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Albania 2020 Report

Accompanying the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions

2020 Communication on EU Enlargement Policy

{COM(2020) 660}

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1. Introduction

1.1. Context

Albania has continued to implement the Stabilisation and Association Agreement and the meetings of the joint bodies under the agreement took place. In April 2018, the Commission issued its first recommendation inviting the Council to decide that accession negotiations be opened with Albania. In its June 2018 Conclusions, the Council acknowledged the progress achieved by Albania and set out the path towards opening accession negotiations in June 2019. In line with the Council Conclusions, the Commission started the preparatory work, including through the technical explanation of chapters of the EU *acquis*. In light of the significant progress achieved and the conditions set unanimously by the Council in June 2018 being met, the Commission recommended again in May 2019 to open accession negotiations with the country. In June 2019, the Council postponed the decision to October 2019. The European Council then decided to 'revert to the issue of enlargement before the EU-Western Balkans summit in Zagreb in May 2020'.

The Commission has continued to monitor thoroughly developments in Albania. The country has continued to implement reforms related to the EU agenda. On 26 November 2019, Albania was hit by a devastating earthquake of a magnitude of 6.3 Richter. Despite the challenge of dealing with the emergency situation, the Albanian authorities have maintained a constant, strong public political commitment to the country's strategic goal of European integration. Overall, Albania has increased its efforts and delivered further tangible and sustainable results in the key areas identified in the Council Conclusions of June 2018. Consequently, in its update on Albania published in March 2020[1], the Commission confirmed that the bases of its 2019 recommendation to open accession negotiations with Albania remain valid. On this basis, on 25 March 2020, the Council decided – and European leaders endorsed this decision on 26 March 2020 – to open accession negotiations with Albania and tasked the Commission to report on a number of issues to be addressed by Albania prior to the first Inter-governmental Conference, including progress regarding the track record[2]. The present Report also serves the purpose of reporting on the Council Conclusions on the conditions identified with regards to the first Inter-governmental Conference (IGC) as well as other important priorities and the issues to be reflected in the Negotiating Framework.

The COVID-19 pandemic is a global shock that has not spared the Western Balkans. It represents an unprecedented burden on their health and social protection systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early Commission estimates foresee a drop of between 4 and 6% of Gross Domestic Product (GDP) in the region. Thousands of citizens are at risk of losing their jobs, and temporary government support measures (unemployment benefits, deferrals/waivers to tax and social security contributions, etc.) have an important fiscal impact.

While the EU is itself heavily affected by the pandemic, it has spared no time and effort to provide essential and unparalleled support to the Western Balkans. This includes financial support of more than EUR 3.3 billion for countries in the region to address the immediate health crisis and resulting humanitarian needs, as well as longer term and structural impact on their societies and economies. Given the European perspective of the Western Balkans, the EU is also treating the region as privileged partners by associating them with the Union's mechanisms and instruments. These include the Health Security Committee, Joint Procurement Agreements, Union Civil Protection Mechanism, Solidarity Fund, consular assistance in repatriation or exemption from temporary EU export restrictions of medical equipment. These and other

[1] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/update-on-the-republic-of-albania.pdf
[2] https://www.consilium.europa.eu/media/43076/26-vc-euco-statement-en.pdf

measures have provided immediate relief and are a clear message of the EU's political commitment towards the region.

As of March 2020, the government reacted swiftly to the COVID-19 pandemic and took stringent measures thus managing the crisis with limited human and financial loss. It issued a series of decrees subsequently endorsed by the Parliament. The State of Emergency for Natural Disaster, put in place after the November 2019 earthquake, was extended until June 2020. The authorities notified a derogation from the obligations under certain articles of the Convention for the Protection of Human and Fundamental Freedoms.

The European Commission recommended that emergency measures taken in the context of the COVID-19 pandemic are proportionate, restricted to what is necessary and limited in time so that rule of law and democratic and human rights standards are respected.

As of 18 May 2020 the government lifted lockdown measures. All public and economic activities are open, except public transport, sports activities, schools and mass gathering activities. As of 1 June 2020 all movements in all territory are free without time limitations. All borders with the neighbouring countries are open. No quarantine is required for persons entering in the country. Quarantine is implemented only for specific cases recommended by the health authorities in the country or protocols issued/approved by the EU Infections Control.

1.2. Summary of the report

As regards the **political criteria**, the political environment in Albania continued to be marked by intense polarisation. Parliamentary activities were affected by the opposition relinquishing their mandates. Institutional continuity was still ensured through gradual filling of vacant parliamentary seats. At the end of the reporting period, the Assembly had 122 out of 140 members. The opposition decided to boycott the 30 June 2019 local elections. These were held, while the President had issued a decision to postpone the vote to October. The Parliament initiated an impeachment procedure on the President that was finalised in late July 2020. The *ad hoc* inquiry committee of the Parliament concluded that while the President had overstepped his Constitutional competences, the violations did not justify his impeachment. The country's political stalemate saw an opening in January 2020, when the ruling majority and the parliamentary and extra-parliamentary opposition reached an agreement to take forward the *electoral reform*, by establishing a Political Council, platform to complete technical and political talks and to implement the outstanding recommendations of the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR), ensuring transparent financing of political parties and electoral campaigns. On 5 June 2020, the Political Council reached a breakthrough agreement to gradually introduce a depoliticised electoral administration, in line with OSCE/ODIHR recommendations. The parties also agreed to introduce electronic identification of all the voters (where technically viable), to restructure the Central Election Commission, and for the Electoral College to be comprised of vetted judges. The amendments to the electoral code were adopted by the Parliament on 23 July 2020, in accordance with the 5 June 2020 agreement *thus meeting the condition for first IGC.* In addition, the Parliament adopted on 30 July some amendments to the Constitution relating to the electoral system. These amendments that are unrelated to the implementation of the OSCE/ODHIR recommendations required further amendments to the electoral code which were discussed among parties in the Political Council, but without reaching a compromise before the Parliament voted on them on 5 October. Despite the positive outcome of the agreement reached on 5 June 2020, the political dialogue in the country needs to be improved, in particular on electoral reform and its implementation.

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On 9 June 2020, the Government presented to an extended meeting of the National Council for European Integration an action plan to address the conditions and priorities set by the March 2020 Council Conclusions on Albania. On 6 May 2020, the Government nominated the Chief Negotiator and the negotiating team.

Albania is moderately prepared in the reform of its **public administration**. Efforts continued in several related areas, resulting in some progress in enforcing the guidelines on regulatory impact assessments across line ministries, in developing the legislative package related to policy planning, in increasing the number of e-services and improving transparency in data collection and human resources management between central and local level. These tangible achievements need further consolidation. Particularly the government needs to step up efforts towards more evidence-based policy making, by building administrative capacity in line ministries on policy planning and monitoring, data collection as well as usage of regulatory impact assessments to inform better policies.

Albania's **judicial system** has some level of preparation / is moderately prepared. The implementation of a comprehensive and thorough justice reform has continued consistently, resulting in good progress overall. The new institutions for the self-governance of the judiciary have been performing their duties, including managing the processes to fill the vacancies at the High Court and the Constitutional Court. The High Judicial Council finalised the selection of three non-magistrate candidates for the *High Court*, appointed on 11 March 2019, thus allowing one of the chambers of the Court to function and meeting the related *condition for the first IGC*. The selection process for the fourth non-magistrate member is close to finalisation. The other magistrate candidates are in the process of being promoted from within the court system. Albania is making progress to reconstitute the *Constitutional Court* and has appointed three new members. This provides the basis for the Constitutional Court to regain functionality – a *condition for the first IGC close to being met* – and increase public trust. In December 2019, the Court had one judge in office out of nine as a result of the vetting. The Court now has four members. There was a dispute about the appointment procedure of one of the latest judges nominated. The Venice Commission has issued an opinion on the matter, providing the necessary guidance to the Albanian authorities to complete the outstanding appointments to the Constitutional Court. With the current four members, the Court has the minimum quorum to adjudicate on the admissibility of cases. The selection process for three vacant posts is ongoing. The process has been affected slightly by the COVID-19 crisis, but is expected to be finalised as a priority. Completion of appointments at the Constitutional Court will proceed once the High Court reaches the required quorum of three fifths of members in office, as the latter is the third appointing authority alongside the Assembly and the President of the Republic. The new General Prosecutor has been appointed, for the first time based on the procedures established in the latest justice reform.

The establishment of the **Special Anti-Corruption and Organised Crime Structure (SPAK)** was finalised in 2019 with the appointment of the Chief Special Prosecutor in December. With thirteen out of fifteen Special Prosecutors appointed, the **Special Prosecution Office (SPO)** is fully operational. On 30 July 2020 the Director of the **National Bureau of Investigation (NBI)** was also appointed by the High Prosecutorial Council and started performing his functions. The *above developments fulfil the condition for the first IGC.*

The temporary re-evaluation of all judges and prosecutors (**vetting process**) has advanced steadily, continuing to produce tangible results, *hence meeting the condition for the first IGC*. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. More than 286 dossiers have been processed thus far, resulting in 62% dismissals, mostly for issues related to unjustified assets or resignations. During the COVID-19 lockdown period, the vetting institutions have continued to perform a number of important investigative activities in remote modality. The vetting institutions have resumed public hearings in June 2020.

