

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Enlargement Strategy and Main Challenges 2008-2009

I. INTRODUCTION

Enlargement is one of the EU's most powerful policy tools- It serves the EU's strategic interests in stability, security, and conflict prevention- It has helped to increase prosperity and growth opportunities, to improve links with vital transport and energy routes, and to increase the EU's weight in the world. In May 2009, the EU will mark the fifth anniversary of the 2004 enlargement

The present enlargement agenda covers the Western Balkans and Turkey, which have been given the perspective of becoming EU members once they fulfil the necessary conditions. The European perspective has contributed to peace and stability, and enabled partners to cope with major challenges, such as Kosovo's declaration of independence, while maintaining regional security. It provides in both the Western Balkans and Turkey strong encouragement for political and economic reform. It is in the EU's strategic interest to keep up the momentum of this process, on the basis of agreed principles and conditions. This interest is all the more apparent in the light of challenges to stability in the EU's neighbourhood, including in particular the situation in the southern Caucasus

Turkey's strategic importance to the EU has further increased in key areas such as energy security, conflict prevention and resolution and regional security in the Southern Caucasus and the Middle East. The country's engagement with the EU, through the negotiations and related reforms which are underway, makes it a stronger force for stability in a region facing many challenges. The present security environment in Europe also calls for the consolidation of stability and enhancement of reform in the Western Balkans.

Against this background, the consistent implementation of the renewed consensus on enlargement, as defined by the December 2006 European Council, is more important than ever. This consensus is based on the principles of consolidation of commitments, fair and rigorous conditionality and better communication with the public, combined with the EU's capacity to integrate new members.

The EU has taken steps to improve the quality of the enlargement process, considering in particular the lessons learned from previous enlargements. Greater focus is now given at an early stage to the role of law and good governance. The pace at which a candidate or potential candidate approaches the EU reflects the pace of its political and economic reforms as well as *its* capacity to assume the rights and obligations of membership.

The year ahead will be a crucial one in addressing challenges in the Western Balkans. The progress of the Western Balkan countries towards EU membership can be accelerated, provided they meet the necessary conditions. Croatia is expected to reach the final phase of accession negotiations by the end of 2009 if it has taken the necessary preparatory steps. Further reforms in the former Yugoslav Republic of Macedonia will bring the country closer to the EU. For the potential candidates, progress could result in candidate status when they have demonstrated their readiness.

The pace of accession negotiations with Turkey reflects the pace of reform as well as the country's fulfilment of the relevant conditions. Turkey now needs to resume the path of political reforms.

The international financial crisis has so far had only a limited impact on the economy and the financial sector of the Western Balkans and Turkey (update). However, the significant widening of the current account deficit experienced by most countries raises their vulnerability to external shocks. Both external credit and FDI are likely to slow as a result of the global financial crisis.

The European Union is stronger with stable, prosperous and democratic neighbours. Working together on the basis of shared values and common interests, the EU and its neighbours can more effectively address current challenges. The Eastern Partnership now under preparation as well as the Barcelona Process Union for the Mediterranean will enable European Neighbourhood Policy partners to further

enhance their own security, stability and prosperity and deepen their relationship with the EU.

As regards the Cyprus issue, the leaders of the Greek Cypriot and Turkish Cypriot communities started full fledged negotiations on a comprehensive settlement under the auspices of the United Nations. The Commission supports their efforts and stands ready to provide technical advice on issues within EU competence.

The present communication sets out the progress made and the key challenges faced by the countries engaged in the enlargement process. It outlines the Commission's approach to guiding and supporting their efforts in the coming year.

2. IMPLEMENTING THE RENEWED ENLARGEMENT CONSENSUS

2.1. State of play of progress made and remaining challenges in the countries

Western Balkans

The Western Balkans have moved closer to the EU over the past year, as the region made progress, albeit uneven, in reforms and in meeting established criteria and conditions. Stability has been maintained in the region and the situation remained generally calm after the declaration of independence and the entry into force of the constitution in Kosovo. The region continued to enjoy high growth rates, thanks in particular to domestic and foreign investments while, in general, reforms progressed and overall living standards improved. The Regional Cooperation Council (RCC) took over from the Stability Pact, strengthening ownership of regional cooperation in South East Europe by the countries directly concerned.

Still, the Western Balkans are today confronting a number of testing issues which could affect security, stability and prosperity in the region. Reform and reconciliation have yet to become entrenched. In much of the Western Balkans, state-building, consolidation of institutions as well as better governance constitute priority concerns. In most countries a professional, impartial and accountable civil service remains to be set up. The enforcement of the rule of law, notably through judicial reform and the fight against corruption and organised crime, remains a major issue throughout the region. Dialogue among political forces and a spirit of

compromise are still insufficient including on ethnic-related issues. Unsolved neighbourhood issues persist. Inflation picked up. Unemployment remains very high in some countries. Further reforms on employment and social policies are needed. Macro economic stability has become more fragile and external vulnerabilities have increased, also in the light of the global financial crisis.

