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Key findings of the progress reports on Albania, Montenegro, Bosnia and Herzegovina, Serbia, and Kosovo¹:

Albania

The overall picture on EU-Albania relations is encouraging. Albania signed a Stabilisation and Association Agreement (SAA) with the EU on 12 June 2006. The implementation of the SAA, which entered into force this year, is progressing smoothly on the whole.

Political criteria

Albania has continued to make progress in addressing the political criteria in line with the European Partnership. The parliamentary elections of June 2009 met most international standards but further efforts are needed to address the shortcomings identified. Albania applied for EU membership in April 2009. Albania needs to make further progress, in particular regarding the rule of law and the fight against corruption and organised crime. The independence of state institutions, and in particular the judiciary, needs further strengthening.

Albania has continued to play a constructive role in maintaining regional stability and fostering good relations with other Western Balkan and neighbouring EU countries.

Economic criteria

The Albanian economy made further progress towards becoming a functioning market economy. In order to enable it to cope over the medium term with competitive pressure and market forces within the Union, Albania needs to reform and strengthen its legal system and address weaknesses in infrastructure and human capital.

Throughout 2008 economic growth continued to accelerate, but it slowed down in 2009 due to the impact of the economic crisis resulting in reduced exports, remittances and credit. Monetary policy remained sound and price stability was maintained, while the budget deficit grew mainly due to the large public road works. However, shortcomings in the rule of law, poor level of infrastructure and the large informal economy remain challenges to economic development and the business environment.

Restructuring and privatisation in the energy sector advanced although lack of energy supply security continues to hamper economic development. In order for the economy to cope with competitive pressures and market forces with the union over the medium term, Albania needs to reform and strengthen its legal system and address weaknesses in infrastructure and human capital.

European standards

Albania has made progress in aligning its legislation, policies and capacity with European standards. It now needs to enhance its efforts in the implementation of these laws and policies. In areas such as free movement of goods, energy and SME policy, progress made in previous years has been sustained.

¹ Under UN Security Resolution 1244/99

Progress remained limited in other areas, such as intellectual property rights, audiovisual, agriculture and veterinary/ phytosanitary controls. Tangible results as regards the fight against organised crime, drug trafficking and money laundering are also necessary.

Bosnia and Herzegovina

Bosnia and Herzegovina has made little progress over the reporting period. The domestic political climate has deteriorated and challenges to the functioning of the institutions and inflammatory rhetoric have continued. Reform implementation has been slow, mainly due to a lack of consensus and political will, but also to the complex institutional organisation of the country. A very limited number of European integration-related laws have been adopted.

Political criteria

Few positive developments can be outlined as regards political criteria. The constitution of Bosnia and Herzegovina was amended for the first time to regulate the status of the Brčko District. The public administration reform strategy is being implemented and the public administration reform fund is operational. Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) has remained satisfactory. As regards prosecution of war crimes, at State level trials have been generally held within reasonable time and in compliance with internationally recognised standards.

However, the domestic political climate has deteriorated over recent months, and lack of consensus on the main features of state building and inflammatory rhetoric have adversely affected the functioning of institutions and slowed down reform. The authorities have not yet demonstrated sufficient capacity to take the necessary political ownership and responsibility. The role played by ethnic identity in politics has continued to hamper the functioning of the executive, the legislative and the judiciary as well as the country's overall governance. A process for the reform of the constitutional framework has not been initiated. The requirements for the closure of the Office of the High Representative have not been fully met. Corruption remains prevalent in many areas and is a serious problem.

Economic criteria

Bosnia and Herzegovina has made little further progress towards a functioning market economy. Further considerable reform efforts must be pursued with determination to enable the country to cope over the long term with competitive pressure and market forces within the Union.

Bosnia and Herzegovina has been severely affected by the economic crisis. Nonetheless, financial and monetary stability has been preserved thanks to the timely reaction from the central bank when the financial crisis erupted in autumn 2008. The currency board arrangement has continued to enjoy a very high degree of credibility and the banking sector has so far weathered well the impact of the crisis.

