

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Enlargement Strategy and Main Challenges 2012-2013

1) INTRODUCTION

The enlargement policy of the EU has been pursued for more than four decades. Successive accessions have seen the number of members gradually increase from the original six to 27. Croatia is due to become the 28th member on 1 July 2013; Serbia gained candidate status in March; accession negotiations with Montenegro began in June. Through its enlargement policy, the EU has, since its inception, responded to the legitimate aspiration of the peoples of our continent to be united in a common European endeavour. More than three quarters of the EU's Member States are former "enlargement" countries.

At a time when the EU faces major challenges and significant global uncertainty, enlargement policy continues to contribute to peace, security and prosperity on our continent. Within a framework of strict but fair conditionality, the prospect of accession drives political and economic reforms, transforming societies and creating new opportunities for citizens and business. At the same time, enlargement reinforces the Union's economic strengths.

The most recent enlargement to include the countries of Central and Eastern Europe not only united East and West after decades of artificial separation. It provided mutual benefits of deeper trade integration, a larger internal market, economies of scale and expanded investment and job opportunities.

Strengthening the rule of law and democratic governance is central to the enlargement process. The lessons learnt from previous enlargement highlight the importance of an increased focus on these areas. This underpins and further promotes stability in a region recently scarred by conflict and supports the creation of an environment in south-east Europe conducive to growth and attracting investment, increased regional cooperation and dealing with common challenges such as the fight against organised crime and corruption. It addresses issues of direct concern to citizens in both the EU and the enlargement countries of justice, security and fundamental rights. With the Council's endorsement in June of the Commission's proposed new approach to judiciary and fundamental rights and justice, freedom and security as part of the negotiating framework for Montenegro, the rule of law is firmly anchored at the heart of the accession process, laying the foundation also for future negotiations.

The present difficulties in the *Eurozone* have dominated the EU political agenda over the past year. Together with the recent global financial crisis this has highlighted the interdependence of national economies both within and beyond the EU. It is crucial in this context to guard against any introversion – either within the EU or in the enlargement countries - that would jeopardise the EU's interests. The challenges facing the Eurozone underline the importance of further consolidating economic and financial stability and fostering reforms and growth, also in the enlargement countries. The enlargement process is a powerful tool to that end. A stronger, enlarged EU will be better placed to address these challenges. The dynamism of the

Turkish economy for example, Turkey's geopolitical role, its contribution to energy security and its young population represent an opportunity for both Turkey and the EU in a context of an accession perspective.

Addressing risks of instability in the Western Balkans is manifestly in our joint interest, given the legacy of war and division which has plagued this region. Enlargement to the Western Balkans is an investment in stability also in the EU's wider neighbourhood. It helps avoid the potentially far higher costs of dealing with the consequences of instability. The need for stability and democracy in south-east Europe has taken on a new dimension in view of the events of the Arab Spring. By exercising leadership in stabilising its neighbourhood, the EU can reap the benefits of a stronger continent, demonstrating its continued capacity as a global actor.

The renewed consensus on enlargement, agreed by the December 2006 European Council, remains the basis for the EU's enlargement policy. This policy is based on the principles of consolidation of commitments, fair and rigorous conditionality and good communication with the public, combined with the EU's capacity to integrate new members. The current enlargement agenda covers the Western Balkans, Turkey and Iceland.

Maintaining the credibility of the enlargement process is crucial to its success. This applies in terms of ensuring far reaching reforms are pursued in enlargement countries so that they meet the established criteria, in particular the Copenhagen criteria. It also applies in terms of maintaining the support of Member states. In this context the principle of own merits is key. The pace at which each country advances towards membership depends on its performance in meeting the necessary conditions.

The imminent accession of Croatia, the start of accession negotiations with Montenegro and candidate status for Serbia show that the EU delivers on its commitments once the conditions are met. These positive developments also send a strong signal of the transformative power of enlargement and what is possible in an area riven by war just half a generation ago. They act as an incentive and encouragement to all the countries of the region to step up their own preparations for eventual EU membership. The accession process is at times negatively affected by bilateral issues. This applies for example to the dispute over the name of the former Yugoslav Republic of Macedonia, despite the progress made by this country. The EU has consistently proclaimed the inclusiveness of its policy towards the Western Balkans, with successive European Councils confirming that the future of the whole region lies within the EU. The Stabilisation and Association process remains the common framework for the necessary preparations.

[There have been a number of further positive developments on EU-related reforms in the enlargement countries over the past year. Accession negotiations were launched with Montenegro. Serbia achieved candidate status. In the former Yugoslav Republic of Macedonia, positive results have been achieved and the High Level Accession Dialogue has led to a sharper focus on reforms by the authorities. Dialogue between government and opposition in Albania has allowed the political stalemate to be largely overcome with the adoption of electoral and parliamentary reforms. [The dialogue between Belgrade and Pristina resumed after the hiatus following the elections in Serbia.] Accession negotiations with Iceland are progressing well. Turkey has shown continued commitment to EU accession

through its active support of the new positive agenda announced last year and launched by the Commission in May 2012.

At the same time, reforms are still pending in a number of countries. Good governance, the rule of law, administrative capacity, unemployment, economic reform and social inclusion remain major challenges in most countries, in particular in Bosnia and Herzegovina and Kosovo¹. There is often a need to take more responsibility for reforms and to muster the necessary political will to move forward. Strengthening freedom of expression and independence of the media remains a major challenge, particularly in Turkey. As regards the accession negotiations with Turkey, it has regrettably not been possible to open a new negotiating chapter for two years.]

This communication assesses the current state of the European Union's enlargement agenda. Based on the accompanying in-depth country analyses², it takes stock of what these countries have achieved preparing for membership, where they stand today, assesses their prospects for the coming years and in this regard makes a number of recommendations. As in previous years, a number of key challenges are given particular attention, as is the support provided by the EU to the enlargement countries, including through the Instrument for Pre-Accession Assistance.

2) KEY CHALLENGES

2.1 Putting the rule of law at the centre of enlargement policy

The experience of recent enlargements and the challenges faced by enlargement countries underline the importance of placing the rule of law even more at the heart of enlargement policy. A new approach to negotiations in the area of judiciary and fundamental rights and on justice, freedom and security was proposed in last year's strategy paper and endorsed by the Council. This approach has now been reflected in a negotiating framework adopted in June 2012 for negotiations with Montenegro, firmly anchoring the rule of law at the centre of the accession process and laying the foundations also for future negotiations.

Countries aspiring to join the Union must demonstrate their ability to strengthen the practical realisation of the values on which the Union is based at all stages of the accession process, and establish and promote from an early stage the proper functioning of the core institutions necessary for democratic governance and the rule of law, from the national Parliament through Government and the judicial system, including the courts and public prosecutor, and law enforcement agencies.