At a country level, the following developments can be reported.

Croatia's accession negotiations have entered their decisive phase, thus demonstrating to the region as a whole that the perspective of EU membership is a reality, in line with the Union's commitments provided the necessary Conditions are fully filled.

In the former Yugoslav Republic of Macedonia, progress has been made in a number of key areas highlighted in the Commission's communication of March 2008, in particular as regards judicial reform, and police reform, and implementation of requirements under the Stabilisation and Association Agreement. However, violent incidents and serious irregularities marred parliamentary elections. A constructive political dialogue and decisive action are needed to implement reforms in accordance with the Accession Partnership priorities.

Albania has continued to make progress on key political reforms. The interim agreement with the EU entered into force two years ago and is now being implemented smoothly on the whole. However, the rule of law and ensuring the proper functioning of state institutions remain major challenges. Administrative and enforcement capacity requires further improvement.

Political reforms have gone ahead in Montenegro. Implementation of the interim agreement, which entered into force at the beginning of this year, is progressing smoothly on the whole. However, there is a need to pursue judicial reform and to entrench the rule of law; which remain major challenges. Administrative and enforcement capacity require further improvement.

The signing of the Stabilisation and Association Agreement (SAA) with Bosnia and Herzegovina confirmed the EU's commitment to the country's European future. Bosnia and Herzegovina began implementing the interim agreement in July. But constitutional elements* established by the Dayton-Paris peace agreement have been challenged by key political leaders in both entities, and EU related reforms have stagnated. Consensus remains weak on key reform priorities.

Following presidential and parliamentary elections, Serbia has renewed its commitment to a European future based on shared values. The SAA was signed and the interim agreement will start being implemented as soon as the Council ascertains that Serbia is fully cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY). The arrest and bringing to justice of Radovan Karadzic was a major step forward. Serbia has shown that it has the administrative capacity to make substantial progress towards the EU. However, over the past year reforms were delayed: Judicial reform and preventing corruption remain important challenges.

The new reality in Kosovo has led to the reconfiguration of the international presence. This should facilitate the deployment of the EULEX mission which is now underway. The situation in Kosovo is sui generis and cannot be considered as creating a precedent. The European Council stated the EU's readiness to assist Kosovo's political and economic development through a clear European perspective, in line with the EU perspective of the region. The constitution adopted by Kosovo is in line with European standards and a considerable amount of key legislation has been adopted. However, major challenges remain, notably to strengthen institutions, to entrench the rule of law, and to enhance dialogue and reconciliation between the communities.

Turkey

This year was marked by strong political tensions. The Chief Public Prosecutor applied to the Constitutional Court to close the governing party for anti-secular activities. The Court eventually decided not to follow the request of the Prosecutor and imposed instead a financial penalty. This helped to avert a serious political crisis and should provide fresh opportunities to restore dialogue and a spirit of compromise between political parties.

The EU has strongly condemned terrorist attacks by the PKK which have claimed many lives. The Turkish armed forces carried out several operations against PKK bases in northern Iraq.

Turkey has played a constructive role in its neighbourhood and the wider Middle East through active diplomacy. Following the crisis in Georgia, it proposed a Caucasus Stability and Cooperation Platform to promote dialogue between the countries of that region. President Gul visited Yerevan, the first visit ever of a Turkish President since the independence of Armenia. Turkey undertook efforts as a mediator between Israel and Syria and conducted a dialogue with Iran on the nuclear issue. The developments in the southern Caucasus also highlighted Turkey's strategic significance for the EU energy security, particularly by diversifying supply routes, and underlined the importance of closer energy cooperation between Turkey and the EU. A key element for this is the Nabucco gas pipeline project.

The current government came to power on the basis of free and fair elections in July 2007 with a strong mandate for reform. It renewed its commitment to the EU accession process and related reforms and announced work on a new constitution. Some progress was achieved in the areas of freedom of expression and the rights of non-Muslim religious communities. Article 301 of the Penal Code was amended with the intention of strengthening safeguards for freedom of expression. The Parliament adopted a new law on foundations, which addresses a number of problems faced by the non-Muslim religious communities. Furthermore, the Government decided to complete the South-East Anatolia Project (GAP) for the economic development of the southeast of the country (update)-

However, a new impetus now needs to be given to reform, in order to strengthen democracy and human rights, to modernise and develop the country and to bring it closer to the EU. The rules on political parties, constitutional reform, freedom of expression, and women's rights require particular attention.

