has been extended until June 2018. Kosovo needs to deepen its engagement in the Dialogue with Serbia, including the implementation of all agreements.

V. ANNEXES

1. Summaries of the findings of the reports
2. Key statistics

ANNEX 1 – Summaries of the findings of the reports

Turkey

A military coup attempt on the night of 15 July left 241 casualties and 2 196 people wounded. The Turkish government with the support of the entire Turkish political spectrum and society, succeeded in overcoming the coup attempt. The Turkish Grand National Assembly symbolically held a special session already on 16 July and adopted a declaration approved by all parties represented in Parliament. The government attributed the organisation of the coup attempt to the Gülen movement.

The EU strongly and immediately condemned the attempted coup, which represented a direct attack on democracy in Turkey as such, and reiterated its full support to the democratic institutions of the country.

On 20 July a state of emergency was declared across Turkey for three months, further extended for another three months on 3 October. Significant legislative amendments were introduced by decree. Turkey notified the Council of Europe of a derogation from its obligation to secure a number of fundamental rights protected by the European Convention on Human Rights. Following the coup attempt, very extensive suspensions, dismissals, arrests and detentions took place over alleged links to the Gülen movement and involvement in the attempted coup. The measures affected the whole spectrum of society with particular impact on the judiciary, police, gendarmerie, military, civil service, local authorities, academia, teachers, lawyers, the media and the business community. Multiple institutions and private companies were shut down, their assets seized or transferred to public institutions.

In the wake of the post-coup measures, the EU called on the authorities to observe the highest standards in the rule of law and fundamental rights. While a relationship of trust and loyalty should exist between civil servants and the state and measures can be taken to ensure that, any allegation of wrongdoing should be established via transparent procedures in all individual cases. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial, including through effective access to a lawyer. Turkey should ensure that any measure is taken only to the extent strictly required to the exigencies of the situation and in all cases stands the test of necessity and proportionality. The measures taken under the state of emergency are undergoing scrutiny by the Council of Europe. Turkey should urgently address the recommendations of the Commissioner for Human Rights of the Council of Europe of October 2016.

With regard to the **political criteria**, prior to the coup attempt the Parliament engaged in a heavy legislative agenda in order to implement the ambitious government reform action plan for 2016 and the legislative requirements of the visa liberalisation roadmap. However, several key pieces of legislation adopted regarding the rule of law and fundamental rights were not in line with European standards, such as the law on data protection. Political confrontation continued to beset the work of the legislative. The adoption in May of a law allowing the immunity of a large number of deputies to be lifted and the ensuing detentions and arrests of several HDP Members of Parliament, including the two Co-Chairs, in November is a matter of grave concern.

The situation in the south-east remained one of the most critical challenges for the country. Turkey saw a continued very serious deterioration in the security situation, leading to heavy casualties following the collapse of the Kurdish settlement process in July 2015 and was struck by several large-scale deadly terrorist attacks by PKK and Da'esh. The authorities pursued their extensive anti-terror military and security campaign against the Kurdistan

Workers' Party (PKK), which remains on the EU list of terrorist organisations. Serious allegations of human rights violations and disproportionate use of force by the security forces in the south-east were increasingly reported. Many elected representatives and municipal executives in the south-east were suspended, removed from their duties, or arrested under terrorism-related charges, some of them on the basis of decrees under the state of emergency following the coup attempt. However, anti-terror measures need to be proportionate and must respect human rights. The settlement of the Kurdish issue through a political process is the only way forward; reconciliation and reconstruction are also becoming key issues for the authorities to address.

Civil society made what efforts it could to remain active and involved in public life. Independent civil society organisations are rarely involved in law- and policy-making processes. Some of their representatives, including human rights defenders, have been detained and there were credible claims of intimidation. A large number of organisations were closed as part of the post-coup measures taken by the government for alleged links to the Gülen movement.

Turkey is moderately prepared in the area of public administration reform with a strong commitment to an open, responsive administration. However, there has been backsliding in the area of public service and human resources management in particular in the aftermath of the coup attempt. The structural impact on the functioning of the civil service of the measures taken after the coup attempt remains to be assessed.

Turkey's judicial system is at an early stage/has some level of preparation. There has been backsliding in the past year, in particular with regard to the independence of the judiciary. The extensive changes to the structures and composition of high courts are of serious concern and are not in line with European standards. Judges and prosecutors continued to be removed from their profession and in some cases were arrested, on allegations of conspiring with the Gülen movement. This situation worsened further after the July coup attempt, following which one fifth of the judges and prosecutors were dismissed and saw their assets frozen. The judiciary must work in an environment allowing it to perform its duties in an independent and impartial manner, with the executive and legislature fully respecting the separation of powers. Under the state of emergency, Turkey has further extended for certain offences the pre-trial detention to 30 days without access to a judge against ECtHR case law and an important part of the judiciary is subject to these measures.

The country has some level of preparation for the fight against corruption. Corruption remains prevalent in many areas and continues to be a serious problem. The adoption of a new strategy and anti-corruption action plan is a step forward even if it remains rather limited in scope. The legal framework continues to suffer from important gaps and the executive's influence on the investigation and prosecution of high-profile corruption cases remains a major source of concern. Corruption perception remains high.

Turkey has achieved some level of preparation in the fight against organised crime. Institutional capacity was increased and new strategies and action plans were adopted. However, statistics on the number of final convictions and other important indicators are not available. Financial investigations remain underused. Precautionary freezing of assets is rarely applied and the level of assets confiscated is low. In the fight against terrorism, a comprehensive legal framework on terrorism financing is in place. The anti-terror law is not in line with the *acquis* with regard to its scope and definitions and its application raises serious fundamental rights concerns. Both the criminal and anti-terror legislation should be aligned with ECtHR case-law, without reducing the capacity of Turkey to fight terrorism. The proportionality principle must be observed in practice.

The Turkish legal framework includes general guarantees of respect for human and fundamental rights, which need to be further improved. The enforcement of rights stemming from the European Convention on Human Rights (ECHR) and the case-law of the European Court of Human Rights (ECtHR) is not yet ensured. Many allegations of serious violations of the prohibition of torture and ill-treatment and of procedural rights were reported in the immediate aftermath of the coup attempt. Yet, all measures taken must be in line with the principles of proportionality and respect for human rights. The new Law on the Human Rights and Equality Institution of Turkey is a step in the right direction. It contains provisions on prohibiting discrimination on a large number of grounds, but does not explicitly cover sexual orientation. There is still a need to adopt a fully comprehensive dedicated law on combating discrimination. A legal vacuum exists on human rights cases as the new National Human Rights and Equality institution has not yet been established. The rights of the most vulnerable groups and of persons belonging to minorities should be sufficiently protected. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons continue to be a source of a serious concern.

There has been serious backsliding in the past year in the area of freedom of expression. Selective and arbitrary application of the law, especially of the provisions on national security and the fight against terrorism, is having a negative impact on freedom of expression. Ongoing and new criminal cases against journalists, writers or social media users, withdrawal of accreditations, high numbers of arrests of journalists as well as closure of numerous media outlets in the aftermath of the July attempted coup are of serious concern. Freedom of assembly continues to be overly restricted, in law and practice.