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Albania has some level of preparation in the **fight against corruption**. Good progress was made in the reporting period. Albanian authorities strengthened operational, coordination and monitoring capacities in the fight against corruption, *thus meeting the condition for the first IGC*. Albania has continued its efforts towards the establishment of a solid track record on investigating, prosecuting and trying corruption cases. Although the vetting of the members of the judiciary is an administrative process, it is relevant to assess the concrete results by Albania to fight corruption. These have included the dismissal from office of a number of high-ranking magistrates, including at Constitutional Court and High Court level. In 2019, there were two final convictions for passive corruption of judges, prosecutors and other officials of the judiciary. In 2019, there were 262 first-instance convictions involving lower or middle-ranking officials in addition to 294 first-instance convictions in 2018. In 2019, there were 246 final convictions at appeal level involving lower or middle-ranking officials in addition to 289 final convictions in 2018. Further efforts towards establishing a solid track record in the fight against corruption have been made, although it remains a long-term objective that continues to require further structured and consistent efforts. While the number of ongoing investigations remains high, to date, final convictions in cases involving high-level officials remain limited. The newly established specialised anti-corruption bodies (SPAK and the Anti-Corruption and Organised Crime Courts) are expected to significantly strengthen the overall capacity to investigate and prosecute corruption. However, overall, corruption remains widespread and is a serious concern.

Albania has some level of preparation in the **fight against organised crime**. Albania has made good progress in strengthening the fight against organised crime, including through cooperation with EU Member States and through the action plan to address the Financial Action Task Force (FATF) recommendations, *hence meeting the condition for the first IGC*. Police operations to dismantle criminal organisations have further intensified and good progress has been made. As in the past years, Albania showed also in 2019 a strong, constant commitment to counter the production and trafficking of cannabis. Albania allows a very intrusive monitoring mechanism by a third country (aerial surveys by the Italian *Guardia di Finanza*, co-financed by the EU) to be in place. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations in the course of 2019, also continuing in 2020. Cooperation between police and prosecutors further intensified. The SPO was established and provided with a set of important investigative tools. These steps represent some tangible progress in meeting last years' recommendations on improving the track record. Efforts need to continue, to ensure increased prosecutions and final convictions, as well tackling money laundering and confiscating assets stemming from crimes and other unjustified wealth. *On the fight against money laundering*, the Albanian Parliament adopted a 'Moneyval package' in July 2019 aimed at addressing the recommendations issued by Moneyval in their report on Albania published in December 2018. On 21 February 2020, the Financial Action Task Force (FATF) however listed Albania for enhanced monitoring and proposed an action plan focussing on some outstanding recommendations. Albania has made a high-level political commitment to work with the FATF to address that action plan and has started implementing its measures. In that respect, a new law on the register of beneficial owners was adopted in Parliament in July 2020. Good progress has been made in the fight against terrorism and preventing/countering violent extremism through the implementation of the objectives set out in the Joint Action Plan on counter-terrorism for the Western Balkans and the bilateral implementing arrangement. Implementation efforts should be sustained notably as regards anti money-laundering.

On **fundamental rights**, Albania complies with international human rights instruments and has developed its legal framework in line with European standards. During the reporting period, Albania made efforts to meet obligations that arise in this context. The overall implementation remains, however, to be strengthened. Regarding the implementation of the Law on Social

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Housing, nine sub-legal acts were approved following a wide consultation process. The legal framework in the areas of children rights and juvenile justice was also improved by sub-legal acts. Efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights. The Law on the Finalisation of Transitional Ownership Processes was adopted in March 2020, taking into account the recommendations of the Venice Commission Opinion of October 2019. Efforts need to continue to advance the process for registration and compensation. Albania needs to swiftly adopt the remaining implementing legislation related to the 2017 framework Law on the Protection of National Minorities. Albania is also in the process of preparing the law on the implementation of the forthcoming census. Swift progress is needed on this, and on the advancement of the process of registration of properties. Concerns have been raised by citizens belonging to the Greek minority in relation to property rights in the southern coastal region. As regards the **freedom of expression**, the country has some level of preparation / is moderately prepared. In December 2019, the Parliament approved a set of amendements to the media law, aiming to regulate online media and some aspects of defamation on which, in June 2020, the Venice Commission issued an opinion. The amendments fall short of international standards and principles of media freedom and raise concerns about increased censorship and self-censorship, and about possible setbacks on freedom of expression in the country. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission opinion. The draft media law is currently being revised in light of the opinion of the Venice Commission.

As regards the **economic criteria**, Albania has made some progress and is moderately prepared in developing a functioning market economy. While GDP growth slowed down due to lower hydroelectric power production, other sectors performed well and unemployment continued to decrease to record lows. Exports grew solidly, and the public-debt-to-GDP ratio continued to decline but remained high during the reporting period. Banks continued reducing the number of non-performing loans and landing to private sector picked up. Steps towards developing the financial market have been taken, but financial intermediation remained low. The implementation of comprehensive justice reform advanced well, but has not yet improved the legal certainty for business. The COVID-19 pandemic has exacerbated the structural weaknesses and its economic fall-out erases some of the progress.

Albania has made some progress and has some level of preparation in terms of capacity to cope with competitive pressure and market forces within the Union. Infrastructure on energy, transport and digital communication, as well as educational outcomes have improved, but significant gaps remain compared to regional and European levels. Albania's competitiveness is hindered by lack of entrepreneurial and technological know-how, a significant skills gap, weak institutions and low levels of investment and infrastructure quality. Integration into international value chains, and exports remained below potential. Furthermore, consolidation of property rights and a fully functioning cadastre are critical prerequisites for increasing investments and access to finance, as well as to achieve competitiveness of the agricultural and tourism sectors.

With regard to **good neighbourly relations and regional cooperation**, Albania has continued to participate actively in regional cooperation and maintain good neighbourly relations.

Albania continued to align its legislation to EU requirements in a number of areas, enhancing its **ability to assume the obligations of membership**. The country is moderately prepared in many areas, such as financial control, education and culture and statistics, or has some level of preparation, including in the areas of public procurement, social policy and employment and trans-European networks. Albania will need to continue its efforts as regards the overall preparations for adopting and implementing the EU *acquis*. Adopting a comprehensive Public Internal Financial Control policy and coordinating its implementation with ongoing public administration and public finance management reform remains key towards a functioning system of internal control in public sector. Albania should continue work on the development

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of the transport and energy networks, and related connectivity reform measures, also with a view to improving connectivity throughout the region. Albania has to finalise the adoption of the secondary legislation for the implementation of the employment reform and strengthen inter-institutional coordination on measures affecting the most vulnerable groups.

The administrative capacity and professional standards of bodies charged with the implementation of the EU *acquis* need to be strengthened and the independence of regulatory bodies safeguarded. Enhancing transparency and accountability, in particular ensuring the effective, efficient and transparent functioning of the public procurement system and public finance management, remains essential. Albania has continued to fully align with all EU Common Foreign and Security Policy positions and declarations.

With regard to **migration**, some progress was made in improving the institutional capacity on border management and asylum. Reception capacity to deal with mixed migration flows was further enhanced and remained sufficient to accommodate the increased number of arrivals. The number of unfounded asylum applications lodged by Albanian nationals in the EU has decreased but remains high and requires continuous and sustained efforts, including addressing the phenomenon of unaccompanied minors. Albania has maintained its efforts to tackle unfounded asylum applications lodged by Albanian citizens to EU Member States and Schengen-associated countries.

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In 2019 there were around 2.7% fewer of these unfounded asylum applications than in 2018 and almost 20% fewer than in 2017. The decrease continued in the first two months of 2020 (pre COVID-19), with 35% fewer than in the same period in 2019. In the period January-May 2020, there were 3 305 applications lodged against 10 375 in the same period in 2019, which represents a decrease of around 74% in applications. The 'recognition rate' (i.e. the number of successful applications expressed as a percentage of all decisions) was around 6%, 1.6 pps less than in 2018.s

This issue has required and will continue to require substantial efforts by Albanian authorities. In addition to information campaigns on the rights and obligations of the visa-free regime, thorough border checks, refusal of departure for citizens with insufficient means and actions on addressing the underlying reasons, Albanian authorities have strengthened dialogue and cooperation with the most affected countries. In this regard, three Albanian police liaison officers have been deployed to the EU to expedite repatriation to Albania, and a liaison officer from the EU is located in Tirana to assist on exit checks.

2. Fundamentals first: political criteria and rule of law chapters

2.1. Functioning of democratic institutions and public administration reform

2.1.1 Democracy

The political environment continued to be marked by intense polarisation. The opposition decided to boycott the 30 June 2019 local elections. These were held, while the President had issued a decision to postpone the vote to October. The Parliament initiated an impeachment procedure on the President, which was concluded in July 2020. The country's political stalemate saw an opening in January 2020, when the ruling majority and the parliamentary and extra-parliamentary opposition reached an agreement to take forward the electoral reform, by establishing a platform to complete technical and political talks. An agreement was finally reached on 5 June 2020. Amendments to the electoral code were adopted by Parliament on 23 July 2020, in accordance with the 5 June 2020 agreement and implementing the OSCE/ODIHR recommendations. In addition, the Parliament adopted on 30 July some amendments to the Constitution relating to the electoral system. These amendments that are unrelated to the implementation of the OSCE/ODHIR recommendations required further amendments to the electoral code which were discussed among parties in the Political Council, but without

reaching a compromise before the Parliament voted on them on 5 October. Despite the positive outcome of the agreement reached on 5 June 2020, the political dialogue in the country needs to be improved, in particular on electoral reform and its implementation.

Elections

On 30 June 2019, Albania held local elections in a strongly polarised political environment. Following its *en bloc* relinquishing of parliamentary mandates in February 2019 and months of street protests, the opposition decided to boycott the elections. On 8 June, on the grounds of security threats, the President decreed the cancellation of his previous decree setting the election date and announced 13 October as the new date. The President's decree was ignored by the ruling majority and the election administration bodies. As the extra-parliamentary opposition sought to delegitimise the elections, the international community warned that violence during the electoral process would be considered unacceptable. Mayoral candidates from the ruling Socialist Party (SP) ran unopposed in 31 of the 61 municipalities, of which the SP won 60 (the remaining one was won by an SP-backed smaller party). Following the election, the Parliament initiated an impeachment procedure against the President on the grounds of the unconstitutionality of his decision to cancel the date of the elections. The *ad hoc* inquiry committee of the Parliament concluded that while the President had overstepped his constitutional competencies, the violation did not provide enough grounds for the President's impeachment. The Parliament endorsed the ad hoc inquiry committee's finding on 27 July 2020.