Turkey's economy continued to perform relatively well in spite of a slower GDP growth, and macro economic stability has been preserved. It has relatively well resisted the international financial crisis so far, but vigilance will be required to limit its effect in the country's economy (Update). Turkey is now a functioning market economy in terms of the Copenhagen economic criteria. It should be able to cope with competitive pressure and market forces within the Union in the medium term, provided that it continues to implement a comprehensive reform programme to address structural weaknesses. In addition, Turkey's economic

interdependence with the EU increased.

2.2. Pre-accession instruments : addressing the key challenges

The Commission has made full use of its pre-accession instruments for addressing the key challenges of State building, good governance, the rule of law, and civil society development, based on the 2007 enlargement strategy document. This has already yielded significant results.

The Council adopted Commission proposals for Accession and European Partnerships that include these key priorities. The Commission has intensified political dialogue, with the partnerships as main reference documents. Progress was also made on economic dialogue through the pre-accession fiscal surveillance mechanism.

Partnership priorities guided programming and delivery of aid under the Instrument for Pre-accession Assistance (IPA), leading to increased support for fundamental reforms. IPA support amounts to 1.4 billion for 2008. Of the 840 million earmarked for transition assistance and institution building in national IPA programmes, 33 % is now used to enhance governance, encourage administrative and judicial reform, strengthen the rule of law, support the fight against corruption and organised crime, promote human rights, protect minorities, and develop civil society. Rapid-response assistance from EU member state officials is also provided through TAIEX and SIGMA. Medium-term assistance to those reforms includes twinning networks between public administrations and grant schemes for NGO projects.

The Commission has taken initiatives to coordinate IPA support with that of the International Financial Institutions (IFI's) and other donors. This increases the leverage of IPA support in the area of economic and social development. An Infrastructure Projects Facility has been launched with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB). It constitutes an important move towards establishing a Western Balkans Investment Framework by 2010, as agreed by the Commission, the EIB, the EBRD and the CEB and endorsed by the June European Council. Other initiatives include an energy efficiency facility as well as a single instrument for SME development, the European Fund-for South East Europe. This benefits tens of thousands of small businesses across the region.

The transition from implementation of pre-accession assistance by the European Agency for Reconstruction (EAR) to the Commission delegations and offices in Belgrade, Podgorica, Pristina and Skopje has been completed. The agency will be phased out on 31 December 2008. The eventual goal is for partners themselves to take over the implementation of assistance, when they demonstrate their readiness to do so.

Turkey

Turkey continues to sufficiently fulfil the Copenhagen political criteria. The Constitutional Court did not enact the Chief Prosecutor's request to dissolve the ruling party and ban 71 of its prominent members, but imposed financial sanctions, thus averting a major political crisis.

Turkey now has a fresh opportunity to advance reforms and establish a climate of dialogue and pluralism. Some progress has been achieved in the areas of freedom of expression, the rights of non-Muslim religious communities, and in promoting the economic development of the South-East. However, a consistent and comprehensive programme of political reforms is needed, in particular reform of the constitution. Significant further efforts are needed on most areas related to the political criteria.

As regards *democracy and the rule of law*, the new President played a positive role by calling for further political reforms and working actively to improve relations with Armenia. However, the lack of dialogue and of a spirit of compromise between the main political parties had a negative impact on the functioning of the political institutions and on the process of political reforms. The work of the newly elected parliament was affected to a considerable extent by legal cases aimed at dissolution of the governing party and of one of the opposition parties.

As regards local governance, the recently adopted local administration laws need to be implemented and the financial resources of local governments increased.

There has been little progress on *public administration reform*. The civil service system needs to be reformed.

As regards *civilian oversight of the security forces*, full civilian supervisory functions and parliamentary oversight of defence expenditure need to be ensured. Senior members of the armed forces have continued making statements on issues going beyond their remit.

As regards the *judiciary*, work to prepare judicial reform has made progress. However, concerns remain about the independence and impartiality of the judiciary. There has been no progress on the composition of the High Council of Judges and Prosecutors or on establishment of the regional courts of appeal. Senior members of the judiciary have made political comments in public which go beyond their remit. There is a need to improve the quality of investigations of the police and the gendarmerie to ensure a fair trial.

There has been limited progress in the area of *anti-corruption*. Corruption remains widespread. The continuing absence of an overall strategy, action plan and coordination mechanism is a cause for concern. Turkey needs to develop a track record of investigations, prosecutions and indictments.

Concerning *human rights and the protection of minorities*, progress has been limited. Turkey has continued to enforce the European Court of Human Rights (ECtHR) judgments but further efforts are needed. There has been no progress on ratification of international human rights instruments. The institutional framework for promoting and enforcing human rights still needs to be upgraded. Introduction of an ombudsman system is long overdue.

The Turkish legal framework includes a comprehensive set of safeguards against *torture and ill-treatment*. However, more efforts are needed on implementation of the zero-tolerance policy. Reports of cases of ill-treatment and torture, in particular outside places of detention, are a cause for concern. In this context, ratification of the optional protocol to the UN Convention against Torture (OPCAT) and the fight against impunity for human rights violations remain key issues.