Turkey continued to express support for the talks on the Cyprus settlement between the leaders of the two communities, and for the efforts of the UN Secretary-General's Special Adviser. Turkey's commitment and contribution in concrete terms to this comprehensive settlement remains crucial. However, Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus. The conclusions on Turkey that were adopted by the Council (General Affairs and External Relations) on 11 December 2006 and endorsed by the European Council in December 2006 remain in force. They stipulate that negotiations will not be opened on eight chapters² relating to Turkey's restrictions regarding the Republic of Cyprus and no chapter will be provisionally closed until the Commission confirms that Turkey has fully implemented the Additional Protocol to the Association Agreement.

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

Regarding the **economic criteria**, the Turkish economy is well advanced and can be considered a functioning market economy. Still, the large external deficit makes the Turkish economy vulnerable to financial uncertainty, changes in global investors' sentiment and political risks. The central bank cut interest rates even though inflation remained well above

²Free movement of goods, right of establishment and freedom to provide services, financial services, agriculture and rural development, fisheries, transport policy, customs union, and external relations.

the official target. The business environment continued to deteriorate due to targeted actions against critical media and business people and political opponents through the active use of the tax authority, the financial crimes unit and courts. The implementation of structural reforms to improve the functioning of the markets for goods, services and labour has stalled. Overall, there was backsliding.

Turkey has a good level of preparation in achieving the capacity to cope with the competitive pressure and market forces within the EU. Some progress was made in a number of areas, most notably through further liberalising the energy sector. Significant problems remain as regards the quality of education. There are also problems of access to education for girls. The lira's real appreciation has reduced the economy's price competitiveness.

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

Montenegro

Concerning the **political criteria**, a political agreement on the organisation of free and fair elections led to the establishment of a "government of electoral trust" in May. Despite persisting polarisation of the political environment, this has demonstrated the capacity to reach compromises between the government and parts of the opposition. The parliamentary elections of October 2016 were conducted under a substantially revised legal framework. Despite the technical delays and difficult relationships between responsible institutions, overall the election preparations were conducted in a more participatory and transparent manner. The elections were held in a competitive environment and characterised by general respect for fundamental freedoms. The relevant national authorities are expected to swiftly and transparently investigate alleged procedural irregularities, the arrests made and the temporary closure of two mobile communication platforms. There has been no political follow-up to the alleged abuse of public funds for party political purposes ("audio recordings affair").

Montenegro is moderately prepared with the reform of its public administration. Some progress has been made, notably with the adoption of the public administration reform strategy 2016-2020, the public financial management reform programme, the entry into force of the new law on salaries and the simplification of administrative procedures. However, strong political will is needed to effectively address the de-politicisation of public service and right-sizing of the state administration.

The judicial system is moderately prepared. During the reporting period, Montenegro made some progress in this field. The capacity of the Judicial and Prosecutorial Council has improved. However, the new legislative framework for increasing the independence,

accountability and professionalism of the judiciary, as well as the code of ethics, have not yet been fully implemented. Measures to reduce the number of pending cases and the total length of proceedings need to continue.

Montenegro has achieved some level of preparation in the fight against corruption. Corruption remains prevalent in many areas and continues to be a serious problem. The Anti-Corruption Agency started its work in 2016. The process of institution building is largely complete. All institutions should demonstrate a more proactive attitude to fulfilling their mandate. Despite some further steps taken, the track record both on successful investigations and convictions, in particular in high-level corruption cases, and on prevention of corruption remains limited. Montenegro needs to increase the capacity to carry out financial investigations and establish track records of seizure and confiscation of criminal assets.

Montenegro has achieved some level of preparation in the fight against organised crime. Some progress was made, notably on strengthening the legal, regulatory and institutional framework. Efforts should continue to develop the track record in organised crime cases, especially as regards trafficking in human beings and money laundering where results are limited. The number of suspicious bank transactions detected remains low.

Montenegro completed several legislative reforms to further align with the EU and international human rights standards and ensure that adequate mechanisms are in place to protect vulnerable groups from discrimination. Implementation of the legislation remains weak. Amendments to the overall legislative framework, to ensure a coherent sanctioning policy for human rights violations, have not been adopted yet. Institutional capacity needs to increase further. The Roma minority remains the most vulnerable and most discriminated-against community in various areas of life.

Montenegro has achieved some level of preparation in the area of freedom of expression, but no further progress was made in the past year. The number of defamation cases remains high, which points to weak self-regulation mechanisms, as well as to challenges in understanding the role of the media. Montenegro still needs to achieve overall alignment with the case-law of the European Court of Human Rights. The premises of one commercial media company were damaged and several journalists were physically and verbally assaulted and threatened during anti-government protests in October 2015. There has been no progress in the resolution of cases of attacks on journalists. Transparency and non-discrimination in state advertising in the media should be ensured. The revised Code of Ethics for Journalists must be effectively and uniformly applied across the media community.

Montenegro continued to play a constructive role in regional cooperation. It ratified its border agreements with Bosnia and Herzegovina and with Kosovo*.

As regards **economic criteria**, Montenegro is moderately prepared in developing a functioning market economy. Some progress was made to strengthen the functioning of the financial and labour markets, as well as on improving the business environment. Investments in infrastructure and tourism support economic activity. However, rapidly rising public debt and high fiscal deficits, together with high external imbalances and high unemployment are of concern. The combined effects of large-scale public infrastructure investments and several new expensive social expenditure programmes challenge fiscal sustainability. Immediate corrective measures are required, as called for by the ERP policy guidance. Other problems to be tackled include high external imbalances and low labour market participation and still low credit growth amid high impaired bank loans.

* 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.

Montenegro is moderately prepared in its capacity to cope with competitive pressure and market forces within the Union. Some progress was achieved in improving the quality of infrastructure, the energy market and the digitalisation of the economy. SMEs support is modest but developing gradually. However, substantial efforts are still required to develop human capital and a competitive export-oriented industry.

Concerning its **ability to assume the obligations of membership**, important work on alignment and preparation for the implementation of the *acquis* has taken place and Montenegro is moderately prepared in many chapters, such as the free movement of goods, public procurement, statistics as well as justice, freedom and security. Montenegro has continued to align with all EU common foreign and security policy positions and declarations. Montenegro is at an early stage of preparation regarding fisheries and budgetary and financial provisions and at some level of preparation in the area of environment and climate change. Good progress has been made in the areas of free movement of goods, agriculture and rural development, food safety, veterinary and phytosanitary policy, energy, environment and climate change, customs union, external relations and financial control. Looking ahead, Montenegro should focus in particular on competition policy and economic and monetary policy. Strengthening the administrative capacity for ensuring the application of the *acquis* remains a substantial challenge for Montenegro.