The relevant ad hoc parliamentary committee is still ongoing.

In the final report from its election observation mission, the OSCE/ODIHR noted that, although the June elections had been organised without major problems, they had been held with little regard for voters' interests, as voters did not have a full choice of political alternatives. It further recommended:

- → an inclusive dialogue among political parties to carry out electoral reform;
- → measures to eliminate the misuse of state resources;
- → the de-politicisation of the civil service, including the establishment of independent election commissioners;
- → ensuring the independence and impartiality of the Central Election Commission and the judiciary;
- → swift and transparent investigation of alleged electoral violations.

On 14 January 2020, the ruling majority and representatives of the parliamentary and extra-parliamentary opposition reached a breakthrough agreement to take forward the longstanding electoral reform. The agreement set up a Political Council, a cross-party platform composed of the two co-chairs of the *Ad Hoc* Committee representing the parliamentary ruling majority and the opposition, and two representatives of the extra-parliamentary opposition, to steer the reform on a consensual basis with the implementation of outstanding OSCE/ODIHR recommendations, ensuring transparent financing of political parties and electoral campaigns. The target date to reach a consensus within this framework was set to 30 June 2020.

After lengthy negotiations, on 5 June 2020, the Political Council reached a breakthrough agreement to gradually introduce a depoliticised electoral administration, in line with OSCE/ODIHR recommendations. The parties also agreed to introduce electronic identification of all the voters (where technically viable), to restructure the Central Election Commission, and for the Electoral College to be comprised of vetted judges. The amendments to the electoral code were adopted by the Parliament, in accordance with the 5 June 2020 agreement, on 23 July 2020. In addition, on 30 July, the Parliament adopted some amendments to the Constitution, pertinent to the electoral system. The amendments introduce the possibility to

amend the electoral code concerning open candidates lists, a national threshold and a ban on pre-electoral coalitions. The constitutional amendments adopted with cross-party support in Parliament were met with criticism by the extra-parliamentary opposition. These amendments that are unrelated to the implementation of the OSCE/ODHIR recommendations required further amendments to the electoral code which were discussed among parties in the Political Council, but without reaching a compromise before the Parliament voted on them on 5 October. Despite the positive outcome of the agreement reached on 5 June 2020, the political dialogue in the country needs to be improved, in particular on electoral reform and its implementation.

Parliament

Parliamentary activities were affected by the opposition relinquishing their mandates. However, institutional continuity was ensured through gradual replacement of vacant parliamentary seats, resulting in a new parliamentary opposition working with the ruling majority on a number of files. Although the situation had an impact on the Parliament's oversight functions, the Parliament managed to adopt new Rules of Procedure and increase its transparency. Involvement of the Assembly in the EU integration process remains to be strengthened. The control of political party financing needs to be improved. Following the opposition's *en bloc* relinquishing of mandates in February 2019, the reporting period was marked by the gradual filling of the vacant parliamentary seats. The Central Election Commission issued mandates to 40 new Members of Parliament (MPs) from candidates remaining on the opposition parties' proportional lists, bringing the total number of the MPs to 122 out of 140. Three new parliamentary opposition groups emerged from this process. The functioning of Parliament has therefore been ensured.

The Parliament's adoption of new **rules of procedure** in July 2019 was a positive development enhancing its functionality, transparency and accountability. Amendments to the Rules of Procedures have been adopted in April 2020, in order to enable the Parliament to operate remotely and to continue its activities in the course of the COVID-19 crisis. Parliament also made efforts to comply with the **code of ethics**, in particular by making entries in the conflicts of interest register.

In July 2019, and *ad hoc* inquiry on the legality of the President's actions was established. The committee also examined the procedures followed by the President to appoint one Member of the Constitutional Court, taking into account the Venice Commission's opinion on the issue of appointments to the Constitutional Court. The Venice Commission also issued an opinion in October 2019 on the scope of the power of the President to set the dates of elections.

The Parliament adopted more acts than in the previous reporting period. Of the 91 laws approved, more than half were adopted by consensus between the ruling majority and the new parliamentary opposition. The reporting period was marked by the highest ever number of normative acts adopted, the majority of which related to the emergency situation following the earthquake and more recently due to the COVID-19 outbreak. Urgent legislative procedures were used in most cases, as a result of the pandemic situation. The Parliament reviewed 22 Presidential decrees, of which it rejected 5. In March 2020, the President questioned the constitutionality of amendments to the Law of Constitutional Court, related to appointments and swearing in procedure, and returned such legislative measure to the Parliament.

As regards its **role in EU integration**, in October Parliament adopted a Resolution supporting the launch of accession negotiations and expressing its commitment to implementing the European Commission's recommendations and European Council conclusions. Parliament needs to improve its capacity to monitor the compliance of new legislation with the EU *acquis* and ensure its implementation. Of 91 laws that were adopted, 15 were aimed at partial alignment with the EU *acquis*. The EU Integration Committee held only three hearings in the reporting period. The National Council for European Integration still has to consolidate its role and guarantee its broader involvement in EU integration issues. With regard to EU-driven reforms, Parliament adopted the final laws making up the justice reform package and enacted the

Constitutional Court's decisions on the Law on the governing bodies in the justice system and the Law on the status of judges and prosecutors.

With regard to Parliament's **oversight function**, the new MPs made use of the instruments at the disposal of the opposition, tabling eleven 'interpellations' and one motion for debate. MPs addressed 96 requests for information to executive and constitutional institutions. Parliament appointed two new members of the Constitutional Court, the Prosecutor General and the chair of the Energy Regulatory Authority. It failed to reach consensus on some vacancies on the steering board of the public broadcaster. It removed a member of the Bank of Albania's Supervisory Council. During the reporting period, the Parliament appointed the new chair of the Financial Supervisory Authority. The new chair of the State Audit Institution was voted by the Parliament in June 2020.

On **transparency and accountability**, Parliament made some positive steps in addressing, in a timely fashion, requests based on the right to information. However, parliamentary documentation, such as minutes of plenary sessions and committee meetings, should be subject to greater transparency. Parliament continued to publish regular online data on MPs' financial benefits. Research staff and support for MPs and parliamentary groups need to be strengthened.

The administration's performance is still poor when it comes to implementing recommendations from the **Ombudsman**, the Commissioner for Protection against Discrimination and other independent institutions.

Governance

The government remained committed to the EU integration process and pursued good efforts to move essential reforms forward. The 26 November 2019 earthquake had a strong impact on the overall objectives of the executive's action. The restructuring of ministries and agencies performed in 2017 has created some administrative gaps that persist to date. Coordination within the administration needs to be improved, especially regarding their involvement in EU integration processes. The territorial administrative reform continues to be implemented successfully and should be further consolidated as part of the wider decentralisation agenda. This is particularly necessary to guarantee local fiscal autonomy and empower municipalities to provide standard quality public services.

Albania maintained its primary ambition opening accession talks by pursuing EU-driven reforms in key sectors such as justice and home affairs. However, extreme political polarisation has affected the administration's performances. This has been particularly visible at local level, where the handover of municipalities to the ruling majority, following local elections without participation by the opposition, created some disruption. In the course of the COVID-19 crisis, all political actors demonstrated a certain degree of unity in supporting government initiatives to counter the emergency.

In April 2019, the government approved the 2019-2021 national plan for European integration. In July, it adopted a decision establishing the arrangements for cooperation with local government in the EU integration process. Public administrations suffer from a general lack of capacity and resources, which has an impact on their capacity to plan, implement and monitor public policies. The government should allocate more human and financial resources to EU accession work and put more emphasis on coherent and targeted domestic communication on EU matters.

In November 2019, Albania was struck by an earthquake of 6.3 magnitude, which left 51 casualties, around 1,000 people injured and over 10,000 without a home. A Minister for Reconstruction was appointed in December to oversee the reconstruction process.

As of March 2020, the government reacted swiftly to the COVID-19 pandemic and took stringent measures thus managing the crisis with limited human and financial loss. It issued a series of decrees subsequently endorsed by the Parliament. The State of Emergency for Natural

Disaster was extended until June 2020. The authorities notified a derogation from the obligations under certain articles of the Convention for the Protection of Human and Fundamental Freedoms.

On 9 June 2020, the Government presented to an extended meeting of the National Council for European Integration an-action plan to address the conditions and priorities set by the March 2020 Council Conclusions on Albania. On 6 May 2020, the Government nominated the Chief Negotiator and the negotiating team. Following the June 2019 mayoral elections, two mayors were dismissed based on the decriminalisation law.

The inability of the Constitutional Court to issue rulings due to lack of quorum had an impact on legal certainty during the reporting period and exacerbated a number of constitutional disagreements between the government and the President of the Republic. Albania made progress in reconstituting the Constitutional Court. *(see section 2.2.1 Chapter 23: Judiciary and fundamental rights).* The territorial administrative reform needs to be further consolidated as part of the wider decentralisation agenda. The Ministry of Interior revised the national cross-cutting decentralisation and local governance action plan, extended to 2022. Full political support is needed to bring the decentralisation reform forward. The new legislation affecting local government is not fully harmonised and implemented. While municipalities have been given greater policymaking powers, local government units (LGUs) still lack sufficient financial resources and administrative capacity to exercise them effectively. LGUs' fiscal autonomy is also at risk, as most of their budget is dependent on national transfers. As a result, although the municipalities are getting better at collecting own revenues, the overall ability of local institutions to deliver quality public services remains limited. Implementation of the Civil Service Law (CSL) remains incomplete at local level.

Municipalities have made further progress on **public participation in local decision-making**, especially in the area of participatory budgeting. However, the institutional framework for effective and inclusive participation needs further strengthening. Local-level implementation of the Law on public consultation remains unsatisfactory. An increasing number of municipalities disclose public information, with all 61 having appointed a local coordinator for the right to information.

