



Council of the
European Union

116077/EU XXVII. GP
Eingelangt am 13/10/22

Brussels, 13 October 2022
(OR. en)

13494/22
ADD 1

ELARG 76
COWEB 113
COEST 728

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	13 October 2022
To:	Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2022) 528 final - annexes
Subject:	ANNEXES to the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS 2022 Communication on EU Enlargement policy

Delegations will find attached document COM(2022) 528 final - annexes.

Encl.: COM(2022) 528 final - annexes



EUROPEAN
COMMISSION

Brussels, 12.10.2022
COM(2022) 528 final

ANNEXES 1 to 4

ANNEXES

to the

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

2022 Communication on EU Enlargement policy

{SWD(2022) 332 final} - {SWD(2022) 333 final} - {SWD(2022) 334 final} -
{SWD(2022) 335 final} - {SWD(2022) 336 final} - {SWD(2022) 337 final} -
{SWD(2022) 338 final}

ANNEXES

to the

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

2022 Communication on EU Enlargement policy

Annex 1 - Summaries of the findings of the reports

Montenegro

As regards the **political criteria**, political tensions, polarisation, the absence of constructive engagement between political parties and the failure to build consensus on key matters of national interest continued and caused two fractious governments to fall on votes of no-confidence. The proper functioning of Montenegrin institutions has been affected by political volatility, government instability and tensions within the ruling majorities, stalling decision-making processes and reform implementation. The main judicial bodies, including the Constitutional Court, have been operating in an incomplete composition due to the Parliament's inability to elect new members, thus undermining their proper functioning. As of mid-September the Constitutional Court was unable to fulfil its role due to the absence of a quorum, amplifying political uncertainty.

The conclusion of the Fundamental Agreement with the Serbian Orthodox Church had an impact on the political atmosphere and raised further tensions. Overall, the governments and the Parliament failed to demonstrate in practice their engagement as regards the EU-related reform agenda.

There was no progress with regard to a comprehensive reform of the electoral legal and institutional framework, including on the Organization for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR) recommendations, following the observation mission of the 2020 parliamentary elections. The Parliamentary Committee for a comprehensive electoral reform was not operational from June until November 2021 and met only twice in 2022, before its mandate came to an end in July 2022. Local elections took place in five municipalities. In May 2022, the Parliament adopted amendments to the Law on Local Self-Government allowing to hold all remaining 2022 local elections on the same day. In July, the Constitutional Court assessed these amendments as unconstitutional. A credible, independent and effective institutional response to the so called 'envelope affair' remains to be ensured.

The work of the Parliament has been marked by boycotts of the ruling majority and of the opposition, changes of governments and by the change of two consecutive Speakers in the process. The legislation-making process was significantly affected. There was no credible political dialogue and constructive engagement by political parties with a view to enhancing parliamentary accountability and government oversight. Government and Parliament cooperation should be further regulated to enhance Parliament's participation in and oversight of the accession process.

The Parliament continued to strengthen its transparency, by establishing several citizen-oriented services. The capacity of Parliament to integrate and oversight gender equality issues needs to be enhanced.

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

Montenegro is moderately prepared as regards **public administration reform**. Overall, limited progress was made, including the adoption of the new 2022-2026 strategy for public administration reform. Conversely, the effects of the reorganisation of the public administration and the amendments to the Law on civil servants and state employees adopted in 2021 continued to be felt, with staff changes, a loss of know-how on EU accession process-related matters and an overall slowing of the pace of reforms. The lowered requirements introduced by these amendments are a source of continuing concern with regard to the merit-based recruitment, competence and independence of civil servants. Furthermore, draft amendments of the Law on local self-government would similarly lower such requirements at the local level. Amendments to the Law on access to information have yet to be adopted by Parliament. Effective lines of accountability within the administration are still to be established. Strong political will is needed to effectively address issues related to merit-based recruitments, optimisation of the state administration and implementation of managerial accountability.

Montenegro remains moderately prepared when it comes to its **judicial system**. Limited progress was achieved overall during the reporting period. The implementation of key judicial reforms remains stalled. Certain long-pending high-level judicial appointments took place, while several others, including at the Constitutional Court (for which a qualified majority in Parliament is required) are still pending. Concerns remain over the institutional performance and consolidation of independent Judicial and Prosecutorial Councils. The track record on judicial accountability remains limited. The judiciary's effective independence, integrity, accountability and professionalism need to be further strengthened, including by implementing the relevant constitutional and legal framework and by adopting legislative changes in line with European standards. The judiciary's efficiency also needs to be strengthened. The adoption of a new strategy for the rationalisation of the judicial network is still pending, as is the implementation of the ICT strategy for the judiciary. Montenegro continues to make progress on the domestic handling of war crimes.

Montenegro has achieved some level of preparation in the **fight against corruption**. Limited progress was achieved during the reporting period, with last year's recommendations only partially met. The track record on prevention of corruption further improved, in particular due to the positive trend in the work of the Anti-Corruption Agency. However, more needs to be done to ensure the Agency's integrity, impartiality and accountability, and to improve its tangible results and public trust, in line with the recommendations of the peer review mission conducted in 2021. To demonstrate a credible criminal justice response, Montenegro still must improve its track record of investigations, prosecutions and final convictions in the fight against corruption, including high-level corruption. Furthermore, the legal and institutional framework must be improved in line with the EU *acquis* and European standards, including for the effective use of financial investigations and asset seizure and confiscation in such cases. The sectors most vulnerable to corruption require targeted risk assessments and dedicated action.

In the **fight against organised crime**, Montenegro has some level of preparation/is moderately prepared. Some progress was made in addressing last year's recommendations, in particular as regards the efficiency of criminal investigations. The full use of special investigative measures was restored. Legislative changes introduced safeguards against political influence over the appointment or dismissal of the Head of the police. A register of beneficial ownership was created. The administrative framework on firearms was improved and a new strategy on the prevention of terrorism, money laundering and the financing of terrorism was adopted. Some key

figures in organised crime groups were arrested and another record of drug seizures was reached. The first joint investigation team with a third country was launched. The number of final convictions in organised crime cases is on the rise. However, the track record of court decisions on tobacco smuggling and money laundering, the use of financial investigations and the capacity to confiscate the proceeds of crime needs to be strengthened. Montenegro has yet to address some systemic deficiencies that exist across the board in its criminal justice system, including the way organised crime cases are handled in courts. This will require a more deterrent sentencing policy and a revision of the use of plea bargains in organised and serious crime cases.

Montenegro is moderately prepared in the area of **fundamental rights**. The legislative and institutional framework is largely in place and Montenegro continues to meet its international obligations on human rights. However, additional efforts remain needed to implement it fully. On **freedom of expression**, Montenegro benefits from a pluralistic media environment and has achieved some level of preparation. Limited progress was made on last year's recommendations. The legal framework on the protection of journalists and other media workers was improved thanks to the adoption of amendments to the Criminal Code laying down more stringent penalties against attacks and threats against journalists and obstructing or preventing them from performing their work. However, the lack of effective judicial follow-up on important old cases remains a matter of serious concern. The revision of the legal framework and the drafting of a new media strategy remain pending, in order to ensure their mutual consistency and full alignment with the EU *acquis* and relevant European standards. Sustained efforts are needed to counter disinformation and limit the effects of online harassment and hate speech, without disproportionately limiting freedom of expression. The public broadcaster RTCG continued to produce politically balanced and diverse content. Deep political polarisation of the media scene persisted, while growing competition from big regional media placed additional strain on the local media market.

On the **economic criteria**, Montenegro has made **good progress** and is **moderately prepared** in developing a functioning market economy. After experiencing a sharp recession in 2020, the economy recorded a strong rebound in 2021 and kept growing at a steady pace in the first half of 2022 as the removal of COVID-19 restrictions buoyed both domestic and external demand. The recovery led to surging revenues and a very large improvement in the budget balance. The fallout from Russia's war against Ukraine has been limited so far, despite these two countries' very significant contribution to Montenegro's tourism in the past. Driven by surging global commodity prices, inflation increased significantly. The government adopted an ambitious fiscal reform programme (called 'Europe Now') to support the post-pandemic recovery and provided fiscal stimulus measures easing the burden on households from rising energy and food prices. External imbalances decreased significantly thanks to the rebound of tourism, while the state of the labour market started to improve, even if structural problems persist. The banking system remained stable and non-performing loans did not increase significantly in 2022 after the expiry in 2021 of the loan moratorium adopted in the context of the COVID-19 crisis.

Montenegro has made **some progress** and is **moderately prepared** to cope with competitive pressure and market forces within the EU. The last two governments worked to improve innovation capacities and to set the basis for a green and digital transition in an effort to diversify Montenegro's narrow production. In particular, modern telecommunications and ambitious green energy projects are being deployed. However, infrastructure gaps persist, as the country's administrative and financial capacities to implement major public investments remains limited.

The education system still faces numerous challenges over a chronic shortage of science, technology, engineering and mathematics (STEM) graduates. In addition, the low value added of domestic products, the small size of local companies and low level of participation in exports represent obstacles for increasing the productivity and competitiveness of local firms.

On **good neighbourly relations and regional cooperation**, Montenegro generally maintains good bilateral relations with other enlargement countries in the region and with neighbouring EU Member States, marked by continued cooperation and several high-level visits. Relations with Serbia remain challenging but both sides are signalling more willingness to reset relations and work toward addressing open issues. In general, Montenegro actively participates in regional cooperation.

On Montenegro's **ability to assume the obligations of EU membership**, the country continued the work on alignment with the EU *acquis* in many areas, however overall the progress made was limited.

The cluster on the **internal market** is key for Montenegro's preparations for the EU's requirements in this area and is of high relevance for early integration and the development of the Common Regional Market. All nine chapters are open, with closing benchmarks that remain to be fulfilled in each chapter. Progress was achieved in several areas within the cluster, particularly on: (i) market surveillance, accreditation and standardisation; (ii) stepping up the Employment Agency's capacity on the European network of employment services; (iii) continued alignment with the Services Directive; (iv) legislation on accounting; (v) *acquis* alignment on intellectual property rights and (vi) State aid transparency and ordering recovery of unlawful State aid. The stability of Montenegro's banking sector also advanced, as did legislative alignment on consumer protection and the adoption of implementing legislation on health protection.

The **competitiveness and inclusive growth** cluster and the reforms concerned have significant links to Montenegro's economic reform programme. All eight chapters are open, with closing benchmarks set in all but two, namely Chapters 25 (science and research) and 26 (education and culture) both of which are provisionally closed. Closing benchmarks remain to be fulfilled in each of the other six chapters. Some progress was achieved in various areas, namely on the alignment with the Broadband Cost Reduction Directive, on tax legislation and on administrative cooperation and mutual assistance. There was also progress on further implementation of the revised industrial policy. By contrast, there was slow progress on preparations for accession to the Convention on a Common Transit Procedure, on implementing actions envisaged in the 2018-2022 trade facilitation strategy, and on implementing the action plan for alignment with the EU *acquis* on economic and monetary policies.

The **green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans and closely linked to Montenegro's economic reform programme and the Commission's Economic and Investment Plan. All four chapters are open, with closing benchmarks that remain to be fulfilled in each chapter. Some progress was achieved on creating a functioning day-ahead energy market and on preparing for membership of the Paris Memorandum of Understanding on Port State Control. There was limited progress on the review and implementation of the transport development strategy; on water management and by improved climate change reporting.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing capacity to assume the responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically. All five chapters are open, with closing benchmarks that remain to be fulfilled in each chapter. Progress was achieved in various areas, notably in agriculture, food and fisheries, where there was further support for agricultural establishments and rural food companies to align with the EU standards, and in implementing IPARD. On financial and budgetary provisions, progress was achieved through improved coordination and management of own resources.

On the **external relations** cluster, Montenegro has provisionally closed Chapter 30 and has to fulfil the single closing benchmark on Chapter 31. Montenegro continues full alignment with the EU's common foreign and security policy, including with the EU's restrictive measures following Russia's unprovoked aggression against Ukraine. It also coordinates its positions with those of the EU, including within the WTO and maintains good cooperation with international organisations. Progress can be noted on the adoption of the Law on export control of dual-use goods, in line with the EU *acquis*, and the ratification of Central European Free Trade Agreement (CEFTA) Additional Protocol 6. Montenegro's voting patterns on cybercrime at the United Nations are fully convergent with the position taken by the EU and its Member States. In the area of **migration**, Montenegro signed a cooperation roadmap with the European Asylum Support Office (now the EU Agency for Asylum) and joined the European Migration Network, an EU network of migration and asylum experts, as an observer member. The processing time for asylum applications was reduced. Montenegro's visa policy is not fully aligned with that of the EU and Montenegro has not yet terminated its investor citizenship programme, despite previous recommendations and commitments. Montenegro is the Western Balkan partner hosting proportionally the highest number of Ukrainian nationals having fled the war. It adopted a decision granting one-year temporary protection to people fleeing Ukraine, under which more than 5 552 Ukrainians, mostly women and children, have registered so far.

Serbia

As regards the **political criteria**, all relevant political actors took part in the early parliamentary elections on 3 April 2022, which resulted in a more pluralistic Parliament. However, the political and media landscapes remained polarised and continued to be dominated by the Serbian Progressive Party (SNS) and the incumbent President. Offensive language continued to be used against political opponents, both in Parliament and during the electoral campaign. Prior to the elections, a broad range of political actors engaged in the Inter-Party Dialogue, facilitated by the European Parliament.

The April 2022 presidential and early parliamentary elections were held in a generally calm and peaceful atmosphere and fundamental freedoms were largely respected. However, international observers noted a number of shortcomings. According to the final report of the International Election Observation Mission, these shortcomings resulted in an uneven playing field favouring the incumbents. It is crucial that outstanding and new recommendations from the Office for Democratic Institutions and Human Rights (ODIHR) and Council of Europe bodies are fully implemented, in a transparent process, well ahead of any new elections and with the involvement and upon consulting expert civil society organisations.

A new, more pluralistic Parliament was constituted on 1 August 2022. Due to significant delays in finalising the election results, there was no parliamentary activity, other than the inauguration of the President, for a period of over five months. The previous Parliament engaged constructively in the Inter-Party Dialogue and in implementing the measures identified therein. The use of urgent procedures remained at around 9%. The code of conduct still needs to be used more effectively in preventing and sanctioning the use of offensive and inappropriate language in Parliament.

Further efforts are still needed to ensure systematic cooperation between the government and **civil society**. An enabling environment for developing and financing civil society organisations still needs to be created on the ground, as verbal attacks and smear campaigns against such organisations continued.

Serbia is moderately prepared as regards **public administration reform**. Overall, limited progress was made in this area during the reporting period, when the start of implementation of the new strategic framework began. On human resources management, roughly half of senior manager positions are still filled on an acting basis. As regards policy development and coordination, no mechanism is yet in place to verify that the Public Policy Secretariat's comments have been incorporated into the final draft versions of laws and policy documents submitted for government approval. On public financial management, action is still needed to fully implement the recommendation for a single mechanism for prioritising all investments regardless of type and source of financing.

Serbia has some level of preparation when it comes to its **judicial system**. Overall, some progress was made during the reporting period. Serbia took an important step towards strengthening the independence and accountability of the judiciary with the approval of relevant amendments to the Constitution in February 2022, together with the constitutional law setting out the steps and the deadlines for their implementation. The Venice Commission was consulted twice during the drafting process. It found that the process of public consultations was sufficiently inclusive and transparent. Most of the Venice Commission's specific recommendations were addressed. The amendments provide that all judicial appointments (with the exception of the future Supreme Prosecutor) will be the competence of either the future High Judicial Council or the High Council of Prosecutors, increasing safeguards against potential political influence. In order to give practical effect to the constitutional amendments the relevant implementing legislation needs to be adopted as a next step. According to the constitutional law, this legislation should be adopted within 1 year for judicial laws and within 2 years for the alignment of all other relevant legislation. Two expert working groups (one for prosecutors, one for courts) were established in April 2022 and tasked with the drafting of the implementing legislation. A first set of draft judicial laws were finalised in September 2022 and shared with the Venice Commission for opinion. The new human resources strategy and implementing action plan were adopted in December 2021. Their implementation is pending.