There has been some progress in the efforts to strengthen the safeguards for *freedom of expression*, in particular through the amendment of Article 301 of the Turkish Criminal Code. However, Turkey needs to establish an adequate track record on the implementation of the revised article. All legal restrictions need to be addressed with a view to ensuring full respect of freedom of expression, in law and in practice, in line with the European Convention of Human Rights (ECHR) and the ECtHR case law.

Further efforts are needed to *ensure freedom of assembly* in practice, in line with European standards, as arbitrary limitations and disproportionate use of force against demonstrators still occur. There have been some improvements to the legal framework on *freedom of association*. However, some associations face excessive administrative difficulties or judicial proceedings. Furthermore, in the light of the recurrent closure cases against political parties, the legal provisions on political parties need to be amended in line with the case law of the ECtHR and best practice in EU Member States, as outlined by the Council of Europe's Venice Commission.

As concerns *freedom of religion*, the adopted Law on foundations addresses a number of outstanding property-related issues concerning non-Muslim communities. However, a legal framework in line with the ECHR has yet to be established, so that all non-Muslim religious communities and Alevi can function without undue constraints. Turkey needs to make further efforts in order to create an environment conducive to full respect of freedom of religion in practice.

As regards *women's rights*, the overall legal framework guaranteeing gender equality is broadly in place. However, further significant efforts need to be made to address the gap between men and women in economic participation and opportunity, educational attainment, access to healthcare and political empowerment. Efforts to prevent honour killings and domestic violence have continued, but these issues remain a serious problem and efforts need to be stepped up.

There has been progress on *children's* access to education, social services and the juvenile justice system. However, efforts need to continue in all areas related to children's rights, including administrative capacity, education, the juvenile justice system and child labour.

Legislation is still needed to ensure that *trade union rights* are fully respected in line with EU standards and the relevant International Labour Organisation (ILO) conventions, in particular the rights to organise, to strike and to bargain collectively.

The situation with regard to *minority rights* remains unchanged. Turkey made no progress on alignment with European standards. Some limited progress was made on *cultural rights* but restrictions continue, in particular on the use of languages other than Turkish in broadcasting; in political life and when accessing public services. There are no opportunities to learn these languages in the public or private schooling systems. There has been no progress in the situation of the *Roma*, who frequently face discriminatory treatment in access to adequate housing, education, social protection, health and employment. Demolitions of Roma neighbourhoods, in some cases involving forced evictions, continue.

As regards the East and *South-East*, the government's decision to complete the South-East Anatolia Project is a step in the direction of addressing the economic and social difficulties of the region. Further efforts are needed to create the conditions for the predominantly Kurdish population to enjoy full rights and freedoms. Compensation of *internally displaced persons* (IDPs) has continued. However, the government lacks an overall national strategy to address the IDP issue. The village guard system remains to be phased out.

Terrorist attacks by the PKK, which is on the EU list of terrorist organisations, continued and claimed many lives.

With regard to *regional issues and international obligations*, Turkey has expressed public support for resumption of fully fledged negotiations under UN auspices to find a comprehensive settlement of the *Cyprus problem*. However, there has been no progress towards normalisation of bilateral relations with the Republic of Cyprus. Turkey has not fully implemented the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus.

Relations with Greece have evolved positively. Further confidence-building steps have been taken, but no agreement was reached on border disputes. Turkey continues to play a positive, role in the *Western Balkans*. Relations with *Bulgaria* remain positive. Good neighbourly relations remain key.

The economy of Turkey continued to perform relatively well, although growth fell below potential- largely owing to a slowdown in domestic demand following severe monetary policy tightening. Macroeconomic stability has been preserved. Inflation has increased significantly, mainly as a result of higher food and energy prices. The structural reform process has accelerated somewhat, in particular in the first half of 2008. Despite some recent initiatives further progress is necessary to correct labour market imbalances and address, the skills mismatch.

As regards the economic criteria, Turkey is a functioning-market economy. It should be able to cope with competitive-pressure and market forces within the Union in the medium term, provided it implements its comprehensive reform programme -in order to .address structural weaknesses.

Over the past year, Turkey has implemented a strong stabilisation programme. Now it is entering a new stage in its development strategy aimed at- raising its growth potential through higher public investment, job creation and sectoral reforms. The economy has so far performed well in spite of the global, financial, turbulence and the domestic political uncertainty.

Long-term capital inflows remained high, leading to an increase in official reserves. Fiscal performance has been satisfactory, although the government-missed the 2007 fiscal targets. In June 2008, the authorities approved a 5-year Medium Term Fiscal "Framework.

