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

Albania

Albania signed a Stabilisation and Association Agreement (SAA) with the EU on 12 June 2006. Signing this agreement represented an important step forward on Albania's EU path. Albania now faces the challenge of successfully implementing its SAA, starting with the trade-related provisions contained in the interim agreement, which enters into force on 1 December 2006.

Political criteria

Albania has made progress in several key areas. It has shown determination in fighting corruption. It has adopted a plan to fulfil European Partnership and SAA obligations and set up new structures to implement it. Albania has continued to contribute to stability in the region.

However, further progress is needed on co-operation between government and opposition to enable key reforms. Administrative capacity needs to be rebuilt following major staff changes and ministerial restructuring. Albania needs to make additional progress on political and judicial reform and human rights, as well as the fight against corruption and organised crime. The legal framework for media freedom needs to be improved and properly implemented.

Economic criteria

Albania has made progress towards being a functioning market economy. It has maintained macroeconomic stability, strong economic growth and low inflation. Fiscal consolidation has further advanced. Administrative barriers to market entry have been reduced.

Further reform is needed to enable Albania to cope with competitive pressures. External imbalances widened and exports remained very weak. Albania needs to address shortcomings in the business climate, especially poor infrastructure, to encourage economic development. Substantial work is needed to formalise the large grey economy.

¹ Under UN Security Council Resolution 1244

European standards

Albania has made some progress on putting in place the structures and laws needed to meet European standards. Progress has been made in the fields of fighting organised crime and improving the administration of customs, competition, standardisation and statistics.

Pushing forward reform in areas such as public procurement, intellectual property, information society and media, SME policy, agriculture, fisheries and veterinary and phytosanitary control will now be important for successful SAA implementation.

Pre-accession assistance

The EU continues to provide technical and financial assistance. For 2006, €45.5 million pre-accession assistance is available for Albania.

Bosnia and Herzegovina

Bosnia and Herzegovina's started negotiations for a Stabilisation and Association Agreement (SAA) in November 2005. A considerable part of the text of the SAA has already been agreed. The conclusion of SAA negotiations depends on further progress on a number of priorities, most notably full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), police reform and broadcasting legislation.

Political criteria

Progress with regard to the political criteria has continued. The planned phasing out of the Office of the High Representative (OHR) is recognition of the country's achievements in terms of security and stability. The conduct of the general elections of 1 October represented further consolidation of democracy and the rule of law. A strategy for the public administration reform has been adopted. Some steps have been taken towards providing the State institutions with sufficient resources.

Bosnia and Herzegovina needs in particular to step up its efforts regarding the police reform. Other priorities are adopting all necessary public broadcasting legislation and the strengthening of the public administration, as well as full co-operation with the ICTY. Constitutional reform should be undertaken, to ensure that the country's institutions work properly both at state and entity level.

Economic criteria

Some progress has been made towards becoming a functioning market economy. Coordination on fiscal policies across the country deepened and a value added tax has been successfully introduced. Fiscal consolidation continued and growth remained strong.

However, imbalances in the trade and current accounts remain to be tackled. Proper decision-making as regards economic and fiscal policies needs to be ensured. Privatisation and corporate restructuring have to be speeded up. The business climate and corporate governance need to be improved.

European standards

Bosnia and Herzegovina has made further steps towards meeting European standards. Progress has been made in the fields of taxation, anti-trust policy, transport, energy and some of the justice and home affairs-related areas.

It needs to intensify its efforts in other areas such as free movement of goods and services, customs, state aids, SMEs, employment, education, environment and statistics. Concrete action is necessary to achieve a single economic space within the country. Overall administrative capacity needs further strengthening.

Pre-accession assistance

The European Commission will continue providing financial assistance. In the framework of the 2006 CARDS national programme, € 51 million pre-accession assistance has been allocated to Bosnia and Herzegovina.

Montenegro

Montenegro achieved independence in June 2006 after a referendum held in a free and fair manner under conditions agreed with the European Union. Following independence, the EU launched negotiations for a Stabilisation and Association Agreement with Montenegro on 26 September 2006. They build upon results of earlier negotiations with the State Union of Serbia and Montenegro.

A key challenge will be to upgrade Montenegro's administrative capacity, particularly in order to implement the SAA after it is signed. These and other priorities for Montenegro are set out in the draft European Partnership.

Political criteria

Montenegro has made some progress in the area of the political criteria. It managed smoothly the process leading to independence. The parliamentary elections held on 10 September 2006 were conducted in line with international standards. Efforts to increase the efficiency of the government, parliament and public administration have continued. Some elements for a political consensus on key choices have started to emerge. Willingness to fight corruption and to consolidate the rule of law, including judicial reform, has increased.

However, in practice, weaknesses remained. The judicial system is weak, while corruption and organised crime remain problems. The country needs to significantly upgrade its institutions and its efforts, to achieve results on the ground. The Constitution to be adopted needs to be fully in line with European standards. Cooperation with the ICTY should continue.

Economic criteria

Montenegro has made some progress towards becoming a functioning market economy. The country maintained a broad consensus on the essentials of economic policies. Macroeconomic stability prevails, economic growth gained pace and foreign direct investment remained high.