Serbia has some level of preparation in the **fight against corruption**. Overall, some progress was made during the reporting period, including on last year's recommendations. The recommendation on prevention of corruption has been further implemented, and the Council of Europe's Group of States against Corruption (GRECO) concluded in March 2022 that the adoption of amendments to the Law on prevention of corruption had addressed the previously identified shortcomings and was sufficient to strengthen the framework aimed at preventing and combating conflicts of interest of members of Parliament, judges and prosecutors. Serbia has still

to prepare a new anti-corruption strategy and action plan, and establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. The number of indictments and first-instance convictions in high-level corruption cases has increased slightly. Serbia should further step up the prevention and repression of corruption. In particular, it should increase the final confiscation of assets linked to these cases. Those sectors most vulnerable to corruption require targeted risk assessments and dedicated action.

In the **fight against organised crime**, Serbia has some level of preparation. Limited progress was made over the reporting period. The number of new investigations and final convictions increased in 2021 compared to 2020, however the number of indictments and first instance convictions decreased. The number of cases involving seizure and final confiscation of assets is still limited. Extended confiscation is not systematically applied. However, the level of understanding and the investigation approach have improved, which should lead to better results in the future. Serbia should move from a case-by-case approach to a strategy against criminal organisations, and from focusing on cases of low or medium importance to high-profile cases, aimed at dismantling big internationally spread organisations and seizing assets.

Serbia's legislative and institutional framework for upholding **fundamental rights** is broadly in place. Serbia adopted new strategies on anti-discrimination and Roma inclusion, as well as action plans on gender equality and Roma inclusion. Action plans, and related funding, in other areas were due in July 2021 (violence against women) and April 2022 (anti-discrimination; de-institutionalisation) and are now overdue. More efforts are needed to comply with the Law on the planning system, which requires that action plans are adopted within three months of the adoption of related strategies. Serbia needs to strengthen human rights institutions by allocating the necessary financial and human resources and by putting in place procedures to ensure compliance with the European Court of Human Rights' measures, including interim measures. In September 2022, Europride was hosted for a first time in the Western Balkans, in Belgrade. The Europride route was banned, and the holding of the march was uncertain until the very last moment. The authorities claimed safety concerns related to threats by extreme right groups as the basis for their decision. An anti-Europride and, anti-Western demonstration was also banned. Finally a march, via a shorter route took place on 17 September 2022, without major incidents. A high number of law enforcement officers protected it, nevertheless, some instances of violence against the participants were reported. The period prior to the march was marked by legal and political uncertainty. The communication of the authorities was contradictory, with high level announcements that the march would be banned altogether and a subsequent ban issued by the Ministry of the Interior on the route of the march. Other high level politicians addressed the Europride Human Rights Conference and held a reception before the march. While the authorities maintained contacts with the organisers to find a solution, they remained non-committal about the parade going ahead with an official permit.

Regarding **freedom of expression**, no progress was made in the reporting period. The two working groups on the safety of journalists continued to meet. In several cases of attacks and threats, the police and the prosecution reacted swiftly, also thanks to the coordination facilitated through those groups. However, cases of threats and violence against journalists remain a concern and the overall environment for the exercise of freedom of expression without hindrance still needs to be further strengthened in practice. Implementation of the media strategy experienced increasing delays, affecting even the most important measures such as amending the

Law on public information and media and the Law on electronic media. In July 2022, the Regulatory Body for Electronic Media (REM) awarded all four national frequencies, for a period of eight years, to the same television channels as in the previous period, during which all of them had received warnings from REM due to violation of their legal obligations. A call for a fifth licence was published in August 2022; the process should be handled in a transparent manner, respecting the principle of media pluralism in the Audiovisual Media Services Directive. In its final report of 19 August 2022 on the April elections, ODIHR found that ‘the national public broadcasters had covered the campaign activities of all contestants equitably but provided extensive uncritical news coverage to public officials who were also candidates. Private broadcast media with national coverage presented the election campaign without meaningful editorial input and focused their news coverage on state officials.’ ODIHR also found that ‘despite its mandate to oversee the broadcast media, REM remained overall passive in the campaign period.’

On the **economic criteria**, Serbia is between a good and moderate level of preparation and has made some progress in developing a functioning market economy. After a relatively mild contraction in 2020, the Serbian economy rebounded strongly in 2021 followed by some deceleration in the first half of 2022. After decreasing in 2020, external imbalances started to widen in the second half of 2021, in particular due to high energy imports. Consumer price inflation surged in the second half of 2021, mostly driven by energy and food prices, which led the central bank to start tightening its policy stance. Banking sector stability was preserved and lending growth remained robust despite the phasing-out of liquidity-enhancing measures. The economic rebound and the reduction of fiscal support measures helped to substantially improve the budget balance in 2021, despite a further increase in capital spending. A slight increase in the unemployment rate in 2021 reflected in particular a rising labour market participation as part of the rebound from the COVID-19 crisis.

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

Serbia is moderately prepared and has made some progress in **coping with competitive pressure and market forces within the EU**. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality and relevance of education and training does not fully meet labour market needs. Public investment has continued to increase with the aim of addressing serious infrastructure gaps after years of underinvestment. Small and medium-sized enterprises (SMEs) still face a number of challenges, including an uneven playing field as compared to large companies and foreign investors. Last year’s recommendations have been partially implemented.

On **good neighbourly relations and regional cooperation**, Serbia remained committed overall to improving bilateral relations with other candidate countries, potential candidates and neighbouring EU Member States. However, relations with Croatia are increasingly under strain, with occasional political altercations. Relations with Montenegro remain challenging but both

sides have signalled greater willingness to reset relations and work toward addressing open issues. In general, Serbia actively participates in regional cooperation.

The EU-facilitated Dialogue on the **normalisation of relations with Kosovo** continued throughout the reporting period with regular monthly meetings on the level of Chief Negotiators and a High-level meeting in Brussels on 18 August 2022. No further concrete progress was yet achieved in the negotiations on the comprehensive and legally-binding normalisation agreement, while in the High-level meeting President Vučić and Prime Minister Kurti agreed to regular meetings on the level of Leaders to take the negotiations forward. Kosovo and Serbia are now urged to engage constructively and advance the negotiations on the comprehensive, legally-binding normalisation agreement with no further delay. Reaching such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

Regarding Serbia's **ability to assume the obligations of EU membership**, the country continued the work on alignment with the EU *acquis* in many areas, particularly on company law, intellectual property rights, research and innovation and financial control.

The **internal market** cluster is key for Serbia's preparations for the requirements of the EU's internal market and is highly relevant for early integration and the development of the Common Regional Market. Progress was achieved in several areas within the cluster, particularly on legislative alignment on company law; freedom of movement for workers through coordination of social security systems; and legislative alignment on the free movement of goods.

The **competitiveness and inclusive growth** cluster has significant links to Serbia's Economic Reform Programme. Progress was achieved in some areas under this cluster, particularly: social policy and employment through steps towards establishing the Youth Guarantee scheme; economic and monetary policy through improvements of the budget process; enterprise industrial policy through an action plan for the strategy on state ownership and management of business entities owned by the Republic of Serbia, and the creation of the e-consultation portal; scientific and technological development through the new strategy for developing start-up ecosystem; and education through steps towards ensuring compliance of the quality assurance system in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA).

The **Green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans¹ and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan². The cluster and all related chapters were opened in December 2021, after Serbia had fulfilled the remaining requirements, namely the adoption of action plans on oil stocks and on gas unbundling. Limited progress was achieved overall with the exception of Trans-European networks, where Serbia advanced on upgrading its infrastructure, with works starting on the Serbia-Bulgaria gas interconnector, a strategically highly important project for Serbia and Europe.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing capacity to assume the responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically. Two out of five chapters are open

¹ SWD(2020) 223 final.

² COM(2020) 641 final.

(Chapters 13 and 33) with closing benchmarks still to be fulfilled in each chapter. The Commission has assessed that the opening benchmarks have been met for Chapters 11 and 22, while Serbia still has to meet all three opening benchmarks for chapter 12. Limited progress was achieved in some areas, e.g. submission of the IPARD III programme for 2021-2027; adoption and implementation of the law on plant protection products; classification of food establishments and establishments handling animal by-products; financial and budgetary provisions as regards the underlying policy areas affecting the correct functioning of the own resources system; and regional policy as regards financial management.

On the **external relations** cluster, Serbia is yet to finalise its accession to the World Trade Organization which is one of the opening benchmarks for chapter 30. Serbia should also abstain from introducing unilateral trade restrictive measures without prior consultation of the Commission, in line with its SAA obligations. Following Russia's unprovoked and unjustified aggression against Ukraine, Serbia did not align with the EU restrictive measures against Russia and majority of Declarations by the High Representative on behalf of the EU on this matter. Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions therefore dropped from 64 % in 2021 to 45 % in August 2022. A number of actions and statements by Serbia went against EU foreign policy positions. Serbia is expected, as a matter of priority, to fulfil its commitment and progressively align with the EU Common Foreign and Security Policy, including with EU restrictive measures, in line with EU-Serbia negotiating framework.

Serbia continued to contribute to the management of the mixed **migration** flows towards the EU by cooperating effectively with its neighbours and EU Member States. Efforts continued to host and accommodate substantial numbers of third-country nationals, with EU support. Serbia decided on 17 March 2022 to grant Ukrainian nationals having fled Russia's war on Ukraine temporary protection for 1 year. It also continued to implement the integrated border management strategy and its action plan effectively. Serbia took no steps to align with the EU's list of visa required third countries, in particular with those third countries which present irregular migration or security risks to the EU, as recommended in the Commission's visa suspension mechanism report of August 2021.

North Macedonia

The reporting period was characterised by intense efforts, which led to the start of the accession negotiation process. The holding of the first Intergovernmental Conference in July 2022 was a historic moment and marked a new phase in the EU accession process for North Macedonia. This was a clear recognition of the determination of North Macedonia to implement EU related reforms.

On the **political criteria**, North Macedonia continued its efforts to strengthen democracy and the rule of law, despite some challenges. The country has shown its commitment to continuing to deliver results in key areas of the fundamentals. Local elections took place in October 2021. The Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) assessed that they were competitive and fundamental freedoms were widely respected. However, limited progress was made over the reporting period in addressing the outstanding recommendations made by the OSCE/ODIHR and the Venice Commission. As mentioned in the previous reports, the electoral legislation should be

comprehensively reviewed to address existing inconsistencies and the relevant laws need to be adopted in a timely, inclusive and transparent manner, well before the next elections. In this regard, the authorities need to step up their efforts and show political will to further improve the electoral process.

The work of **Parliament** was marred by political polarisation, which delayed the adoption of many pieces of legislation. Following intense debates, Parliament adopted conclusions on the proposal which paved the way for the opening of accession negotiations. Parliament needs to play an active and positive role in the EU accession negotiation process. Joint and prompt efforts by all parties are needed as a matter of priority to strengthen Parliament's role as a forum for constructive political dialogue, particularly on the EU reform agenda. Parliament and government committed to launch and achieve as a matter of priority the relevant constitutional changes, with a view to including in the Constitution citizens who live within the borders of the state. Proper planning and consultations are necessary to limit the use of fast-track procedures in order to allow for effective scrutiny of and consultation on legislation. Oversight of the executive through parliamentary questions to ministers should be conducted on a more regular basis. The proposals for internal reform of Parliament agreed during the third round of the 'Jean Monnet Dialogue' in early 2020 should be implemented without further delay. Criminal responsibility for those who orchestrated or committed violence in the attack on Parliament on 27 April 2017 continued to be established, including with second instance verdicts. The government continued to work on the EU reform agenda and on addressing the consequences of the COVID-19 pandemic and of the war in Ukraine. Decisive efforts are needed to build momentum for reforms and move forward on the EU accession negotiation process. Particular focus is needed on ensuring the effective implementation of existing legislation rather than launching ad hoc initiatives. Inter-ethnic relations remained stable and the Ohrid Framework Agreement continued to be implemented.

Civil society organisations (CSOs) continue to operate in an enabling environment, including with the adoption of the strategy of cooperation with and development of civil society 2022-2024. Civil society continued to play an important role in decision-making processes and in monitoring the activities of the state. However, efforts are needed to improve transparency in policymaking and the inclusiveness of consultation processes. The legal and financial frameworks still need to be improved and implemented in practice.

North Macedonia implemented a comprehensive reform of its **intelligence services**. However, the country needs to strengthen its capacity for parliamentary oversight over the intelligence services.

North Macedonia remains moderately prepared in terms of its **public administration reform**. It made limited progress in implementing last year's recommendations. It adopted the new 2022-2025 public financial management reform programme. However, the adoption of the legislation on organisation and operation of state administrative bodies and the new legal framework for human resources management (revision of the Law on Administrative Servants and the Law on Public Service Employees and a new Law on Top Management Service) have been delayed. The new framework aims to improve the management of human resources across the administration and provide greater assurance for merit-based recruitment, promotion and dismissal, including at senior management level. The new organic budget law was adopted in September 2022. The State Commission for Prevention of Corruption has been proactive in addressing cases of

nepotism, cronyism and political influence in the process of recruiting public sector employees and in appointing members of supervisory and management boards.

The **judicial system** of North Macedonia has achieved some level of preparation / is moderately prepared. Some progress was achieved in the field of the judiciary, through the steady implementation of the judicial reform strategy, thereby addressing the recommendations made by the Venice Commission and the Senior Experts' Group on systemic rule of law issues. The preparation of a new judicial reform strategy has started, in an inclusive manner, building upon the lessons learnt from the previous one. Implementation of the updated action plan on the judicial reform strategy has continued but needs to become more systematic. The judiciary has demonstrated its commitment to protect its integrity and independence. The pace of implementation of the human resources strategies for the judiciary and prosecution services needs to be stepped up. Judicial institutions have implemented consistently the new rules for the appointment, promotion, discipline and dismissal of judges and prosecutors. Promotions in the higher courts faced a delay and scheduled retirements further decreased the number of judges and prosecutors. The Judicial Council and the Council of Public Prosecutors continued implementing the strategic plans. Any new draft law on the Academy for Judges and Prosecutors should maintain the Academy as the sole entry point to the judiciary and prosecution and should ensure that access to these professions is fair and transparent. Work was undertaken to upgrade the software system aiming at putting into practice the provisions of the Law on case flow management for automatic and random distribution of cases in the courts, through the automated court case management information system (ACCMIS).

The country has achieved some level of preparation / is moderately prepared in the prevention and **fight against corruption**. Some progress has been made as the country continued to consolidate its performance on investigating, prosecuting and trying several corruption cases, including at a high level. The cases initiated by the former Special Prosecutor's Office (SPO) continued to move forward, establishing accountability for the illegal wiretaps. A number of cases were subject to first-instance rulings. In line with previous years' recommendations, the State Commission for the Prevention of Corruption (SCPC) has been proactive in providing policy guidance to public institutions on preventing corruption and it opened several cases, including cases against high-level officials. The conclusions of its regular reports should be addressed in full. Efforts to improve the functioning of the SCPC should continue with a further allocation of financial and human resources. Additional human and financial resources should be made available to the Public Prosecution Office, investigative centres and law enforcements units in charge of investigating corruption. Sectors most vulnerable to corruption require targeted risk assessments and dedicated actions.

North Macedonia has some level of preparation in the **fight against organised crime**. It has made some progress, mainly in operational cooperation with international partners, as well as in improving the coordination of activities to combat organised crime. More needs to be done to improve the effectiveness of law enforcement in fighting certain forms of crime, such as money laundering and financial crimes. The investigative centres at the Basic Public Prosecution Office need to be strengthened to achieve their objectives of increasing the efficiency of investigations and improving coordination between prosecutors, the police and other relevant bodies.

Some progress has been made in the **fight against terrorism and preventing/countering violent extremism** in line with the objectives set out in the joint action plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement. A national strategy for the

prevention of money laundering and financing terrorism (2021-2023) was adopted in 2021. Work should continue on reintegration and resocialisation of returnees as well as on de-radicalisation in prisons.

The legal framework on the protection of **fundamental rights** is largely in line with European standards. The deinstitutionalisation process is progressing with the resettlement of persons with disabilities to community-based care. The Ministry of Labour and Social Policy continues to invest in community services, including support for victims of gender-based violence. It is of particular importance to implement all the provisions of the Law on prevention and protection from violence against women and domestic violence. Continued improvements can be noted in gender mainstreaming and respect for women's rights. The recommendations made by the European Committee for the Prevention of Torture regarding the treatment of detainees and convicts were not adequately addressed. Implementation of the legislation on hate speech and of the national action plan for the Istanbul Convention's provisions needs to be improved. The civilian external oversight mechanism over the police is still not fully functional and it lacks representatives from civil society organisations.