New initiatives to boost investment in infrastructure are aiming to reduce the very high regional disparities. Significant progress was made in the area of price liberalisation particularly in the energy sector. Privatisation continued with a number of major operations. In spite of several bouts of instability during 2007-2008, the financial sector has so far shown remarkable resilience.

However, inflationary pressures have increased, in part due to higher oil and commodity prices. Considerable external financing needs stemming from large external deficits, coupled with the private sector's significant reliance on external financing and a sizeable - albeit falling - debt stock, make Turkey potentially vulnerable to changes in investor sentiment. Job creation continues to be hampered, notably by a skills mismatch between labour demand and supply and by rigid employment practices. Structural rigidities in the labour market particularly binder any increase in female and youth employment. The skills of the labour force are still not adapted to the needs of a rapidly growing emerging economy. Allocation of state aid lacks transparency. The large informal sector, fuelled by weaknesses in the regulatory framework, inappropriate tax and expenditure policies and weak law enforcement, reduces the tax base and trie efficiency of economic policies, hi particular, too often SMEs operate in the grey economy and therefore continue to have insufficient access to finance and know-how.

Turkey improved its ability to take on the obligations of membership. Progress was made in most areas. Alignment is -advanced in certain areas, such as free movement of goods, intellectual property rights, anti-trust policy, energy, enterprise and industrial policy, consumer protection, statistics, Trans-European Networks, and science and research. However, alignment needs to-be pursued, in particular in areas such as environment, state aid, public procurement, social policy and employment, company law, food safety, veterinary and phytosanitary policies and free movement of services. A number of important obligations taken on by Turkey as part of its Customs Union with the EU remain unfulfilled. The disproportionate use of safeguard measures and longstanding trade irritants are having an impact on proper functioning of the Customs Union. Turkey's administrative capacity to cope with the *acquis* needs further improvement.

With regard to *free movement of goods*, the level of alignment of product legislation and¹ horizontal measures is advanced; except on market surveillance and metrology. However, certain technical barriers, to trade persist. Some progress was made on the *right of establishment and the freedom to provide services*. Alignment remains at an early stage. As regards *free movement of capital*, Turkey made some progress on capital movements, payments and the fight against money laundering but efforts are heeded to strengthen the enforcement capabilities. There has been good progress in the area of *financial services*, especially as regards the tightening of prudential and supervisory standards.

In the area of *public procurement*, mixed progress has been made. The designation of the Ministry of Finance as overall policy coordinator is a positive development, but needs to be complemented by a comprehensive strategy identifying the necessary reforms. Turkey's public procurement system is only partially aligned with the EU system. On *company law*, Turkey made little progress. The new commercial code has not been adopted. With regard to *intellectual property law*, legislative alignment is relatively advanced. Coordination and cooperation between the public bodies responsible for Intellectual Property rights and their awareness improved. However, implementation and enforcement need substantial strengthening. With regard to *information, society and media*, Turkey's level of alignment with the audiovisual *acquis* remains limited. There is no progress to report on adoption of the new electronic communications law.

With regard to *competition*, the level of alignment continues to be well advanced in the area of anti-trust. However, there was no progress on adoption of the state aid legislation, establishment of the state aid monitoring authority and implementation of the transparency commitments. Finalising the National Restructuring Programme for the steel industry remains a priority. In the area of *agriculture and rural development*, alignment remains limited. Substantial progress has been made with building the capacity necessary to implement IPARD. Nevertheless, further efforts are needed to complete the necessary administrative and control structures. Turkey has not removed technical barriers to trade of beef meat and live bovine animals. In *fisheries*, progress continued in the areas of resources, fleet management and inspection and control. However, Turkey has made no progress in establishing the necessary legislative framework. In both agriculture and fisheries, implementing capacities are at an early stage. Concerning *food safety, veterinary and phytosanitary policy*, alignment is at an early stage. A Framework Law on veterinary services, food and feed has yet to be adopted. Work on identification and registration of animals is progressing. Avian influenza outbreaks have been successfully contained. Effective control of other animal diseases, in particular foot and mouth disease, remains a major cause for concern.

Some progress was made on *transport policy*. Alignment in the road sector has continued but further improvement of the implementation capacity is required. Turkey made little progress in the railway sector. Turkey made limited progress in air transport. The lack of communication between air control centres in Turkey and the Republic of Cyprus compromises air safety. Progress on maritime transport is uneven. In the area of *Trans European Networks*, some progress was made. The Transport Infrastructure Needs Assessment (TINA) has been finalised but there is still a lack of reliable classified transport data, in the field of *energy*; there was some but uneven progress. Competition remains limited after the adoption of the framework laws on the electricity and natural gas markets. National targets for energy efficiency and renewable energy have yet to be set.

On *taxation* there was some progress in the legislative field. Modernisation of the Tax Administration has led to better service to the taxpayer and improved revenue collection. However, the discriminatory taxation of alcoholic and tobacco products continued.