The Agency for the Delivery of Integrated Services (ADISA) expanded its presence, with more one-stop shops on the ground. A parallel roll-out of 'front desks' delivering administrative services at local level now covers 50 of the 61 municipalities. National minimum standards for services have still to be established.

On **territorial planning**, general local plans for the remaining 16 municipalities are being drafted. Coordination of the national sectoral strategies with local plans is weak. On transparency, all municipalities publish regularly decisions of their municipal councils online. Five municipalities have piloted and adopted integrity plans with measures to combat corruption at local level.

The Consultative Council operated as the main forum for institutional dialogue and coordination between central and local governments. While policy and legal discussions would benefit from an earlier involvement of the local level, LGUs and their associations rarely manage to come to the table with consolidated positions.

A 'matrix of competences', dividing responsibilities between levels of governance and recommending measures when gaps or overlaps are identified, was presented in April 2019. In July 2019, these recommendations became the subject of a Prime Minister's order requesting line Ministries to take the related actions; implementation is on-going. The network of EU local coordinators has strengthened the LGUs' involvement in the EU accession process, raising awareness of EU policies, the EU *acquis*, funds and programmes. The implementation of the Decision of the Council of Ministers from July 2018 institutionalising and upgrading the so-

called municipal "EU desks" into "EU Units" needs to be completed. A second report on the performance of municipalities on EU matters was launched in January 2020, with the Ministry of Interior committing to make this exercise a regular annual process under its own lead.

Civil society

No progress has been made on the implementation of the roadmap on an enabling environment for civil society. The Law on the National Council for Civil Society needs to be amended to reflect changes in ministerial portfolios and provide for appropriate representation in the Council. Substantial efforts are needed to ensure meaningful and systematic consultations with civil society as part of an inclusive policy dialogue for reforms. These efforts should involve comprehensive feedback and follow up mechanisms. The financial sustainability of civil society organisations remains a challenge due to unfavourable fiscal and legal frameworks.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by state institutions.

During the post-earthquake emergency in November 2019 and again in the course of the outbreak of the COVID-19 pandemic, Albanian civil society provided rapid first response, reaching out to most vulnerable and remote citizens, supporting and complementing state interventions.

Albania's legal and regulatory framework on the right of freedom of association is generally in line with international standards. However, the registration process continues to be problematic, due to the high costs of registration, lengthy procedures and lack of specialised judges. The legal framework on freedom of peaceful assembly needs improvement to clarify when only 'notification' is required, as opposed to 'permission'. The law should also address the right to spontaneous assembly and counter-assembly, and make notification procedures easier to complete and more accessible. A revised roadmap on an enabling environment for civil society was approved in July 2019, but its implementation depends to a large extent on donor funding.

The 2014 Law on public consultation, laying down the procedural norms for transparency and public participation in decision-making, is generally in line with European standards. However, its scope should be extended to government decisions. It requires reporting on how inputs from civil society organisations (CSOs) are taken into consideration, but there is little evidence of the use and effectiveness of the feedback mechanisms. No progress was made on public consultation in the adoption of sub-legal acts and the implementation of the Laws on volunteerism and social enterprises.

The National Council for Civil Society met only once in 2019 and the meeting was inconclusive, with no operational follow-up. The Law on the National Council has still not been amended to reflect changes in ministerial portfolios and representation in the Council, and to improve its functioning. The Council should engage more with other civil society actors representing CSOs' opinions in the policymaking processes.

The Agency for the Support of Civil Society remains the main public body providing financial support for civil society. However, public funding remains insufficient to sustain CSOs' activity, in particular in social services. Some changes were made to the tax arrangements applying to CSOs, e.g. a new instruction aims to improve the VAT reimbursement situation for CSO beneficiaries of the Instrument for Pre-Accession and other donor grants. Overall, the lack of favourable tax arrangements represents a significant financial burden for CSOs and the current legal environment does not support alternative funding sources. Tax incentives for corporate donations do not promote donations to CSOs and there are no tax incentives for individual donations.

2.1.2. Public administration reform

Albania is **moderately prepared** with the reform of its public administration. **Some progress** was made in enforcing the guidelines on RIAs across line ministries, in developing the legislative package related to policy planning, in increasing the number of e-services and improving transparency in data collection and human resources management between central and local level. Implementation of the public administration reform and public financial management reform strategies has continued by extending the action plans until 2022. Some progress was made on the Commission's 2019 recommendations, which remain largely valid.

In the coming year, Albania should in particular:

→ continue building capacity in line ministries to effectively implement regulatory and budgetary impact assessments for not only legislative but all policy proposals;

→ upgrade further the regulatory framework on policy planning and monitoring, and roll out the integrated policy-making system;

→ advance preparations to adopt a salary policy for civil servants and connect the human-resource-management information system with the treasury to provide an automated payroll.

Policy development and coordination

The legal basis and the institutional set-up are partially in place to ensure a consistent **policy-making system**. Some progress was made in preparing the rollout of the Integrated Planning Information System by setting the IT foundations. The system should help to automate strategic policy planning and budgeting, once data collection and processing is ensured. In relation to this process, a Council of Ministers decision was adopted to guide ministries in data collection. Training modules were launched to support the administration in the usage of this IT system. The General Secretariat of the Prime Minister's Office has issued further guidance to improve the quality of the Annual Legislative Plan and further harmonisation with the National Plan for European Integration (NPEI). To improve coherence of the strategic planning and monitoring system, the authorities should upgrade the existing regulatory framework on medium-term policy planning, improve coherence between policy planning and the related budgeting, establish a dedicated central quality control function, and improve the effective internal control of the policy implementation phase. The government needs to step up efforts to upgrade administrative capacity in both line ministries and the Prime Minister's Office on data collection, as well as on defining better policy planning and monitoring functions. The Prime Minister's Office needs to improve coordination with other centres of government institutions in policy processes, and promote managerial accountability effectively (*see Chapter 32*). In June 2020, a Prime minister's order was adopted to establish a technical level working Group to prepare a revised rulebook. The rulebook aims to improve the overall responsibilities of the Prime Minister's Office to increase its steering role and quality control of policy making processes.

The framework and guidelines for the NPEI are in place. Some progress was made in developing a new planning methodology for the NPEI 2020-2022. An inter-institutional co-ordination structure for more effective implementation of the NPEI was established since 2018 at both political and technical level. Overall, NPEI implementation rate has improved up to 60%. A stronger coordination between the Prime Minister's Office and MEFA would further support line ministries in the process of planning and implementation of the NPEI. The government needs to step up efforts in rendering the NPEI a more credible planning document for EU Integration and assign the right responsibilities at the Prime Minister's Office level to guide the process.

On **inclusive and evidence-based policy and legislative development,** the administration needs to strengthen its capacity, particularly to harmonise the legislation with the EU *acquis.*

Administrative data collection and its systematic use for policy and law-making should be improved across the administration. The adoption of the guidelines on regulatory impact assessment (RIA) has helped line ministries to make more systematic impact assessments for legislative measures. Some progress has been made in establishing quality criteria for RIAs and building capacity at the Prime Minister's Office level to guide the process. The government needs to step up efforts in the institutionalisation of RIAs for all policy proposals and the consolidation of administrative capacities in line ministries.

Public consultations are required for policy and legislative development. Some progress has been achieved to train line ministries to better use public consultations, although a methodology on public consultations has not been adopted. The electronic web-portal for public consultations is operational, but its use by the public remains limited. The quality control function on public consultation remains weak and focuses mostly on the process rather than on content.

Public scrutiny of government work remains limited. The role of parliamentary oversight on government performance needs to be increased. Most government reports on various policies continue to present implemented activities rather than explain the actual results of government policies. Coordination structures for monitoring policy implementation need to become operational through IPMGs. Communication to the citizen of the ongoing reforms needs to be enhanced.

Public financial management

The Ministry of Finance and Economy, which leads the **public financial management reform**, underwent further restructuring in 2019. There are still several posts unfilled in the Ministry at present. The mid-term review of the PFM strategy was completed in March 2019. Following consultations from July to September 2019, the revised and extended PFM strategy for 2019-2022 was approved in December 2019. The strategy includes a new specific objective on domestic revenue mobilisation and dedicated chapters on the governance of the reform process and the rolling-out of the financial IT system as it relates to the objectives. Increased attention is put on the repayment and prevention of arrears, the reduction of the public debt, to extending fiscal risks management to include SOEs, arrears and those risks embedded in Private Public Partnerships and concessions contracts.

rogress was achieved with the preparation of the 2019 and 2020 budgets and the execution of the 2018 and 2019 budget in line with the revised Organic Budget Law. A budget revision in March 2020 reflected COVID-19 expenditure measures. However, revenue and growth figures still need to be revised. The law on concessions and public-private-partnerships (PPPs) was amended, including to reduce scope for unsolicited offers and to strengthen the role of the Ministry of Finance and Economy in the assessment and approval of PPP contracts and addenda. Data collection for and preparation of a medium term revenue strategy are ongoing, in view of changed assumptions due to COVID-19. (*See also Chapters 5, 16, 29 and 32*).

Budget transparency remains satisfactory with the publication of all key budget documents. The annual budget, the citizens' budget, and the list of public investments (including PPPs under the medium-term budget programme) have been published. However, the timeliness of budget execution reports, in particular reporting on arrears, need to be improved. Also, information on state assets contained in this report does not allow for a full comparison with the original budget. Public participation in the budget process needs to be further strengthened.