There are a number of key challenges facing most enlargement countries in these areas:

As regards the *judicial system*, countries must ensure that it is independent, impartial and accountable and that it functions efficiently. In this respect, judicial reform strategies are now in place in most countries. Progress was made with strengthening the independence of State Judicial Councils and in some cases with new procedures for judicial appointments. However,

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

² Summaries and conclusions of the country reports are included as an annex to the present Communication.

numerous challenges remain, in particular to ensure stronger procedures for the appointment of judicial officials, to find the right balance between judicial independence and accountability, including addressing the issue of judicial immunity, and to reduce in many cases excessive case backlogs. Enforcement of court decisions remains a challenge. In addition to legislative and administrative reforms, in many cases a change in judicial culture is needed towards an increased focus on delivering a service for citizens.

Corruption remains prevalent in most enlargement countries. Corruption undermines the rule of law, impacts negatively on the business environment and national budgets and affects citizens' everyday life in areas such as healthcare and education. Countries must ensure a strong framework for the prevention of corruption, in particular in terms of greater transparency in public bodies and the use of public funds. Law enforcement bodies need to be pro-active, well co-ordinated and effective so as to ensure corruption cases, including at high level, are properly investigated, prosecuted and sanctioned. In many enlargement countries further efforts are needed as regards the financing of political parties and election campaigns, the management of conflicts of interest, transparency in public procurement and access to information. In some cases specialised prosecutions services, [also covering organised crime], have been set up and are working well. Much work lies ahead to build up the necessary track records. Building reliable statistics is needed to help monitor the success of anti-corruption policies.

The *fight against organised crime* remains a key priority and signifies a major problem in most enlargement countries. The cross border nature of many criminal activities requires strong cooperation between law enforcement and judicial bodies in the region, with EU Member States and internationally. Law enforcement bodies need to be provided with effective legal and investigative tools to properly fight and sanction organised crime. Progress is being made, but in most countries much more needs to be done to ensure proactive investigations, effective judicial follow-up and enhanced national and international cooperation. The Commission continues to support a regional prosecutors' network which will be assisted by seconded experts from Member States. Further operational cooperation with the relevant European agencies, in particular Europol should be pursued.

Public administration reform continues to be a key priority under the political criteria in most enlargement countries. As an essential part of democratic governance and the rule of law, it aims at enhanced transparency, accountability and effectiveness and greater focus on the needs of citizens and business. Adequate administrative procedures, including with respect to human resource and public financial management, are of fundamental importance for the functioning of the State and for implementing the reforms needed for EU integration. Countries need to increase their efforts to improve their public administrations at all levels on the basis of overall national strategies. Recognising the challenges faced by the enlargement countries, the Commission will strengthen its assessment and monitoring capability, identifying key gaps and providing help in planning, priority setting and implementation of reforms.

Civil, political, social and economic rights, as well as the rights of persons belonging to minorities are key issues in most enlargement countries. These *fundamental rights* are broadly guaranteed in law but issues concerning implementation persist in many cases. In some cases legislative gaps remain, for example as regards the scope of anti-discrimination legislation. In many cases national human rights institutions such as Ombudspersons require significant strengthening, as does the law enforcement bodies' handling of issues such as hate crimes and

gender based violence. General societal attitudes to vulnerable groups such as ethnic minorities and LGBT persons remain a common problem.

The enlargement countries are characterised on the whole by pluralist media landscapes. In some countries there has been progress towards decriminalising libel. However, in a number of countries, *freedom of expression* remains a serious concern, with political interference, economic pressure, self-censorship and insufficient protection of journalists against harassment or even violent attacks. In Turkey in particular, the legal framework does not yet sufficiently safeguard freedom of expression. The high number of legal cases and investigations against journalists and undue pressure on the media raise serious concern.

In view of the challenges persisting in this area, the Commission plans to hold a follow-up in the first half of 2013 to the May 2011 "Speak Up" conference. This event should bring together media and civil society stakeholders from the Western Balkans and Turkey in order to discuss the extent to which governments are addressing key priorities to reach European standards in the field of freedom of expression. The Commission will continue to work closely with the European Parliament in this area. These issues will continue to be given prominence in the accession process.

Given the challenges faced and the longer-term nature of the reforms, the chapters judiciary and fundamental rights and justice, freedom and security will be tackled early in the negotiations to allow maximum time to establish the necessary legislation, institutions, and solid track records of implementation before the negotiations are closed. They will be opened on the basis of action plans to be adopted by the national authorities. The Commission will provide substantial guidance in its screening reports to support the elaboration of these action plans by the candidate country. An innovation is the introduction of interim benchmarks which will be set when negotiations are opened. Only once these are met will the Council lay down closing benchmarks.

In this way, negotiations will be conducted in a structured framework that takes into account the time needed for reforms to be properly implemented and for solid track records to be developed. The process will be accompanied by safeguards and corrective measures, to allow for example the updating of benchmarks and to ensure an overall balance in the progress of negotiations across chapters. The new approach also foresees greater transparency and inclusiveness in the negotiations and reform process, with candidates encouraged to develop their reform priorities through a process of consultation with relevant stakeholders to ensure maximum support for their implementation. The Commission will further focus its monitoring on progress achieved in these areas. IPA funds will continue to be targeted to support reform implementation.

Strengthening the rule of law, including public administration is essential for enlargement countries to come closer to the EU and eventually to fully assume the obligations of membership. Even before accession negotiations begin, increased focus is being put on rule of law in the spirit of the new approach. Screening of the key rule of law chapters was initiated even before overall negotiations with Montenegro began. The other candidate countries, the former Yugoslav Republic of Macedonia and Serbia, were also invited to the explanatory screening sessions. The key priorities set out as conditions for the opening of accession negotiations with Albania are heavily focused on the rule of law. Rule of law issues are central to the various country specific initiatives launched by the Commission in the last year which are set out under part 3 of this Communication.

2.2. Regional cooperation and reconciliation in the Western Balkans

Regional cooperation and good neighbourly relations are essential elements of the Stabilisation and Association process and, as such, are closely monitored by the Commission at all stages of the accession process. Further progress has been achieved in this respect in the last year. Bilateral and multilateral contacts between leaders and politicians of the region have continued, also in sensitive areas such as war crimes, borders, refugee return, organised crime and police cooperation, and within regional fora such as the Energy Community, the European Common Aviation Area, the Central European Free Trade Area (CEFTA) and the Regional School of Public Administration. A new Secretary General of the Regional Cooperation Council (RCC) was appointed. The Commission looks forward to the RCC further developing its role in regional cooperation as a platform for the promotion of issues of importance to the whole region and its EU perspective thus further mainstreaming regional cooperation in the countries' political agenda. Serbia's interpretation of the agreement on regional cooperation and representation of Kosovo was eventually clarified and, subject to implementation, should now no longer hamper the inclusiveness of regional cooperation. [to be updated].

Disputes related to inter-ethnic or status issues, notably in Bosnia and Herzegovina and Kosovo, continue to hinder the functioning of institutions, frustrating the reform process, sometimes with broader regional implications. Pursuing their EU path is the best way for the countries to address these problems. Difficult ethnic-related issues can be successfully addressed through dialogue and compromise, as demonstrated by the on-going implementation of the Ohrid Framework Agreement in the former Yugoslav Republic of Macedonia. Differences over the status of Kosovo have continued to hamper the development of deeper relations with the EU. The issue of north Kosovo remains a major challenge. Progress on these issues will require all actors involved to work together in a constructive spirit.