The administrative capacity in the area of *statistics* improved. However, further progress is still needed concerning mainly agricultural and macroeconomic statistics and business registers.

Some progress was made in the area of *economic and monetary policy*. Several shortcomings still exist, in particular regarding full independence of the central bank, the monetary financing of the public sector and privileged access by the public sector to financial markets. Concerning *employment and social policy*, Turkey has made some progress through the adoption of the Employment package and the Law on social insurance and general health insurance. However, ensuring full trade union rights and combating undeclared work require particular attention. Further efforts are also needed in order to combat child labour and to update and finalise the strategic documents in this area. Gender equality in economic and social life needs to be improved.

Progress continued on *enterprise and industrial policy*; with the adoption of the SME Strategy and Action Plan. Overall Turkey has a high-level of alignment. Good progress was achieved in the area of *science and research*. Overall, Turkey is on track for integration in the European Research Area. In the field of *education and culture* progress was made towards adapting the Turkish education system to the EU structure and qualifications framework. Turkey participated successfully in the Community programmes.

In the field of *regional policy and coordination of structural instruments*, progress was made on building the capacity necessary to implement IPA components HI and TV. However, further efforts are required to set up the necessary administrative and control structures at central and local levels.

As regards the *judiciary*, there has been some progress, in particular on the establishment of a judicial reform strategy. However, concerns remain about the independence and impartiality of the judiciary. These are issues that the reform strategy is expected to address. Limited progress can be reported on *anti-corruption*: The government has continued to implement its initiatives in this area. However, there is no legislation in place setting out rules on the transparency of election campaign financing. There has been no progress in limiting the immunity of Members of Parliament. An anti-corruption strategy and action plan need to be developed and to receive the political support necessary for implementation. As regards *-fundamental rights*, there has been some legislative progress. Vigorous further efforts need to be made to ensure full respect of the fundamental rights set out by the ECHR and the case law of the ECtHR.

Concerning *justice, freedom and security*, some progress can be reported, particularly to prevent trafficking in drugs and in human beings. Alignment with the *acquis* in this chapter is underway, but sustained efforts are required in areas such as visa policy and judicial cooperation in criminal matters. Sustained efforts are also needed in the fight against organised crime, which remains a matter of concern. The capacity to manage asylum and migration needs to be improved. Efforts need to be stepped up to implement the national action plan on integrated border management Turkey needs to resume negotiations on a readmission agreement with the European Community.

On *environment*, Turkey made progress in the area of air quality, waste management and-in strengthening, the administrative capacity at central level Nonetheless the overall level of alignment remains low. Turkey made no improvements in the areas of industrial pollution, risk management and GMOs.

A satisfactory level of alignment has been reached "hi the field of *consumer* and health *protection*. Progress was' made as regards enforcement of market surveillance and product safety, but more efforts remain to be done in the field of non safety related issues: The consumer movement in Turkey remains weak; Turkey made some progress in the area of *health* protection.

As regards the *Customs Union*, Turkey has reached a high level of alignment. However, alignment is not complete with regard to free-trade zones, customs duty relief, the fight against counterfeit goods and post-clearance. Turkey has also- reached an advanced level of alignment in the area of *external relations* but has not associated fully with EU positions in -the WTO and in the OECD.

Moderate progress has. been achieved in the area of *financial control*. Legislation implementing the Public internal financial- control Law is in place, but a number of amendments relating to internal control need to be approved. Permanent structures are needed to cooperate with the European Anti-Fraud Office on protection of the EU financial interests and for contacts with the Commission departments responsible for protection of the Euro against counterfeiting. With regard to *financial and budgetary provisions*, there were no particular developments.

Turkey's close alignment with EU *Foreign, Security and Defence Policy* continued. Turkey is contributing substantially to the ESDP and seeking greater involvement in its activities. However, Turkey objects to EU/NATO co-operation which would involve all EU Member States.

Turkey's has enhanced its role as a positive factor for regional stability and has played a significant-part in advancing progress in relations between its regional partners, especially in the Middle East and in the Caucasus. In the course of the conflict in Georgia, Turkey played a conciliatory role-and proposed to set up a "Caucasus Co-operation and Stability Platform" -The Turkish President's visit to Armenia marked a new encouraging step in bilateral relations and opened up the prospect of normalisation of relations. However, Turkey's land border with Armenia remains closed.

The Commission organised in July a Donor Conference for the socio-economic development of Kosovo which resulted in a total pledge of 1.2 billion, with the European Union and its member states contributing newly €800 million. This support should provide a considerable boost to Kosovo's development. It is essential that the Kosovo government accompany donor assistance by delivering on its commitments as regards fiscal discipline, public expenditure management and economic policy reform.