Serbia

As regards the **political criteria**, the early national elections, held in April together with provincial and local elections, took place in a calm atmosphere. The recommendations of international observers need to be followed up, including those on ensuring that campaign financing and the registration process are transparent. The new government programme included Serbia's EU accession as a priority goal. Involvement of parliament and stakeholders, including civil society, in the accession process, was further enhanced. However, the inclusiveness, transparency and quality of law-making and effective oversight of the executive need to be further enhanced, and the use of urgent procedures limited. Constitutional reforms are needed for alignment with EU standards in some areas. There is scope for improved cooperation between the executive and independent regulatory institutions.

Serbia is moderately prepared in the area of public administration reform. Good progress was achieved with the adoption of the public financial management reform programme, strategies on e-government and on regulatory reform and policy-making, and of new laws on administrative procedures, public salaries and local and provincial civil servants. Serbia needs to implement its reform targets, professionalise and depoliticise the administration and make recruitment and dismissal procedures more transparent, especially for senior management positions.

The judicial system has reached some level of preparation. Some steps were taken to promote a merit-based recruitment system, and harmonise the jurisprudence. Further steps are needed to tackle political influence. The quality and efficiency of the judiciary and access to justice remain undermined by an uneven distribution of workload, a burdensome case backlog and the lack of a free legal aid system.

Serbia has some level of preparation in preventing and fighting corruption. Corruption remains prevalent in many areas and continues to be a serious problem. The anti-corruption effort has yet to yield meaningful results. The institutional setup is not yet functioning as a

credible deterrent for corruptive practices. A track record of effective investigations, prosecutions and convictions in corruption cases is required, including at high level.

Serbia has some level of preparation in the fight against organised crime. Some progress has been made in adopting a new police law, reorganising the Ministry of the Interior and in adopting the first serious and organised crime threat assessment (SOCTA) using Europol methodology. A credible track record in the fight against organised crime still needs to be established.

The legal and institutional framework for the respect of fundamental rights is in place. Consistent implementation across the country needs to be ensured, including as regards protection of minorities. No progress was made to improve conditions for the full exercise of freedom of expression, where Serbia has achieved some level of preparation. Serbia was the first enlargement country to introduce the EU Index of Gender Equality. Further sustained efforts are needed to improve the situation of persons belonging to the most discriminated groups (Roma, lesbian, gay, bisexual, transgender and intersex persons, persons with disabilities, persons with HIV/AIDS and other socially vulnerable groups).

Serbia participated constructively in regional initiatives and worked to improve its bilateral relations in a spirit of reconciliation, good neighbourly relations and establish a climate conducive to addressing open bilateral issues and the legacies of the past. The signature in June of a joint declaration with Croatia tackling certain bilateral issues was a positive development. Such an approach is key for reconciliation, peace and cooperation in the region, and should be pursued consistently.

Regarding the **normalisation of relations with Kosovo**, Serbia remained committed to the implementation of the agreements reached in the EU- facilitated dialogue. Progress was limited, also due to the electoral process in Serbia and the domestic situation in Kosovo. However, momentum was regained in August 2016 with the start of the work on the Mitrovica bridge and freedom of movement. Continued efforts are needed to implement the agreements already reached with Kosovo. The steps taken should have a positive and concrete impact on the everyday life of citizens in both Serbia and Kosovo.

As regards the **economic criteria**, Serbia is moderately prepared in developing a functioning market economy. Good progress was made to address some of the policy weaknesses, in particular with regard to the budget deficit and restructuring of publicly-owned enterprises. Economic reforms have brought clear results in terms of growth prospects and reduction of domestic and external imbalances. In view of the still high level of government debt, fiscal consolidation needs to be sustained. The restructuring of large state-owned utilities is still to be completed. Credit activity is recovering but the high level of non-performing loans remains an issue. Unemployment remains high, particularly among youth. Further expansion of the private sector is hampered by weaknesses in the rule of law.

Serbia is moderately prepared to cope with competitive pressure and market forces within the Union. Public and private investments increased, though the level of investment activity remains below the economy's needs. The quality, equality and relevance of education and training do not match societal needs. **Some progress** was made concerning support to SMEs and entrepreneurship but SMEs face a number of challenges, including an unpredictable business environment, a high level of para-fiscal charges, and difficult and costly access to finance.

As regards its **ability to assume the obligations of membership**, Serbia has continued to align its legislation with the EU *acquis* across the board. Adequate financial and human resources and sound strategic frameworks will be crucial to maintaining the pace of reforms.

Serbia has a good level of preparation in areas such as company law, intellectual property, science and research, education and culture and customs. Serbia needs to further improve investment planning and prioritisation of strategically important and mature infrastructure projects through its Single Project Pipeline and National Investment Committee, notably on energy and transport. In the areas of public procurement, statistics, monetary policy or financial control, Serbia is moderately prepared. Serbia will need to align its foreign and security policy progressively with the European Union's common foreign and security policy in the period up to accession. Serbia needs to address, as a matter of priority, issues of non-compliance with the SAA, in particular on safeguard measures on some agricultural products, State aid control, and fiscal discrimination.

Serbia continued to be affected by the migration crisis. This created a substantial burden on its asylum and migration system. Serbia continued to cooperate with neighbouring countries and Member States, ensured the effective screening of refugees and migrants, and made substantial efforts to provide shelter and humanitarian supplies, with EU support as well as the support of others. It is important that Serbia remains engaged. Serbia should also maintain its efforts to decrease the number of unfounded asylum applications lodged by its nationals in EU Member States.

The former Yugoslav Republic of Macedonia

Concerning the **political criteria**, the country was faced with the continuation of the most severe political crisis since 2001. Democracy and rule of law have been constantly challenged, in particular due to state capture affecting the functioning of democratic institutions and key areas of society. The country suffers from a divisive political culture and a lack of capacity for compromise. On 20 July and 31 August 2016, leaders of the four main political parties reached a deal on the implementation of the Pržino Agreement, including by setting 11 December 2016 as the date for early parliamentary elections and declaring their support to the work of the Special Prosecutor. They reiterated also their commitment to implement the 'Urgent Reform Priorities'.

The inter-ethnic situation remained fragile. The review of the Ohrid Framework Agreement, which ended the 2001 conflict and provides the framework for the inter-ethnic relations, still needs to be completed in a transparent and inclusive manner.

Civil society played a constructive role in supporting democratic processes and ensuring greater checks and balances. At the same time, civil society organisations continue to express their concerns about the deterioration of the climate in which they operate and the limited government commitment to dialogue, as well as about public attacks by politicians and pro-government media.

The country is moderately prepared with the reform of its public administration. There has been some progress, although limited, over the past year. The implementation of the new legal framework on human resources management started. However, there is insufficient progress in the implementation of the Commission's previous recommendations. Rather than being suspended, temporary contracts continued to be transformed into permanent ones without open competition. Ineffective accountability lines, the use of the public sector as a political instrument, allegations of pressure exerted on public employees and alleged politicisation of administration in an electoral year continue to be of concern. A comprehensive 2017-2022 public administration reform strategy is belatedly under preparation. Furthermore, the lack of political commitment to deliver on necessary reforms in public financial management led to a significant reduction of EU financial assistance in 2016.