[New results were reached in the *Belgrade-Pristina dialogue* with agreements in the areas of regional cooperation and representation and integrated management of Border/boundary crossing points. These agreements have yet to be implemented. Implementation of other agreements reached in the areas of freedom of movement, cadastre, civil registries, customs stamps and mutual acceptance of diplomas was uneven and have had so far limited impact on the ground. Further progress in this dialogue must be achieved as a matter of urgency. TBC]

Positive voices calling for *reconciliation* are resonating more deeply among the population at large, laying stronger foundations to deal with war legacy issues such as war crimes, refugees and inter-ethnic tensions. Initiatives by NGOs and civil society such as the Youth Initiative for Human Rights, the Truth and Reconciliation Commission (RECOM), and the Igman Initiative play an important role in enhancing reconciliation among the citizens of the region and should be supported. Nonetheless, vigilance will still be required in the years to come to guard against nationalist reflexes. Governments and political leaders in particular need to do more to foster an environment conducive to dealing with the past. Those issues stemming from past conflicts, together with other open bilateral issues remain key challenges to stability in the Western Balkans and need to be urgently addressed. Resolving these issues will remove a major impediment to the Western Balkans' course towards the EU.

In terms of *war crimes*, completing the process of rendering justice for crimes committed during the wars in the former Yugoslavia is essential for lasting reconciliation. Cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) has continued.

This follows earlier decisive steps by the countries of the region providing a good basis for the ICTY to complete its work, even if some trials may continue past the previously indicated completion date of December 2014. With the work of the ICTY winding down, the governments concerned still face major challenges tackling impunity for war crimes within their own jurisdictions. With political will, increased focus of resources, further regional cooperation, and resolution of problems with the extradition of own nationals, the countries of the region can ensure justice is done for the thousands of victims of the wars. The issue of missing persons remains to be fully addressed. The Commission fully supports the on-going EULEX investigation into the alleged crimes, including human organ harvesting, committed in the period during and after the conflict in Kosovo addressed in the Martyr report endorsed by the Parliamentary Assembly of the Council of Europe.

A ministerial declaration of Serbia, Croatia, Bosnia and Herzegovina and Montenegro was signed in November 2011 in Belgrade renewing political commitment to bring to a close the Sarajevo process on *refugee return*. A Regional Housing Programme was agreed and presented at an international Donors' Conference in April 2012, at which the EU and the international community pledged further substantial financial support. National authorities need to ensure implementation of this programme, which aims to facilitate sustainable return of refugees to their places of origin or local integration in the place of refuge. This would allow the final reception centres housing IDPs and refugees from the region to be closed and the formal deregistration of the current 74,000 remaining refugees completed.

Issues related to *minorities* remain a key challenge in the Western Balkans. Overall, sound and elaborate legal frameworks are in place to provide for the protection of minorities. At the same time, implementation in practice is often complicated, in particular where there are links to recent conflicts. The Roma remain particularly disadvantaged across the region. The Commission will continue to support measures in this regard, including under the Roma Decade. Countries should implement the operational conclusions they have subscribed to at the Roma seminars held by the Commission in 2011. A general culture of acceptance of minorities needs to be encouraged, through education, activation of broad public debates and awareness raising. There is a need to deal proactively with cases of hate crime and discrimination.

Open *bilateral issues* need to be addressed by the parties concerned as early as possible during the enlargement process, with determination, in a good neighbourly spirit and taking into account the overall EU interests. There has been little progress on such issues over the past year. The Commission urges parties to make every effort towards solving outstanding disputes in line with established principles and means, including referring issues as appropriate to the International Court of Justice or other existing or ad hoc dispute settlement bodies. Bilateral issues should not hold up the accession process. The Commission stands ready to facilitate the creation of the necessary political impetus in the search for solutions and to support related initiatives. The border arbitration agreement between Slovenia and Croatia, the implementation of which began in the course of 2012, paves the way for solving this bilateral issue and is a good example of the way forward. The Commission underlines the importance of Croatia's declaration on promoting European values in South-East Europe and in particular Croatia's commitment that bilateral issues should not obstruct the accession process of candidate countries. As regards the former Yugoslav Republic of Macedonia, the International Court of Justice found that Greece had breached its Interim Accord with the country by objecting to its admission to NATO at the Bucharest Summit in 2008. The Commission underlines that a negotiated and mutually acceptable solution, under the auspices

of the UN, to the dispute over the name of the country remains essential. A solution needs to be found without delay.

2.3. Economic challenges

Strengthening economic recovery in the enlargement countries

There is a mixed picture in terms of socio-economic developments in the enlargement countries. All enlargement countries have largely maintained overall macro-economic stability but fiscal risks have increased significantly in a number of them. While most countries do not have high levels of national debt or weak banks, the impact of the economic crisis is being felt throughout the region, with the Western Balkans falling back into recession in conditions of low levels of competitiveness, income and investment and high and rising unemployment.

The growth performance of the Turkish economy can be attributed to a large extent to reforms initiated well before the global crisis. Nevertheless, to sustain growth and further strengthen the economy much remains to be done. The positive momentum in the Turkish economy provides an opportunity to engage in further structural reforms, particularly in the areas of education, infrastructure, and labour market policy.

Following the collapse of the banking system, the Icelandic economy contracted in total by 12%. Recovery, based on both exports and strong domestic demand, started in 2011 and continued this year. Stabilisation of the economy was achieved through decisive restructuring and strengthening of the banking sector, consolidation of public finances and a prudent policy mix, albeit under the shelter of capital controls whose removal remains a challenge.

After slight recovery in 2010 and 2011, the majority of economies of the Western Balkans contracted again in 2012, following negative developments in the European Union. Croatia, Bosnia-Herzegovina and Serbia are back in recession. Albania, Kosovo and the Former Yugoslav Republic of Macedonia are weathering the unfavourable conditions better. They continued growing as they have been able to sustain domestic demand and are less affected by reductions in trade. The financial sector has remained stable in all countries, although the quality of the loan portfolio has been further deteriorating. The commitment of international banks (under the auspices of the EBRD/Vienna process 2.0) to prevent a disorderly deleveraging from the Western Balkans by overstretched western European banks is appreciated and ensures needed stability in the local banking system.

The protracted depression has most visibly aggravated already difficult social conditions. Unemployment continued rising and is now on average 21% in the Western Balkans, reaching above 35% in Kosovo. The rate is much higher among the young. More worrying still, favourable results in poverty reduction from the pre-crisis period are being reversed. The emerging middle class especially has become more vulnerable, with depleted household financial buffers and savings. Various opinion polls suggest that people's dissatisfaction with the economic and social situation is growing as they can no longer afford basic goods and services. These trends, coupled with weaker growth this year or even a new recession, suggest a need for a much more pro-active policy response to alleviate deteriorating social conditions including unemployment and poverty for instance by investing better in the social sector and encouraging foreign investments, thus supporting job creation.