North Macedonia has achieved some level of preparation/ is moderately prepared in the area of **freedom of expression**. Overall, it made limited progress during the reporting period to address the previous recommendations. The general context is favourable to media freedom and allows for critical media reporting, although there were some tensions during the 2021 local elections. Action on self-regulation of the media should resume and produce practical results in advancing professional standards of journalism. Greater transparency is needed to regarding media advertising by state institutions and political parties. The authorities need to step up their efforts to reform the public service broadcaster, ensuring its independence, professional standards and financial sustainability. The reform process of the public service broadcaster, in line with its five-year development strategy, is constrained by delays in appointing members of its programming council. The council of the Agency for Audio and Audiovisual Media Services still needs to be appointed. The labour rights of journalists still need to be addressed.

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

On the **economic criteria**, North Macedonia has made some progress and has achieved a good level of preparation in developing a functioning market economy. In 2021, the economy largely recovered from the COVID-19 pandemic. The government continued to implement fiscal support measures to help the recovery. Helped by rebounding tax revenue, the fiscal deficit fell to 5.4 % of GDP in 2021, while debt levels stabilised after rising significantly in 2020. With the rise in food and energy prices accelerating in early 2022, the government adopted a new set of fiscal measures to contain the negative impact on the economy, though the fiscal measures could have been better targeted. The central bank tightened its policy stance in view of rising inflationary pressures. Important policy reforms to improve fiscal governance and the sustainability of public finances stalled. After long delays, the new organic budget law, which provides for fiscal rules and a fiscal council, was adopted by the Parliament in mid-September. The management of public investment needs further improvement. The banking sector remained sound. Regulatory measures to ease borrowing requirements were phased out in 2021. The business environment

continues to be held back by the large size of the informal economy and by slow progress in streamlining para-fiscal charges.

North Macedonia has made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU. Integration with the EU in trade and investment remained at a high level in 2021, in spite of lockdowns and disruptions of supply chains domestically and in trade partner countries. The share of high-value products in exports increased further. There was further progress towards improving vocational educational training, but major skills shortages persist to meet labour market needs, entailing a long school-to-work transition. These issues, as well as large gaps in transport and energy infrastructure, low investment and innovation spending are holding back the country's potential for growth. The digitalisation of the economy is advancing, but the competitiveness of domestic businesses could be improved through a wider offering of public e-services.

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

Overall, North Macedonia is moderately prepared in most of the areas covered by **Cluster 3 on competitiveness and inclusive growth**, including in digital transformation and media, taxation, enterprise and industrial policy, education and culture and economic and monetary policy. It has achieved a good level of preparation in science and research and in the customs union. Some progress was made in most of the areas covered by this cluster. Good progress was made in the area of economic and monetary policy, following the adoption of the Organic Budget Law in September 2022. More efforts are needed, however, particularly in areas where limited progress was made, such as digital transformation and media as well as education and culture.

On **Cluster 4 on the Green Agenda and sustainable connectivity**, North Macedonia has achieved a good level of preparation in trans-European networks. The country is moderately prepared on transport policy and energy and has achieved some level of preparation on environment and climate change. Some progress was made in the areas of environment and climate change. Substantial efforts are needed in the areas where limited progress was made such as in energy, transport policy and trans-European networks. The country needs to accelerate the implementation of the Economic and Investment Plan and of the Green Agenda for the Western Balkans over the upcoming period.

North Macedonia is moderately prepared in most areas of **Cluster 5 on resources, agriculture and cohesion**. It has achieved a good level of preparation in the area of food safety, veterinary and phytosanitary policy and is at an early stage of preparation in financial and budgetary provisions. Over the reporting period, some progress was made in agriculture and rural development and in food safety, veterinary and phytosanitary policy. However, further efforts

are needed, in particular in areas where limited or no progress was made, such as in fisheries, financial and budgetary provisions, and in regional policy and the coordination of structural instruments.

Concerning **Cluster 6 on external relations**, North Macedonia is moderately prepared in the area of external relations and has reached a good level of preparation with regard to the common foreign and security policy. The country made limited progress during the reporting period on common commercial policy. North Macedonia has made very good progress by fully aligning with the EU common foreign and security policy, following Russia's aggression against Ukraine. By doing so, North Macedonia has shown it can be a reliable partner.

North Macedonia remains one of the main transit routes for migration movement. The country continues to play a constructive role in the management of **mixed migration flows**. It cooperates effectively with neighbouring countries and EU Member States, including with guest officers from the EU Member States on the ground. Efforts to ensure basic living conditions and services for all migrants staying in the country continued. The registration of migrants and adequate protection-sensitive profiling remains a priority and needs to be carried out in a more systematic manner. In August 2022, the Commission negotiated a status agreement with North Macedonia that would allow the European Border and Coast Guard Agency (Frontex) to deploy the European Border and Coast Guard standing corps to the country. The agreement is expected to be signed before the end of the year.. The country should take a more systematic approach to fighting the smuggling of migrants.

Albania

As regards the political criteria, in the new legislature, resulting from the 2021 elections, which were held following the cross-party agreement of 5 June 2020 the elected members from the largest opposition parties took their seats in parliament. The parliament elected the new President of the Republic. Internal conflict within the largest opposition party (DP), affected parliamentary life. On EU oriented reforms, parliament passed a time-limited constitutional extension of the vetting bodies mandate and nine laws aimed at alignment with the EU acquis. The government maintained a focus on reforms related to the country's EU path and reinforced its coordination structure for EU integration, but it needs to further advance the EU reform agenda, together with the opposition and all segments of society. The establishment of several government agencies around the Prime Minister's Office, without a comprehensive steering framework and without a systematic attention to oversight and reporting lines, raises questions in relation to the standards of public administration. A new decentralisation strategy beyond 2022, remains to be adopted and upstream consultation at local level will be essential. Despite funding improvements, limited progress was made to implement the roadmap on creating an enabling environment for civil society.

Albania is moderately prepared in the area of **public administration reform**. It made limited progress in strengthening line ministries' capacity to implement regulatory impact assessments and hold public consultations. It started preparations for the salary reform and expanded the automated payroll system. Implementation of the 2015-2022 public administration reform and the 2014-2022 public financial management reform strategies continued. The IT systems for integrated planning are not yet fully functional. However, bodies subordinate to ministries (agencies) continued to be created without a comprehensive steering framework, systematic

attention to oversight or clear reporting lines. They also further exacerbated the issue of tasks entrusted to staff hired under the Labour Code, instead of to civil servants. Provisions on merit-based recruitment in the civil service law remain to be fully implemented, especially for senior level positions. The number of provided online services continued to increase, but this also raises questions about equitable access for citizens with limited digital skills.

Albania's **judicial system** has reached a moderate level of preparation. Comprehensive justice reform continued, resulting in good progress overall. Two new judges were appointed to the Constitutional Court in March and September 2022, further improving the court's ability to carry out its mandate. There was also progress with the High Court, which now has 15 sitting judges, enabling it to reduce the case backlog for the first time in six years, to start unifying the case law and to appoint judges to the Constitutional Court. Further appointments to the High Court are expected. However, long proceedings, a low clearance rate and a large case backlog continue to negatively impact the efficiency of the judicial system. To tackle these problems, a new judicial map was adopted following consultations. Additional efforts are still required to put it into effect, as well as to improve the case management system and the training system for magistrates.

The temporary re-evaluation of all judges and prosecutors (**the vetting process**) has continued to advance steadily. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process independently. By 12 September, the vetting institutions had completed 554 first-instance cases. Around 64% of the vetting dossiers processed so far resulted in dismissals, resignations or the termination of mandate of vetted magistrates. The vetting institutions must continue to refer cases to the prosecution services where there are indications of criminal offences.

The **Specialised Structure for Anti-Corruption and Organised Crime (SPAK)**, comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), continued its operations. After a budget increase in 2021, the SPO now has 17 prosecutors in place, the recruitment of eight financial investigators is underway and the NBI reached its full operational capacity of 60 investigators after a second round of recruitment.

Albania has some level of preparation in the **fight against corruption**. It continued its efforts to build on its track record of investigation, prosecutions and convictions in the fight against corruption and delivered some results. These efforts need to continue. However, greater political will, further structured efforts, and adequate resources and skills remain necessary. The SPAK Court delivered several important final decisions on high-ranking state officials, including a former Minister of the Interior and a former Prosecutor General. Although the vetting of members of the judiciary is an administrative process, it continues to bring results in the fight against corruption within the judiciary. A new General Anti-Corruption Directorate was created in the Ministry of Justice. Overall, despite some progress, corruption remains an area of serious concern. Increasing the number of final convictions of high-level officials remains an important priority to further tackle a culture of impunity. The sectors that are most vulnerable to corruption require targeted risk assessment and dedicated measures.

Albania has some level of preparation in the **fight against organised crime**. It made some progress in meeting last year's recommendations. Strong and fruitful cooperation with EU Member States, Europol and Eurojust has led to tangible results. Albania continued to show commitment to counter the production and trafficking of cannabis. Good progress was made on the seizure and confiscation of assets related to organised crime. This effort must continue in the

future. Efforts also need to continue to ensure increased prosecutions and final convictions, especially at high-level. Countering cybercrime, trafficking in human beings and money laundering remain areas in which additional results are needed. The phenomenon of child sexual abuse online remains a concern. The country progressed steadily in the implementation of the Financial Action Task Force (FATF) Action Plan to improve effectiveness in the field of anti-money laundering, but Albania remained on the list of jurisdictions under increased monitoring. Financial investigations need to accompany systematically criminal proceedings. Albania adopted a new national cross-sector **counter-terrorism strategy** and action plan in December 2020.

On **fundamental rights**, Albania complies overall with international human rights instruments and has ratified most international conventions on the protection of fundamental rights. Some progress was made in using alternatives to detentions and, in particular, in developing the probation service, which remains fully operational, including for juvenile offenders. Albania adopted a new lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) action plan, which includes measures to fight discrimination, improve access to services and approve the legal gender recognition law and a national action plan for equality, inclusion and participation of Roma and Egyptians. Enhanced efforts to consolidate property rights through the registration and digitalisation of cadastral data are needed and the sector remains prone to corruption, while the compensation process has stalled. On the protection of national minorities, Albania adopted a new piece of implementing legislation that creates a fund for civil society projects in support of minority rights. However, adoption of the remaining implementing legislation, including on freedom to self-identify as a member of a national minority and on the use of minority languages, is still pending. Preparations for the long awaited population and housing census continued, including with pilot censuses in minority population areas, however the census was postponed to 2023. Further actions need to be taken to strengthen data protection and align national legislation with the EU General Data Protection Regulation (GDPR).

Albania has some level of preparation/is moderately prepared in the area of **freedom of expression**. No progress was made in the reporting period. The intersection of business and political interests continued to hamper media independence and the quality of journalism. Disinformation including smear campaigns are recurrent, especially in online media whose self-regulation needs to be ensured. The atmosphere of verbal attacks, smear campaigns and acts of intimidation against journalists has not improved. Any changes to the Media Law need to be in line with the Venice Commission opinion and must be submitted for consultation with media organisations. It remains important to ensure that the media have direct and transparent access to governmental institutions and their activities. The regulatory performance of the Audio-visual Regulatory Authority (AMA) needs to be improved and the independence and resources of the public service broadcaster should be strengthened.

Albania adopted a new and better-budgeted national strategy on **gender equality** and continues its efforts to ensure adequate state funding to implement it at central and local level. Efforts are needed to ensure that all national strategies at central and local level are gender mainstreamed and spend budget in ways that take gender into account. On citizenship, Albania should refrain from developing an investors' citizenship scheme (golden passports) as it would pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime, and would be incompatible with the EU *acquis*.

On **migration**, the legal framework on migration is largely aligned with the EU *acquis* but needs updating, and must provide a clear framework for managing and coordinating migration. The number of irregular migrants apprehended in Albania in 2021 decreased by about 15% compared with 2020. No progress was made in referrals to asylum procedure and the implementation of return procedures in line with the legal framework. Albania's visa policy should be aligned with the EU one.

The number of **Albanian citizens lodging asylum requests** in EU Member States remains lower than the peak of 2015, but increased significantly in the summer of 2021, and thus still requires continuous and sustained efforts. Dialogue and cooperation with the countries most affected have continued, in addition to thorough border checks and awareness-raising on rights and obligations under the visa-free regime. Albania should keep addressing the phenomenon of unaccompanied minors. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

On the **economic criteria**, Albania made good progress and is moderately prepared for developing a functioning market economy. The impact of the COVID-19 pandemic on the economy, the budget deficit and the public debt ratio were lower than expected, but Russia's war against Ukraine caused price increases and lower trade. Fiscal space remains limited. Revenue-related reforms progressed, but investment expenditure remains weak. Frequent budget revisions weaken fiscal credibility. Inflation increased above target. Increased public service digitalisation, financial inclusion, and labour inspections benefitted the business environment and the formalisation of the economy, but the informal economy remains significant. Public consultation remains weak. Albania made some progress and is at some level of preparation to cope with competitive pressure and market forces within the EU. Energy and transport infrastructure, digitalisation and education improved, but entrepreneurial and technological know-how remain low, with unmet investment needs in human and physical capital, skills and education gaps, and low R&D spending. Low export diversification increases vulnerability to external shocks. Regional integration and exports increased but remained below potential.

On **public procurement**, Albania is moderately prepared, the country has made good progress, in particular by adopting further implementing legislation and launching an electronic appeals and complaint system. On **statistics**, Albania is also moderately prepared, it made limited progress on aligning with ESA 2010 standards, faster publication and transmission to Eurostat, but the Population Census Law has been further postponed. Albania is moderately prepared in most areas on **financial control**, where the country made some progress, notably on public internal financial control and internal audit.

Albania is moderately prepared in most of the areas of the **internal market**, namely the free movement of goods, services and capital, company law and competition policy. The same applies to financial services and to intellectual property law, both chapters where the country has made good progress thanks to the reduction of non-performing loans and to the adoption of legislation on copyright and on industrial property rights. Albania has made some progress with the adoption of a new law on foreigners as well as by fulfilling some of the recommendations of the Moneyval report. However, in the area of competition policy, the State aid authority needs to be made independent and sufficiently resourced. Preparations are at an early stage on consumer and health protection, where the country made limited progress.

Albania has achieved a moderate level of preparation in many areas linked to **competitiveness and inclusive growth**, namely digital transformation and media, taxation, economic and monetary policy, enterprise and industrial policy, education and culture. The same goes for the customs union, where the pan-Euro-Mediterranean area rules of origin are applied, and bodies involved in the fight against smuggling and counterfeit goods are strengthened and cooperate better. The adoption of a tax and criminal amnesty against the advice of the EU and Moneyval could jeopardise progress in this area as well as in the fight against money laundering. Albania has some level of preparation in social policy and employment, and research and innovation. Albania has made some progress in education in particular with the adoption of the new National Strategy for Education and Action Plan 2021-2026, but progress was limited on the economic and monetary policy.

As regards **Green Agenda and sustainable connectivity**, Albania is moderately prepared on energy, environment and climate change. It has some level of preparation in the areas of transport policy and of trans-European networks and some progress was achieved in developing transport and energy networks. It made progress on civil protection and is ready to join the Union Civil Protection Mechanism. The country has made limited progress in the other areas covered by this cluster and ongoing efforts to address issues with vessels Flag State Control and to align legislation need to continue. Limited progress was made in further aligning the EU *acquis* on water management, chemicals and environmental crime. The impact of strategic investments on biodiversity and nature protection requires attention. This cluster and the reforms concerned have significant links to Albania's Economic Reform Programme, the Commission's Economic and Investment Plan and the Green Agenda for the Western Balkans endorsed by Albania in December 2020.

Albania has some level of preparation in most areas linked to **resources, agriculture and cohesion**, namely agriculture and rural development, food safety, veterinary and phytosanitary policy, fisheries, and financial and budgetary provisions. It is moderately prepared as regards regional policy and coordination of structural instruments. Albania has made some progress in agriculture and rural development, notably with the establishment of a farm register and better administrative capacity for rural development. Good progress was observed on fisheries, with the continued operationalisation of the Vessel Monitoring System (VMS) and allocation of human resources to monitor and report on the activities of fishing vessels. Albania as a contracting party of the General Fisheries Commission for the Mediterranean (GFCM) is fully implementing fishing effort recommendations. Some progress was made on financial and budgetary provisions. Progress was however limited on food safety, veterinary and phytosanitary policy, on regional policy and coordination of structural instruments. In this respect, inter-agency coordination for pre-accession assistance needs improvement, and issues need to be addressed as regards strategic planning, implementation and monitoring capacity of infrastructure projects under the Economic and Investment Plan.