The country's judicial system has some level of preparation. However, the situation has been backsliding since 2014 and achievements of the previous decade's reform process have been undermined by recurrent political interference in the work of the judiciary. The authorities failed to demonstrate necessary political will to address effectively the underlying issues as identified in the 'Urgent Reform Priorities'. The obstructions faced by the newly established Special Prosecutor have shown the need to address effectively the lack of independence of the judiciary and to prevent selective justice.

Concerning the fight against corruption, the country has some level of preparation. Corruption remains prevalent in many areas and continues to be a serious problem. The legislative and institutional framework has been developed. However, the structural shortcomings of the State Commission for Prevention of Corruption and political interference in its work have minimised the impact of past efforts. There is still a need to establish a convincing track record, especially on high level corruption cases. In the fight against organised crime, the country has reached some level of preparation. The legislative framework is broadly in line with European standards and strategies have been elaborated. However, the law enforcement capacity to investigate financial crimes and confiscate assets needs to be developed further.

Concerning the protection of human rights, the legislative and institutional framework is largely in line with the European standards. More efforts are needed in practice to ensure the respect of human rights of vulnerable groups, including refugees and migrants. There is also a continuing lack of political will and adequate resources to enable the relevant supervisory and regulatory bodies to fulfil their mandate independently and effectively. The most marginalised categories of the population are still not being accorded full protection. In the area of freedom of expression, the country has some level of preparation. However, freedom of expression and the situation of the media remain a serious challenge in the current political climate.

With regard to regional cooperation, the country generally continues to maintain good relations with other enlargement countries and participated actively in regional initiatives. Steps have been taken to improve good neighbourly relations, including through the recent progress in implementing the confidence-building measures with Greece. The 'name issue' needs to be resolved as a matter of urgency.

As regards the **economic criteria**, the former Yugoslav Republic of Macedonia has a good level of preparation in developing a functioning market economy. Overall, no progress was made towards a functioning market economy during the reporting period. Macroeconomic stability was preserved and the macroeconomic environment strengthened further in 2015. This was supported by major public infrastructure spending and foreign direct investment, although signs of weaknesses were observed in the first quarter of 2016. Despite unemployment remaining high, particularly for youth, it has decreased during the reporting period. Certain vulnerabilities remain, however, such as the low competitiveness of the domestic private sector which is hampered by weak contract enforcement, the large informal economy, and difficult access to finance. The management of public finances did not improve and public debt increased further.

The economy has a moderate level of preparation to cope with competitive pressures and market forces within the Union. Some progress was made to foster innovation and foreign investments and digitalisation is progressing fast. The economy is poorly diversified, however, and manufacturing industry produces mainly low value-added products. The economy continued to suffer from weaknesses in education curricula, low innovation rates and significant investment needs, including in public infrastructure, that make it less competitive.

As regards its **ability to assume the obligations of membership**, the country is moderately prepared in most areas, including in the areas of competition, transport and energy. Further efforts are needed across the board, in particular in those few areas where the country is at an early stage of preparation, such as freedom of movement of workers. More focus is also needed on administrative capacity and effective implementation.

The country continued to be affected by the migration crisis. This created a substantial burden on its asylum and migration system. The country continued to cooperate with neighbouring countries and Member States and made efforts to provide shelter and humanitarian supplies, with EU support as well as the support of others. The country should maintain its efforts to ensure effective screening of refugees and migrants and address relevant protection needs. The country should also maintain its efforts to decrease the number of unfounded asylum applications lodged by its nationals in EU Member States.

Albania

As regards the **political criteria**, overcoming previous polarisation, the Parliament of Albania has adopted by unanimity constitutional amendments to launch a deep and comprehensive justice system reform and the exclusion of criminal offenders from public offices. In view of the next general elections to be held in 2017, Albania is expected to adopt in due time amendments to the electoral code and related reforms. These should address in particular the lack of impartiality and professionalism of the electoral administration. Adoption of the law establishing the national council for civil society provided the framework for more structured consultations with civil society organisations.

Albania is moderately prepared in what concerns the reform of its public administration. The implementation of more transparent recruitment procedures of civil servants, as well as the implementation of the public administration reform and public financial management reform strategies have continued. Further progress is key to consolidate achievements towards a more efficient, depoliticised, and professional public administration.

Albania's judicial system has some level of preparation. Constitutional amendments related to the organisation and functioning of the justice system were adopted. This paves the way for a comprehensive and thorough justice reform. Work on related implementing legislation also advanced: a law on the re-evaluation (vetting) of judges, prosecutors and legal advisors, as well as a set of key laws providing for the institutional reorganisation of the judicial structures were adopted. In addition, around 40 other legislative texts are at various stages of preparation. Further progress is needed to adopt and implement this legislation. Administration of justice continued to be slow and inefficient; corruption remained prevalent across the sector.

Albania has some level of preparation in the fight against corruption. A law on whistle-blower protection was adopted. Prosecutors and police gained increased access to national electronic public registries, with a view to exchanging sensitive information and increasing the efficiency of investigations. Further progress is needed to establish a solid track record of investigations, prosecutions and convictions. More efforts are needed to tackle corruption at high level. Proactive investigations, systematic risk assessments and inter-institutional cooperation need to be improved. Corruption remains prevalent in many areas and continues to be a serious problem.

The country has reached some level of preparation in the fight against organised crime. Some progress was made, in particular on identifying and destroying cannabis plantations. The

police was modernised and international police cooperation intensified, especially with Europol. However, cooperation between police and prosecution needs to be further strengthened to dismantle criminal networks more effectively. The number of final convictions in organised crimes cases is still low, marking only a slight increase in recent years. Financial investigations related to organised criminal groups are not used systematically and effectively. The track record of freezing and confiscating illegally acquired assets remains very low.

The legal framework for the protection of human rights is broadly in line with European standards. Albania has ratified most international human rights conventions. However, enforcement of human rights protection mechanisms remains to be strengthened. As regards freedom of expression, Albania has some level of preparation / is moderately prepared. The overall environment is conducive to the freedom of expression, but better implementation of the legislation is needed. The independence of the regulatory authority and public broadcaster must be further strengthened, and transparency of state advertising in the media remains to be enhanced. Albania has taken measures to address the restitution of or compensation for property confiscated during the communist era. A new law providing for the setting up of a national mechanism for compensation is now in place. The process of property registration also needs to advance. Living conditions for Roma and Egyptians³ need to be improved. Additional efforts are needed to develop a track record of anti-discrimination cases. Institutional mechanisms to protect the rights of the child and to tackle gender-based violence remain poor. The legislation on juvenile justice remains to be brought in line with international standards.

Albania has continued to have a constructive and proactive role in regional cooperation and maintains good neighbourly relations in line with its commitments under the Stabilisation and Association Agreement.