There is awareness of the need of priority reforms and measures for growth and jobs. However, the political commitment to implement these reforms is often too weak. Revenue collection, budget planning and budget execution have not improved sufficiently over the years. Budget transfers remain ill targeted and do not contribute to improving the social situation. Labour markets remain largely unreformed and vocational education systems do not contribute to reductions in skills mismatch. As a result, workers often seek jobs abroad, contributing to the economy through remittances instead of fostering domestic production. On the microeconomic level, many countries have implemented reforms to facilitate company creation or have developed schemes to attract foreign investors, but the business environment remains hampered by the weak rule of law and the large informal sector.

The EU is committed to continue assisting the countries with policy advice and financial assistance and works closely with IFIs to channel favourable loans towards priority areas.

The Commission will also continue associating enlargement countries with the Europe 2020 strategy, particularly through improved participation in EU programmes. Regional policy groups and the RCC made good progress in adapting the Europe 2020 process to the regional needs and realities. This year, ministers responsible for trade and investment committed to regularly benchmark policies in the areas of regional trade, private research, entrepreneurship and employment creation. The Commission will support these joint reform efforts and the regional monitoring approach, including with IPA funds.

Enhanced regional economic cooperation can contribute to moderating the effects of the crisis. Regional trade represents on average around 17% of all trade in the region. Flows among CEFTA countries have been less affected by the crisis and have recently been recovering faster than trade with the EU. However, trade is dominated by food and commodities, with higher value added goods making up only a small share of trade flows. CEFTA has engaged in the process of liberalisation of selected services, which can provide all parties with important benefits. Integration of energy and transport markets is making the region more competitive and is creating the conditions to attract investors to these areas.

The Western Balkans Investment Framework (WBIF) was created to bring together national donors and IFIs to develop a pipeline of projects in the countries. Under the WBIF, the Commission, bilateral donors and IFIs are supporting €8 billion worth of investments in transport, energy, the environment, social sector and private sector / SME development. The WBIF will play an increasingly important role to help steer those investment decisions most needed for boosting growth and jobs.

EU economic governance and enlargement countries

In view of the far reaching changes to the economic governance of the EU underway, it is important to inform and associate enlargement countries to this process, also considering their current high level of economic integration with the EU.

The European Commission has a number of instruments to keep enlargement countries informed about developments in EU economic policies. These include the regular bilateral political and economic dialogue as well as the multilateral economic dialogue between the Commission, EU Member States and Candidate Countries in the context of pre-accession fiscal surveillance.

The Commission will gradually adapt the economic surveillance of enlargement countries to the enhanced economic governance in the EU. To this end, the countries will be asked to strengthen their medium-term economic programmes, by putting more emphasis on the sustainability of their external position and on the main structural obstacles to growth, in line with the Europe 2020 strategy. More emphasis will also be given to further strengthening national fiscal frameworks, which need to comply with quality standards. The candidate countries will be asked to take strong political commitments to follow up on the agreed recommendations in the annual joint ECOFIN meeting. The joint ECOFIN meeting and SAA fora will be used to inform the candidate countries of other developments that are shaping EU economic governance.

Future screening meetings will also be used to explain changes in obligations under economic and monetary union legislation, as well as the new financial supervision architecture. The Commission will examine the possibility of inviting to these meetings candidate countries with which negotiations have not yet started. The Commission may also organise additional screening meetings in the course of accession negotiations where significant new *acquis* has been adopted. On the bilateral level, the Commission will examine the possibility of more targeted use of SAA meetings to tackle the issues of competitiveness and employment. In line with the Europe 2020 approach, the enlargement countries are encouraged to consider national targets in the fields of employment, innovation, climate change/energy, education and social inclusion.

3) MAINTAINING THE ENLARGEMENT MOMENTUM

The enlargement countries face many challenges especially in fields such as the rule of law, corruption, organised crime, and the economy. In addition, in a context of economic stagnation, there are risks of a lurch towards populism and resistance to essential reforms. In the Western Balkans in particular it is crucial that the countries remain firmly on the path of reform, leaving the legacy of the past behind and investing in their European future. The EU shares an interest in the successful implementation of reforms. Enlargement is a joint endeavour. Maintaining the momentum for enlargement as well as for reforms are two sides of the same coin.

The Commission is increasingly seeking innovative approaches to deal with challenges arising in the enlargement countries and in the accession process. The criteria and conditions for membership remain the same. However, in many areas country-specific, tailor-made approaches to dealing with difficult situations, including blockages in the accession process, are necessary. This applies not only to the rule of law and public administration reform challenges that the enlargement countries are facing, but also as regards democratic strengthening, good governance and economic issues. Such initiatives do not replace accession negotiations but form a bridge to them.

Building on the 2011 Strategy paper for Enlargement and the Council conclusions of December 2011, a positive agenda for EU-Turkey relations was launched in May 2012, with the aim of supporting the accession negotiation process, in line with the Negotiating Framework and the relevant Council conclusions. The agenda covers a broad range of areas of common interest including political reforms, foreign policy dialogue, alignment with the EU *acquis*, visas, mobility and migration, trade, energy, the fight against terrorism and participation of Turkey in EU programmes.

With the former Yugoslav Republic of Macedonia, a High Level Accession Dialogue (HLAD) was launched in March 2012 in Skopje. The HLAD put EU integration to the forefront of the domestic agenda, giving it a new boost by ensuring a structured, high level discussion on the main reform challenges and opportunities. The key issues include freedom of expression, rule of law and ethnic relations, challenges for electoral reform, public administration reform and the strengthening of the market economy. The Government is making progress addressing the ambitious reform targets included in its roadmap defining the specific measures and time frame for their delivery.

In Albania, the Commission has worked closely with the government and opposition to help this country overcome political obstacles to further electoral and parliamentary reforms and to create an environment conducive to further progress, in particular in support of the EU agenda. This allowed for a revision of the action plan addressing the Commission Opinion's key priorities in a transparent and participatory process. With the EU agenda at the forefront of Government activity, concrete results are being achieved with the deliverables set out in the plan, including in the area of parliamentary and electoral reform, the rule of law and human rights.

With Bosnia and Herzegovina, a High Level Dialogue on the Accession Process (HLDAP) was launched in Brussels in June 2012. This initiative aims to help the country to move forward in the EU accession process by explaining the requirements and the methodology of accession negotiations and, concretely, what is expected from a country in the EU accession process. It is meant to keep up the political momentum on the EU agenda despite the on-going political crisis. The June meeting resulted in joint conclusions and a Roadmap for EU integration aimed at meeting the conditions for the entry into force of the Stabilisation and Association Agreement (SAA) and for a credible EU membership application. This required a co-ordination mechanism between all competent levels of authority regarding EU matters, so that the country can speak in this respect with one voice. The Commission regrets that the results so far remain below expectations. The Structured Dialogue on Justice launched with Bosnia and Herzegovina in 2011 has positively impacted the implementation of the Justice Sector Reform Strategy (JSRS) 2009-2013.