However, the quality and sustainability of public finances have further deteriorated. Restructuring and liquidation of state-owned enterprises has advanced slowly and the privatisation process has not proceeded further. The weak productive capacity and structural rigidities hamper job creation. Unemployment continues to be very high and the large informal sector remains an important challenge. The business environment is still affected by administrative inefficiencies. Progress towards the creation of a real single economic space within the country has been very limited.

European Standards

As far as European standards are concerned, some progress has been made in the fields of [customs, taxation, education and transport]. Progress has also been made in number of justice, freedom and security-related areas, which has brought Bosnia and Herzegovina closer to the fulfilment of the visa roadmap requirements.

The country still needs to intensify its efforts in many areas, such as [free movement of goods, persons and services, employment and social policies, state aids, energy and environment. Sustained efforts in sensitive areas such as police and the fight against organised crime are also necessary.

Montenegro

The overall picture of EU-Montenegro relations is positive. Montenegro applied for membership in December 2008. In April 2009, the Council invited the Commission to submit its Opinion on Montenegro's application. The Opinion is to be released in the autumn of 2010. The Stabilisation and Association Agreement (SAA) with the EU signed on 15 October 2007, has been so far ratified by 22 MS. The Interim Agreement on Trade and Trade-related matters, which entered into force on 1 January 2008, is being smoothly implemented, while the country's track-record in implementing its obligations under the SAA is being built.

Political criteria

Montenegro has continued to make progress in addressing the political criteria. The Parliamentary elections in March met almost all international criteria. In line with the European Partnership, it further pursued the completion of its legal framework and strengthened administrative and institutional capacity. Montenegro needs to intensify its efforts so as to consolidate the rule of law area and in particular in the fight against corruption and organised crime which remain a serious problem. Montenegro also has to make further efforts in the effective implementation and enforcement of legislation and in strengthening its administrative capacity, which remains a major challenge and affects all efforts to efficiently pursue reforms.

Economic criteria

The country has made further progress towards establishing a functioning market economy. In order to enable it to cope in the medium term with competitive pressure and market forces within the Union, it should continue with reforms to reduce structural weaknesses. The global economic crisis has had a serious impact on Montenegro's previously well-performing economy (8% GDP growth in 2008), with its main industries (notably aluminium) and the banking sector being gravely affected. However, the economy did not slip into recession. The tourist industry seems to have performed better than expected and labour market indicators continued to improve. A series of structural reforms were pushed forward to preserve the stability of the banking sector and to limit the public deficit and debt, however contingent liabilities are likely to increase, notably in 2009.

European standards

Montenegro has made further progress in aligning with European standards. Good progress was achieved in consumer protection and research and in some areas of internal market and justice, freedom and security.

Some progress was also achieved in free movement of capital, customs and taxation, employment and statistics and in remaining areas under justice, freedom and security which however still need further sustained efforts, especially to improve implementation capacity.

Montenegro has achieved progress in its WTO accession negotiations. It is expected to join WTO, once obstacles presented by the Ukraine are overcome.

Progress in environment, transport, information society and media has been uneven and limited progress can be reported in accreditation and conformity assessment, metrology, market surveillance and industrial policy.

Serbia

Serbia made good progress during the reporting period. The Serbian government has demonstrated its commitment to bringing the country closer to the European Union by undertaking a number of initiatives including the implementation of provisions of the Interim Agreement. Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) has further improved. However, ICTY indictees Ratko Mladić and Goran Hadžić are still at large.

Political criteria

Government has proven relatively stable and has been active in preparing legislation across a range of areas and implementing a national programme on European integration. The work of the parliament has improved through the revision of the rules of procedure and the adoption of a new Law on Political Parties. Election legislation however has not been revised yet.

Serbia has good capacity in its public administration. The Serbian European Integration Office functions well. Capacity on EU integration issues within the line Ministries needs to be improved and public administration reform accelerated.

