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

Albania

Albania signed a Stabilisation and Association Agreement (SAA) with the EU on 12 June 2006. An Interim Agreement covering trade-related matters has entered into force and is being implemented smoothly. SAA ratification by the Member States is nearing completion.

Political criteria

Albania has continued to make progress on consolidating democracy and the rule of law. Key judicial and electoral reforms have made headway, based on cross-party consensus. Efforts to strengthen the rule of law have intensified. Albania has continued to play a constructive role in maintaining regional stability and fostering good relations with other Western Balkan and neighbouring EU countries.

However, the culture of dialogue between political parties and the independence of state institutions require further consolidation to allow the political system to function effectively. Despite improved public perception, corruption continues to be a particularly serious problem, as does organised crime. Specific attention is needed to continue judicial reform.

Economic criteria

The Albanian economy made further progress towards becoming a functioning market economy.

Albania fast economic growth was accompanied by a widening trade gap, which is weakening country's external financing position. Albania was successful in containing inflation.

The fiscal policy was loosened as the country started to invest more in infrastructure. This was accompanied by progress in privatisation and in improvements in business environment. Restructuring and privatisation in the energy sector were not accomplished and insecure energy supply continues to significantly hamper the economic development. Further considerable reforms need to be pursued in order to enable the economy to cope with competitive pressures and market forces with the union over the long term.

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 customs, competition, free movement of goods and audiovisual policy, progress made in previous years has been sustained.

¹ Under UN Security Resolution 1244/99

However, in other areas, such as energy, transport, public procurement, veterinary/ phytosanitary controls and intellectual property rights, progress remained limited. Improved results as regards the fight against organised crime, drug trafficking and money laundering are also necessary.

Montenegro

Montenegro signed a Stabilisation and Association Agreement (SAA) with the EU on 15 October 2007. The Interim Agreement on Trade and Trade-related matters, which entered into force on 1 January 2008, is being smoothly implemented, while SAA ratification is ongoing.

Political criteria

Montenegro has made progress in addressing the political criteria, in improving its legal framework and in strengthening its institutional infrastructure. Implementation of the new constitution adopted in October 2007 proceeded and the government has continued to adapt to the requirements created by the country's independence, including strengthening public administration and playing an active and constructive role in international and regional cooperation.

Montenegro needs to enhance its efforts in the implementation of laws and policies. While strong on EU integration matters, its political consensus needs to be broadened on other issues of state-building. Specific attention is needed to complete the judicial reform. Despite some progress, corruption and organised crime remain a particular challenge. Administrative capacity to implement laws needs to be further strengthened.

Economic criteria

The economy of Montenegro has continued to expand vigorously and the country made further progress towards establishing a functioning market economy.

Macroeconomic stability weakened due to rising inflation and external vulnerabilities arising from the trade deficit. However, high growth rates improved the fiscal position, enabled additional capital investments and enabled a further reduction of the external public debt.

The pace of structural reforms accelerated. The privatisation process was stepped up, but shortcomings in the rule of law and their resolution remain the key challenge for economic development.

The completion and swift implementation of ongoing reforms is required to enable Montenegro to cope in the medium term with competitive pressure and market forces within the Union.

European standards

Montenegro has made further progress in alignment with European standards. Good progress was achieved in the areas of free movement of services, customs and taxation and agriculture. Some progress can also be reported in the areas of free movement of goods, competition, public procurement, intellectual property rights, industry and SMEs, food safety, as well as justice, freedom and security.

However, progress in transport, energy, environment, and information society remained uneven. Progress was not satisfactory with regard to statistical system development.

Bosnia and Herzegovina

Following progress in four key areas set out by the EU in 2005², the Stabilisation and Association Agreement (SAA) was signed in June 2008. However, the lack of consensus on the main features of state building, frequent challenges to the Dayton/Paris peace agreement and inflammatory rhetoric have adversely affected the functioning of institutions, have continued to slow down reforms and have put at risk the achievements made so far.