The European Commission and Kosovo launched a Structured Dialogue on the Rule of Law in May 2012. This Dialogue is designed to help Kosovo address challenges in the field of the rule of law, which is a key concern for the Western Balkans as a whole. At this stage, the Commission will focus on the judiciary, the fight against organised crime and corruption.

The Commission will continue to pursue these and other initiatives with the aim of maintaining the momentum and transformative power of the accession process, and ensuring the responsiveness of enlargement policy.

4) PROGRESS IN THE ENLARGEMENT COUNTRIES AND THE WAY FORWARD 2012-13

4.1 Western Balkans

Croatia

In parallel to this Communication, the Commission has adopted a Communication on the main findings of the comprehensive monitoring report on Croatia's state of preparedness for

EU membership. The Commission will continue to monitor the commitments made in the course of accession negotiations by Croatia until the date of accession, with a final monitoring report foreseen for spring 2013.

Montenegro

On 28 June 2012, the European Council endorsed the decision of the Council, based on a Commission report, to open accession negotiations with Montenegro. Negotiations were subsequently opened at the first Inter-Governmental Conference on 29 June. The accession negotiations will be conducted in line with the negotiating framework adopted by the Council which integrates the new approach for the chapters on judiciary and fundamental rights and justice, freedom and security, thereby reinforcing the focus on the rule of law in the course of negotiations.

The opening of accession negotiations reflected Montenegro's continued progress on key reforms. Montenegro sufficiently meets the political criteria. The legislative and institutional framework and policies have been improved with a view to strengthening the functioning of the parliament, the judiciary, anti-corruption policy, human rights and protection of minorities. The on-going constitutional and public administration reforms have further advanced. Montenegro continued to implement its obligations under the Stabilisation and Association Agreement (SAA) smoothly. It has continued to play a constructive role in the region and to respect its international commitments.

Montenegro needs to further develop a track record in the area of rule of law, in particular with respect to high-level corruption and organised crime cases. Given the small size of the Montenegrin administration, putting in place the necessary administrative capacity to implement the *acquis* will also be a cross-cutting challenge.

In line with the new approach and following the invitation of the European Council of December 2011, the Commission already initiated the screening of the chapters on judiciary and fundamental rights and on justice, freedom and security in spring 2012. Screening of the other chapters began in September 2012 and is expected to finish in summer 2013.

The Commission will continue to support Montenegro in implementing EU-related reforms.

The former Yugoslav Republic of Macedonia

The former Yugoslav Republic of Macedonia was granted candidate status in 2005. In 2009, the Commission assessed that the country sufficiently met the political criteria and recommended the opening of negotiations. This recommendation was reiterated by the Commission in 2010 and 2011 and now in 2012. The Commission strongly believes that moving the accession process of this country to its next stage is necessary to consolidate reforms, in particular as regards the rule of law, in order to ensure their sustainability as well as to strengthen inter-ethnic relations. The region as a whole would benefit.

The country continues to fulfil its commitments under the Stabilisation and Association Agreement (SAA). The Commission maintains its proposal to move to the second stage of the association and encourages the Council to act on this without further delay, in line with the relevant provision of the SAA.

The country continues to sufficiently meet the political criteria. The government has substantially reinforced its commitment to the EU agenda and has made further progress in EU related reforms, notably by addressing the ambitious reform targets established through a High Level Accession Dialogue with the Commission. The legislative framework for elections and the voters' register has been improved and inter-community dialogue has been strengthened through a stock-taking report on the Ohrid Framework Agreement which builds a consensus on the results achieved and the challenges ahead. [In the area of freedom of expression, defamation has been decriminalised. TBC]

The reform momentum needs to be sustained in all areas of the political criteria in particular to ensure implementation. In particular, the rule of law, including as regards freedom of expression, needs to be strengthened. The roundtable process of dialogue between the government and the Association of Journalists should continue to be a useful forum for addressing key challenges relating to the media. Tension between communities following violent incidents caused concern. The government responded with maturity to this challenge and needs to build on this to further strengthen inter-ethnic relations and reconciliation. [TBC in light of HLAD]

As we approach the 20th anniversary of the entry of the former Yugoslav Republic of Macedonia into the United Nations, the dispute over its name with Greece remains unresolved. A dialogue under the auspices of the UN has been on-going since the 1990s and it is complemented since 2009 by bilateral contacts, including at Prime Ministerial level. However, these processes have so far not yielded any results. In December, the International Court of Justice found that Greece had breached its Interim Accord with the country by objecting to its admission to NATO at the Bucharest Summit in 2008. Maintaining good neighbourly relations, including a negotiated and mutually acceptable solution to the name issue, under the auspices of the UN, remains essential. A solution needs to be found without delay. Actions and statements which could negatively impact on good neighbourly relations should be avoided.

Serbia

The European Council of March 2012 granted Serbia the status of candidate country.

The stability and functioning of institutions was ensured in the lead up to as well as in the aftermath of elections held at presidential, parliamentary and local level and in Vojvodina. Despite a slowdown of legislative activity in the electoral context, some progress was noted in the implementation of reforms in most areas. Serbia maintained full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY). Serbia is implementing smoothly its obligations under the Interim Agreement/Stabilisation and Association Agreement. Provisional results were reached in the dialogue with Pristina, but implementation of agreements reached was uneven. Serbia's interpretation of the agreement on regional cooperation and representation of Kosovo was eventually clarified and, subject to implementation, should now no longer hamper the inclusiveness of regional cooperation {to be updated}. Serbia's new leadership has underlined its commitment to implement all agreements already reached in the dialogue with Pristina as well as to begin tackling the broader political issues. Fulfilment of this commitment is key to unlocking the next phase of Serbia's EU integration. [to be updated]

Serbia is well on its way to sufficiently fulfilling the political criteria and the conditions of the Stabilisation and Association process. In this regard, the momentum of reforms needs to be maintained and further progress made towards a visible and sustainable improvement of relations with Kosovo. Serbia is encouraged to pay particular attention to the rule of law, notably judicial reform, to the autonomy of key institutions such as the Central bank, and to continue its constructive engagement in regional cooperation and strengthen relations with neighbouring countries.

With a view to recommending that negotiations for accession to the European Union should be opened with Serbia, and in line with the Council Conclusions of 5 December 2011, the Commission will present a report as soon as it will have assessed that Serbia has achieved the necessary degree of compliance with the membership criteria and the conditions of the Stabilisation and Association process, and in particular the key priority related to Kosovo, as set out in the Council conclusions. A visible and sustainable improvement of relations between Serbia and Kosovo is needed which will safeguard that both can continue their respective paths towards the EU, while avoiding that either can block the other in these efforts.

Albania

The political agreement of November 2011 between ruling majority and opposition marked the end of a long period of political stalemate stemming from the 2009 parliamentary elections. This agreement set out to address electoral and parliamentary reform and to create the political climate for joint reform efforts in other areas. As a result, political dialogue and cooperation has improved considerably allowing for progress in core reform areas. The Presidential elections were conducted in line with the constitution, but the political process surrounding the elections did not contribute to the positive cross-party dialogue launched in November. Despite short episodes of confrontational rhetoric between the government on the one hand and the opposition and other state institutions on the other and a temporary slow-down in reforms, the political agreement has been fully implemented.