Public service and human resources management

Due to a fragmented legislative framework, there are not yet uniform standards on **merit-based recruitment, promotion and dismissal** across the whole public administration. The Civil Service Law (CSL) provides a solid basis for merit-based recruitment and promotion. Mostly all of the planned vacancies in 2019, amounting to 95%, were filled, compared to 92% in 2018. Overall transparency and fairness of recruitment at the central level has improved thanks to

introduction of a full digitalised recruitment and selection process for the civil service, further harmonisation of job descriptions, improved quality of examinations and organisation of recruitments. More needs to be done in these areas. Better compliance with the legal provisions regulating merit-based recruitment for senior ranks needs to be ensured. An ad-hoc selection procedure was used for the integration of highly qualified young graduates in the public administration. The initial Council of Minsters Decision was brought into line with the principle of merit-based recruitment enshrined in the CSL. Proper implementation of the CSL requires more efforts at the local level. There were 896 **dismissals** of civil servants in 2019, a substantial increase compared to the 568 dismissals in 2018. This was mainly due to restructuring of some institutions and resulting redefinition of their personnel as not part of the civil service. The backlog of court decisions confirming unlawful dismissal of civil servants was reduced.

The **human resources management** information system (HRMIS) is not fully functional and remains to be extended to the local level. It now has more data on public-service organisations and employees, but does not cover the whole civil service yet. The Commissioner for Oversight of the Civil Service needs more staff and financial resources to better fulfil its oversight responsibilities. The government is stepping up efforts to establish a coordination mechanism on human resource management between central and local level, in particular through the administrata.al porta, whichincreases transparency in data collection.

The **remuneration system** is based on a job classification system, that requires further reform. The fairness and coherence of the system are impaired by the ongoing lack of a salary policy that would establish clear criteria for pay supplements and salary increases is still not adopted. The awarding of salary supplements is not consistent across institutions. Inter-operability of HRMIS and payroll systems needs to be ensured for both automating payroll and improving the quality of data in the public service.

The Albanian School of Public Administration training programmes contribute to the **professional development** of civil servants. However, an integrated training management cycle remains to be established. The School's budget remained at mantained the same level as in 2018.The number of training courses has increased. Although local-level civil servants received more training, the professional administrative capacity at this level needs to be strengthened. A law is in place to prevent corruption and to ensure the **integrity** of public officials and civil servants, but institutional capacity for verifying assets and assessing conflict-of-interest declarations should be reinforced.

Accountability of the administration

The legal framework for the organisation of the central administration establishes **accountability lines** between institutions. The restructuring of the central government in 2017 has created the need to better optimise the workflow and decision making processes. Further restructuring of subordinated agencies have led to the transfer of personnel from the civil service into employment regulated by the labour code. Such human resource decisions are not consistent with institutional development plans and create different professional human resource management standards. Administrative bodies subordinated to ministries, parliament and prime minister have been created in the last years without strategic planning. Policy making institutions do not always monitor policy implementation of the subordinated agencies. A lack of strategic plans and a monitoring framework with performance indicators, hinders the functioning of internal control process. Managerial accountability within institutions is still focused on processes rather than the achievement of results, and not much decision-making is delegated from top to middle management. However, an instruction, defining the process of delegation of tasks within government units was issued by the Ministry of Finance and Economy (*See Chapter 32*).

Citizens' right to good administration is limited. Public institutions do not systematically implement the recommendations of oversight bodies. The number of Ombudsman

recommendations that are implemented remains low. The Law on the Right to Information regulates **citizens' right to access public information**. An increasing number of public authorities have adopted transparency programmes. The Commissioner for the Right to Information and the Protection of Personal Data should be given greater powers of oversight. There is a central registry for information requests, but its coverage should be expanded.

A legislative framework is in place for the **right to administrative justice**. The capacity of the administrative court system to deal with the backlog of cases remains weak. There is a backlog at appeal-court level since Albania has only one administrative court of appeal. The capacity of appeal boards to process cases remains weak. Legislation is in place for protecting the **right of citizens to seek compensation**, but court cases remain rare due to the public's limited awareness of their rights. A lack of data collection makes it impossible to assess the effectiveness of the liability regime.

Service delivery to citizens and businesses

Institutions and laws on public-service delivery are in place to ensure **user-oriented administration**. The Agency for the Delivery of Integrated Services continued to set up one-stop-shops across the country. E-services were developed further and the level of automation increased. Public information on public services has been made more accessible to citizens. However, there is no overall plan for the extension of services.

The Code of Administrative Procedures provides the legislative framework for **simplifying administrative procedures**. However, legal uncertainty for citizens and businesses persists, as there have been delays in adopting the implementing legislation and amending sectoral legislation. Greater coordination and training are needed to upgrade the administration's capacities to harmonise and effectively implement the legislation.

Strategic framework for public administration reform

Throughout 2019, the Government continued to monitor implementation of the 2015-2020 **public administration reform strategy** (PAR) and the 2014-2020 **public financial management (PFM) reform strategy**. Despite the COVID-19 crisis, a modest implementation record of the public administration reform strategy has been maintained and more needs to be done to achieve results-oriented monitoring. A new action plan on PAR and PFM covering the period 2018-22 was approved. The passport of indicators of the PAR strategy should be accordingly updated.

Political responsibility for PAR is assigned to the Deputy Prime Minister and technical support continues to be provided by the Department of Public Administration and the Department on Good Governance. However, the link between technical and political support for PAR needs to be strengthened. **Financial sustainability** needs to be improved, as the overall reform of public administration is still dependent on external donor funding.

2.2.1. Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An n effective (independent, quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect for fundamental rights in law and in practice.

Albania has **some level of preparation**/is **moderately prepared** in implementing the EU *acquis* and European standards in this area. **Good progress** was made, in particular through continued implementation of the comprehensive justice reform. This included the establishment of the Special Anti-Corruption and Organised Crime Structure (SPAK), composed of a Special Prosecution Office (SPO) and the National Bureau of Investigations (NBI). The Director of the NBI has been appointed and started performing his functions. The Anti-Corruption and Organised Crime Courts have also been established. Furthermore, a new General Prosecutor and the new High Justice Inspector were appointed. The vetting process continued to deliver

tangible results. The legislative framework has been further strengthened to fight corruption more effectively. Operational efforts against corruption are bringing results. Due judicial follow up must be ensured to increase the number of final convictions in high-level cases. On human rights, new legislation package on anti-defamation raised concerns as to its potential negative impact on freedom of expression. The Albanian authorities have committed to follow upon the guidance of the Venice Commission on this matter. On property rights, efforts should continue to bring tangible results on registration and compensation. As regards the protection of national minorities, Albania needs to swiftly adopt the remaining implementing legislation related to the 2017 Framework Law.

Functioning of the judiciary

Albania has **some level of preparation**/is **moderately prepared** on the functioning of the judiciary. **Good progress** was made, significantly advancing the conditions set by the Council Conclusions of 25 of March 2019, despite the impact of the COVID-19 pandemic. The vetting process has continued to render concrete and tangible results, under the thorough supervision of the International Monitoring Operation (IMO). To date, more than 62% of the vetting dossiers processed have resulted in dismissals or resignations. An important milestone was reached on 11 March with the appointment of three new members to the High Court, which has regained its quorum to adjudicate on cases. Albania is making progress to reconstitute the Constitutional Court and has appointed three new members. This has set the basis for the Constitutional Court to regain functionality and increase public trust. Appointments to the Constitutional Court are ongoing. With four out of nine members in office, the Constitutional Court regained the quorum to review the admissibility of cases. The General Prosecutor has been appointed by the Parliament. The new specialised bodies in the area of anti-corruption and organised crime (SPAK) have been established. The new bodies for the self-governance of the judiciary have been operating effectively. The 2018 recommendation on the need to make more effective use of an improved case management system remains outstanding.

In the coming year, Albania should in particular:

→ further advance the process of re-evaluating judges and prosecutors;

→ ensure the full functioning of the Constitutional Court and the High Court;

→ adopt effective measures to fill the priority judicial vacancies and continue the progress in the recruitment of new magistrates;

→ continue efforts to strengthen the effective use of an improved case management system, with sound statistical capacity based on CEPEJ methodology, which ensures the random allocation of cases.

The comprehensive transitional re-evaluation of all judges and prosecutors (vetting) advanced steadily and delivered tangible results. The International Monitoring Operation (IMO), deployed under the aegis of the European Commission, continued to exercise independent oversight.

Until the end of the reporting period, of the total 805 magistrates that have to undergo vetting, the vetting institutions have completed 286 vetting cases at first instance, including all priority dossiers. Of the 286 decisions, over 186 vetting decisions are final (i.e. after appeal). Overall, 62% of the vetting dossiers processed so far have resulted in dismissals or resignations by the assessees. The breakdown of first instance decisions is as follows:

→ 117 dismissals, mostly for issues relating to unjustified assets;

→ 105 confirmations in office;

→ 62 decisions on termination of the vetting proceedings;

→ 2 decisions to suspend the assessees, with an obligation to attend training.

The first-instance vetting body (IQC) has formally initiated investigations regarding over 603 assessees. The IMO has consistently performed its oversight role in the vetting process and issued opinions on first-instance assessments, including 12 recommendations for appeal and two dissenting opinions. The vetting institutions followed all recommendations for appeal.

Due to the restrictions linked to the COVID-19 pandemic, during the lockdown period, all vetting public hearings have been temporarily suspended. However, the vetting institutions and the IMO managed to pursue investigations on dossiers based on agreed contingency measures. The vetting institutions resumed hearings on 3 June 2020. The vetting institutions are expected to continue to systematically transmit to prosecution services all dossiers in which the suspicion of commission of a crime has emerged. Due investigation and judicial follow up, where necessary, shall be guaranteed. To date, 23 subjects have been submitted to prosecution, including 10 former high-level judges of the High Court and Constitutional Court, dismissed following vetting procedures. Out of 23 cases, 21 investigations are still ongoing, one investigation was dismissed, one resulted in a conviction. 10 additional subjects have been referred by SPO to the competent district prosecutors' offices for evaluation. Asset investigations are underway in the ongoing cases.