As regards the **economic criteria**, Albania is moderately prepared in developing a functioning market economy. Some progress was made in improving the budget balance, fighting informality and reforming the electricity sector. Economic growth accelerated and the labour market situation improved, but unemployment is still high. Public debt is high and has not yet started decreasing, while the recurrent underexecution of government spending on investments persists. The financial sector is stable. However, the banking sector is still burdened with non-performing loans and credit is growing slowly. Business-relevant regulations are cumbersome and shortcomings in the rule of law continue to deter investments. The ongoing justice reform is expected to have a material impact on the business environment.

Albania has some level of preparation concerning its capacity to cope with competitive pressure and market forces within the Union. Some progress was made particularly as regards improving higher and vocational education. However, the quality of education needs to be raised at all levels to better equip people with skills and knowledge in line with labour market needs. Efforts have started for prioritising infrastructure investments, but gaps in transport, energy and digital infrastructure still hinder competitiveness and constrain trade. International trade is below potential and it is sectorally concentrated making the economy more vulnerable. Capacity for research, development and innovation remains low.

Albania continued aligning its legislation to EU requirements in a number of areas, enhancing its **ability to take on the obligations of membership**. In many areas, the country is

³ All these groups are considered under the wider "Roma" umbrella term under the EU Framework for National Roma Integration Strategies.

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

The number of unfounded asylum applications lodged by Albanian nationals to EU Member States and Schengen associated countries has remained high. Albania should take immediate and determined action, including in the framework of the post-visa liberalisation monitoring mechanism, to effectively address this phenomenon.

Bosnia and Herzegovina

As regards the **political criteria**, the electoral legislation was improved, with a number of OSCE-ODIHR recommendations being followed and local elections organised broadly in an orderly manner, despite incidents in some municipalities which need to be investigated. Despite efforts to resolve the Mostar issue, elections could not take place there this year. The Bosnia and Herzegovina Parliamentary Assembly and the entities' parliaments made progress towards adopting outstanding reform priorities, in particular those stemming from the Reform Agenda. Cooperation between state-level, entity-level and Brčko district parliaments has improved. However their role and capacities in the EU integration process need to be further improved. Cooperation between the BiH Council of Ministers and the entities' governments was effective as regards the Reform Agenda, the implementation of which needs to continue. The coordination mechanism on EU matters was adopted by the Council of Ministers in August. A strategic programme for the country's legal approximation with the EU *acquis* has yet to be adopted.

Bosnia and Herzegovina's constitution remains in breach of the European Convention on Human Rights, as per the ruling in the *Sejdić-Finci* case. Constitutional Court decisions have yet to be fully enforced throughout the country.

While some progress has been made in establishing institutional mechanisms for cooperation between governments and civil society organisations (CSOs), a strategic framework for cooperation with civil society needs to be developed.

Bosnia and Herzegovina is at an early stage with the reform of its public administration. Backsliding has been recorded with the changes to the Federation entity's legal framework for the civil service, increasing the risk of politicisation. A harmonised approach to policy development and coordination between different parts of the administration is still largely lacking. The adoption of a new strategic framework for public administration, as well as a strategy on public financial management are needed.

Bosnia and Herzegovina's justice system has some level of preparation. Some progress was made on accountability and integrity. The action plan needed to implement the 2014-2018 justice sector reform strategy has yet to be adopted. Politically motivated threats on the

judiciary by some politicians in the country continued. Judicial independence remains to be strengthened.

Bosnia and Herzegovina has some level of preparation in the fight against corruption. Some progress was made with the adoption of action plans at various levels of governance but their fragmentation makes implementation less effective. Corruption remains prevalent in many areas and continues to be a serious problem. The declared political commitment on this subject did not translate into concrete results.

Regarding the fight against organised crime, Bosnia and Herzegovina has some level of preparation. Some progress was made notably to improve inter-agency cooperation. However, financial investigations need to be stepped up. Fighting organised crime remains fundamental to countering criminal infiltration of the political, legal and economic system of the country. Bosnia and Herzegovina still needs to meet international standards on anti-money laundering and countering the financing of terrorism. Bosnian and Herzegovina has been seriously affected by the phenomenon of foreign terrorist fighters and radicalisation. Bosnia and Herzegovina has already taken important measures to deal with this problem which needs to be complemented by further steps to identify, prevent and disrupt the flow of foreign terrorist fighters travelling to conflict areas such as Iraq and Syria.

More work is required addressing human rights and minorities' issues. Some progress was achieved in particular with the adoption of amendments to the anti-discrimination law. The strategic, legal, institutional and policy frameworks for the observance of human rights remain in overall need of substantial improvement. There is some level of preparation on freedom of expression. However, no progress was made in this area. Cases of political pressure and intimidation against journalists need adequate legal follow up. The financial stability of the public broadcasting system remains to be addressed, as well as the issue of the lack of transparency of media ownership.

With regard to regional cooperation, the country continued to participate actively in regional initiatives. Bosnia and Herzegovina took over the chairmanship of the Central European Initiative in January.

As regards the **economic criteria**, Bosnia and Herzegovina is still at an early stage in developing a functioning market economy. Some progress has been made in modernising the labour legislation, improving the business environment and addressing weaknesses in the financial sector in the framework of the agreed Reform Agenda. However, the public sector is inefficient and private sector development is slow. Strong and continuing political support for the swift implementation of much-needed structural reforms, in line with the agreed Reform Agenda, will be key.

Bosnia and Herzegovina is at an early stage in building the capacity to cope with competitive pressure and market forces within the Union. There was no progress in improving the country's competitiveness, but implementation of Reform Agenda measures is ongoing.

Regarding approximation with **European standards**, there is some level of preparation in the fields of public procurement and internal market. The country achieved some level of preparation in the transport area; the adoption of a Framework Transport Strategy at State-level in July is a step forward towards the country benefitting from the connectivity agenda. Country-wide strategies in the areas of agriculture, energy and environment are yet to be adopted. Further sustained efforts are also needed as regards justice, freedom and security matters, the competition area, industry and SMEs, agriculture, environment and climate change policies, energy, and information society and media. The results of the population and

housing census conducted in October 2013 were published on 30 June 2016, in line with international standards and recommendations.

Kosovo

As concerns the **political criteria**, the polarisation between government and opposition continued. Normal parliamentary functioning was prevented for parts of the reporting period, including through the use of violent means by opposition members. All political parties should show responsibility and re-engage in a constructive dialogue, with parliament as the key forum for political debate. The recent return of opposition members to parliamentary activities is a welcome step.

Kosovo institutions fulfilled the remaining obligations on the establishment of the Specialist Chambers and Specialist Prosecution Office to investigate allegations of international crimes committed during and after the 1999 conflict. The procedures on the bilateral agreement with the host country of the Specialist Chambers (the Netherlands) were finalised. The mandate of EULEX was extended until June 2018.

The assembly completed most of the outstanding appointments to independent institutions and agencies. However, appointments were often subject to political influence. This undermines the independent functioning and effective management of these bodies. Greater efforts are needed to ensure that appointments are based on merit.