Albania has made good progress towards fulfilling the political criteria for membership of the EU, delivering a number of reforms against the key priorities of the Commission's 2011 opinion. Overall, Albania has continued to implement the Stabilisation and Association Agreement smoothly and to play a constructive role in the region. Cross-party dialogue allowed good progress to be achieved in key political reform areas such as the adoption of electoral and parliamentary reforms (tbc) as well as the adoption of pending laws requiring a reinforced majority, the appointment of the Ombudsman and the hearing and voting process in Parliament for high court appointments, leading to the fulfilment of the relevant key priorities. Good coordination of the EU integration process by government and effective cooperation by the opposition allowed some progress on implementing the justice reform, by reforming the immunity system of public officials and judges and introducing reforms in the High Court (tbc). Progress was also achieved in fighting organised crime, anti-discrimination policies, improvement of the treatment of detainees, as well as property reform and women's rights.

Albania needs to build on this progress in view of the significant challenges ahead and to accelerate the reform of the judiciary and the fight against corruption and to take concrete steps in view of completing public administration reform and the reform of property rights and further strengthening of independent institutions.. Further attention to implementation is still required, notably as regards the living conditions of the Roma community. Continuing

political dialogue on reform remains necessary for the smooth functioning and further strengthening of the country's democratic institutions. Parliamentary elections in Spring 2013 will be an important test of the new electoral law and of continued cross-party commitment to reform. Maintaining the reform momentum, with particular focus on implementation of legislation and policies in the area of rule of law, will be essential.

Bosnia and Herzegovina

The establishment of the executive and legislative authorities was completed with the agreement on a State-level Government after sixteen months of political stalemate following the October 2010 general elections. The formation of the new Council of Ministers and the adoption of two key EU-related laws initially produced a shift of focus towards EU integration. This momentum was not maintained, however. The political consensus that had emerged was lost and progress on the EU agenda stalled. A reshuffle of State, Federation and canton governments has begun but remained blocked by legal and constitutional challenges. [The municipal elections of 7 October were assessed by OSCE/ODIHR as being generally in line with international standards for democratic elections, despite the fact that local elections for Mostar city council were not held. NB: to be updated, incl. with regard to Srebrenica]

Bosnia and Herzegovina has made limited progress towards meeting the political criteria. There has been little progress in achieving more functional, coordinated and sustainable institutional structures.

A shared vision among the political representatives on the overall direction and future of the country and its institutional set-up for a qualitative step forward on the country's EU path remains absent.

The need for an effective coordination mechanism between various levels of government for the transposition, implementation and enforcement of EU laws remains to be addressed as a matter of priority so that the country can speak with one voice on EU matters and make effective use of the EU's pre-accession assistance. To that effect, a High Level Dialogue on the Accession Process (HLDAP) was launched in Brussels on 27 June.

An internal Roadmap on EU integration aimed at meeting the conditions for the entry into force of the Stabilisation and Association Agreement (SAA) and for a credible membership application, as defined by the relevant Council Conclusions, was agreed but the timeline for a political agreement to amend the Constitution to comply with the European Court of Human Rights (ECtHR) decision in the Sejdic-Finci case by 31 August was not met. In August, three political parties submitted to the Parliamentary Assembly separate but uncoordinated proposals to amend the Constitution. The persistent delay in harmonising the Constitution with a European Court of Human Rights' ruling on ethnic discrimination regarding representation in the institutions of the country remains an issue of serious concern. To fulfil the country's obligations under the IA/SAA, a credible process must be put in place for addressing the ECtHR decision and the implementation of the country's State Aid obligations is also required.

Bosnia and Herzegovina's governance continues to involve an international presence with an executive mandate. The Peace Implementation Council Steering Board (PIC SB) has set objectives and conditions to be met for the closure of the Office of the High Representative[2]. In May, the PIC SB endorsed the decision of the High Representative to suspend supervision and close the office in Brcko on 31 August following the substantial progress achieved in the

implementation of the Brcko Final Award. The Brcko office was subsequently closed on 31 August. The EU opened offices in Brcko, Mostar and reinforced the existing office in Banja Luka.

Following the decoupling of the European Union Special Representative (EUSR) mandate from the Office of the High Representative, the enhanced presence Head of the EU Delegation /EUSR has taken the lead in a number of areas to implement the objectives of the EU agenda. In this regard, the EU will continue to strengthen its support for the country's institutions.

Significant further efforts are needed to meet the remaining requirements, to facilitate the transition from a country with an international system of governance and security towards a country with domestic institutions in full ownership of its political and legislative process- in line with the requirements for a country aspiring to become a member of the EU. Overarching these issues is the need for a stable political environment with the EU agenda at the heart of the political process. The political will to reach an agreement based on compromise is key to realising the EU aspirations of the country and its citizens.

Kosovo

In parallel to this Communication, the Commission has adopted a Communication on a Feasibility Study for a Stabilisation and Association Agreement with Kosovo.

4.2 Turkey

Turkey is a key country for the security and the prosperity of the EU, considering its dynamic economy, its strategic location and its important regional role which contribute to the EU's foreign policy and energy security, notable most recently as regards Syria. Turkey is already integrated to a large extent into the EU through the Customs Union and has become a valuable component of Europe's competitiveness. Conversely, the EU remains the key anchor for Turkey's economic and political modernisation. Further development of these links would benefit both sides.

The potential of the EU-Turkey relationship can be fully tapped only within the framework of an active and credible accession process. The accession process remains the most suitable framework for promoting EU-related reforms, developing dialogue on foreign and security policy issues, strengthening economic competitiveness and increasing cooperation in the field of energy and justice and home affairs. This process must respect the EU's commitments and the established conditionality. Regrettably, in the accession negotiations, it has not been possible to open a new negotiating chapter for the second year in a row.

In this context, a positive agenda in the relations with Turkey was launched by the Commission in May 2012 to revive the accession process after a period of stagnation and bring fresh dynamism to the EU-Turkey relations. The positive agenda is not an alternative to the accession negotiations but rather a way of supporting them. It focuses efforts on areas of common interest such as legislative alignment, enhanced energy cooperation, visa, mobility and migration, Customs Union, foreign policy, political reform, counter terrorism and increased participation in people-to-people programmes. Six of the eight working groups, which have been established under the positive agenda to support alignment with the acquis,

have come together for their first meeting. Turkey's active support to the positive agenda confirms the country's commitment to its European perspective and the necessary reforms it entails, including political reforms.

Moreover, the Council invited the Commission to establish a broader dialogue and cooperation framework between the EU and Turkey to address the full range of Justice and Home Affairs policy fields. The Council also invited the Commission to take steps towards visa liberalisation as a gradual and long term perspective, in parallel with the signature of the readmission agreement between Turkey and the EU. After it was initialled in June, it is now crucial that Turkey signs the readmission agreement to allow for implementation of the visa liberalisation roadmap to start.