Albania has reached a good level of preparation as regards **external relations, foreign security and defence**. On the external relations chapter of negotiations, Albania made some progress as it continued alignment of legislation in the field of dual use goods and to implement CEFTA additional protocols. As regards the EU's Common Foreign and Security Policy, Albania maintained full alignment with all relevant EU decisions and declarations, including with the EU restrictive measures following Russia's unprovoked aggression against Ukraine. As a non-

permanent member since January 2022, Albania has been actively engaged in the UN Security Council in promoting and defending the rules-based international order.

Bosnia and Herzegovina

As regards **political criteria**, parties based in the *Republika Srpska* entity blocked state-level legislative and executive institutions until spring 2022, leading to an almost complete standstill in reforms during that period. The Federation entity government remained in office for the full 2018-2022 term in a caretaker capacity. During a significant part of the reporting period, the *Republika Srpska* entity pursued to unilaterally take over state competences (including on taxation, the judiciary, defence and security) and dismantle state institutions, endangering the country's EU accession perspective as set out in the Commission Opinion. Some legislative steps were taken to withdraw the *Republika Srpska* entity from key state bodies and set up parallel bodies at entity level; these laws are suspended and under constitutional review.

Parliamentary parties could not agree on a solution for constitutional and electoral reforms to bring the Constitution in line with the European Convention on Human Rights, complying with the Sejdić-Finci and related rulings, despite an intense facilitation of talks by the EU and US. Amendments to improve electoral standards were rejected in Parliament. A number of Constitutional Court decisions have yet to be fully enforced. The Council of Ministers took no steps to develop a national programme for the adoption of the EU *acquis*. Due to political obstruction, the Ministry of Finance and Treasury hindered the smooth organisation of the October 2022 elections by withholding the required funds. General elections took place on 2 October; according to the preliminary findings of OSCE/ODIHR, they were overall competitive and well organised but marked by mistrust in public institutions and ethnically divisive rhetoric. On the same day, the High Representative imposed significant amendments to the constitution of the Federation entity and to the Bosnia and Herzegovina election law, aimed at addressing a number of functionality issues and the timely formation of authorities. No progress was made in ensuring an enabling environment for civil society. *Republika Srpska* entity authorities and parties advocated for a neutral stance on Russia's aggression against Ukraine, contesting the country's alignment with EU statements and obstructing the full implementation of restrictive measures against Russia. The Presidency ratified several international agreements, including on IPA III, Horizon and Creative Europe, and the Union Civil Protection Mechanism.

Bosnia and Herzegovina is at an early stage of preparation and made limited progress on **public administration reform** (PAR). Notably, positive steps were taken in the area of public finance management: (i) a comprehensive and countrywide public finance management (PFM) strategy was adopted, which now needs to be implemented; (ii) each level of government started implementing PFM strategies; (iii) state institutions improved some professional trainings; and (iv) and the Federation entity amended its administrative procedures. However, the lack of a political decision-making body to steer PAR and insufficient implementation of the action plan and capacities to promote the PAR agenda undermine the well-functioning of the public administration across all levels of government. Civil service laws are not harmonised with each other and with merit principles, while monitoring on human resource management does not allow to check on any irregularities. In line with Opinion's key priority 14, the country needs to complete essential steps on public administration reform by ensuring a professional and

depoliticised civil service and a coordinated countrywide approach to policy-making, while establishing a political decision-making body to steer PAR.

Bosnia and Herzegovina is at an early stage of preparation as regards its **judiciary**. No progress was made in this area over the reporting period. The independence and impartiality of the judiciary did not improve. Executive and legislative authorities failed to adopt additional safeguards. Inconsistency and overly broad discretion persist in applying the rules on appointment, disciplinary responsibility, career advancement and conflict of interest of judges and prosecutors. The Chief Prosecutor of Bosnia and Herzegovina and the chief prosecutor of *Republika Srpska* were demoted on account of disciplinary offences during the reporting period. The Parliament rejected the amendments on integrity to the law on the High Judicial and Prosecutorial Council (HJPC) that would create a credible and rigorous system for verifying the financial statements of judicial office holders. The *Republika Srpska* entity launched a legislative initiative to set up a separate judicial and prosecutorial council at entity level; if adopted, it would violate the legal and constitutional order. Urgent measures are needed to restore public trust in the judiciary and strengthen its integrity. The lack of political commitment to judicial reform and the poor functioning of the judicial system continued to undermine the citizens' enjoyment of rights and the fight against corruption and organised crime.

Bosnia and Herzegovina is at an early stage/has some level of preparation in the prevention of and **fight against corruption and organised crime**. No progress was made in this area over the reporting period. The Parliament rejected a law on conflict of interest. Political leaders and judicial institutions failed to tackle widespread corruption and actively blocked progress, leading to long-term stalling and increasing signs of political capture. The continued lack of progress at all levels increases the risk of backsliding. Political leaders and judicial institutions need to urgently remedy the situation. Although in the reporting period there have been some indictments pertaining to high-level corruption sentences, the overall track record on preventing and repressing corruption (including at high level) remains insignificant, due to operational inefficiency and political interference. There are systemic shortcomings in the operational cooperation between law enforcement agencies fighting organised crime, due to non-harmonised criminal legislation, weak institutional coordination, and a very limited exchange of intelligence. Criminal organisations operating in the country take advantage of legal and administrative loopholes. The police are vulnerable to political interference. Financial investigations and asset seizures are also largely ineffective. A proactive approach remains fundamental to countering criminal infiltration in the political, legal and economic systems. The contact point for cooperation with Europol is still not operational; preparatory steps are underway. There is no systematic cooperation with Eurojust. Bosnia and Herzegovina needs to continue its efforts in the fight against terrorism and drug trafficking and increase its capacity to do so. A new law on anti-money laundering and terrorism financing in line with the EU *acquis* needs to be urgently adopted.

While the legislative and institutional framework on **fundamental rights** is largely in place, there is no comprehensive strategic framework. Adopting action plans for the social inclusion of the Roma in April 2022 and on the rights of LGBTIQ persons in July 2022 are positive steps in this regard. Significant reforms are still needed to ensure that all citizens are able to exercise their political rights and to ensure non-discriminatory, inclusive and quality education for all, including by overcoming the practice of 'two schools under one roof'. No progress was made to guarantee freedom of expression and of the media by protecting journalists from threats and

violence and ensuring the financial sustainability of the public broadcasting system. Challenges persist as regards freedom of assembly, particularly in the *Republika Srpska* entity.

Bosnia and Herzegovina has taken significant steps to improve **migration** management. The Ministry of Security continued efforts to improve coordination with local authorities and boosted international cooperation. However, major weaknesses still undermine the provision of necessary assistance. Bosnia and Herzegovina needs to urgently adopt the strategy and action plan on migration, step up efforts to ensure access to asylum, and strengthen border management.

As regards **economic criteria**, Bosnia and Herzegovina is at an early stage of establishing a functioning market economy. Cooperation and coordination of economic policymaking at state level and among the entities have further deteriorated. As a result, the country's internal market remains fragmented. The country's Economic Reform Programme does not contain sufficient credible countrywide measures to address the major structural economic challenges. These relate to the business environment, the informal economy, public enterprises, the green and digital transitions and unemployment. Overall, the country's economic performance remains below its potential, as policymaking is hindered by political stalemate, an overly short-term orientation, and no focus on policy measures to build growth.

Bosnia and Herzegovina remains at an early stage in terms of **capacity to cope with competitive pressure and market forces in the EU** and did not make significant progress in this area. The quality of education has remained low, while insufficient action was taken to improve the transport and energy infrastructure. The trade and transport sectors both grew in terms of their relative economic importance (in value-added terms) as a response to strong external demand, while the size of the public sector in the economy was slightly lower by the same measure.

Bosnia and Herzegovina is at an early stage/has some level of preparation in its ability to take on the **obligations of EU membership**. The country needs to significantly step up alignment with the EU *acquis* and implement and enforce the necessary legislation. Limited to no progress was made on the different EU *acquis* chapters during the reporting period.

Bosnia and Herzegovina has some level of preparation and made some progress in the area of **public procurement** as amendments adopted in August have further aligned the legislation with the EU *acquis*. This is a first important step on the commitments taken on 12 June and contributes to address key priority 7. There was limited progress was made on **statistics**; preparations for the next census have hardly progressed and the production of macroeconomic statistics continues to deviate from the EU *acquis*. Some progress was made on public internal **financial control**, with both entities adopting strategies.

Major steps are needed to align the legal framework across the country with the EU *acquis* on the **internal market** (free movement of goods, workers, services and capital, company law, intellectual property, competition policy, and financial services, consumer and health protection). Bosnia and Herzegovina made limited or no progress in this cluster. Procedures and legislation that differ between the entities create obstacles to competitiveness and growth. Bosnia and Herzegovina should bolster financial stability by improving coordination among the relevant authorities and setting up a financial stability fund as part of the bank resolution framework. This cluster is key for Bosnia and Herzegovina's preparations to meet the EU single market requirements and is very important for early integration with and the development of the Common Regional Market.

Bosnia and Herzegovina made limited or no progress in most areas of **competitiveness and inclusive growth** (taxation, digital transformation and media, social policy and employment, enterprise and industrial policy, science and research, education and culture) and some progress in the area of customs union. The country showed backsliding in other areas (economic and monetary policy) where it is at an early stage or has some level of preparation. These areas have significant links to the country's Economic Reform Programme. Bosnia and Herzegovina needs to introduce socio-economic reforms to address structural weaknesses (including low competitiveness and high unemployment), and the impact of the COVID-19 pandemic.

Bosnia and Herzegovina made some or limited progress in the **green agenda and sustainable connectivity** cluster, where the country is at an early stage on energy, environment and climate change. The country has some level of preparation in the areas of transport and of trans-European networks. Further steps are needed on connectivity reform measures and in aligning with the Trans-European Transport Network (TEN-T) and Trans-European Networks for Energy (TEN-E) Regulations. The green transition and sustainable connectivity are key to economic integration within the region and with the EU. The implementation of the Economic and Investment Plan³ and the Green Agenda for the Western Balkans,⁴ needs to be accelerated. Bosnia and Herzegovina significantly improved its civil protection system and showed a clear commitment in the area of disaster management; in September 2022 the country joined the Union Civil Protection Mechanism (UCPM) as a full member.

Bosnia and Herzegovina made no progress in the areas of **resources, agriculture and cohesion** (agriculture and rural development, food safety, veterinary and phytosanitary policy, fisheries, and financial and budgetary provisions), where preparation is mostly at an early stage. The country must step up its efforts to prepare and adopt a post-2021 countrywide strategy for rural development, align its legislation on food safety, veterinary and phytosanitary policy and strengthen its administrative capacities. More efforts are also needed to prepare and adopt a countrywide strategy on fisheries and aquaculture and harmonise data collection. Furthermore, Bosnia and Herzegovina should start preparing a countrywide regional development strategy.

Bosnia and Herzegovina has some level of preparation and made some progress in the cluster on **external relations**, in particular by improving its alignment with EU foreign policy statements and restrictive measures, which increased to 81% by end August 2022. The country needs to implement the additional protocols to the Central European Free Trade Agreement (CEFTA) on trade facilitation and trade and services, and swiftly adopt the additional protocol on dispute settlement. Bosnia and Herzegovina continued to actively participate in **regional cooperation** and to maintain good neighbourly relations.

In 2021, Bosnia and Herzegovina benefited from EUR 73 million under the **Instrument for Pre-accession Assistance 2021 – 2027 (IPA III)**, providing support to programmes in migration and border management, the electoral process, energy, transport, employment and social protection, as well as private sector and regional development. This first set of programmes, complemented by a package of multi-country programmes, significantly contributes to kick-starting the implementation of the **Economic and Investment Plan for the Western Balkans** and the **Green Agenda**. Adopting countrywide sector strategies remains a key requirement for Bosnia and Herzegovina to benefit fully from IPA funding in the future.

³ COM(2020) 641 final

⁴ SWD(2020) 223 final

Kosovo

The reporting period overlapped with the first full year in office of the Vetëvendosje-led government. Kosovo enjoyed political stability, with the government holding a solid majority in the Assembly.

The Assembly's work continued to be negatively affected by a polarised political atmosphere and difficulties in achieving decision-making quorum, even though the government relies on a strong majority. This is partly due to poor management of the legislative agenda on the part of the majority but also because opposition members of the Assembly (MPs) abstained from voting to prevent legislation from being adopted.

The 2021 municipal elections were overall well-organised, transparent and competitive. Kosovo's electoral process still needs comprehensive strengthening to address long-standing weaknesses throughout the electoral cycle, as identified in successive EU election observation missions since 2014.

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

There is some level of preparation in the area of public administration reform, but limited progress was made in this area. Notably, some key positive steps were taken by developing overarching strategies on public administration reform (PAR) and public finance management (PFM) for 2022-2026, adopting legislation to proceed with the first wave of streamlining of public agencies and launching the development of a new salary law. There has been little progress in implementing the existing legislative framework for public administration reform.

Kosovo is still at an early stage in developing a well-functioning judicial system. While some progress was made, the overall administration of justice continues to be slow, inefficient and vulnerable to undue influence. Steps were taken to start implementing the rule of law strategy and action plan and to reform the legislative framework governing the prosecutorial system by amending the Law on the Kosovo Prosecutorial Council. Justice reform should be addressed first and foremost by improving the implementation of existing tools to safeguard the integrity, the independence and the efficiency of the judicial system. The government's commitment to fully implement the Venice Commission's Opinion on the concept document on vetting of judges and prosecutors, in close cooperation with the EU, is welcome.

Kosovo is at an early stage / has some level of preparation in the fight against corruption. During the reporting period, some progress was made with the adoption of significant anti-corruption legislation. There is a need to improve the implementation of the overall legal framework. Sustained efforts are needed to achieve more proactive investigations, final court decisions and final confiscation of assets. Despite the efforts already made, there is a need for strong political will to continue to effectively address systemic corruption risks and a robust criminal justice response to high-level corruption.

Kosovo is at an early stage in the fight against organised crime and limited progress was made in investigating and prosecuting organised crime cases. The powerful tools envisaged by the Criminal Code and the Law on Extended Powers of Confiscation are not yet fully utilised. A number of successful operations targeting organised crime took place, involving international

and cross-border cooperation. Fighting organised crime in the north of Kosovo continues to be challenging.

Some progress was made in the fight against terrorism and the fight against and prevention of violent extremism, in line with the objectives set out in the EU-Kosovo implementing arrangement for the Joint Action Plan on Counter-Terrorism for the Western Balkans. The Kosovo authorities need to be more effective in their efforts to combat money laundering and the applicable law should be brought in line with the EU *acquis* and international standards. The legal framework broadly guarantees the protection of human and fundamental rights in line with European standards. Kosovo showed commitment to addressing gender inequality. More needs to be done to effectively guarantee the rights of persons belonging to minorities, including Roma⁵ and Ashkali and displaced persons, to ensure gender equality in practice, and to advance the protection of cultural heritage. The lack of administrative instructions to implement the law on child protection hampers further progress in this area. As regards freedom of expression, Kosovo has some level of preparation and benefits from a pluralistic and lively media environment. However, concerns remain regarding public smear campaigns, threats and physical attacks on journalists. The lack of financial self-sustainability leaves the media, including the public broadcaster, vulnerable to political and business interests.

The Kosovo authorities continued to make progress in managing migration. Migration governance and asylum should be further strengthened.

Kosovo made some progress on the economic criteria, and is at an early stage of developing a functioning market economy. The economy demonstrated resilience during the pandemic. Nevertheless, long-standing structural challenges, such as the widespread informal economy, the high prevalence of corruption and the overall weak rule of law, continue to hinder the private sector.

While the fiscal rule has been suspended since 2020, the economic recovery as well as formalisation gains led to a strong increase in tax revenue and a low public deficit in 2021. Driven by surging commodity prices, inflation increased substantially. The financial sector remained stable, and lending continued to expand. Despite strong political opposition, the government took fiscally prudent positions regarding war veterans' pensions and the Kosovo Pension Savings Trust.