There is some level of preparation in the area of public administration reform. Good progress included the adoption of a comprehensive public financial management strategy and of the law on general administrative procedures. The continued politicisation of the public administration, however, remains a serious concern. The organisation of the state administration is fragmented and does not ensure effective lines of accountability, and the overlap of responsibilities of government agencies needs to be addressed. Parliamentary oversight of government activities should increase. The recommendations of oversight institutions should be followed, to ensure improved governance and accountability.

Kosovo's judicial system is at an early stage. Important positive steps have been taken during the reporting period with the adoption of amendments to the constitution and most secondary legislation necessary to implement the 2015 justice package laws. Kosovo has also appointed most members of key institutions and continued to increase its clearance rate of cases. However, administration of justice is slow and inefficient, and there is insufficient accountability of judicial officials. The judiciary is still vulnerable to undue political influence and rule of law institutions suffer from lack of funding and human resources.

Kosovo is at an early stage/has some level of preparation in the fight against corruption. Kosovo has strengthened its institutional capacities to fight corruption and organised crime, with the establishment of multi-disciplinary investigative teams, the set-up of a tracking mechanism for high level corruption and organised crime cases, as well as the fostering of serious crime department of basic courts. This has led to an increased number of high-level cases being investigated and prosecuted. However, corruption remains prevalent in many areas and continues to be a very serious problem. A stronger political will to tackle this in a comprehensive manner is necessary.

Kosovo is at an early stage in the fight against organised crime. The number of investigations and final convictions remains low. Gaps in the legislation remain and enforcement needs to be improved in particular for money laundering, confiscation and seizure of assets, and financial investigation. Undue influence over investigations and the lack of strategic political

commitment hamper the fight against organised crime. Kosovo continued its efforts to fight terrorism, but still faces challenges in this area.

Some progress was made in the area of human rights, with steps taken to implement the 2015 package of human rights laws and declarations of support for the rights of LGBTI persons. However, implementation continues to be hindered by a lack of resources and political commitment, in particular at local level. More needs to be done to effectively guarantee property rights and address the issues of return and reintegration of displaced persons, protection of cultural heritage and against gender-based violence. The protection of the rights of persons belonging to minorities and persons with disabilities need to be significantly strengthened. Kosovo has some level of preparation in the area of freedom of expression. There have been worrying developments during the reporting period, including a number of threats against journalists. The assembly shows limited commitment to finding a solution for sustainable funding of the public broadcaster, leaving it vulnerable to political pressure. There were no legislative developments on the regulation of media ownership and transparency.

Regarding the **normalisation of relations with Serbia**, Kosovo remained committed to the implementation of the agreements reached in the EU-facilitated dialogue. Progress was limited, also due to the electoral process in Serbia and the domestic situation in Kosovo. However, momentum was regained in August 2016 with the start of the work on the Mitrovica/Mitrovicë bridge and freedom of movement. Continued efforts are needed to implement the agreements already reached. The steps taken should have a positive and concrete impact on the everyday life of citizens in both Kosovo and Serbia.

As regards the **economic criteria**, Kosovo is at an early stage in developing a functioning market economy. Some progress was made, particularly on supporting export-oriented businesses, improving contract enforcement, especially within the financial sector, and access to finance. However, the fiscally unsustainable decisions related to war-veterans' benefits may have a negative effect on the macroeconomic stability of Kosovo and its relations with international financial institutions. The persistent trade deficit reflects a weak production base and poor international competitiveness. Reliance on remittances and the widespread informal economy additionally decrease employment incentives, resulting in low labour force participation, especially among women, and high unemployment rates, in particular among young and unskilled workers.

Kosovo is at an early stage in building the capacity to cope with competitive pressures and market forces within the Union. No progress was made on improving the quality of education, which is a key driver for improving long-term growth and competitiveness.

Kosovo is at an early stage of alignment with **European standards**. Legislative alignment has continued in some areas but implementation is weak. Some progress was made in the area of public procurement and competition. Good progress was made in the area of customs, especially in fighting corruption, collecting revenue and reducing the administrative costs of exports, but Kosovo should step up the fight against the informal economy and tax evasion. The energy sector continues to face problems, with no progress having been made on decommissioning the Kosovo A power plant or refurbishing Kosovo B, and very little progress made on renewable energy.

ANNEX 2 – KEY STATISTICS

STATISTICAL DATA (as of 5.10.2016)

Demography	Note	Montenegro		The former Yugoslav Republic of Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
		2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Total population (thousands)	1)	621.5	622.1	2 065.8	2 069.2	2 895.0e	2 892.3e	7 149.2e	7 114.4	76 668	77 696	3 827.3e	3 819.5e	1 804.9e	1772.1p	506 944p	508 293bp
Share of 15–64 in total population (%)		68.1	67.8	70.8	70.5	68.8e	69.0	67.6	67.1	67.7	67.8	:	:	:	:	65.8p	65.5bp
Crude rate of natural population change (per 1 000 inhabitants)		2.4	1.7	1.9	1.3e	5.2e	3.7e	-4.9	-5.4	12.3	11.8	-1.5p	:	13.2e	12.4be	0.4p	-0.3bp
Life expectancy at birth, males (years)		74.1	:	73.5	:	76.4e	:	72.8	:	75.4	:	:	:	:	:	78.1p	:
Life expectancy at birth, females (years)		78.9	:	77.5	:	80.3e	:	78.0	:	80.9	:	:	:	:	:	83.6p	:

Labour market	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		67.6	68.5	70.8	70.2	68.6e	71.3e	68.0b	68.1	58.9	59.9	59.2	59.2	47.7	42.8	76.8	77.1
Economic activity rate for males aged 20–64: proportion of the male population aged 20–64 that is economically active (%)		74.5	74.9	84.5	83.8	80.5e	81.8e	76.6b	76.7	82.2	82.7	72.4	71.9	71.4	65.1	83.2	83.4
Economic activity rate for females aged 20–64: proportion of the female population aged 20–64 that is economically active (%)		60.7	62.1	56.8	56.2	57.3e	61.1e	59.5b	59.5	35.8	37.3	46.0	46.3	24.2	20.4	70.5	70.8
Employment rates, aged 20–64 (% of the population)																	
Total		55.6	56.7	51.3	51.9	56.6e	59.3e	54.8b	56.0	53.2	53.9	43.2	43.2	31.3	29.1	69.2	70
Males		61.4	61.9	61.6	61.5	65.2e	68.1e	62.5b	63.7	75.0	75.3	54.6	53.9	48.4	44.9	75.0	75.8
Females		49.4	51.5	40.8	42.1	48.5e	50.7e	47.2b	48.3	31.6	32.6	31.9	32.4	14.5	13.2	63.4	64.2