Strategic documents

The cross-sectoral **2017-2020 justice strategy** and action plan were updated in 2019. The Ministry of Justice has established the necessary inter-institutional coordination structures to support the implementation of the reform.

The estimated budget for the implementation of the strategy is EUR 98 million, 35% of which is provided by international donors. Monitoring, evaluation and reporting mechanisms are weak. The independent commission for the coordination, monitoring, and enforcement of the Law on the Governance of the Judiciary has closed its mandate with the creation of the High Justice Inspector. It has issued 17 reports and held a final parliamentary hearings in February 2020.

New specialised bodies

The new Specialised Structure for Anti-Corruption and Organised Crime (SPAK), comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), has been established. With 13 out of 15 prosecutors appointed, including the Chief Special Prosecutor, the SPO is fully functional. The selection procedures for the remaining two SPO vacancies are well advanced. On 30 July, the Director of the NBI was appointed and started performing his functions. The EU has appointed two criminal justice experts to advise the NBI. The special anti-corruption and organised crime Courts, of first and second instance, with competence to hear cases referred by the SPO, have also been established and are operational. Upon the proposal of the High Judicial Council (HJC), on 24 July 2020 the Assembly has adopted amendments to the law on the status of judges and prosecutors regarding a 60% increase in the gross salaries of magistrates within the SPO and the special anti-corruption and organised crime Courts. This measure is expected to further strengthen the independence, competence and professionalism of the new specialised bodies.

New judicial governance bodies

The new institutions for the self-governance of the judiciary, as established in 2018, include the new High Judicial Council (HJC), High Prosecutorial Council (HPC) and the Justice Appointment Council (JAC). These are fully functional and operated effectively throughout the reporting period. The new High Justice Inspector (HJI) has also been appointed.

Independence and impartiality

The comprehensive justice reform has significantly improved the independence and impartiality of magistrates. Appointments of judges and prosecutors are exclusively managed by the new self-governing institutions of the judiciary, subject to completion of compulsory initial training at the School of Magistrates, which is a significant additional guarantee of magistrates' independence. The recruitment process for the School of Magistrates has improved. The HJC and HPC check candidates' merits and assets prior to their admission. The reform has in addition strengthened the guarantees of independence as regards career advancement and promotions, which are managed by the new self-governance institutions with reinforced independence safeguards in place. Judges and prosecutors cannot be transferred without their consent, except in the event of disciplinary measures, structurally justified changes or temporary need. Appeal procedures are available against disciplinary measures concerning the magistrates. Judges can be dismissed only for serious misconduct or if sentenced for a criminal offence. They can also lodge appeals against dismissal decisions at the Constitutional Court. The reform has given prosecutors greater autonomy and has reduced the centralisation of the system around the Prosecutor General.

Attempted interference with the judiciary, including by authorities within the judiciary, and internal and external pressure on prosecutors remain an issue. Many shortcomings have become apparent in the courts' electronic case-management system. The latter should be significantly strengthened and effectively used, notably to ensure random allocation of cases. Cases are allocated to prosecutors randomly, but prosecution offices often fail to make full use of the system to produce reliable data. The laws provide for administrative and criminal sanctions in cases of undue influence over a court case or when magistrates consider their independence to be jeopardised, falling under the jurisdiction of the SPO.

Accountability

The HJC and the HPC are responsible for approving and monitoring the ethics rules and code of conduct. The HJC has improved evaluation forms and adapted them to the new legal standards. However, regular evaluation of judges' performance remains to be implemented. The Code of Ethics for judges and prosecutors is now regulated by law. Despite the overall strengthening of independence across the sector through the comprehensive justice reform, the Minister of Justice still retains the right to submit complaints asking the HJI to investigate on magistrates. This prerogative of the Minister has continued to be used during the reporting period. The legal definitions for the list of misconduct for judges and prosecutors, as a basis for disciplinary proceedings, have been now regulated by law. Previous definitions were repealed by the Constitutional Court decision on the Law on the status of judges and prosecutors.

Under the latest reform, disciplinary proceedings have to be conducted by the HJI. The HJI has inherited a considerable backlog of complaints, of approximatively above 300 cases. The HJI has completed the verification of 50 other cases and started investigations in 35 cases. The capacity of HJI should be significantly reinforced to effectively verify and process the high backlog of complaints.

The HJC has adopted rules and procedures for the regular evaluation of judges. Similar regulations have been adopted by the HPC. The HJC continues to suffer from an evaluation backlog inherited from the High Council of Justice, with the latest evaluation dating back to 2012. The HJC and HPC should advance further the implementation of the new methodology for evaluation of judges and prosecutors, also in view of reducing the accumulated evaluation backlog.

The Plenary sessions of the councils have been open to the public and recorded. The minutes are publically available, thus increasing their accountability and transparency. This practice needs to be continued and further consolidated.

Professionalism and competence

The system for recruiting, selecting, appointing, transferring and dismissing judges and prosecutors has improved. Constitutional and legal changes have reduced political influence during the appointment process, ensuring a merit-based career system exclusively managed by the self-governing institutions of the judiciary.

The Justice Appointment Council adopted two detailed regulations for the evaluation and ranking of the candidates for the Constitutional Court and HJI. The HPC adopted similar regulations for the appointment of the Prosecutor General.

The quality of first year initial training programme of the School of Magistrates was considerably improved. Continuous training requires further improvements, notably regarding the quality of curriculum and trainers. During the academic year 2018-2019, 134 judges and 138 prosecutors fully attended the continuous training programme, which represents the maximum number registered yet. The School of Magistrates is an observer of the European Judicial Training Network (EJTN). It should benefit more proactively of the EJTNs activities and from the expertise within the network.

An important milestone was reached on 11 March 2020 with the appointment of three new non-magistrate members to the High Court. This membership allows the Court to function. The nomination of the candidate for the remaining non-magistrate position is pending final evaluation by the HJC. The other magistrate candidates are in the process of being promoted from within the court system. The HJC is currently reviewing the first applications for the appointment of 11 magistrate candidates and is expected to open subsequent calls for the remaining vacancies in a gradual manner. In June 2020, the High Judicial Council has terminated the mandate of the fourth non-magistrate member, whose mandate had expired. In July 2019, the HJC also took the decision to temporarily appoint judges to the High Court for the adjudication of the most urgent cases related to the extradition of persons, in line with obligations deriving from international conventions.

Albania made progress to reconstitute the Constitutional Court. Due to the outcome of the vetting and early retirements, up until December 2019, there was only one sitting judge. Four new members were appointed at the end of last year. Although one did not eventually pass the vetting process, with four members in office, the Constitutional Court regained basic functionality and the quorum to review admissibility of cases. There has been a dispute about one of the judges nominated by the President of the Republic, due to differing interpretations of the appointment procedure. The Venice Commission has issued an opinion on the matter, providing the necessary guidance to the Albanian authorities to complete the outstanding appointments to the Constitutional Court. The Justice Appointment Council is managing the assessment of candidates for three vacant posts. The process has been slightly affected by the COVID-19 crisis, but is expected to be finalised as a priority. Completion of appointments at the Constitutional Court will proceed once the High Court reaches the required quorum of three fifths of members in office, as the latter is the third appointing authority other than the Assembly and the President of the Republic.

The new General Prosecutor has been appointed, for the first time based on the procedures established in the latest justice reform.

Quality of justice

Albania had 329 full-time judges (12 per 100 000 inhabitants) and 299 full-time prosecutors (11 per 100 000 inhabitants) in 2019. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 21 judges/11 prosecutors per 100 000 inhabitants. The 2018 budgetary allocation for the justice sector was EUR 98 million, while in 2019 it was raised to about EUR 100 million. This amounts to around EUR 5.3 per inhabitant. The new justice institutions and the vetting process are supported by a EUR 12 million budgetary plan. Court infrastructure remains poor overall and future budget allocations should

take this into account. In July 2019, the School of Magistrates has been moved to significantly better premises in a new Justice Centre, along with the HPC, HJC and HJI. It continues to rely heavily on donors' support and has limited capacity in terms of academic staff and qualified specialised trainers.

The HJC and HPC set the number of candidates to be admitted in the 2020/21 academic year at 75 for judges and prosecutors and 25 legal advisors. The admission examination was held in June 2020, being slightly postponed due to COVID-2019 restriction measures. At the final exam, 68 judges and prosecutors and 12 legal advisors and assistants have been admitted. In 2019, only 24 magistrates were appointed and 21 are expected to be appointed in 2020. There will be no magistrate graduates from the School for the year 2021 as the Parliament failed to adopt the transitory legal changes necessary to increase the intake. A significant increase in graduates of the School of Magistrates is expected in 2022 and 2023, with 46 and respectively 70 candidate magistrates admitted, as defined by the HPC and HJC. The HJC has been transferring judges to fill in most urgent vacancies for relevant positions. Decisive progress in the recruitment of new magistrates to fill in the positions made vacant by the vetting remains essential in the current stage of implementation of the justice reform.

The HJC monitors and evaluates court activities on a monthly basis. All courts are required to send a monthly report to the HJC and produce annual activity reports. All courts have websites that are publicly accessible, but these are not standardised. The electronic case management system is still unable to produced reliable and coherent statistical information. The current budgetary and human resources allocated to the Councils remain insufficient to establish and maintain an adequate case management system.

Court decisions are reasoned and hearings are audio-recorded. Publication in due time of courts' decisions has slightly improved, but should still be addressed with priority.

Efficiency

There is still a lack of consolidated reporting on the efficiency of the justice system. Decisive effort is required to ensure an effective and reliable case-management system able to produce automatically reliable statistical data in line with the recommendations and methodology of the CEPEJ about the performance of both judiciary and prosecution. To this end, it is necessary to adopt the legal basis, ensure appropriate budgetary allocation and human resources, as well as adopt a clear roadmap laying out concrete steps towards the effective functioning of the case management system.