Kosovo made limited progress and is at an early stage in terms of ability to cope with competitive pressure and market forces in the EU. Little progress was made on improving the quality of education and addressing skill gaps in the labour market. Kosovo made some progress in improving road infrastructure and increasing investment in renewables, but the coal-based, outdated and unreliable energy supply remains a concern. Kosovo still lacks a long-term energy strategy. Kosovo made some progress in digitalising the economy.

As regards good neighbourly relations and regional cooperation, Kosovo continued to participate in most regional fora. Kosovo maintained overall good relations with Albania, Montenegro and North Macedonia. There has been no change in Kosovo's formal relations

⁵ All these groups are considered under the wider "Roma" umbrella term under the EU framework for National Roma Integration Strategies.

with Bosnia and Herzegovina, which does not recognise Kosovo's independence and the two maintain a strict visa regime.

The EU-facilitated Dialogue on the normalisation of relations with Serbia continued with regular monthly meetings on the level of Chief Negotiators and a High-level meeting on 18 August 2022. The Parties adopted an Energy Agreements' Implementation Roadmap in June 2022 and agreed on travel with only identity cards between Kosovo and Serbia in August 2022. Kosovo needs to engage more constructively and make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation agreement with Serbia. Such an agreement is urgent and crucial to enable Kosovo and Serbia to advance on their respective European paths.

During the reporting period some progress was made in aligning with European standards in the area of statistics and financial control, while limited progress was achieved in aligning with European standards in the areas of public procurement. In most of the areas related to the internal market, Kosovo has some level of preparation, including on competition. During the reporting period, Kosovo made some progress in all areas, except on consumer policy and health protection, where only limited progress was made.

Kosovo made some progress in the areas of competitiveness and inclusive growth (customs, taxation, economic and monetary policy, digital transformation and media, enterprise and industrial policy, social policy and employment, education and culture) and limited progress in the area of research.

On the Green Agenda for the Western Balkans and sustainable connectivity, Kosovo made some progress in the area of transport and limited progress in the areas of energy, environment and climate change. In the field of resources and agriculture, Kosovo made some progress on food safety, veterinary policy and phytosanitary policy, but only limited progress on agriculture.

On external relations and trade policy, Kosovo made limited progress during the reporting period and is at an early stage of preparation. Kosovo has not yet ratified the Central European Free Trade Agreement's additional protocols on trade facilitation and trade in services. Kosovo introduced export restrictions on a number of agricultural food products without justifications or prior consultation with the Commission.

Overall, Kosovo needs to improve its administrative capacity and coordination, across all sectors, to achieve effective implementation of the EU *acquis*.

Türkiye

There are serious deficiencies in the functioning of Türkiye's **democratic institutions**. During the reporting period, democratic backsliding continued. Structural deficiencies in the presidential system remained in place. Key recommendations from the Council of Europe and its bodies have yet to be addressed. Parliament continued to lack the necessary means to hold the government accountable. The constitutional architecture continued to centralise powers at the level of the Presidency without ensuring the sound and effective separation of powers between the executive, legislative and the judiciary. In the absence of an effective checks and balances mechanism, the democratic accountability of the executive branch continues to be limited to elections.

Despite the lifting of the state of emergency in July 2018, some legal provisions granting government officials extraordinary powers and retaining several of the restrictive elements of the state of emergency remained in place. The State of Emergency Inquiry Commission has yet to complete the examination of its caseload in relation to the public employees who were dismissed by decree-laws during the period of emergency rule. In July 2021, Türkiye's Parliament adopted a bill that extends the duration of some of the restrictive elements of the state of emergency for one more year.

The judiciary continued to systematically target members of the opposition parties in Parliament, in relation to alleged terrorism-related offences. The legal framework for elections and political parties remains problematic. The electoral threshold was lowered from 10% to 7%. Türkiye has not yet addressed the remaining recommendations by the OSCE Office for Democratic Institutions and Human Rights and the Venice Commission.

Pressure on mayors from opposition parties by the ruling coalition government further weakened local democracy. Mayors from the opposition parties faced administrative and judicial investigations. Local democracy in the south-east remained severely hampered. In the south-east, the forcibly dismissed mayors continued to be replaced by government-appointed trustees.

The **situation in the south-east** remained very worrying. In October 2021, Türkiye's Parliament extended the military's mandate to launch cross-border anti-terror operations in Syria and Iraq by two additional years. The Turkish government continued its domestic and cross-border security and military operations in Iraq and Syria. The security situation remained precarious in border areas with recurrent terrorist acts committed by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism. The EU unambiguously condemned the PKK's attacks and expressed solidarity with the families of the victims. The government has a legitimate right and a responsibility to fight terrorism, but it is essential that it does so in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. There were no developments on the resumption of a credible political peace process to achieve a sustainable solution.

Serious backsliding regarding **civil society** issues continued. Civil society organisations faced increased pressure and their space to operate freely continued to reduce, limiting their freedoms of expression, association and assembly. The implementation of the law on preventing financing of proliferation of weapons of mass destruction added further restrictions on civil society organisations.

Civilian oversight of the security forces has not been consolidated. Military, police and intelligence services' accountability remained very limited. Parliamentary oversight of the security institutions needs to be strengthened. In July, the Parliament extended the retirement age of the Chief of General Staff from 67 to 72 allowing the incumbent Chief of General Staff to serve an additional year while the air and navy commanders have retired.

Türkiye has some level of preparation/is moderately prepared in the field of **public administration reform**. No progress was made during the reporting period. The country continues to lack a comprehensive reform agenda for public administration and public financial management and the government has not started any comprehensive reform of public administration. The administration's accountability is insufficient, and its human resources management needs to be improved. Policy-making lacks evidence-based methods and

participatory mechanisms. The politicisation of the administration continued. Women's representation in civil service managerial posts remained low.

Türkiye's **judicial system** is at an early stage of preparation. The serious backsliding observed since 2016 continued during the reporting period. Concerns remained, in particular over the systemic lack of independence of the judiciary and undue pressure on judges and prosecutors. Particular concerns relating to the judiciary's adherence to international and European standards increased, in particular in relation to the refusal to implement rulings by the European Court of Human Rights. Implementation of the 2021 human rights action plan and the 2019 judicial reform strategy continued. However, both documents failed to address major shortcomings in the Turkish judiciary, lacking a plan for significant improvements to the overall functioning of the country's judicial system. Only 515 judges or prosecutors dismissed following the coup attempt were reinstated, despite several being acquitted. The lack of objective, merit-based, standardised and pre-established criteria for recruiting and promoting judges and prosecutors remains a source of concern.

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

Türkiye has some level of preparation in **the fight against organised crime**, however there was limited progress overall. The completion of an international agreement on the exchange of personal data between Europol and the Turkish authorities responsible for fighting serious crime and terrorism is still pending, as Turkish data protection legislation is not yet in line with the EU *acquis*. The legal framework regulating the fight against money laundering and terrorist financing needs to be improved in line with recommendations by the Financial Action Task Force (FATF) and those by the Venice Commission on the law on preventing financing of proliferation of weapons of mass destruction.

The deterioration of **human and fundamental rights** continued. Many of the measures introduced during the state of emergency remain in force. The legal framework includes general guarantees of respect for human and fundamental rights, but the legislation and its implementation need to be brought into line with the European Convention on Human Rights (ECHR) and the European Court of Human Rights (ECtHR) case-law. The Council of Europe's Parliamentary Assembly continued to monitor Türkiye's respect for human rights, democracy and the rule of law. Türkiye's continued refusal to implement certain ECtHR rulings, notably in the cases of Selahattin Demirtaş and Osman Kavala, is a source of serious concern regarding the judiciary's adherence to international and European standards and Türkiye's commitment to promote the rule of law and respect for fundamental rights. The infringement procedure started by the Council of Europe against Türkiye in February 2022, for non-implementation of the judgment in the Kavala case has marked yet another benchmark of Türkiye's drifting away from the standards for human rights and fundamental freedoms that it has subscribed to as a member

of the Council of Europe. In July, the Court ruled that Türkiye has failed to implement the 2019 ECtHR judgment on the Kavala case.

The human rights action plan adopted in 2021 continued to be implemented, but this does not address critical issues and has not led to an improvement in the overall human rights situation.

On freedom of expression, the serious backsliding observed in recent years continued. The implementation of criminal laws relating to national security and anti-terrorism continued to contravene the ECHR and other international standards and to diverge from the case-law of the ECtHR. Restrictive measures implemented by state institutions and increasing pressure with judicial and administrative means continued to undermine the exercise of freedom of expression. There continued to be criminal cases brought against and convictions of journalists, human rights defenders, lawyers, writers, opposition politicians, students, artists and social media users.

There was further backsliding in the area of freedom of assembly and association. There were recurrent bans, disproportionate use of force and interventions in peaceful demonstrations; investigations, court cases and administrative fines against demonstrators on charges of terrorism-related activities or on violating the law on demonstrations and marches.

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

On **migration and asylum policy**, Türkiye made some progress. The EU-Turkey Statement remained the main framework for cooperation between the EU and Türkiye, and the EU's engagement with Türkiye on migration intensified. Some progress was made on further strengthening capacity for surveillance and protection of the land border with Iran. The return of irregular migrants from the Greek islands under the EU-Turkey Statement continued to be suspended, as it has been since March 2020. In 2021, numbers of irregular migrants arriving increased on most routes in comparison to 2020. The increase could be partially due to the lifting of measures taken by countries in the region in 2020 to contain the COVID-19 pandemic. Although the number of irregular arrivals in Greece has decreased compared to pre-COVID figures, irregular arrivals to Italy and to the government-controlled areas of Cyprus have increased substantially in the past year and new smuggling routes have been established. Türkiye has still not implemented the provisions relating to third-country nationals in the EU-Turkey readmission agreement, which entered into force in October 2017. Overall, the number of illegal border crossings between Türkiye and Greece remained significantly lower than it was prior to the adoption of the EU-Turkey Statement.

Türkiye continued to make significant efforts to host and meet the needs of one of the largest refugee communities in the world. Out of the full operational budget of EUR 6 billion under the Facility for Refugees, over EUR 4.7 billion was disbursed by June 2022. Efficient integration measures are needed to address the extended presence of refugees in the country. Access to public health for migrants and refugees should be improved. No outstanding visa liberalisation benchmarks were fulfilled. Türkiye still needs to further align its legislation with the EU *acquis* on visa policy.

Türkiye's unilateral **foreign policy** continued to be at odds with the EU priorities under the common foreign and security policy (CFSP), notably due to its military action in Syria and Iraq and a lack of alignment with EU restrictive measures against Russia. Türkiye maintained a very low alignment rate with the EU stand on foreign and security policy of 7% (as of August 2022). Türkiye's military support to Libya, including the deployment of foreign fighters on the ground, and its persistent criticism of and lack of cooperation with Operation IRINI are detrimental to the EU's effective contribution to implementing the UN arms embargo, and have led to conflicting approaches on Libya. Türkiye remains a critically important actor in the Syrian crisis and shares with the EU the objective of a stable and prosperous Syria. However, its troops maintained a significant presence in the region and in other parts of northern Syria. Türkiye's security concerns stemming from northern Syria should be addressed through political and diplomatic means, not by military action, and in full respect of international humanitarian law.

The Russian war of aggression against Ukraine was recognised by Türkiye as a state of war and Türkiye condemned the Russian aggression. Türkiye enforced the Montreux Convention, whereby the passage of warships was limited to those returning to their bases. Turkish companies continued to sell military ordnance to Ukraine. Türkiye has aimed to facilitate talks between Ukraine and Russia and working on de-escalation and bringing about a cease-fire. It also undertook a diplomatic initiative to facilitate the export of Ukrainian grain; the deal agreed by Ukraine and Russia on 22 July in Istanbul, facilitated by the UN and Türkiye, would not have been possible without the constructive role of Türkiye, which is also involved in facilitating the implementation of the deal. Nevertheless, Türkiye refrained from aligning with EU sanctions against Russia. Türkiye has signed a Memorandum of Understanding for developing economic and trade relations with Russia.

The improved dynamic in EU-Türkiye relations observed since December 2020, following the de-escalation in the Eastern Mediterranean, prevailed for several months before tensions in the Aegean resumed in April 2022. In November 2021, following the second review of the framework for restrictive measures, the Council extended the regime for one more year until 12 November 2022. Currently two individuals are subject to sanctions. While there were no unauthorised drilling activities by Türkiye in the Eastern Mediterranean during the reporting period, tensions have been rising. Turkish warships illegally obstructed survey activity in the Cypriot Exclusive Economic Zone. Türkiye's military exercises in the maritime zones of Cyprus continued. Despite the international community, and the EU in particular, condemning Türkiye's unilateral steps, Türkiye continued with its actions to further reopen the fenced-off town of Varosha in Cyprus.

Türkiye 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.

The June 2022 European Council expressed deep concern about recent repeated actions and statements by Türkiye. It recalled its previous conclusions and the statement of March 2021 and reiterated that Türkiye must respect the sovereignty and territorial integrity of all EU Member States. It emphasised that the European Council expects Türkiye to fully respect international law, de-escalate tensions in the interest of regional stability in the Eastern Mediterranean, promote good neighbourly relations in a sustainable way and fully respect international law. The European Council has repeatedly recalled the EU's strategic interest in a stable and secure environment in the Eastern Mediterranean and in the development of a cooperative and mutually

beneficial relationship with Türkiye. The European Council also reaffirmed its readiness to engage with Türkiye in a phased, proportionate and reversible manner in a number of areas of common interest, subject to Türkiye meeting the established conditionalities set out in previous European Council conclusions, and provided that the de-escalation in the Eastern Mediterranean is sustained.

Regarding the **economic criteria**, the Turkish economy is **well advanced**, but made **no progress** over the reporting period. Serious concerns persist over the continued proper functioning of Türkiye's market economy as there has been backsliding on important elements, such as the conduct of monetary policy and the institutional and regulatory environment. The economy recovered strongly from the COVID-19-crisis, growing by 11.4 % in 2021, and more than 7 % in the first half of 2022 despite the fallout of Russia's invasion of Ukraine. The country's overly loose monetary policy and lack of policy credibility have weakened the lira and have driven the official inflation to a two-decade high of more than 80%. Higher prices for imported commodities widened external imbalances, which remain a major vulnerability in a situation of increased uncertainty and low level of international reserves. Budget execution outperformed plans but government debt increased, and fiscal policy has come increasingly under pressure, burdened by unsuccessful attempts to curb rising inflation and underpin the domestic currency.

The institutional and regulatory environment remains fragile, particularly as regards the predictability, transparency, and implementation of regulations. Some important steps were taken to improve the resolution of commercial disputes. Despite a gradual decline, the informal sector still accounts for a significant share of economic activity. State intervention in the price-setting mechanisms persists. The provision of State aid lacks proper implementation rules, enforcement and transparency. The banking sector remained largely stable and capital adequacy above the regulatory requirements. Non-performing loans decreased, and profitability improved, but dollarisation and financial stability risks increased. The labour market recovered from the pandemic but deep-seated structural challenges, such as a very significant gender gap, a high rate of youth unemployment and wide regional disparities, remain.

Türkiye has a good level of preparation and has made limited progress during the reporting period in developing its capacity to cope with the competitive pressure and market forces in the EU. Despite some progress in improving vocational training, the mismatch persists between the education system and labour market needs. Expenditure on research and development continued to increase very slowly and remained well below the government's target. Investment activity slowed in the second half of 2021. Progress continued with regard to diversifying energy supplies and increasing the share of energy generated from renewable sources. The extension of local content requirement practices raises concerns. Türkiye removed some of the additional custom duties it had introduced in defiance of the commitments under the EU-Turkey Custom Union; however, extensive deviations from its obligations under the EU-Turkey Customs Union hinder bilateral trade.

Türkiye is moderately prepared in the area of **public procurement** but made no progress over the reporting period and large gaps remained in its alignment with the EU *acquis*. Türkiye continued its discriminatory domestic price advantage and offset practices favouring local content. Türkiye is moderately prepared in the area of **statistics** and made limited progress during the reporting period. Frequent managerial changes within the Turkish Statistical Institute over the last few years, including during the reporting period, have significantly undermined the institution's credibility. The reliability of key economic data has been repeatedly called into

question. Türkiye has a good level of preparation on **financial control**, though no progress was made during the reporting period. The Public Internal Financial Control policy paper has not yet been updated and the anti-fraud coordination service (AFCOS) network has not yet been re-established.