		Montenegro		The former Yugoslav Republic of Macedonia		Albania		Serbia		Turkey		Bosnia and Herzegovina		Kosovo *		EU-28	
Persons aged 15-24 not in employment, education or training, % of the population in the age group		17.7	19.1	:	:	30.9e	29.6	20.7	20.1	24.9	24.0	26.1	27.7	:	:	12.5	12.0
Persons aged 15-29 not in employment, education or training, % of the population in the age group		22.6	23.4	:	:	34.5e	32.8	25.6	24.6	28.5	28.0	31.8	32.8	:	:	15.4	14.8
Employment by main sectors																	
Agriculture, forestry and fisheries (%)	2)	5.7	7.7	18.5	17.9	42.7e	41.3e	19.9b	19.4	21.1	20.6	17.1	17.9	2.6	2.3	4.7	4.5
Industry (%)	2)	11.1	10.8	23.4	23.4	11.0e	11.6e	20.2b	19.9	20.5	20.0	22.1	22.0	17.7	18.7	17.4	17.3
Construction (%)	2)	6.5	6.6	7.0	7.1	6.4e	6.9e	4.5b	4.5	7.4	7.2	7.9	7.5	10.9	9.5	6.8	6.8
Services (%)	2)	76.7	74.8	51.1	51.6	39.4e	40.2	55.4b	56.1	51.0	52.2	52.7	52.4	67.2	68.3	71.0	71.3
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	3)	32.8	32.4	:	:	17.5e	16.7e	31.4b	29.7	13.1b	13.5	31.9	31.2	31.4s	32.6	:	:
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	3)	48.2	46.8	:	:	82.5e	83.3e	68.6b	70.3	86.9b	86.5	63.1	63.2	68.6s	67.4	:	:
Unemployment rates (% of the labour force)																	
Total	4)	18.0	17.5	28.0	26.1	17.5e	17.1e	19.2b	17.6	9.9	10.3	27.6	27.9	35.3	32.9	10.2	9.4
Males	4)	17.8	17.7	27.7	26.7	19.2e	17.1e	18.3b	16.8	9.1	9.3	25.3	25.9	33.1	31.8	10.1	9.3
Females	4)	18.2	17.3	28.6	25.1	15.2e	17.1e	20.3b	18.7	11.9	12.6	31.2	30.9	41.6	36.6	10.3	9.5
Youth, aged 15–24	4)	35.8	37.6	53.1	47.3	39.0e	39.8e	47.4b	43.2	17.8	18.4	62.7	62.3	61.0	57.7	22.2	20.4
Long-term (>12 months)	4)	14.0	13.6	23.4	21.3	11.2e	11.3e	12.8b	11.3	2.0	2.2	23.4	22.8	26.1	23.8	5.0	4.5
Average nominal monthly wages and salaries (EUR)	5)	479.0	:	:	:	378.8	386.4	523.6	506.4	:	:	424.4	424.4	:	:	:	:
Education	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Early leavers from education and training: percentage of the population aged 18–24 with at most a lower secondary education and not in further education or training (%)		5.1	5.7	12.5	11.3p	26.0e	21.3e	8.5	7.5	38.3	36.7	25.2	26.3	:	:	11.2	11.0
Public expenditure on education relative to GDP (%)		:	:	:	:	3.3	:	4.2	:	5.1	:	:	:	4.4	:	:	:

Montenegro	The former Yugoslav Republic of Macedonia	Albania	Serbia	Turkey	Bosnia and Herzegovina	Kosovo *	EU-28
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Percentage of the population aged 20-24 with no or elementary education, total	1.1	6.6	:	13.7	30.9e	24.9e	10.1b	8.6	12.6	11.5	6.5	6.2	20.7	17.9	:	:
Percentage of the population aged 20-24 with no or elementary education, males	1.2	6.9	:	:	31.0e	27.1e	10.2b	9.3	6.9	7.1	5.8	5.6	18.8	14.9	:	:
Percentage of the population aged 20-24 with no or elementary education, females	1.0	6.3	:	:	30.7e	22.6e	10.0b	7.9	17.9	15.7	7.2	6.9	22.9	21.3	:	:
Percentage of the population aged 20-24 with secondary education, total	86.3	80.6	:	76.1	49.7e	52.4e	82.3b	83.2	70.0	69.9	85.6	86.3	68.2	67.3	:	:
Percentage of the population aged 20-24 with secondary education, males	87.8	85.3	:	:	55.9e	57.9e	84.8b	84.5	76.7	76.9	89.6	88.6	71.8	72.4	:	:
Percentage of the population aged 20-24 with secondary education, females	84.7	75.7	:	:	43.5e	46.8e	79.7b	81.7	63.8	63.3	81.2	83.5	64.0	61.5	:	:
Percentage of the population aged 30-34 with tertiary education, total	28.3	31.0	24.9	28.6	16.7e	22.1e	27.0b	28.9	21.5	23.5	18.9	17.2	14.8	17.2	37.8	38.6
Percentage of the population aged 30-34 with tertiary education, males	25.3	32.9	21.4	23.1	14.0e	19.6e	21.5b	24.2	23.4	25.0	15.2	13.4	16.6	19.5	33.4	33.9
Percentage of the population aged 30-34 with tertiary education, females	31.3	32.2	28.7	34.5	19.2e	24.7e	32.8b	33.7	19.6	22.1	23.2	21.3	13.0	14.7	42.2	43.3

National accounts	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Gross domestic product																	
In current prices (EUR billion)	6)	3.5	3.6	8.6	9.1p	10.0p	10.3p	33.3	33.5	601.5	645.4	14.0	14.6	5.6	:	13 987.3	14 693.0
Per capita (EUR)	6)	5 600	5 800	4 100	4 400p	3 400	3 600	4 700	4 700	7 800	8 300	3 600	3 800	3 100	:	27 500	28 800
In purchasing power standards (PPS) per capita	6)	11 200	11 800	10 100	10 600	8 300	8 600	10 200	10 300	14 600	15 100	8 000	8 300	:	:	27 500	28 700
In purchasing power standards (PPS) per capita, relative to the EU average (EU-28 = 100)	6)	41	41	37	37	30	30	37	36	53	53	29	29	:	:	-	-
Real (volume) annual rate of change, compared with the previous year (%)	6)	1.8	3.4	3.5p	3.7e	1.8p	2.8p	-1.8	0.8	3.0	4.0	1.1	:	1.2	:	1.5	2.2

Montenegro	The former Yugoslav Republic of Macedonia	Albania	Serbia	Turkey	Bosnia and Herzegovina	Kosovo *	EU-28
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Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)	6)	10.0	9.8	11.7	11.4p	22.9p	22.1p	9.3	8.2	8.0	8.5	7.1	:	14.3	:	1.6	1.5
Industry (%)	6)	13.5	12.9	18.3	18.7p	14.7p	14.6p	25.1	25.9	22.0	21.5	21.3	:	19.4	:	19.1	19.2
Construction (%)	6)	4.2	4.6	8.0	7.9p	10.0p	10.8p	5.1	5.5	5.1	5.0	4.7	:	7.3	:	5.4	5.4
Services (%)	6)	72.3	72.7	62.0	62.0p	52.4p	52.5p	60.5	60.4	64.9	65.0	66.9	:	59.0	:	73.9	73.9