Special attention has been given to people-to-people contacts in line with the 2007 enlargement strategy document. Visa facilitation and readmission agreements entered into force with all countries concerned in January 2008 and the Commission is conducting a dialogue on visa liberalisation with them. In this context, roadmaps for visa liberalisation were established, setting out clear and realistic benchmarks for the lifting of the visa obligation. Measures aimed at increasing people-to-people contacts also include more mobility opportunities for undergraduate and graduate students under the Erasmus Mundus programme and additional funds for youth exchanges and partnership under the Youth in Action programme. The Tempus programme continued to provide support to higher education reform through partnerships between universities.

Following the establishment of the Energy Community, negotiations have begun for the creation of a Transport Community with the Western Balkans with the aim of signing an agreement in the course of 2009. Progress has also been made towards implementation of the European Common Aviation Area (ECAA). In the field of environment a new regional cooperation mechanism is being developed to jointly tackle the environmental challenges linked to pre-accession.

Important efforts have been made to provide support for regional cooperation initiatives, in accordance with the Thessaloniki agenda and with steps outlined in the Commission's communication of March 2008. Regional initiatives supported by the Commission include assistance to the secretariat of the newly established Regional Cooperation Council (RCC), the Regional School of Public Administration to be set up in Danilovgrad (Montenegro), a new disaster risk reduction initiative, as well as cultural heritage rehabilitation and history textbooks projects. The Commission also supports cooperation in trade matters through the CEFTA Secretariat. Regarding customs, provisions on diagonal cumulation on rules of origin between the EU and some Western Balkan countries will soon come into effect, thus facilitating regional trade integration.

The Commission set up a new financing facility under IPA to promote civil society development and dialogue. Support under the Civil Society Facility for 2008 amounts to some 30 million, geared towards capacity building at local level. The Commission organised a major conference on civil society development in Southeast Europe in April. The conference stimulated networking, exchanging best practices and building partnerships. These initiatives favour reconciliation among peoples as well as progress on the path towards EU membership.

Better communication with the public is a key principle of the renewed consensus on enlargement. The Commission is promoting public debate about EU enlargement, both in the member states and the enlargement countries, carrying out communication activities for civil society organisations, journalists and youth, including the release of video clips, the European Street Football Festival in Foca and a competition for young journalists "Enlarge your vision". These initiatives complemented communication efforts undertaken by member states and partner countries.

3. THE ENLARGEMENT AGENDA IN 2008-2009

3.1. Accelerating The course of the Western Balkans towards EU membership

The June 2008 European Council reaffirmed its full support for the European perspective of the Western Balkans, it stressed that by making solid progress in economic and political reform and by fulfilling the necessary conditions and requirements, the remaining potential candidates in the Western Balkans should achieve candidate status, according to their own merits, with EU membership as the ultimate goal.

The EU perspective remains essential for the stability, reconciliation and development of the Western Balkans, with the Stabilisation and Association Process (SAP). It is in the interest of the European Union, and of Europe as a whole, that the region should go ahead as rapidly as possible with political and economic reform, reconciliation among peoples and progress towards the EU. The EU should be ready to accelerate their pre-accession preparations, as soon as they meet the necessary conditions, and to ensure that the region continues to benefit from the highest level of political and economic treatment in line with the SAP. However, ultimately progress on the way towards membership lies in the hands of the people, of the region and their leaders, as its pace depends on each country's achievements in adopting the necessary reforms.

The Commission is proposing in the present communication an indicative roadmap for concluding the technical negotiations with Croatia by the end of 2009, provided the conditions are met. This is explained in section 3.2.

Further steps by the former Yugoslav Republic of Macedonia in its progress towards the EU will be possible, once the Copenhagen political criteria are met and the key priorities of the accession partnership are fulfilled. In particular, the country needs to ensure free and fair elections. The dialogue between major political parties and actors needs to improve so as to permit the normal functioning of institutions and accelerate the pace of reforms. The Commission will closely monitor the former Yugoslav Republic of Macedonia's progress. Outstanding key partnership priorities concern establishing a track record of implementation of the judicial reforms, ensuring an impartial and non-politicised police service, continuing the fight against corruption in an objective manner, and ensuring that recruitments and promotion in the civil service are based on professional criteria (update).

A number of countries in the Western Balkans have indicated that they are considering submitting applications for membership in the EU (update). The Commission recalls that a satisfactory track record, notably in implementing obligations arising from an SAA, including the trade-related provisions, is an essential element for each country's progress towards membership. An application for membership gives rise, in due course, upon request from the Council, to a Commission opinion assessing the country's readiness and a study on the impact of accession on the key policy areas.

Albania needs to ensure that its 2009 parliamentary elections are properly prepared and conducted. Montenegro needs to intensify judicial reform. Both countries need to further build up their track records of SAA implementation, including by improving their administrative and enforcement capacity and by strengthening the rule of law.