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

The **internal market cluster** is key to the good functioning of the EU-Turkey Customs Union and to integrating Türkiye into the EU's single market. Preparations in the areas of freedom of movement for workers and right of establishment and freedom to provide services are at an early stage, as many professions are closed to EU nationals. Türkiye has achieved a good level of preparation for the free movement of goods. Technical barriers to trade remained in place. Türkiye is moderately prepared on free movement of capital, as limitations continue on foreign ownership and on capital movement. Türkiye needs to continue to address outstanding issues in its framework regulating the fight against money laundering and terrorist financing.

Türkiye is well advanced in the area of company law and needs to make further progress in aligning with the EU *acquis*. Türkiye has a good level of preparation in the area of intellectual property law but needs to improve enforcement. Türkiye has some level of preparation in the area of competition policy. Serious concerns persist in relation to the legislative framework, enforcement capacity and transparency in the field of State aid. Türkiye has a good level of preparation in the area of financial services and made some progress, including with the development of new alternative financing instruments. There is a good level of preparation in terms of legislative alignment of consumer and health protection, with some progress made, notably on aligning with the EU *acquis* and in strengthening inter-sectoral cooperation.

Within the **cluster on competitiveness and inclusive growth**, Türkiye has some level of preparation in the area of digital transformation and media, though it has continued to backslide. Türkiye's preparations in the area of science and research are well advanced and Türkiye made good progress during the reporting period, notably with the conclusion of the association agreement for Horizon Europe for the 2021-2027 period. Türkiye is moderately prepared on education and culture and made some progress, in particular on vocational education, national qualifications systems and in terms of Türkiye's participation in the EU programmes.

On the economy-related chapters, backsliding continued on economic and monetary policy, reflecting inefficient policy on ensuring price stability and anchoring inflation expectations. The central bank remains under significant political pressure and its functional independence needs to be restored. Türkiye made limited progress on enterprise and industrial policy, and major challenges in relation to measures incompatible with EU industrial policy principles remain unaddressed. No progress was made during the reporting period in the area of social policy and employment, with concerns remaining over trade union rights, the lack of genuine social dialogue and persistent levels of informal economic activity.

While Türkiye is moderately prepared on taxation, it made no progress during the reporting period and there remains a need for a clear strategy, avoiding frequent changes in tax rates and enabling tax information exchange with all EU Member States. Türkiye maintains a good level of preparation for the customs union but made limited progress, notably by removing some additional duties applied on imports of products originating in third countries. However, Türkiye's deviations from its obligations under the EU-Turkey Customs Union continue,

contributing to a high number of trade irritants.

Regarding the **cluster on the Green Agenda and sustainable connectivity**, Türkiye is moderately prepared in transport policy. It made limited progress during the reporting period, mainly linked to the adoption of a plan to significantly increase the use of railway transport. Türkiye is moderately prepared in the area of energy and made limited progress overall. Progress continued on renewable energy deployment, on reforms in the natural gas sector and in legislative alignment on nuclear safety. Türkiye is well advanced on trans-European networks and made some progress, mainly on energy networks, thanks to the smooth operation of the trans-Anatolian pipeline. The construction of the Halkali-Kapikule railway line connecting the Bulgarian border to Istanbul continued. Türkiye has some level of preparation in the area of environment and climate change, but made no progress overall during the reporting period. Türkiye faces critical environmental and climate challenges, both in relation to mitigation and adaptation. More ambitious and better coordinated environment and climate policies need to be drawn up and implemented. Türkiye still needs to increase and implement its contribution to the Paris Agreement on climate change and complete its alignment with the *acquis* on climate action.

On the **cluster covering resources, agriculture and cohesion**, Türkiye reached some level of preparation in the area of agriculture and rural development. Backsliding continued during the reporting period, as its agricultural policy keeps moving away from the main principles of the EU common agricultural policy and Türkiye continued to restrict imports of agricultural products from the EU. Türkiye is a major exporter of food products to the EU and made limited progress during the reporting period in the area of food safety, veterinary and phytosanitary policy. Full implementation of the EU *acquis* in this area requires significant further work. Türkiye is moderately prepared in the area of fisheries and continued to make good progress, notably as regards the implementation of the new fisheries law, resources and fleet management, and inspection and control. Türkiye is moderately prepared in the area of regional policy and the coordination of structural instruments and continued to make some progress on accelerating the absorption of IPA II funds. Türkiye has some level of preparation in the area of financial and budgetary provisions, but made no progress during the reporting period.

In the **external relations cluster**, Türkiye is moderately prepared in the area of external relations and made limited progress in the reporting period, notably due to continued deviation from the Common Customs Tariff. Divergence from the EU Generalised Scheme of Preferences persisted, in violation of the EU-Turkey Customs Union. Türkiye's official development assistance was largely directed towards humanitarian support for the Syria-related activities on Türkiye's own territory. Türkiye has some level of preparation in the area of foreign, security and defence policy. Overall, Türkiye's foreign policy continued to be at odds with the EU priorities under the common foreign and security policy (CFSP). Türkiye's non-alignment with EU restrictive measures against Russia is of particular concern due to the free circulation of products, including dual use goods, within the EU-Turkey Customs Union. This creates a risk of undermining EU restrictive measures. For the Customs Union to continue functioning the parties must fully respect existing rules and avoid undermining mutual trust.

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

Annex 2. Implementation of the Economic and Investment Plan (EIP) for the Western Balkans

2021 was the first full year of implementation of the Economic and Investment Plan for the Western Balkans adopted on 6 October 2020. The plan aims at closer integration and bridging the socioeconomic gap between the region and the EU, assisting its post-COVID green and digital recovery and bringing the Western Balkans closer to the EU Common Market. It is also the right framework to support the Western Balkans in facing the energy crisis and the consequences of the Russian war in Ukraine. It focuses on flagship investments and policy initiatives matching EU policy priorities and responses. It supports connectivity within the region and towards the EU in energy, transport and digital economy. It supports private sector and human capital development, including innovation. It is built on a package of EUR 9 billion of EU grants and the Western Balkans Guarantee Facility to crowd in up to 20 billion EUR in investments.

The impact of these investments on the region's economy is expected to be amplified by tangible advances in the implementation of the Common Regional Market project and the Economic Reform Programmes, as well as continued progress in the areas of rule of law, public finance management and public administration reform.

The implementation of the EIP priorities takes place through enhanced political engagement and policy dialogue in these areas, as well as through more targeted EU financial assistance provided via the Instrument for Pre-accession Assistance (IPA III). In the context of the Russian aggression against Ukraine, the EIP also provides appropriate tools to assist the region in dealing with its economic impact, in particular through advancing with the energy transition and facilitating greater diversification of energy sources.

The practical implementation of the plan started in February 2022 by the adoption of a total of EUR 1.3 billion in investment grants under the Western Balkans Investment Framework (WBIF), for financing 24 flagship investment projects with a total investment value of EUR 3.3 billion⁶. This comes on top of a EUR 100 million replenishment of the regional energy efficiency programme (REEP+) over the coming years to expand the 'EU renovation wave' to the Western Balkans. The Commission has also adopted the EU contribution of EUR 560 million over the seven-year period to IPARD programmes for Albania, North Macedonia, Montenegro and Serbia. These programmes support agribusiness and farms in their green and digital transition and the implementation of more sustainable models of food production as part of EIP. IPA III contributes to the implementation of the EIP with bilateral and regional programmes with all Western Balkan economies.

Connectivity in transport is focusing both on developing the necessary infrastructure for road, rail and waterway transport in line with the Trans-European Networks priorities, and on upgrading and greening the existing infrastructure to contribute to smart mobility solutions in line with the Green agenda. The priority is implemented through flagships 1, 2, and 3 of the EIP, focusing respectively on connecting north and south, east and west, and on connecting the coastal regions.

In the reporting period, work continued on all connectivity investment projects adopted under the connectivity agenda in previous years, with several projects reaching completion, notably along

⁶ <https://www.wbif.eu/wbif-investments>

the Mediterranean road corridor, the Orient-East-Med rail corridor and two cross-border bridges (Svilaj and Gradiska). The WBIF Operational Board has also approved financing for 13 new transport infrastructure investment projects with EU funding exceeding EUR 1 billion.

An important milestone for the region has been the adoption of the five sectoral action plans (rail, road, road safety, transport facilitation, and waterborne transport and multimodality) and the sustainable and smart mobility strategy for the Western Balkans, which were prepared in coordination with the Transport Community Treaty Permanent Secretariat. The five-year rolling work plan endorsed by the six partners serves as an additional planning tool for the reform measures and the infrastructure investments that the region has to prioritise in the coming years.

The Commission, together with the EIB and EBRD, is developing the safe and sustainable transport programme of EUR 80 million to support smart and sustainable mobility solutions through decarbonisation and digitalisation. Support will be provided for projects on e.g. the improvement of safety at level crossings, modernisation of selected border crossings, improvement of high-risk road sections, deployment of intelligent transport systems, and alternative fuels infrastructure, and for measures linked to climate adaptation, biodiversity protection and pollution reduction.

Following the successful introduction of ‘green lanes’ within the region at the time of the COVID-19 pandemic, work is underway on piloting green lanes also between the Western Balkans and the EU as part of the transport facilitation measures. In practice, green lanes lead to shorter waiting times at crossing points, simplification of inspections, and a reduction of formalities and costs. A Memorandum of Understanding on setting up a functional green lane between North Macedonia and Greece was signed on 7 July 2022.

Work is also under way on the overhaul of the TEN-T network in the Western Balkans, likely to be concluded at the end of 2022, with a view to updating the list of core and comprehensive transport networks.

In terms of financial commitments under IPA 2021 bilateral and multi-country programmes, a total of EUR 350 million was committed to transport and smart mobility.

Energy connectivity and transition is supported by three flagships, relating to investment in renewable energy sources, the energy efficiency ‘renovation wave’, and facilitation of the transition from coal. Energy security and diversification of supply are also supported in the context of the ongoing war in Ukraine.

In the reporting period, six renewable energy projects were approved for financing under the WBIF, including the rehabilitation of Fierza hydropower plant in Albania, three solar power plant projects in North Macedonia and Albania, and a smart metering project in the electricity distribution system in Serbia. Funding was also allocated to the construction of a segment of the Trans-Balkan electricity corridor.

To promote renewable energy sources and energy efficiency and support progress in the renovation of public and private buildings, the Commission has replenished the regional energy efficiency programme by EUR 100 million, with an implementation agreement to be signed with the EBRD and KfW by the end of 2022. Financing for a dedicated guarantee facility for projects related mainly to energy efficiency and renewables of EUR 45 million received the positive opinion of the WBIF Operational Board in April 2022.

Under the Energy Community Treaty, by the end of 2022 the Western Balkans will be required to commit to decarbonisation targets by 2030. On this basis, they will then develop strategies to achieve them through individual integrated energy and climate plans. The transition from coal in the region, most of which area is heavily reliant on fossil fuels, will be a major socioeconomic challenge. The Commission has therefore been supporting the establishment and operation of a cooperation platform for coal regions in transition in the Western Balkans and Ukraine, mirroring a similar EU initiative. A whole series of bilateral exchanges with EU regions has already taken place, while others are being planned. A plenary conference of the platform is planned for late 2022.

In terms of financial commitments under IPA 2021 programming, the Commission has committed EUR 114 million to clean energy projects at both regional and bilateral level.

Digital transition supports the region in its digital transformation – through technical assistance and through investment. It focuses on the regulatory reforms conducive to the development of a digital services market, and on promoting investment in innovative digital solutions and digital infrastructure. In the latter aspect, the priority is supported by flagship 8 of the EIP, digital infrastructure.

In terms of legal framework reforms, the Commission maintains a yearly regulatory dialogue on digital policy with the region and supports the annual high-level Western Balkans digital summits. The six economies have signed up to the **Declaration for the Future of Internet** of 28 April 2022⁷. Signed by 60+ international partners to date, the declaration sets out the vision and principles of a trusted Internet. The region is also fully associated with the work of the Body of European Regulators for Electronic Communications. The Commission, together with the Regional Cooperation Council, has been instrumental in securing the regional roaming agreement, which brought about a ‘roam like at home’ scheme in the region starting on 1 July 2021. Following the establishment of a roadmap on gradual reduction of roaming charges between the region and the EU in 2021, negotiations are currently underway with the Western Balkans and EU telecom operators for a voluntary reduction of these charges, with a possible first reduction starting in 2023.

In parallel, the EU is promoting the development of new digital solutions in various aspects of the economy of the Western Balkans, including transport, energy, logistics, government, commerce, etc. An important initiative promoting such solutions is the annual Balkathon, which awards innovative digital transition projects. The EU is equally supporting the development of digital skills among the societies of the region. A digital skills gap assessment for all six economies is currently being completed.

The WBIF supports a number of feasibility studies and investments in the digital field. February 2022 saw the completion of a broadband development feasibility study in Montenegro, while two new projects were launched: an investment grant to Serbia for the rural broadband rollout and a technical assistance grant to Albania for a feasibility study on the establishment of high performance computing for government institution data.

Cybersecurity remains an important element of the EIP. A cybersecurity needs assessment has been finalised for the region and a series of technical assistance events are being held through the

⁷ [Declaration for the Future of Internet | Shaping Europe's digital future \(europa.eu\)](https://europa.eu/declaration-for-the-future-of-internet)

TAIEX instrument, building preparedness for cyber incidents. Further allocations are being considered for this purpose under various Commission instruments.

In total, under IPA 2021 bilateral and multi-country programmes, the Commission committed over EUR 50 million to digital transition projects, which is expected to leverage significant investment from IFIs and private sources.

The EIP priorities on transport, energy and digital are also supported by the Green agenda for the Western Balkans⁸. This was adopted together with the EIP and endorsed by the leaders of the Western Balkans through the Sofia Declaration on the Green agenda in November 2020. The five-pillar agenda relies on regulatory reforms in the region to align it with the ambitions of the European green deal, as well as investments related to waste and wastewater management, energy transition and sustainable transport. The implementation of the agenda is assisted by the first seven out of ten flagships of the EIP, related to transport, energy transition and waste and wastewater management.

In the reporting period, the region, with the assistance of the Regional Cooperation Council (RCC), has produced a detailed action plan for the implementation of the agenda, which was endorsed by the Western Balkan leaders at the summit in Brdo in October 2021. While the RCC retains a key role in the coordination of regional initiatives under the Green agenda, the Commission also concluded a EUR 11 million regional programme EU4Green with the Austrian Environment Agency to help each partner in the region work on their own strategies and reforms. The programme was launched in early 2022.

In the February 2022 WBIF package of investments, the Commission approved the financing of two projects directly related to the agenda concerning the Podgorica and Skopje wastewater treatment plants (in addition to five energy transition projects discussed below). These projects kick-start the implementation of flagship 7 of the EIP: waste and wastewater management.

Work is currently underway on mapping all planned and ongoing interventions relevant to the Green agenda in the region, and on developing a monitoring tool for its implementation. The preparation of regional instruments on green infrastructure and on preventing plastic pollution and marine litter is also in the pipeline. Towards the end of 2022, the partners will be invited to declare their decarbonisation targets within the Energy Community and subsequently to reflect them in the national energy and climate plans.

In terms of financial commitments under IPA III 2021 programming, a total of EUR 165 million was committed to support the implementation of the Green agenda in bilateral and multi-country projects.

Supporting the private sector is implemented through flagship 9 of the EIP, focusing on targeted funding through a dedicated Guarantee Facility for SMEs to start up, innovate and become competitive. Similar support is also provided to rural agro-business through the IPARD instrument.

Creating appropriate conditions for the development and growth of the private sector, in particular MSMEs, is at the centre of the economic policy dialogue held with the Western Balkan partners annually through the Economic Reform Programmes (ERP) exercise and the resulting economic policy recommendations. The process has been updated in the reporting period to

⁸ [SWD\(2020\) 223 final](#)

better reflect the priorities of the EIP and also the challenges following the COVID-19 crisis and the impact of recent geopolitical events. The policy dialogue is also informed through an SME Policy Index publication of the OECD, financed by the EU in 2022.

The support for the private sector, especially geared towards fostering innovation and reinforcing the dual green and digital transition, is delivered through dedicated guarantee schemes prepared in 2021/2022 as a follow-up to the economic downturn caused by the impact of COVID-19. The Growth4All and Agriculture Risk Sharing facility are two examples of such guarantees. The Commission has furthermore approved a package of EUR 40 million for financial blending for innovative projects of the private sector in areas such as the green transition and social inclusion.