Efficiency of the justice system is affected by issues such as the length of proceedings, the clearance rate and the backlog of cases at all court levels including the Constitutional Court. The clearance rate is lowest in the appeal courts and in particular at the Administrative Appeal Court (backlog of 12 798 cases in June 2019 compared to 11 401 in December 2018). This is due to a high number of appeals and the low number of judges allocated to the Administrative Appeal Court.

Vacancies in the judiciary have contributed to an increased backlog of cases. The High Court has made some progress with the processing of pending cases after resuming its judicial functions in March 2019, however its backlog remains particularly high, with over 35 000 pending cases. A comprehensive strategy is necessary to address this backlog, including effective measures to continue the progress in the recruitment of new magistrates. Measures for re-distribution and transfer of judges and prosecutors to priority vacancies have had limited impact. Further efficiency measures should be implemented with priority, including a new judicial map and measures to address the backlog of cases.

There are 36 cases pending before the Council of Europe Committee of Ministers for supervision of execution of final judgements of the European Court of Human Rights.

Changes in the procedural codes under the reform have provided for improved legal provisions on the length of proceedings. However, correct implementation of these improved legal provisions requires more training for judges and lawyers.

The use of **alternative dispute resolution** continues to be limited and needs to be further strengthened.

In addition to the overall length of court proceedings, the execution of court decisions remains a cause of concern. Since the introduction of the private offices' service, enforcement of court decisions has improved, but is should still be addressed as a priority.

Fight against corruption

Albania has **some level of preparation** in the fight against corruption. **Good progress** was made in strengthening the fight against corruption. Progress was achieved with the adoption of the new action plan 2020-2023 for the implementation of the Inter-sectoral Strategy against Corruption; the amendments to the Law on Political Party Financing and Electoral Code as well as the adoption of a new Law on the Administration of seized and confiscated assets. The ongoing vetting of members of the judiciary as well as of the police are also bringing results in the fight against corruption. The operational capacity for dealing with corruption cases is overall sufficient and institutional coordination and monitoring structures are being strengthened. The establishment of an Anti-corruption Task Force has increased the proactivity of administrative investigations and the creation of a dedicated Anti-corruption Directorate contributes to better performance on investigating, prosecuting and trying high-level corruption cases. The creation of a network of anti-corruption coordinators in 16 agencies in 2019 has also contributed to improving the effectiveness in the fight against corruption. An Asset Recovery Office still needs to be set up. The recommendations of the last annual report were partially implemented. Efforts should continue towards consolidating a track record of seizure and confiscation/recovery of criminal assets resulting from corruption-related offences. Direct access to databases for prosecutors and the police continued to improve. Further efforts towards establishing a solid track record in the fight against corruption have been made. This remains a long-term objective. Overall, corruption is prevalent in many areas and remains an issue of concern. The justice response against high-level corruption has started to generate results, although convictions in cases involving high-level officials remain limited.

In the coming year, Albania should therefore:

→ keep strengthening the fight against corruption; further progress towards establishing a solid track record of corruption cases, seizure and confiscation/recovery of criminal assets resulting from corruption-related offences; further increase the use of financial investigations;

→ ensure that recently established specialised anti-corruption bodies of the Special Anti-Corruption and Organised Crime Structure (SPAK), i.e. the Special Prosecutor's Office (SPO) and the National Bureau of Investigation (NBI), as well as the Anti-Corruption and Organised Crime courts are operational and effectively address high-level corruption; ensure adequate resources and cooperation between these new structures and with other prosecution and judicial entities;

→ continue to improve access to national electronic registries for law enforcement authorities.

Track record

Further efforts were made as regards the track record of **investigations, prosecutions and convictions** in the fight against corruption, although it remains a long-term objective that requires further structured and consistent actions. There were 246 final convictions involving junior or middle-ranking officials in 2019 (289 in 2018). The overall number of referrals to the prosecution increased to 2,257 in 2019 (2,126 in 2018).

On convictions of **high-level state officials**, the judiciary has achieved some results. In 2019, three Judges of the Serious Crimes Court of Appeals were found guilty of passive corruption and a High Court Judge was sentenced to prison for falsification of documents. There were 98 new cases opened at prosecution level against high-level state officials in 2019 (10 persons indicted) against 102 cases in 2018 (7 persons indicted). Investigations have so far not resulted in a substantial number of final convictions of high-ranking state officials. This fosters a culture of impunity within the higher levels of the State.

The vetting of members of the judiciary has had an impact on the fight against corruption. Of the more than 286 magistrates that underwent vetting, so far 62% have been dismissed from office, mostly for issues related to unjustified assets, or resigned. Among the high-ranking magistrates, eight out of nine Constitutional Court judges and 15 out of 18 High Court judges have been dismissed through the vetting or have resigned. The SPO has started criminal proceedings against 23 former magistrates, including 9 cases concerning High Court and Constitutional Court judges. Asset investigations are underway in all cases. The vetting of the State Police, Guard of the Republic and Service for Internal Affairs and Complaints (SIAC) has begun with the first 45 out of 300 high level officials vetted, leading so far to one dismissal and one resignation. The vetting process and its results remain crucial to restore public trust in the judiciary and law enforcement bodies of the State.

Reaching final convictions in high-level corruption cases remains an important priority and data collection methodology for both corruption and organised crime cases is yet to be further improved. Ensuring efficient operation of SPAK and NBI work will be of key importance in the upcoming months in order to minimise the backlog of sensitive/high-level cases. District law enforcement authorities will have to be strengthened in order to efficiently deal with special cases not covered by the SPAK and NBI mandate. Cooperation between these different instances must be effective. The newly created special Anti-corruption Directorate in the Ministry of Justice should reinforce internal coordination structures. Inter-institutional coordination against corruption will be streamlined, following the establishment of an anti-corruption and anti-evasion special unit within the Prime Minister's office.

On **asset declarations by high-level state officials**, in 2019 there were 7 cases referred by the High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIDAACI) to the prosecution, one of which resulted in a conviction and a dismissal. In 2018 there were 27 cases referred to prosecution that resulted in 6 convictions and 7 dismissals. In total, HIDAACI referred 12 low- and mid-ranking officials to prosecution services in 2019. In the same year, 12 final convictions occurred. In 2018, there were 43 referrals and 17 final convictions.

Seizure and confiscation of criminal assets are not systematically ordered and carried out in corruption-related cases. Risk assessments have been piloted in some sectors (Customs Administration, General Inspectorate) and should be further expanded.

Some progress was made in setting up an interface between the different electronic case-management systems of the police, prosecution and courts. A system to manage the follow-up of denounciations of corruption is being set-up by the Ministry of Justice

Implementation of the Law on **whistle-blowing** and whistle-blower protection continued and an evaluation on its implemenation is ongoing. At both central and local level, 166 units responsible for protecting whistle-blowers and for reporting cases to HIDAACI have been established while 446 units responsible for the protection of whistle-blowers were established across private companies. In 2019, 14 external reporting cases were registered and investigated by HIDAACI, compared to 16 in 2018.

On **internal control mechanisms**, the Anti-corruption Task Force carried out 26 inspections in 2019 leading to 91 administrative measures, 105 disciplinary measures and no criminal referrals, compared to 36 criminal referrals in 2018. The implementation rate of the proposed

measures is low. In 2019, SIAC has referred 250 cases involving 474 officials to the prosecution which resulted in 501 disciplinary proceedings. In 2018, 201 cases involving 265 officials were referred to the prosecution resulting in 752 discliplinary proceedings. The State Supreme Audit Institution referred 28 cases in 2019involving 40 executives to the prosecution. The rate of implementation of the State Supreme Audit Institution's general recommendations by public institutions remains low.

On **access to information**, in 2019, the Commissioner for Information and Data Protection received 786 complaints and issued 18 decisions, while 820 complaints were received in 2018. A system was established and installed in 31 public institutions to record the overall number of requests made and to enable citizens to submit online requests for public information.

The impact of anti-corruption measures in **particularly vulnerable areas** (customs, tax administration, education, health, public procurement, PPP contracts etc.) remains limited. Internal checks and inspection mechanisms within the public administration remain weak and ineffective.

Institutional framework

Prevention of corruption

The capacity of the anti-corruption network in line ministries, at local level and in the Office of the National Coordinator against Corruption (NCAC) is weak. The Ministry of Justice, which serves as the NCAC also chairs the Inter-ministerial Coordinating Committee for the Implementation of the Strategy, which monitors the progress of the Strategy and is responsible for the enforcement of administrative sanctions taken by the Anti-corruption Task Force. In 2019, a separate Directorate for Anti-corruption was established within the Ministry of Justice, together with a network of Anti-corruption coordinators in 16 agencies, with the aim of preventing and attacking corruption in state administration institutions and its structures. Effective coordination should be ensured between the new structures at the Ministry of Justice, the Unit for Transparency and Anti-Corruption at the Prime Minister's office, the Special Unit for Anti-Corruption and Anti-Evasion recently established also at the Prime Minister's office, as well as the Integrated Policy Management Group for PAR and Good Governance. The impact of the anti-corruption structures on preventing public sector corruption remains unclear.

The role of HIDAACI in detecting **conflicts of interest and checking asset declarations** was strengthened by the adoption of the Law on whistle-blowing and whistle-blower protection and the implementation of the vetting process.

The role of the State Supreme Audit Institution in the overall anti-corruption framework is to identify and effectively address systematic weaknesses. The inspection capacity in public procurement needs to be further improved. E-procurement is expected to achieve more transparency and reduce opportunities for abuse.

The Council of Europe's Group of States against Corruption (GRECO) has published its Second Compliance Report (fourth round) on Albania in July 2018, and concluded that Albania had dealt satisfactorily with only four of the 10 recommendations. GRECO undertook the first visit of the fifth round dealing with the prevention of corruption and promoting integrity in central governments (top executive functions) and law enforcement agencies in November 2019.