Bosnia and Herzegovina now urgently needs to achieve the necessary political consensus and to proceed with reforms, in particular with a view to assuming greater ownership of its governance. A shared vision of the direction of the country is needed for a smooth operation of institutions, for creating more functional and efficient state structures, and for speaking with one voice on EU matters. The Peace Implementation Council (PIC) will review later this month the country's readiness for closure of the Office of the High Representative. This depends on progress in meeting five specific objectives as well as of a positive assessment by the PIC of the political situation based on full compliance with the Dayton Peace Agreement. The Commission stands ready to support the efforts of Bosnia and Herzegovina towards fulfilling these conditions.

The June European Council stated that Serbia can accelerate its process towards the EU including candidate status, as soon as all the necessary conditions are met. The Commission considers that it should be possible to grant candidate status to Serbia in 2009 if these conditions are met and in the light of a Commission opinion. Serbia needs to build on positive developments through EU cooperation with ICTY and pressing ahead with its reform agenda-leading to tangible progress in priority areas including on strengthening the rule of law and accelerating economic and budget reforms. Serbia has a key role to play in the region. It is encouraged to take a constructive approach towards Kosovo's participation in regional initiatives and international forums and to the EU's efforts to contribute to peace and stability in the Western Balkans.

The socio-economic development of Kosovo is crucial to the well-being of its population and for the stability of the wider region. The European Council stated in June that, in line with the rest of the Western Balkans, Kosovo has a clear EU perspective. The EU expects Serbia to take a constructive line on EULEX deployment and encourages Kosovo Serbs to participate in Kosovo's development. The regular dialogue between the Commission and the Kosovo authorities on reforms will intensify. The Commission will explore all avenues to promote Kosovo's involvement in regional cooperation and calls on all parties to adopt a constructive approach in this regard. It will evaluate means to further Kosovo's political and socioeconomic development, and will examine how best Kosovo can take its part in the progress of the region towards integration with the EU in the context of the Stabilisation and Association Process. The outcome of this analysis will be presented in a feasibility study in the autumn of 2009.

Good neighbourly relations and regional cooperation remain key in advancing towards EU membership and as such constitute a central element of the Stabilisation and Association process. Nearly all regional partners have unresolved bilateral issues with their neighbours, including border disputes. The Commission will continue to monitor developments in this respect and urges all partners to address bilateral issues as a priority. Significant efforts are needed to enhance judicial cooperation on criminal matters, including for investigations on domestic war crimes.

People-to-people contacts, in particular visa free travel and scholarships make the European perspective tangible for citizens. With that in view, the Commission will double the funds allocated to scholarships for students of the Western Balkans under IPA 2009. The Commission will continue to closely monitor the correct implementation of the visa facilitation agreements. It will monitor the implementation of the roadmaps for visa liberalisation and will support the countries in meeting the benchmarks set out in the roadmaps. The pace of the visa dialogue will depend on the results obtained by each of the countries. Provided the benchmarks are met by a country, the Commission may propose, on a country-by-country basis, lifting of the visa obligation in the course of 2009.

Participation in Community programmes and agencies has proved useful in bringing institutions and citizens of partner countries closer to the EU. The Commission will encourage greater participation by beneficiaries from these countries in programmes that are open to them. It will also explore possibilities to open further programmes to the potential candidates. As regards Community agencies, the Commission will seek to offer further participation possibilities, including observer status for all enlargement countries in the meeting of the management boards or expert groups. The Commission proposes to upgrade the opportunities and conditions for participation offered to potential candidate countries. The EU could co-finance up to 90% of the country contribution to a Community programme or Agency in the first year of participation through IPA. In the following years, that contribution would decrease, in percentage or in real amounts. The total level of co-financing for the Community programmes, other than research and development ones, should in principle remain around 10% of the national IPA programmes.

Increased participation of civil society organisations in the reforms undertaken in the enlargement countries is a strong determinant for the pace and quality of the accession process, as well as in attaining public support for accession. Further capacity building and networking projects will be funded as part of the new Civil Society Facility, including the 'People 2 people' visitor programme, the setting up in the first half of 2009 of technical support offices in each country, and support schemes to civic partnerships in the areas such as environment, energy efficiency, health and safety at work, as well as the fight against corruption, organised crime and trafficking. Under IPA 2009 support schemes to civil society partnerships will give priority to Sectors such as culture, minorities and business associations.

Ensuring public support remains a crucial goal for the EU enlargement policy. It is important for authorities in the member states to foster public understanding of what is at stake in the enlargement process. Partner countries need to play their part in explaining to their own citizens the conditions for progress towards the EU. The Commission will continue to treat enlargement as a priority area of its communication policy and will carry out further actions to support and complement their efforts by providing factual information and encouraging debate among key opinion formers.