Political criteria

Bosnia and Herzegovina has made some progress in addressing political criteria during the first half of 2008. Beyond the developments that led to the signature of the SAA (see footnote), the country continued implementing its public administration reform strategy and adopted a national plan for development of the justice sector. The State Court continued prosecuting war crimes, and trials have generally been held within a reasonable time frame and in compliance with internationally recognised principles. Municipal elections in October 2008 were conducted in accordance with international standards.

However, lack of consensus on the main features of state building, frequent challenges to the Dayton/Paris peace agreement, and inflammatory rhetoric have adversely affected the functioning of institutions and slowed down reform, in particular since the middle of this year. The authorities have not yet demonstrated sufficient capacity to take the necessary political ownership and responsibility. The role played by ethnic identity in politics hampers the functioning of the democratic institutions and the country's overall governance. No progress has been made as regards constitutional reform. Corruption remains widespread and is a serious problem.

Economic criteria

The economy of Bosnia and Herzegovina has continued to expand rapidly and the country made some, albeit uneven, progress towards becoming a functioning market economy.

Macroeconomic stability has weakened as a result of worsening trade balance, higher inflation and expansionary fiscal policy. The persistence of very high unemployment remains a major source of concern. Fiscal coordination was improved, however. The National Fiscal Council was inaugurated in early September.

The SME sector benefited from increased access to financing. However, the shift in the structure of production towards higher value added activities remained sluggish and the commitment to structural reforms remained uneven across the country.

Further considerable reforms must be pursued to enable the country to cope over the long term with competitive pressures and market forces within the Union.

² 1) Implementation of police reform in compliance with the October 2005 agreement on police restructuring; 2) full co-operation with the ICTY; 3) adoption and implementation of all necessary public broadcasting legislation; and 4) development of the legislative framework and administrative capacity to allow for proper implementation of the SAA.

European Standards

As far as European standards are concerned, progress has been made in the fields of customs, taxation, agriculture, transport, visa administration, border management, asylum and migration.

However, the country needs to intensify its efforts in many areas, as free movement of goods, persons and services, employment and social policies, state aids, energy, environment and statistics. Improved results as regards the fight against organised crime, drug trafficking and money laundering are also necessary.

Serbia

Serbia signed the Stabilisation and Association Agreement (SAA) and an Interim Agreement covering trade-related matters on 29 April 2008. The Council however decided that the implementation of the Interim Agreement and the ratification of the SAA are subject to Serbia fully cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY).

Political criteria

Overall, there was little legislative output over the full year as government and parliament work were widely affected by divisions between political parties on key policy issues. Issues relating to Kosovo³ and EU integration dominated political discussions. Since the Presidential and legislative elections there has been increased stability in government and greater consensus on European integration. Serbia made significant progress on cooperation with ICTY, including the arrests of Radovan Karadzic and Stojan Zupljanin. Parliament ratified the SAA in September 2008 and began work on a package of laws. Serbia has good capacity in its public administration. European integration structures were strengthened and the National Programme for EU Integration was adopted. Regulatory bodies performed well under difficult conditions. However, greater determination needs to be shown by the Serbian authorities to empower regulatory bodies.

Further efforts need to be taken to ensure the independence, accountability and efficiency of the judicial system. Corruption remains widespread and constitutes a serious problem. Civil and political rights in Serbia are generally protected. However, they were affected by the climate in the period immediately following the declaration of independence of Kosovo.

Relations between the EU and Serbia have been affected by the declaration of independence of Kosovo. In February a demonstration ended in violence with the attacks of several foreign diplomatic missions in Belgrade. The Serbian government has vowed to use only peaceful, legal and diplomatic means and has exercised restraint in its response to the declaration. Serbia recalled serving ambassadors from countries that recognised Kosovo, including EU Member States. Serbian ambassadors who had been withdrawn from EU Member States have since returned to their posts. Serbia has so far opposed reconfiguration of the international civilian presence in Kosovo and EULEX deployment. Serbia is encouraged to take a constructive approach towards Kosovo's participation in regional and international fora and to the EU's efforts to contribute to peace and stability in the Western Balkans.