However, growth remains dependent on few sectors, and external imbalances widened. The labour market remained rigid and unemployment high. The business environment is hampered by regulatory obstacles. Reform efforts must be pursued to enable the country to cope with competitive pressure and market forces within the Union in the future.

European standards

Montenegro made some progress in approximating legislation and policies with European standards. It further advanced in strengthening its administrative capacity in particular in coordination of European integration matters, including on the negotiations for a Stabilisation and Association Agreement.

However, it is still at an early stage of preparations and considerable resources need to be allocated to deal with the challenges of introduction and full implementation of legislation. This concerns notably key areas of the SAA, such as free movement of goods, customs, competition, public procurement, agriculture and social policy, and employment. Special efforts are required in the area of Justice Freedom and Security, including the fight against organised crime and visa policy.

Pre-Accession Assistance

The European Commission will continue to provide significant financial assistance to support Montenegro. , Montenegro receives €23 million pre-accession assistance in 2006.

Serbia

Serbia initially made significant progress in the Stabilisation and Association Agreement (SAA) negotiations, where it showed its considerable administrative capacity. However, in May 2006 negotiations were called off because the Belgrade authorities did not meet their commitments to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY). Negotiations will be resumed as soon as full cooperation with the ICTY is achieved.

Political criteria

Serbia is to be commended for the responsible way it handled the dissolution of the State Union following Montenegro's independence. The adoption of a new Constitution is a welcome development. Civil service legislation has been improved and administrative reform proceeded well. The strategies on judicial reform and fight against corruption have been adopted. Overall, the situation of human rights and of minorities has improved further. Serbia is actively contributing to regional cooperation.

However, the new Constitution presents some areas of concern, notably in relation to the independence of the judiciary. The fight against corruption must be stepped up. Civilian control over the military must be implemented effectively. Serbia needs to achieve full cooperation with ICTY. It also needs to have a constructive approach as regards Kosovo.

Economic criteria

Serbia has made notable progress towards being a functioning market economy. Economic growth has continued. Foreign direct investment has been boosted, mainly due to privatisation. Economic integration with the EU has advanced.

However, stabilisation and reform efforts need also to be continued in order to enable Serbia to cope with competitive pressure in the future. Serbia continues to need strong fiscal adjustment. It has also to strengthen the enterprise sector and promote greenfield investments by stepping up corporate restructuring, implementation of bankruptcy procedures and privatisation.

European standards

Serbia made good progress in approximating its legislation and policies in most areas, including the fight against money-laundering and trafficking in human beings, as well as standardisation, accreditation, movement of services, certain areas concerning the internal market, customs, education, employment and social policy, SME policy, agriculture and transport. Overall, Serbia has further strengthened its administrative capacity to be able to implement the SAA properly.

However, efforts are needed in a number of the areas such as taxation, state aid, public procurement, intellectual property rights, consumer protection, food safety, environment, information society and financial control. Serbia has also to make efforts on visa policy, border control, asylum, police and security services reform, the fight against organised crime and the protection of personal data.

Pre-accession assistance

The EU will continue to provide significant financial assistance to support Serbia. For the year 2006, €167 million pre-accession assistance is available for Serbia.

Kosovo (under UN Security Council Resolution 1244)

Political criteria

Kosovo has remained stable and made progress in the transfer of responsibilities to the provisional institutions of self government. New ministries of justice and the interior have been created. An important reform package was adopted to improve the functioning of Kosovo's Assembly. Kosovo has enhanced its participation in regional fora and cooperation initiatives.

However, the focus on status has delayed significant reform efforts. Kosovo's administration remains weak, affecting the rule of law. Judicial institutions have made little progress in civil and criminal justice. In spite of the authorities' high-profile outreach campaign to improve the situation of minorities, minority groups continue to be in a disadvantaged position. Conditions for the sustainable return of refugees and displaced persons remain difficult. There has been little progress regarding corruption, which remains widespread.

Economic criteria

Consensus on the fundamentals of economic policy has been broadly maintained and fiscal policy tightened. A medium-term economic policy framework has been established and the first expenditure framework has been adopted. Marked progress has been made in the privatisation of socially owned enterprises and the incorporation of publicly owned enterprises.

However, Kosovo has made limited progress towards becoming a functioning market economy. Macroeconomic stability has not been achieved, mainly due to the fragile fiscal and external positions and the weak enforcement of property rights. Unemployment remains high.

European standards

Kosovo has made some progress towards approximate its legislation and policies with European standards.

However, limited progress has been made in the effective implementation and enforcement of legislation passed. More efforts are needed to create an administrative environment that will ensure further approximation to European standards. Some progress has been made in the environment, transport, energy, customs, taxation, police and border control. Kosovo needs to improve in areas such as fight against organised crime, trafficking of human beings and drugs, agriculture, statistics and intellectual property rights.

Pre-accession assistance

EU financial assistance in 2006 amounted to €59.5 million pre-accession assistance. The EU also made available a €50 million macro-financial assistance package, intended to fill the budget gaps in 2006 and 2007.