Balance of payments	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Net (inward - outward) foreign direct investment (FDI) (million euro)	13)	353.9	619.3	197.4	170.7	811.5	818.4	1 236.3	1 803.8	4 121.9	10 641.7	386.1	221.2	123.8	287.3	- 22 872.0	:
Net (inward - outward) foreign direct investment (FDI) (% of GDP)	13)	10.2	17.1	2.3	1.9p	8.1p	8.0p	3.7	5.4	0.7	1.6	2.8	1.5	2.2	:	-0.2	:
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (million euro)	14)	102.5	403.0	10.8	-169.2	:	:	1 073.9	1 480.4	1 509.5	4 809.2	:	:	82.4	101.3	-	-
Net (inward - outward) foreign direct investment (FDI) in relation to EU-28 (% of GDP)	14)	3.0	11.1	0.1	-1.9	:	:	3.2	4.4	0.3	0.7	:	:	1.5	:	-	-
Remittances as % of GDP	15)	1.3	:	2.2p	2.1e	:	:	7.8	8.7	0.1	0.1	8.5	8.3	:	:	0.1	:

External trade in goods	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
International trade in goods																	
Share of exports to EU-28 countries in value of total exports (%)		35.8	35.7	76.5	77.2	77.4	75.5	65.7	67.0	43.5	44.5	72.1	71.6	30.2	32.6	-	-
Share of imports from EU-28 countries in value of total imports (%)		45.8	41.3	63.4	62.1	61.1	61.8	57.1	57.3	36.7	38.0	58.9	60.8	42.6	42.2	-	-
Trade balance (EUR million)		-1 451	-1 524	-1 758	-1 726	-2 114	-2 154	-2 950	-2 985	-63 685	-56 977	-3 844	-3 510	-2 214	-2 309	11 139	64 169
International trade in goods and services relative to GDP																	
Imports (% of GDP)	6)	60.0	61.1	64.9	65.0p	47.2p	:	54.2	56.4	32.1	30.8	:	:	50.6	:	40.4	40.5
Exports (% of GDP)	6)	40.1	42.5	47.7	48.8p	28.2p	:	43.4	46.7	27.9	28.0	:	:	19.6	:	43.1	43.8

Montenegro	The former Yugoslav Republic of Macedonia	Albania	Serbia	Turkey	Bosnia and Herzegovina	Kosovo *	EU-28
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Public finance	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Government finance statistics, relative to GDP																	
** General government surplus (+) / deficit (-) (%)	7)	-3.1	7.7	-4.2	-3.5	-5.2	-4.0	-6.7	-3.8	0.4	1.7	-2.0	0.7	:	:	-3.0	-2.4
** General government debt (%)	7) 8)	56.7	63.3	38.2	38.0	71.8	72.5	72.4	76.4	34.5	31.3	41.6	41.9	10.5	12.8	86.8	85.2

Financial indicators	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Annual change in consumer prices (%)		-0.7	1.5	-0.3	-0.3	0.7	2.0	2.9	1.9	8.9	7.7	-0.9	-1.0	0.4	-0.5	0.5	0.0
Total external debt, relative to GDP (%)	9)	:	:	70.3p	69.9p	69.6	73.9	77.1	80.1	55.0	56.4	:	:	32.3	:	:	:
Lending interest rate (one year), per annum (%)	10)	9.22	8.53	3.75	3.75	7.66	7.77	10.50	6.50	11.68	10.79	6.32	5.74	10.70	:	:	:
Deposit interest rate (one year), per annum (%)	11)	1.86	1.23	0.50	0.25	1.92	1.35	5.50	2.50	7.75	7.27	0.09	0.09	1.07	:	:	:
Value of reserve assets (including gold) (million euro)	12)	545	674	2 436	2 262	2 192	2 880	9 907	10 378	95 824	99 620	4 001	4 400	746	861	:	:
International reserves - equivalence in months of imports	12)	3.2	3.7	5.3	4.6	5.6	7.6	6.6	6.6	5.9	6.0	6.1	6.8	3.2		:	:

Business	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Industrial production index (2010 = 100)		81.8	88.3	112.5	118.0	139.2	142.4	98.8	107.1	120.5	124.3	103.9	107.1	:	:	101.7	103.9

Infrastructure	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Density of railway network (lines in operation per thousand km ²)		18.1	18.1	27.2	27.2	12.0	13.2s	49.3	48.6s	12.9	12.9	20.1	20.1	30.6	30.6	:	:
Length of motorways (kilometres)		0	0	259	259	:	:	607	693	2 155	2 159	128	128	80	80	:	:

Energy	Note	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Net energy imports in relation to GDP	16)	5.4	4.2	8.5	6.4	1.3	0.7	5.3	4.7	1.8	1.4	6.8	5.3	6.9	:	2.4	1.7

: = not available
b = break in series
e = estimated value
p = provisional
s = Eurostat estimate
- = not applicable

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

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

Footnotes:

- 1) Bosnia and Herzegovina: mid-year population.
- 2) Albania: the sum of the shares does not sum to 100% due to cases where persons have not or can not be classified to a particular activity.
- 3) Bosnia and Herzegovina: the shares do not sum to 100% because other types of ownership are excluded. Montenegro: excludes NGOs.
- 4) Turkey: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 5) Serbia, 2014: wages and salaries paid to employees of legal entities and of unincorporated enterprises. Bosnia and Herzegovina: net salary.
- 6) Turkey and Bosnia and Herzegovina: based on ESA 1995.
- 7) EU-28: based on ESA 2010.
- 8) The value of GDP is obtained from the Medium Term Expenditure Framework 2016–2018 (April 2015).
- 9) The former Yugoslav Republic of Macedonia: based on balance of payments manual 6th edition.
- 10) Albania: average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity. Bosnia and Herzegovina: short-term lending rates in national currency to non-financial corporations (weighted average). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December). Kosovo: includes disbursement fee charged by banks.
- 11) Albania: deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity. Bosnia and Herzegovina: demand deposit rates in national currency of households (weighted average). Montenegro: weighted average effective interest rate, outstanding amounts, annual. The former Yugoslav Republic of Macedonia: end of year (31 December). Turkey: overnight deposit facility. Kosovo: includes disbursement fee charged by banks.
- 12) The former Yugoslav Republic of Macedonia: end of year (31 December).
- 13) The former Yugoslav Republic of Macedonia, Albania, Serbia, Bosnia and Herzegovina, Kosovo and the EU-28: based on balance of payments manual 6th edition.
- 14) The former Yugoslav Republic of Macedonia, Serbia and Kosovo: based on balance of payments manual 6th edition.
- 15) The former Yugoslav Republic of Macedonia, Serbia, Bosnia and Herzegovina and the EU-28: based on balance of payments manual 6th edition.
- 16) Montenegro, the former Yugoslav Republic of Macedonia, Albania, Turkey and Kosovo: Eurostat calculations.