³ Under UNSCR 1244/1999

Economic criteria

The Serbian economy continued to grow strongly and the country made some progress towards establishing a functioning market economy.

Good growth rates were accompanied by widening external imbalances and the vulnerability increased also in the light of the global financial crisis. Fiscal policy remained expansionary, contributing to the resurfacing of inflationary pressures in 2008. Despite recent high economic growth rates, unemployment remains a major challenge.

There was some progress in privatisation, but structural reforms in general slowed down. The country continued to attract the FDI, however, some foreign investors have been affected by the unstable political climate. A competitive and dynamic private sector has not yet been fully established. Further efforts are needed to enable Serbia to cope in the medium term with competitive pressures and market forces within the Union.

European standards

Serbia is well placed to implement the SAA and the Interim Agreement, thanks to its good administrative capacity. There has been progress in the field of free movement of goods and continued improvements in customs and taxation administrations. However, there was little legislative output on European standards and weak enforcement capacity in competition. Little progress has been made in the area of information society and media. A comprehensive and effective system of public internal financial control is still not in place. Money laundering and organised crime continue to be a serious problem in Serbia.

Kosovo

Kosovo declared independence in February and adopted a constitution, which came into force on 15 June. The EU established an ESDP rule of law mission "EULEX" and appointed a Special Representative. The UNSG has started reconfiguring the United Nations Mission in Kosovo (UNMIK). UNSCR 1244/1999 continues to be the international legal framework for the UN's mandate in Kosovo. The European Council of December 2007 and February 2008 started the EU's readiness to assist Kosovo's economic and political development through a clear European perspective, in line with the European perspective of the region.

Political criteria

Kosovo's politics have been largely determined by issues related to Kosovo's declaration of independence. Following the declaration the security situation remained relatively calm, with the exception of two serious incidents in Northern Kosovo. Overall stability has been maintained. Kosovo continued to cooperate with the international community. The constitution adopted by Kosovo is in line with European standards. A considerable amount of key legislation was adopted.

However, the government needs to ensure administrative capacity, sufficient means and determination to enable effective and efficient implementation and enforcement. Strengthening the rule of law, anti-corruption policy, the fight against organised crime and enhancing dialogue and reconciliation between the communities are major political challenges.

Economic criteria

The economy of Kosovo has grown at a somewhat higher rate than in previous years, but Kosovo has made very limited and uneven progress towards establishing a functioning market economy.

Macroeconomic performance was marked by weak budget implementation growing inflation, very high unemployment and external imbalances. On the positive side, economic activity is increasingly driven by private-sector dynamism.

Unreliable energy supply, a mismatch of skills and poor physical infrastructure are major constraints to development. Unemployment remains very high. Continued reform and sizable investment are necessary to enable Kosovo to cope over the long term with competitive pressure and market forces within the EU.

European standards

Kosovo has made some progress in approximating its legislation and policies with European standards notably in areas such as customs, agriculture and free movement of goods. However, little progress has been made on the effective implementation and enforcement of legislation. More efforts are needed in approximation and implementation of European standards, in particular in fighting organised crime, money laundering, drugs, taxation, energy and employment.

EU Financial Assistance under the Instrument for Pre-Accession Assistance (IPA)⁴ for the potential candidate countries

Pre-acc. Assistance envelopes, in € Million	2008	2009	2010	2011	2012	Total 2008-2012
Albania	70.7	81.2	93.2	95.0	96.9	437.0
Bosnia and Herzegovina	74.8	89.1	106.0	108.1	110.2	488.2
Montenegro	32.6	33.3	34.0	34.7	35.4	170.0
Serbia	190.9	194.8	198.7	202.7	206.8	993.9
Kosovo *	184.7	106.1	67.3	68.7	70.0	496.8
Total	553.7	504.5	499.2	509.2	519.3	2585.9