Serbia made progress in the fight against corruption. The law enforcement authorities have shown higher commitment to fighting corruption, leading to the arrests of a number of suspects. However final convictions in corruption cases are rare. Sustained efforts are needed in the fight against organised crime and to ensure the independence, accountability and efficiency of the judicial system..

There have been improvements in legal and institutional framework for human rights and the protection of minorities. Civil and political rights in Serbia are generally protected. However, there have been incidents involving hate speech, threats and physical attacks against journalists, human rights defenders and the lesbian, gay, bisexual and transgender population, for which the perpetrators have not been brought to justice.

Serbia does not recognise the Kosovo² declaration of independence. The government maintained parallel structures in Kosovo and held local by-elections while, at the same time, discouraging Kosovo Serbs from participating in municipal elections organised by the Kosovo authorities. The Serbian government has taken first steps to cooperate with the EU rule of law mission (EULEX) but these efforts need to be further strengthened. There is a need for Serbia and Kosovo to reach pragmatic solutions enabling key regional *fora* to continue fulfilling their role in advancing regional cooperation and development.

Economic criteria

The economy of Serbia was severely hit by the current global economic crisis. Growth slowed down by the end of 2008 and the economy entered into recession in 2009. As a result, macro-economic stability has deteriorated. Moreover, previously expansionary policies led to a significant fiscal deterioration. In this context, the IMF and EU have provided financial assistance to Serbia.

As regards the economic criteria, Serbia made only limited further progress towards establishing a functioning market economy. Further efforts will be needed to enable

² Under UNSCR 1244/99

Serbia to cope in the medium-term with the competitive pressures and market forces within the European Union.

European standards

Serbia has made progress in aligning its legislation and policies with European Standards. Serbia has started to implement the Interim Agreement according to the provisions and schedules established in the agreement. Customs duties were lowered with effect from 30 January 2009, and measures were taken in the areas of competition, state aid and transit traffic. Furthermore, Serbia has adopted important SAA relevant legislation in a number of areas including agriculture, environment, employment, competition and justice, freedom and security. Administrative capacity has been improved in key areas for the implementation of the Stabilisation and Association Agreement. However, Serbia needs to make further efforts to ensure effective implementation and enforcement of EU-related legislation.

Kosovo³

The EU rule of law mission (EULEX) was deployed throughout the territory of Kosovo, assuming responsibilities in the areas of police, customs and the judiciary. The mission reached full operational capacity in April. In February, the Council renewed for 12 months the mandate of the EU Special Representative. The process of downsizing the UN mission in Kosovo was completed.

Political criteria

Kosovo has made some progress in meeting the political criteria, in particular by strengthening the legal framework. The main institutions of governance are in place and fulfil their responsibilities in cooperation with relevant international organisations.

However, the capacity of the public administration and of the assembly is in need of strengthening. Sustained efforts are needed on judiciary reform and to step up the fight against corruption and organised crime. Ensuring the participation of Kosovo Serbs in public life, including local elections, remains a major challenge. Further efforts are needed to build confidence and promote dialogue.

Economic criteria

Kosovo has made very little progress towards establishing a functioning market economy. Substantial reforms and major investments are needed to enable Kosovo's economy to cope over the long term with competitive pressure and market forces within the Union.

The economy of Kosovo marked a growth of 5.5 % (from 4.4% in 2007), mostly based on consumption and public investment. A broad consensus on free-market policies has been maintained. The banking sector remained sound.

However, the already large trade deficit continued to widen. Exports fell sharply in 2009, from an already very low base. The cost of finance remained high, as banks continued to attach high risk premiums. The weak rule of law, widespread corruption, and uncertainty over property rights continued to be major impediments to economic development. Unemployment remains very high.

European standards

Progress in aligning Kosovo's legislation and policies with European standards is mixed. The legal framework has been developed further in the areas of customs, taxation, education and policing. The implementation of European standards is at an

³ Under UNSCR 1244/99.

early stage as regards environment, energy, competition, intellectual property and free movement of goods, persons, services and capital. Approximation remains limited in the areas of financial control and statistics, money laundering, organised crime, terrorism and data protection.