Given Turkey's further development as potential energy hub and the common challenges it shares with the EU, the Commission and Turkey also decided to enhance their cooperation on a number of important energy issues.

The political dialogue with the EU on foreign and security policy intensified significantly. Developments in Turkey's and the EU's joint neighbourhood confirmed the important role and contribution of Turkey to the EU's foreign policy and energy security. Turkey continued to play a positive role supporting reform movements in countries in North Africa and the Middle East. Cooperation on Syria is intense. A dialogue with Turkey on the Western Balkans commenced before summer, and dialogues on other regions such as the Caucasus, Afghanistan and Pakistan, the Middle East and Africa have been established.

The Turkish economy continues growing strongly but sizeable external imbalances and significant inflationary pressures remain the largest threats to macroeconomic stability. The Commission is examining ways to address Turkey's concerns under the Customs Union, including on the Free Trade Agreements concluded by the EU with third countries. At the same time it underlines the desirability to modernise the Customs Union and the need to resolve the irritants which impede trade between Turkey and the EU. The Commission has asked the World Bank to carry out an assessment of the functioning of the Customs Union – with the ultimate objective to modernise it.

The Commission will continue work to implement the positive agenda to lend new dynamism to the accession process and enable a more constructive relationship.

Concerns are growing regarding Turkey's lack of substantial progress towards fully meeting the political criteria. The situation regarding the respect of fundamental rights on the ground continues to be the source of serious preoccupation – despite recent improvements to various legal provisions in this area. There are recurring infringements of the right to liberty and security and to a fair trial, as well as of the freedom of expression, assembly and association, through the disproportionate application of the legislation on terrorism and organised crime. Further restriction of the freedom of the media in practice and the growing number of court cases against writers and journalists remain serious issues. As a consequence, self-censorship is increasingly widespread. The Turkish government is encouraged to present swiftly the fourth judicial reform package addressing all the core issues which are presently affecting the exercise of freedom of expression in practice.

In addition, the Kurdish issue remains a key challenge for Turkey's democracy and a political solution is urgently required. Overall, Turkey still needs to devote significant further efforts to

reach the highest standards of democracy and human rights. The on-going work on a new Constitution provides an important opportunity in this respect.

Terrorist attacks by the PKK, which is on the EU list of terrorist organisations, intensified significantly, in particular over the past few months. Terrorist attacks were strongly condemned by the EU.

Turkey has frozen its relations with the rotating *Presidency* of the Council of the EU during the second half of 2012, including by refusing to attend any meeting chaired by the Cyprus Presidency. The European Council expressed its serious concerns with regard to Turkish statements and threats and called for full respect of the role of the Presidency of the Council, which is a fundamental institutional feature of the EU provided for in the Treaty.

Talks under the auspices of the UN Secretary General to find a comprehensive settlement to the Cyprus issue reached a deadlock in spring 2012. A comprehensive settlement is in the interest of all sides since it would enhance stability in the Southeast Mediterranean, offer new economic opportunities to Member States and Turkey and give a strong boost to Turkey's EU accession negotiations, which have reached a critical stage. Turkey is therefore called upon to engage positively with all parties in order to facilitate a successful completion of the process.

The EU has also stressed all the sovereign rights of EU Member States which include entering into bilateral agreements, and exploring and exploiting their natural resources, in accordance with the EU acquis and international law, including the UN Convention on the Law of the Sea. In line with the repeated Council and Commission positions from previous years, the Commission reiterates that it is urgent that Turkey fulfils its obligation of fully implementing the Additional Protocol and makes progress towards normalisation of bilateral relations with the Republic of Cyprus. It also urges the avoidance of any kind of threat, source of friction or action that could damage good neighbourly relations and the peaceful settlement of disputes. The EU will continue to follow up and review progress made on these issues in accordance with the relevant Council decisions.

Turkey needs to step up efforts to solve open bilateral issues, including border disputes, with its neighbours. A substantial number of formal complaints about violations of territorial waters and airspace by Turkey were made by Greece and Cyprus.

4.3. Iceland

Accession negotiations with Iceland are progressing well, with an overall good level of alignment with the EU acquis, due to membership of the European Economic Area (EEA) and full participation in Schengen since 2001. More than half of the negotiating chapters have now been opened out of which 10 have been provisionally closed. With negotiations moving to an advanced stage, all key issues should be addressed in negotiations with Iceland in the course of 2013. The Commission will continue to take Iceland's specificities and expectations into account, within the agreed framework for the accession negotiations, while fully safeguarding the principles and acquis of the Union.

Iceland continues to meet the political criteria. It is a well-functioning democracy with strong institutions and deeply rooted traditions of representative democracy. The country's judicial

system is of a high standard, and Iceland ensures the continuous strengthening of its already high level of protection on fundamental rights.

Following a deep and long recession, economic recovery has taken hold with good growth in 2011-12 and improvements of its macro-economic conditions.

Overall, Iceland's track record in implementing its EEA obligations remains satisfactory. Some shortfalls are to be noted in areas such as financial services, food safety and free movement of capital. Temporary restrictions to free capital movements adopted in the aftermath of the 2008 financial crisis remain in place. The EFTA Surveillance Authority (ESA) initiated proceedings against Iceland at the EFTA Court in a case concerning Icesave.

EU accession remains an issue of lively public debate in Iceland. The Commission will continue to provide support to communication activities in this regard and to people-to-people contacts. Iceland's accession remains a matter of mutual benefit. The EU and Iceland have common interests, including in the field of renewable energy and climate change, and in the growing strategic importance of the EU's Arctic policy. The EU will be enriched by Iceland's strong democratic credentials and extensive experience in sustainable resources management.

5) SUPPORTING AND ASSISTING THE ENLARGEMENT COUNTRIES

5.1 Financial assistance

The Commission supports the enlargement countries in their preparation for accession by providing financial and technical support through a dedicated financial instrument, the Instrument for Pre-Accession Assistance (IPA). For the period 2007-2013, IPA funds amounted to €11.6 billion. Key results have included increased capacity and reforms in the beneficiary countries in the areas of rule of law, justice and home affairs, public administration reform, fundamental rights and civil society development and dialogue, which contributed inter alia to the successful conclusion of Croatia's accession negotiations with the European Union in June 2011 and the opening of accession negotiation with Montenegro in June 2012. Investments are being supported in economic, social and rural development. There has been progress also in regional cooperation in the Western Balkans. Examples of specific project support include training to police in Montenegro in the field of organised crime and corruption, running a grant scheme supporting women's employment in Turkey and funding the rehabilitation of railways on European Corridor X, Section Vinkovci to Tovarnik in Croatia, providing an interface with the Serbian railway.