The Commission is also supporting the operation of the WB6 Chambers Investment Forum to promote the economic interests of the region within and outside the Western Balkans. It is in particular financing the new regional supplier development programme, which aims to facilitate the creation of links/opportunities for domestic suppliers.

Finally, the Commission is preparing for the launch of the Western Balkans Guarantee as part of the broader European Fund for Sustainable Development (EFSD+). The Guarantee will support institutions providing loans to the private sector in the region in areas of socioeconomic development and climate change. This instrument is expected to leverage up to EUR 20 billion in investments to the Western Balkan region to spur its economic development.

In terms of IPA 2021 programming, the Commission has committed close to EUR 148 million to support the development of the private sector, including agri-business in the Western Balkans.

The EIP also supports **developing human capital and innovation** in the region, including youth, education and embracing innovation. At the Brdo Ministerial meeting on 8 July 2021, the Ministers and representatives for Employment and Social Affairs of the region endorsed a declaration committing their economies to the principles of the European pillar of social rights and to implementing the Youth Guarantee Flagship of the EIP. The EU-Western Balkans Summit in October 2021 saw the launch a comprehensive agenda for the Western Balkans on innovation, research, education, culture, youth and sport, while the June 2022 Leaders Meeting was an opportunity to take stock of various youth-targeted actions.

The Youth Guarantee has been implemented in the EU since 2014 and reinforced since 2020. Now as EIP flagship, the Youth Guarantee in the Western Balkans is an activation scheme to ensure that young people in the Western Balkans receive a good quality offer of employment, continued education, apprenticeship or training within a certain period after becoming unemployed or leaving formal education. The scheme involves a wide range of stakeholders, including young people's organisations and social partners. The Commission has set up a Technical Assistance Facility in cooperation with the International Labour Organization and the European Training Foundation to support Western Balkans partners in this endeavour. The Youth Guarantee has the potential to boost a reform of the Public Employment Services of the Western Balkans economies, and to reduce the brain drain experienced by the region. It requires reforms and capacity building in a number of areas, from education and vocational training to employment, labour services and social protection. All Western Balkan partners except Bosnia and Herzegovina (where work is underway) have established coordination mechanisms for the Youth Guarantee, are in the process of developing detailed implementation plans, and some have already started putting them into action.

In the area of education and culture, detailed education sector diagnostics are being conducted, and two countries (Serbia and North Macedonia) are associated with Erasmus+, while the association process of the remaining partners is ongoing. The region is also now fully associated with the Creative Europe programme although efforts are required to align with the AVS directive. With 2022 announced as the European Year of Youth, the Western Balkans are being included in various EU events and initiatives, Tirana taking centre stage as the 2022 European Capital of Youth.

In terms of the social agenda, a thorough situational analysis of social protection in the region has been completed, with conclusions feeding into the economic and reform programmes policy guidance. The EU social economy action plan of 2021 is being adapted as a parallel initiative to be launched also in the Western Balkans. Five of the partners in the region (all except Kosovo) have also adopted new Roma strategies and action plans to align with the EU framework for 2020-2030. From 2022, SOCIEUX+, a technical assistance facility specialised in employment and social protection, will be available for the Western Balkans. It will support public institutions at national, regional and local levels and will strengthen institutional and individual capacities through exchanges with peers from the EU Member States.

EU assistance in this field also includes close cooperation with the Western Balkans on health, particularly in the context of the COVID pandemic and the donation of vaccines (some 6.5 million doses donated or resold by EU Member States to the region) and increased support by the European Centre for Disease Prevention and Control (ECDC). The region continues to be closely associated with the work of the EU Health Security Committee and ECDC, and has access to joint procurement of medical supplies. The EU is financing a health crisis resilience project in the Western Balkans implemented with the help of the World Health Organisation, and a new investment project has been adopted under the WBIF for the expansion of the University Children's Hospital in Belgrade.

The innovation agenda's key implementation instrument is the Horizon Europe programme, with all six Western Balkans partners now associated. The region has also access to the RTD Policy Facility and is actively encouraged to participate in EU research initiatives such as COST and EUREKA. Smart specialisation strategies have now been adopted by Serbia and Montenegro, while the other partners are receiving EU technical assistance to finalise them (North Macedonia) or develop them (Albania, Kosovo and Bosnia and Herzegovina). The Western Balkans Economic Development and Innovation Fund has so far provided technical assistance for up to 50 projects under the proof of concept scheme, and a new call for expression of interest is currently under evaluation.

Finally, the EU intends to fully associate the Western Balkans with the New European Bauhaus initiative, promoting innovation, sustainability, inclusion and aesthetics in infrastructure and other projects, in particular related to the implementation of the Green agenda. The intention is to extend the annual Bauhaus Prize planned under the initiative to the Western Balkans as of 2023.

The 2021 IPA commitments under bilateral and multi-country programmes in the area of human capital development and innovation amount to EUR 62 million.

These six priorities are underpinned – and their impact amplified – by the region's commitment (and EU's support) to establish a **Common Regional Market** in the Western Balkans⁹, based on

⁹ Sofia declaration of 6 November 2020.

the four freedoms of movement. All parties must play a constructive role in moving the Regional Market initiative forward. The success of the Economic and Investment Plan is also conditional upon progress by all partners in installing best practices in **rule of law, public finance and investment management**, and fostering a professional and efficient **public administration**. Progress on both these aspects is addressed under the respective sections of this Communication.

Annex 3
STATISTICAL DATA (as of 01.09.2022)

Demography	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Total population (thousands)		622 s	622 s	2 077 s	2 076 s	2 862 s	2 846 s	6 964 s	6 927 s	82 004 bs	83 155 s	3 492 ps	:	1 796 s	1 782 s	446 559 bs	447 485 s
Share of 15-64 in total population (%)		66.9 s	66.5 s	69.6 s	69.3 s	68.7 s	68.4 s	65.3 s	64.8 s	67.8 s	67.8 s	:	:	67.1 s	67.1 s	64.6 beps	64.3 eps
Crude rate of natural population change (per 1 000 inhabitants)		1.0	- 0.3	- 0.3	- 3.2	2.3	0.2	- 5.3	- 8.0	9.1 be	:	:	:	6.9	:	- 1.1 bep	- 2.5 ep
Life expectancy at birth, males (years)		74.0	73.2	74.7	72.2	77.6	75.2	73.4	71.6	76.4	:	:	:	:	:	78.5 bep	77.5 ep
Life expectancy at birth, females (years)		79.5	78.8	78.6	76.7	80.7	79.6	78.6	77.5	81.8	:	:	:	:	:	84.0 bep	83.2 ep

Labour market	Note	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Economic activity rate for persons aged 20-64: proportion of the population aged 20-64 that is economically active (%)																	
Total	1)	71.8	67.2	71.5	70.5	75.9 ew	75.3 ew	72.9	72.5	62.2	58.7	59.0 w	62.3 bw	45.2 w	42.9 w	78.2	77.6
Males	1)	79.2	74.6	83.4	82.5	84.4 ew	83.9 ew	80.1	79.9	83.3	79.8	71.3 w	75.4 bw	67.3 w	63.0 w	84.2	83.6
Females	1)	64.4	59.9	59.3	58.2	67.6 ew	66.9 ew	65.6	65.2	41.1	37.5	46.9 w	49.1 bw	23.2 w	23.1 w	72.2	71.7
Employment rates, aged 20-64 (% of the population)																	
Total	1)	60.8	55.2	59.2	59.1	67.1 ew	66.3 ew	65.2	65.9	53.8	51.0	49.7 w	52.5 bw	34.2 w	32.3 w	73.1	72.2
Males	1)	67.5	61.7	69.7	68.9	74.7 ew	74.0 ew	72.1	72.9	73.2	70.1	61.6 w	64.9 bw	53.0 w	48.8 w	78.9	78.0
Females	1)	54.2	48.8	48.4	49.0	59.7 ew	58.8 ew	58.2	58.9	34.4	32.0	38.0 w	40.0 bw	15.6 w	16.0 w	67.2	66.5
Persons aged 15-24 not in employment, education or training, % of the population in the age group	1)	17.3	21.1	18.1	19.6	25.5 w	26.6 w	15.3	15.9	26.0	28.3	21.0 w	21.6 w	32.7 w	33.6 w	10.1	11.1

Labour market (cont.)	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Persons aged 15-29 not in employment, education or training, % of the population in the age group	1)	21.3	26.6	24.5	26.2	26.6 w	27.9 w	19.0	20.0	29.5	32.0	25.0 w	25.9 w	39.9 w	40.4 w	12.6	13.8
Employment by main sectors																	
Agriculture, forestry and fisheries (%)	1)	7.1 s	7.5 s	13.9 s	12.0 s	36.4 ew	36.1 ew	15.6 s	14.6 s	18.1 s	17.6 s	18.0 w	12.0 bw	5.2 w	4.8 w	4.3 s	4.3 s
Industry (%)	1)	9.5 s	10.1 s	24.1 s	23.9 s	13.1 ew	13.4 ew	22.6 s	22.6 s	19.8 s	20.5 s	23.8 w	33.4 bw	15.1 w	16.3 w	18.1 s	18.2 s
Construction (%)	1)	9.9 s	8.3 s	7.0 s	6.9 s	7.0 ew	7.0 ew	4.8 s	5.4 s	5.5 s	5.7 s	7.9 w	9.4 bw	12.6 w	11.1 w	6.7 s	6.6 s
Services (%)	1)	73.1 s	73.5 s	55.0 s	57.1 s	43.5 ew	43.5 ew	56.9 s	57.5 s	56.6 s	56.2 s	50.3 w	45.3 bw	67.1 w	67.9 w	70.1 s	70.1 s
People employed in the public sector as a share of total employment, persons aged 20-64 (%)	2) 3) 4) 1)	29.3 w	30.5 w	23.2 w	24.4 w	15.3 ew	15.5 ew	26.6 w	26.4 w	16.8 w	17.7 w	17.2 w	19.1 bw	27.6 w	28.7 w	:	:
People employed in the private sector as a share of total employment, persons aged 20-64 (%)	5) 4) 1)	66.5 w	65.6 w	76.8 w	75.6 w	84.7 ew	84.5 ew	73.4 w	73.6 w	83.2 w	82.3 w	82.8 w	80.9 bw	72.4 w	71.3 w	:	:
Unemployment rates (% of the labour force)																	
Total	1)	15.2	17.9	17.3	16.4	11.5 ew	11.8 ew	10.5	9.1	13.7	13.2	15.9 w	15.9 bw	25.5 w	25.8 w	6.7	7.1
Males	1)	14.7	17.5	16.5	16.7	11.6 ew	11.6 ew	10.0	8.8	12.4	12.4	13.8 w	14.2 bw	22.4 w	23.4 w	6.4	6.8
Females	1)	15.7	18.4	18.4	15.9	11.4 ew	12.0 ew	11.2	9.5	16.5	14.9	19.0 w	18.6 bw	34.4 w	32.2 w	7.1	7.4
Youth, aged 15-24	1)	25.2	36.0	35.6	35.7	27.2 ew	26.5 ew	27.5	26.6	25.2	25.1	33.8 w	36.6 bw	49.4 w	49.1 w	15.1	16.8
Long-term (>12 months)	1)	12.0	13.4	12.4	12.4	7.3 ew	7.0 ew	5.5	4.5	3.2	3.3	12.1 w	11.9 bw	16.2 w	18.4 w	2.7	2.5
Average nominal monthly wages and salaries (EUR)	6) 7) 8) 9)	515 sw	524 sw	410 sw	441 sw	430 sew	434 sew	645 sw	706 sw	427 sw	384 sw	471 sw	489 sw	477 sw	466 sw	:	:

Education	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
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 (%)	1)	5.0	3.6	7.1	5.7	16.3 w	15.6 w	6.6	5.6	28.7	26.7	3.8 w	4.7 w	8.2 w	7.8 w	10.2	9.9
Public expenditure on education relative to GDP (%)		:	:	:	:	3.3 psw	3.3 sw	3.6 sw	3.5 sw	4.4	4.0 sw	4.0 sw	:	4.6 sw	4.6 sw	4.7 d	:
Percentage of the population aged 20-24 with at most lower secondary education, total	1)	4.8	:	8.1	6.1	:	:	7.5	6.4	38.0	34.4	:	5.8 bw	8.6 w	10.2 w	16.5	15.7
Percentage of the population aged 20-24 with at most lower secondary education, males	1)	:	:	6.4	5.9	:	:	7.3	6.0	39.5	36.7	:	5.8 bw	7.7 w	9.1 w	19.0	18.5
Percentage of the population aged 20-24 with at most lower secondary education, females	1)	:	:	9.9	6.2	:	:	7.6	6.8	36.6	32.2	:	5.9 bw	9.6 w	11.5 w	13.8	12.9
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, total	1)	82.4	83.3	83.7	85.2	:	:	85.9	85.4	39.8	43.1	87.3 w	84.2 bw	78.9 w	78.8 w	66.6	66.8
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, males	1)	85.3	85.7	87.6	89.0	:	:	88.1	87.5	41.7	45.3	89.9 w	86.1 bw	83.3 w	83.1 w	67.3	67.5
Percentage of the population aged 20-24 with upper secondary or post secondary non-tertiary education, females	1)	79.3	80.6	79.4	81.1	:	:	83.7	83.2	37.9	40.8	84.1 w	82.3 bw	73.9 w	73.8 w	65.8	66.0
Percentage of the population aged 30-34 with tertiary education, total	1)	36.8	38.4	35.7	39.7	31.3 ew	33.2 ew	33.5	33.0	31.4	33.1	22.5 w	28.4 bw	24.5 w	29.1 w	40.3	41.1
Percentage of the population aged 30-34 with tertiary education, males	1)	35.4	35.1	32.1	34.3	27.1 ew	26.7 ew	26.9	27.1	32.7	33.9	17.3 w	23.2 bw	22.5 w	28.1 w	35.1	36.0
Percentage of the population aged 30-34 with tertiary education, females	1)	38.1	41.7	39.4	45.3	36.6 ew	40.0 ew	40.4	39.1	30.0	32.2	28.6 w	34.0 bw	26.8 w	30.3 w	45.6	46.2

National accounts	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Gross domestic product																	
In current prices (EUR million)		4 951	4 186	11 262	10 635 p	13 754	13 283 p	46 005	46 796	679 132	626 576	18 046	17 514	7 056	6 772	14 016 454	13 411 849
Per capita (EUR)		7 960	6 740	5 422 sw	5 122 psw	4 820	4 680 p	6 620	6 780	8 220	7 510	5 168 ps	:	3 930 s	3 800 s	31 300	29 920
In purchasing power standards (PPS) per capita		15 696	13 356	:	:	9 524	9 109 p	12 805	12 758	18 466	18 406	10 400	10 100	:	:	31 302	29 921
In purchasing power standards (PPS) per capita, relative to the EU average (EU-27 = 100)		50.1	44.6	38.1	:	30.4	30.4	40.9	42.6	59.0	61.5	32.5 s	33.0 s	:	:	100	100
Real (volume) annual rate of change, compared with the previous year (%)		4.1	- 15.3	3.9	- 6.1 p	2.1	- 3.5 p	4.3	- 0.9	0.9	1.8	2.8	- 3.1	4.8	- 5.3	1.8	- 5.9
Gross value added by main sectors																	
Agriculture, forestry and fisheries (%)		7.9	9.1	9.4	9.8 p	21.0	22.0 p	7.2	7.6	7.1	7.5	6.6	7.0	9.0	8.9	1.8	1.8
Industry (%)		11.9	13.5	20.8	19.7 p	13.8	12.6 p	24.0	23.4	24.2	25.6	23.1	23.0	23.4	24.1	19.9	19.5
Construction (%)		7.9	7.3	6.5	6.2 p	9.8	10.3 p	6.9	6.5	6.0	5.9	5.0	5.4	10.1	9.3	5.4	5.6
Services (%)		72.2 s	70.0 s	63.4 s	64.1 ps	55.4 s	55.2 ps	61.9 s	62.4 s	62.8 s	60.9 s	65.3 s	64.5 s	57.5 s	57.7 s	72.9 s	73.0 s
Balance of payments	Note	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Net (inward - outward) foreign direct investment (FDI) (million euro)	27)	345.0 s	467.5 w	363.3 w	154.7 w	1 037.1 s	893.6 w	3 551.1 w	2 938.5 w	5 639.8 s	4 009.8 s	277.8 w	296.8 w	188.4 w	286.6 w	- 51 947.3 s	77 731.3 s
Net (inward - outward) foreign direct investment (FDI) (% of GDP)	27)	6.97 s	11.17 sw	3.23 s	1.44 sw	7.54 s	6.84 sw	7.72 s	6.28 sw	0.83 s	0.64 s	1.54 sw	1.70 sw	2.67 s	4.23 sw	- 0.37 s	0.58 s
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (million euro)	15) 28) 29)	40.0 s	92.9 w	193.0 s	11.0 w	610.3 s	507.0 w	2 186.0 s	1 932.4 w	- 289.2 s	- 12.3 w	135.4 w	207.7 w	152.5 s	135.6 w	22 301.9 s	- 117 798.9 s
Net (inward - outward) foreign direct investment (FDI) in relation to EU-27 (% of GDP)	30) 29)	0.81 s	2.22 sw	1.71 s	0.10 sw	4.44 s	3.88 sw	4.75 s	4.13 sw	- 0.04 s	0.00 sw	0.75 sw	1.19 sw	2.16 s	2.00 sw	0.16 s	- 0.88 s
Remittances as % of GDP		4.83 s	6.26 s	1.74 s	2.66 ps	5.11 s	5.07 ps	5.83 s	4.81 s	0.02 s	0.02 s	8.54 s	7.36 s	12.07 s	14.47 s	0.15 s	0.14 s