For the next multi-annual financial framework 2014-2020, the Commission has proposed a financial allocation of €14.1 billion under the new IPA II instrument that will be applicable from January 2014, a similar level of funding in constant prices compared to the current financial framework

The Commission made its proposal for the new IPA II regulation in December 2011 as part of the package of instruments for the next multiannual financial framework. Among the main innovations of IPAAII are the improved strategic focus of pre-accession financial assistance through the establishment of stronger linkages with the priorities identified in the enlargement strategy and multi-annual planning. The improved strategic planning of IPA assistance will be reflected in the Common Strategic Framework and in single country (or multi-country) strategy papers spanning the full period of the next financial framework and covering more coherently a limited number of policy areas that will replace today's 'components'. To this end, a performance element will be introduced and clear assistance-related *targets* with

realistic indicators will be set in the country (multi-country) strategy papers. The performance element will make it possible to reward countries with good performance, and will allow more flexibility to re-allocate funds in case of underperformance. Moreover, under IPA II, both candidate countries and potential candidates will have access to the same types of support, which will be determined primarily by their needs and capacities as well as by their record of results in using pre-accession assistance.

At the level of operational programmes and like for other EU external instruments, *co-financing of sector strategies* agreed with the beneficiary countries will be reinforced, as opposed to financing of individual projects, thus increasing the share of assistance funded through support at sector level (including sector budget support for selected policy areas). The more systematic *multi-annual programming* will also apply to the assistance for transition and institution-building (e.g. public administration reform; reform of justice systems, etc.), hence supporting the effective implementation of the related sector strategies. The aim is to use EU funds to lever large-scale reforms in a way that delivers better value for money in preparing countries for membership than can be achieved through individual, isolated projects.

The two main objectives of IPA are to support the accession process and the socio-economic development of the beneficiaries. For the former, strengthening democratic institutions and the rule of law, public administration reform and good governance will remain a key focus of future pre-accession assistance in all beneficiary countries, as well as the fight against corruption and organised crime, development of civil society and promoting and protecting human rights and fundamental freedoms. As a corollary of the "new approach" to chapters 23 and 24 and given the longer-term nature of reforms pursued in these areas and the need to build-up track-records of implementation before accession, IPA II assistance will address the requirements of the beneficiary countries in these domains from an early stage. Assistance will also be provided to support economic and social development, regional cooperation and territorial cooperation (cross-border, trans-national and interregional cooperation actions). Taking into account the economic challenges set out in part 2.3 above, support to economic and social development will address issues such as the development of physical capital; the improvement of connections with the Union and regional networks; fostering employment and developing human capital; social and economic inclusion.

Financial support will require enlargement countries to adopt comprehensive and sustainable policies and strategies in priority sectors such as justice and home affairs, public administration, private sector development, transport, energy, environment and climate change, social development, agriculture and rural development. An expected outcome of this process is to secure stronger local ownership and broad consensus on these strategies, improving IPA beneficiary countries' capacity to plan, implement and monitor their implementation and to integrate this into their broader preparations for EU membership.

5.2 Benefits of closer integration before accession

Considerable benefits are available today to citizens of enlargements countries, even before actual accession. Through participation in Community programmes, civil society and other initiatives, visa-free travel, and trade through the Stabilisation and Association Agreements, citizens are being brought closer to Europe.

Participation in EU programmes is available to most candidate countries and potential candidates, with a proposal to extend this possibility also to Kosovo made by the Commission

in the course of 2012. For example, increasing numbers of students are taking up the opportunity to participate in education programmes and scientists and researchers from the region are working together with EU counterparts through the 7th research framework.

Visa-free travel to the EU is one of the most visible benefits of closer EU integration for citizens of the enlargement countries. Iceland is already part of the Schengen area. In the Western Balkans, Croatian citizens have already enjoyed visa-free travel to the whole EU for some time. Citizens of the former Yugoslav Republic of Macedonia, Montenegro and Serbia were granted visa-free travel to the Schengen Area in December 2009 and the same status was granted one year later to the citizens of Albania and Bosnia and Herzegovina.

These recent decisions were based on these countries fulfilling a number of requirements set out in the context of Commission-led visa liberalisation dialogues. The dialogues acted as a strong incentive for reforms towards reaching EU-standards in the justice and home affairs area, and in terms of strengthening the rule of law and combating transnational organised crime, corruption and illegal migration. In light of subsequent developments pointing to some abuse of the visa-free regime and asylum system, the Commission set up, as of January 2011, a post-visa liberalisation monitoring mechanism, which has led to strengthened controls on the ground. More generally, new proposals to allow for temporary suspension of existing visa-free regimes with a third country in case of a sudden influx of persons have been adopted. In January 2012 the Commission launched a visa liberalisation dialogue with Kosovo.

The EU and Turkey have intensified their cooperation on visa and migration issues. An EU-Turkey Readmission Agreement was initialled. Its swift signature and effective implementation are of crucial importance, also in view of further steps towards visa liberalisation as a gradual and long term perspective.

The Commission continues to provide extensive support to civil society organisations (CSOs) in enlargement countries principally through the Civil Society Facility (CSF). This helps CSOs to strengthen their capacities and professionalism, encourages networking at all levels – EU, national regional - allowing them to engage in an effective dialogue with public and private actors and to monitor developments in areas such as the rule of law and respect for fundamental rights.

Civil society activities are essential for a mature democracy, the respect for human rights and the rule of law. A vibrant civil society contributes to enhancing political accountability, deepening understanding and inclusiveness of and support for accession related reforms and supporting reconciliation in societies divided by conflict. Montenegro has taken step to associate CSOs in the preparation of accession negotiations. In most enlargement countries, civil society has continued to develop. In some cases, a culture of acceptance of CSOs needs to be better nurtured, and a more enabling environment and the conditions for improved policy dialogue put in place. Issues surrounding funding remain, including in terms of government support and sustainability. While IPA support is addressing these issues under the CSF, changes foreseen under the Financial Regulation will allow the Commission to cooperate with larger CSOs in the region to provide smaller grants to local grass-roots organisations, thus allowing improved democratic control and issues of more direct concern for citizens to be addressed.

5.3. Information and communication

Enlargement policy and in particular the accession of new Member States needs public understanding and support in order to be successful and sustainable. This is challenging in an environment where the role of public bodies, including the European Union, is increasingly questioned and their activities scrutinised with growing scepticism. The Commission believes that to respond to these challenges the enlargement process needs to remain transparent, coherent and credible for citizens and key stakeholders both in the Member States and in enlargement countries. As in other policy areas, the public expects to see tangible evidence of the effectiveness of EU enlargement and its transformational power for those countries concerned.

The Commission will therefore continue to provide information about the enlargement process and the countries involved, contributing to a public debate on enlargement and seeking to dispel unfounded myths or fears about the enlargement process.

Member States and enlargement countries have the main role in the information and communication efforts towards their citizens, with government messages for their national debates needing to complement communication from the Commission. Member States need to inform and explain to their national audiences the decisions they collectively take in EU bodies on enlargement issues. Political leaders in enlargement countries need to explain how the decisions they take on reforms are related not only to the accession process but are inherently valuable for the better functioning of the State. This can help to gain back support in countries where the gap has widened between government policy and citizens' views on EU enlargement. It can also build the broad public support for reform which is required to enable enlargement countries to meet the strict but fair conditions for EU membership.

6) CONCLUSIONS AND RECOMMENDATIONS

Tbd.