External trade in goods	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Share of exports to EU-27 countries in value of total exports (%)		37.0 s	37.7 s	78.5 s	77.5 s	76.4 s	74.7 s	66.3 s	66.2 s	42.2 s	41.1 s	72.3 s	72.4 s	33.2 s	34.5 s	:	:
Share of imports from EU-27 countries in value of total imports (%)		47.0 s	44.2 s	50.8 s	46.3 s	57.7 s	57.9 s	54.7 s	55.7 s	31.6 s	33.1 s	61.1 s	60.8 s	49.1 s	45.8 s	:	:
Trade balance (EUR million)		- 2 185	- 1 739	- 2 040	- 1 818	- 2 843	- 2 670	- 5 356	- 4 981	- 27 836	- 42 293	- 4 093	- 3 254	- 3 114	- 2 822	191.129	215.751
International trade in goods and services relative to GDP																	
Imports (% of GDP)		65.0	61.0	76.2	71.9 p	45.0	37.2 p	60.9	56.5	30.0	32.5	55.2	48.5	56.4	53.9	45.9	42.9
Exports (% of GDP)		43.8	26.0	62.4	58.9 p	31.3	22.7 p	51.0	48.2	32.6	28.7	40.6	34.5	29.3	21.7	49.3	46.6
Public finance	Note	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
General government surplus (+) / deficit (-) (%)		- 2.0 w	- 10.7 ew	- 2.0 w	- 8.1 w	- 1.9 w	- 6.8 w	- 0.2 ew	- 8.0 w	- 4.4 w	- 4.7 w	1.9 w	- 5.3 w	- 0.5 w	- 5.2 w	- 0.6	- 6.8
General government debt (%)	10)	76.5 w	103.1 w	40.7 w	51.2 w	63.3 w	72.7 w	52.9 ew	57.7 w	32.7 w	39.8 w	32.7 w	36.6 w	17.5 w	21.8 w	77.5	90.0

Financial indicators	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Annual change in consumer prices (%)	11)	0.5 w	- 0.8 w	0.7 d	1.2 d	1.7 w	2.2 w	1.9 d	1.8 d	15.2 d	12.3 d	0.6 w	- 1.1 w	2.7 w	0.2 w	1.4	0.7
Private debt, consolidated, relative to GDP (%)	12) 13)	:	:	:	:	:	:	:	:	3.3 w	10.3 w	3.8 w	- 1.2 w	:	:	:	:
Total external debt, relative to GDP (%)	14) 15) 16)	169.0 sw	224.1 sw	72.4 s	80.3 ps	59.9 s	64.3 ps	61.4 sw	65.8 sw	54.8 sw	60.5 sw	63.6 sw	64.9 sw	31.2 sw	37.2 sw	:	:
Total debt in foreign currency, relative to GDP (%)	17)	15 w	17 w	:	:	60 w	66 w	:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	18) 19) 20) 21) 22)	6.01 w	5.84 w	2.75 w	2.00 w	6.27 w	6.10 w	3.50 w	1.90 w	15.84 w	16.46 w	3.29 w	3.05 w	6.51 w	6.21 w	:	:
Deposit interest rate (one year), per annum (%)	18) 19) 23) 24) 25) 26)	0.40 w	0.40 w	0.15 w	0.15 w	0.49 w	0.40 w	1.00 w	0.10 w	14.56 w	13.51 w	0.06 w	0.07 w	1.46 w	1.49 w	:	:
Value of reserve assets (including gold) (million euro)	19) 15) 16)	1 366.8 w	1 738.5 w	3 262.6 w	3 359.9 w	3 359.6 w	3 942.4 w	13 378.5 w	13 491.7 w	94 413.6 w	81 664.3 w	6 441.1 w	7 091.0 w	863.7 w	900.8 w	:	:
International reserves - equivalence in months of imports	19) 15) 16)	5.1 sw	8.2 sw	4.6 sw	5.3 sw	6.5 sw	9.6 sw	5.7 sw	6.1 sw	5.6 sw	4.9 sw	7.8 sw	10.0 sw	2.6 sw	3.0 sw	:	:

Business	Note	Montenegro		North Macedonia		Albania		Serbia		Türkiye		Bosnia and Herzegovina		Kosovo *		EU-27	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Industrial production index (2015 = 100)	31)	106.7	105.6	113.2	102.4	95.5 w	89.5 w	111.3	111.0	113.6	115.4	103.5	96.7	:	:	106.2	98.5
Infrastructure	Note	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Density of railway network (lines in operation per thousand km²)	32) 33)	18.0 s	:	26.9 s	26.9 s	5.9 sw	7.8 sw	48.5 sw	43.2 sw	13.3 s	13.3 s	19.9 sw	19.9 sw	30.5 sw	30.5 sw	:	:
Length of motorways (kilometres)		z	z	335	335	z	22	928 w	928	3 060	3 523	208	218	137 w	137 w	:	:
Energy	Note	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Net energy imports in relation to GDP		4 s	3 s	7 s	5 ps	2 s	2 ps	5 s	3 s	1 s	1 s	5 s	3 s	6 s	4 s	2.6 s	1.6 s

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

: = not available
b = break in series
d = definition differs
e = estimated value
p = provisional
s = Eurostat estimate
w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology
z = not applicable and therefore equal to 0
* = 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.

Footnotes:

- 1) Bosnia and Herzegovina: Since January 2020, the Labour Force Survey in Bosnia and Herzegovina has been conducted continuously, throughout the year, with quarterly data release. Also, from 2020 the procedure of weight calibration according to population estimates by five-year age groups and sex is carried out.
- 2) Montenegro: Data refer to number of employees in the public sector as a share of the total number of persons employed.
- 3) North Macedonia: In the public sector are included data: Other (mixed, collective, state, undefined)
- 4) Bosnia and Herzegovina: The public sector includes NACE Rev. 2 Sections O, P and Q while the private sector includes other NACE Sections.
- 5) Montenegro: Break in series as previously only employees were answering this question; Since 2018 all employed persons are giving answer to this question.
- 6) Albania: Source of information: General Directorate of Taxation, social insurance contributors; INSTAT's calculation
- 7) Türkiye: Source: Income and Living Conditions Survey.
- 8) Bosnia and Herzegovina: Net earnings.
- 9) Kosovo: The data for wages 2012-2019 have been revised.
- 10) Bosnia and Herzegovina: End of year (31 December).
- 11) Bosnia and Herzegovina: Consumer price inflation
- 12) Türkiye: Data cover debt securities and loans.
- 13) Bosnia and Herzegovina: Data for monetary financial institutions.
- 14) Serbia: Official external debt of the Republic of Serbia.
- 15) Türkiye: Average of year exchange rate used to convert to euros.
- 16) Bosnia and Herzegovina: Based on IMF balance of payments manual, sixth edition.
- 17) Albania: External debt (including FDI).
- 18) Montenegro: Weighted average effective interest rate, outstanding amounts, annual.
- 19) North Macedonia: End of year (31 December).
- 20) Albania: Average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity.
- 21) Bosnia and Herzegovina: Short-term lending rates in national currency to non-financial corporations (weighted average).
- 22) Bosnia and Herzegovina: Data are revised due to correction at few banks.
- 23) Albania: Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 24) Türkiye: Average of monthly data. Overnight deposit facility.
- 25) Bosnia and Herzegovina: Demand deposit rates in national currency of households (weighted average).
- 26) Bosnia and Herzegovina: Data for December 2018.
- 27) Bosnia and Herzegovina: Based on IMF balance of payments manual, Asset - Liability Approach
- 28) Türkiye: Based on BPM6.
- 29) Bosnia and Herzegovina: Based on IMF balance of payments manual, sixth edition and OECD Benchmark Definition of Foreign Direct Investment - 4th edition
- 30) Türkiye: Average of year exchange rate used to convert to euros.
Based on BPM6.
- 31) Albania: Activity B_D
- 32) Serbia: Data for 31 December of the this year, exception for 2021 where the data are for 1.1.2021
The data was taken from the Republic Geodetic Authority.
- 33) Bosnia and Herzegovina: Inland waters estimated at 210 km².

Indexes ¹⁰	THIRD PARTY INDICATORS RELATED TO THE STATUS OF DEMOCRACY, GOOD GOVERNANCE AND THE RULE OF LAW IN CANDIDATE COUNTRIES AND POTENTIAL CANDIDATES ¹¹						
	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Montenegro	Serbia	Türkiye
Nations in Transit 2022 - Democracy Scores, Freedom House https://freedomhouse.org/countries/nations-transit/scores	Total score: 46/100 (2021: 46/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	Total score: 38/100 (2021: 39/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	Total score: 38/100 (2021: 36/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	Total score: 47/100 (2021: 47/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	Total score: 47/100 (2021: 47/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	Total score: 46/100 (2021: 48/100) Status: Transitional or Hybrid Regime (2021: Transitional or Hybrid Regime)	n/a
Freedom in the World 2022 - Global Freedom Score, Freedom House https://freedomhouse.org/countries/freedom-world/scores	Total score: 67/100 (2021: 66/100) Status: Partly free (2021: Partly free)	Total score: 53/100 (2021: 53/100) Status: Partly free (2021: Partly free)	Total score: 56/100 (2021: 54/100) Status: Partly free (2021: Partly free)	Total score: 67/100 (2021: 66/100) Status: Partly free (2021: Partly free)	Total score: 67/100 (2021: 63/100) Status: Partly free (2021: Partly free)	Total score: 62/100 (2021: 64/100) Status: Partly free (2021: Partly free)	Total score: 32/100 (2021: 32/100) Status: Not free (2021: Not free)
Democracy Index 2021 - The Economist Intelligence Unit https://www.eiu.com/n/campaigns/democracy-index-2021/	Overall Score: 6.11/10 (2020: 6.08/10) Rank: 68/167 (2020: 71/167) Regime type: Flawed democracy (2020: Flawed democracy)	Overall Score: 5.04/10 (2020: 4.84/10) Rank: 95/167 (2020: 101/167) Regime type: Hybrid regime (2020: Hybrid regime)	n/a	Overall Score: 6.03/10 (2020: 5.89/10) Rank: 73/167 (2020: 78/167) Regime type: Flawed democracy (2020: Hybrid regime)	Overall Score: 6.02/10 (2020: 5.77/10) Rank: 74/167 (2020: 81/167) Regime type: Flawed democracy (2020: Hybrid regime)	Overall Score: 6.36/10 (2020: 6.22/10) Rank: 63/167 (2020: 66/167) Regime type: Flawed democracy (2020: Flawed democracy)	Overall Score: 4.35/10 (2020: 4.48/10) Rank: 103/167 (2020: 104/167) Regime type: Hybrid regime (2020: Hybrid regime)
World Press Freedom Index 2022 - Reporters without borders https://rsf.org/en/index	Global Score: 56.41/100 (2021: 69.41/100) Rank: 103/180 (2021: 83/180)	Global Score: 65.64/100 (2021: 71.66/100) Rank: 67/180 (2021: 58/180)	Global Score: 67.00/100 (2021: 69.68/100) Rank: 61/180 (2021: 78/180)	Global Score: 68.44/100 (2021: 68.33/100) Rank: 57/180 (2021: 90/180)	Global Score: 66.54/100 (2021: 65.67/100) Rank: 63/180 (2021: 104/180)	Global Score: 61.51/100 (2021: 67.97/100) Rank: 79/180 (2021: 93/180)	Global Score: 41.25/100 (2021: 50.21/100) Rank: 149/180 (2021: 153/180)
Rule of Law Index 2021 - World Justice Project https://worldjusticeproject.org/rule-of-law-index/global/2021	Overall Score: 0.49/1 (2020: 0.50/1) Global Rank: 83/139 (2020: 78/128)	Overall Score: 0.52/1 (2020: 0.52/1) Global Rank: 72/139 (2020: 64/128)	Overall Score: 0.55/1 (2020: 0.54/1) Global Rank: 60/139 (2020: 54/128)	Overall Score: 0.53/1 (2020: 0.53/1) Global Rank: 64/139 (2020: 58/128)	n/a	Overall Score: 0.49/1 (2020: 0.50/1) Global Rank: 81/139 (2020: 75/128)	Overall Score: 0.42/1 (2020: 0.43/1) Global Rank: 117/139 (2020: 107/128)
	Percentile Rank:	Percentile Rank:	Percentile Rank:	Percentile Rank:	Percentile Rank:	Percentile Rank:	Percentile Rank:

¹⁰ Not all the candidate countries and potential candidates are considered in the third-party rankings and indexes that are listed in the table.

¹¹ The table presents the latest available ranking and/or scores by third parties. Additional reference to data from previous assessment is shown in between parenthesis, when available.

Worldwide Governance Indicators 2021 – Rule of Law, The World Bank Group http://info.worldbank.org/governance/wgi/	43.75/100 (2020: 40.87/100)	42.79/100 (2020: 42.79/100)	43.27/100 (2020: 39.42/100)	52.40/100 (2020: 51.92/100)	52.88/100 (2020: 54.33/100)	50.96/100 (2020: 51.44/100)	36.54/100 (2020: 38.46/100)
Worldwide Governance Indicators 2021 – Governance Effectiveness, The World Bank Group http://info.worldbank.org/governance/wgi/	Percentile Rank: 53.37/100 (2020: 48.08/100)	Percentile Rank: 13.46/100 (2020: 12.98/100)	Percentile Rank: 42.79/100 (2020: 39.90/100)	Percentile Rank: 50.00/100 (2020: 55.29/100)	Percentile Rank: 53.85/100 (2020: 50.96/100)	Percentile Rank: 55.77/100 (2020: 52.88/100)	Percentile Rank: 49.52/100 (2020: 47.60/100)
Worldwide Governance Indicators 2021 – Control of Corruption, The World Bank Group http://info.worldbank.org/governance/wgi/	Percentile Rank: 31.73/100 (2020: 31.73/100)	Percentile Rank: 28.85/100 (2020: 28.37/100)	Percentile Rank: 44.71/100 (2020: 37.02/100)	Percentile Rank: 43.27/100 (2020: 34.62/100)	Percentile Rank: 54.33/100 (2020: 55.77/100)	Percentile Rank: 36.06/100 (2020: 38.46/100)	Percentile Rank: 40.38/100 (2020: 43.27/100)
Corruption Perceptions Index 2021 - Transparency International https://www.transparency.org/en/cpi/2021	Score: 35/100 (2020: 36/100) Rank: 110/180 (2020: 104/180)	Score: 35/100 (2020: 35/100) Rank: 110/180 (2020: 111/180)	Score: 39/100 (2020: 36/100) Rank: 87/180 (2020: 104/180)	Score: 39/100 (2020: 35/100) Rank: 87/180 (2020: 111/180)	Score: 46/100 (2020: 45/100) Rank: 64/180 (2020: 67/180)	Score: 38/100 (2020: 38/100) Rank: 96/180 (2020: 94/180)	Score: 38/100 (2020: 40/100) Rank: 96/180 (2020: 86/180)