Integrity-related secondary legislation is in place but an overall integrity risk-management system has yet to be established. No integrity plans have been developed for ministries. A 'Manual of Ethics on Public Service Delivery' has been adopted.

In 2019, the online portal to promote 'co-governance' with citizens has received a total of 23 605 complaints related to public administration of which 22 423 were addressed leading to 171 administrative measures and 20 cases to Anti-Corruption Task Forces. There were 28 such cases reported in 2018 out of the 26 936 overall registered complaints.

Law enforcement

Specialised bodies in charge of investigating, prosecuting and adjudicating complex corruption cases have been established, such as the Anti-Corruption and Organised Crime courts and the SPAK, comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI). A Chief Special Prosecutor and thirteen Special Prosecutors have been appointed after passing the vetting. The SPO lacks guidelines and best practices to tackle complex high-level corruption cases. There is a lack of specialist knowledge necessary to ensure the quality of the investigation and prosecution work.

The transfer of 16 Judges to the first and second instance special Anti-corruption and Organised Crime courts that mirror the jurisdiction of the SPO has been completed.

Police and prosecution have been granted direct access to additional private and public national registries. This has improved the capacity of law enforcement authorities to operate, and has also made investigations more efficient. Concerns remain over high staff turnover and insufficient inter institutional cooperation. The overall resources of law enforcement authorities are insufficient.

Legal framework

Albania is a party to all international anti-corruption conventions, including the United Nations Convention Against corruption. It has continued to improve its legal framework on the prevention and combatting of corruption.

In June 2019, the Parliament adopted a new law on the administration of confiscated assets as part of the "**Moneyval package**" which foresees the establishment of an Asset Recovery Office. Proposed amendments to the criminal code related to the criminal reliability of entities involved in the construction sector need to be adopted.

Amendments to the Law on **political party financing** and the Electoral Code were thoroughly discussed at the *ad hoc* electoral committee within the Assembly, as well as in the context of the political platform for electoral reform gathering representatives from the majority, the parliamentary and the extra parliamentary opposition. The amendments to the electoral code were adopted by the Parliament on 23 July 2020 *(see also section 2.1.1 Democracy)*. All the secondary legislation for the legal framework on integrity is in place but it remains highly complex and fragmented. While Albania has an increasingly comprehensive legal framework, effective and high-quality implementation is lacking.

Strategic framework

The implementation of the Inter-sectoral Strategy against Corruption is overall on track, although weaknesses remain. These weaknesses include the need to strengthen ownership, strengthen institutional capacities, ensure proper costing and budgeting of the strategy's activities. A new action plan for 2020-2023 for the implementation of the extended strategy was adopted in July 2020. A mid-term review of the Strategy has been undertaken. According to the 2019 draft annual monitoring report, 59 activities out of 97 planned have been realised (61%) while 12 are ongoing. In 2018, out of 97 planned activities, 55% were fully implemented. The monitoring mechanism and its accountability need to be strengthened. Consultations with relevant stakeholders before the approval of the reports have improved. Feedback is not systematically provided to stakeholders who participate in developing anticorruption policies.

The comprehensive performance assessment framework has been updated together with the new action plan up to 2023, and reporting on the performance indicators is included in the annual monitoring reports however not used as a tool to strive towards more progress.

Fundamental rights

Albania complies overall with international human rights instruments and has ratified most international conventions related to the **protection of fundamental rights**. During the reporting period, Albania made some efforts to meet obligations that arise from international legal instruments. Regarding the implementation of the Law on Social Housing, nine sub-legal acts were approved following a wide consultation process. The legal framework in the areas of children rights and juvenile justice has also been improved by sub-legal acts. Efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights.

In the coming year, Albania should:

→ further improve institutional mechanisms for protecting children, protecting victims of domestic violence, promoting the rights of persons with disabilities, guaranteeing gender equality and providing minimum health and social services, especially at the local level;

→ step up efforts to establish solid anti-discrimination case-law; enact the sub-legal acts related to the Law on Social Housing, which also foresees 5% of housing to be reserved for the most vulnerable members of the Roma and Egyptian[3] communities;

→ swiftly adopt the remaining five bye-laws to ensure full implementation of the legislation related to the 2017 framework Law on the Protection of National Minorities;

→ consolidate the entrenchment of property rights, notably by finalising first registration, advancing the registration of property deeds, implementing the compensation scheme, and continue making the necessary progress on the digitalisation and mapping of property.

Albania complies overall with international **human rights instruments** and has ratified most international conventions. Albania has yet to ratify the Optional Protocol to the Convention on the Rights of Persons with Disabilities and the Optional Protocol to the International Convention on Economic, Social and Cultural Rights. Assessing the level of implementation of human rights legislation, policies, analyses and strategies remains a challenge due to the absence of comprehensive monitoring and data. Albania underwent its third Universal Periodic Review cycle (UPR) in May 2019. In addition, Albania was granted Observer Status to the European Union Agency for Fundamental Rights by decision of the EU-Albania Stabilisation and Association Council of 28 November 2019. Albania is in the process of appoining an Observer, an alternate Observer and a National Liaison Officer for the Agency.

Albania continues to ensure good cooperation with the **European Court of Human Rights**. The European Court of Human Rights dealt with 48 applications concerning Albania in 2019, of which 47 were declared inadmissible. The Court delivered one judgment (concerning one application) finding violations of procedural rights and ill-treatment guaranteed under the ECHR. A judgement was issued in January 2020 finding Albania in breach of the ECHR for ill-treatment of a mentally ill individual. In March 2020, Albania notified the Council of Europe about restrictions of human rights and freedoms due to COVID-19 outbreak. By declaring a state of emergency due to natural disaster, Albania introduced restrictions on freedoms and fundamental human rights regarding movement, air, sea and land transport, the educational process, as well as the right to property.

On **the promotion and enforcement of human rights**, the Ombudsman has continued to promote human rights. In 2019, the Ombudsman submitted a total of 213 recommendations, of which 63 were accepted, 10 were rejected, 4 went without response, and 23 remain in process. In April 2019, after monitoring the protests on 13 April, the Ombudsman issued a statement indicating that violence against public buildings and private properties during protests must not be tolerated. The Ombudsman also criticised the indiscriminate use of teargas by the police and deplored the fact that journalists were being discouraged via various means from fully covering

[3] All these groups are considered under the wider "Roma" umbrella term under the EU framework for National Roma Integration Strategies.

the protest. In November 2019, the Ombudsman expressed support to the Astir area residents protesting against the destruction of their homes and other properties to make way for the construction of a ring road segment. Following the protests against the demolition of the National Theatre building in Tirana on 17 May 2020, the Ombudsman called on the state authorities, i.e. the structures of the State Police, to avoid extreme reactions, to maintain proportionality and to respectfully consider any legal form of expression of the will of the citizens, including the right to expressing their opinions or the right to protest or manifest their dissatisfaction. Effective implementation of the Ombudsman's recommendations by the public administration needs to be more systematic. A comprehensive approach is necessary to strengthen the capacity of the Ombudsman and of the Commissioner for Protection from Discrimination (CPD) in handling cases of human rights violations. The budget for the CPD has been increased for 2020, while the amount allocated to the Ombudsman has decreased. Regarding the work of both the Ombudsman and the Commissioner for Protection from Discrimination, the 2019 Universal Peer Review concluded that the lack of sufficient human, technical and financial resources was undermining the work on human rights promotion and protection.

On the **right to life,** in November 2018, Albania ratified a cooperation agreement with the International Commission for Missing Persons (ICMP), to help identify some of the missing victims of Albania's Communist regime and collect DNA samples with financial support from the EU. However, by November 2019, the remains of just two people had been identified due to insufficient cooperation by the Prosecution Offices of Tirana and Fier.

On the **prevention of torture and ill-treatment**, the National Preventive Mechanism conducted 58 inspection visits to detention facilities and four to psychiatric hospitals in 2019, resulting in 164 recommendations concerning the prison system. The percentage of fully implemented recommendations remains low and requires further efforts. During this period, 42 complaints relating to violence in police facilities were processed, two cases were brought to the courts, one was later dismissed and one is still pending. Another four recommendations are being prepared for the courts. In five other cases, investigations have been initiated by the Prosecutor's Office based on reports made by the injured parties. During the 2019 Universal Periodic review, States expressed concerns about allegations of torture or ill-treatment in detention and recommended that Albania carry out prompt and effective investigation into all allegations ensuring that those responsible are punished with sanctions commensurate to the gravity of their crimes. Albania has been condemned for violations of the ECHR related to ill-treatment in 2019 and 2020 *(see above).*

In September 2019, the Council of Europe's Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) published the report on its visit to Albania (carried out in November 2018). According to the CPT, there are only slight improvements in the functioning of detention facilities. Particular attention was paid to the treatment and conditions of detention of persons in police custody and the situation of remand prisoners and forensic psychiatric patients. In response to recommendations made by the CPT and the European Commission, the government has started preparing plans for the establishment of a special institute for the treatment of persons with mental illness in prison and has renovated premises in the Lezha prison to serve as an intermediary facility to treat people with mandatory medical treatment in prisons.

After inspection visits in August, the Ombudsman called for the immediate closure of the Saranda and Burrel prisons due to poor conditions, including overcrowding and low hygienic standards. The Ombudsman also requested the improvement of conditions in the prisons of Berat, Tirana (302 and Vaqarr), Tepelena, Lezha (Shënkoll), Tropoja, and the women's prison in the Ali Demi neighbourhood in Tirana. As for the **prison system**, a new action plan has been drafted for 2019-2022. Legislation on prisons and prison police should be amended to ensure compliance with European standards. With the opening of the EU-funded prison in Shkodra in

July 2018, there has been progress in addressing overcrowding. Across the country, the number of inmates is now under the capacity of the prison system (by 13%). The population of the Zaharia medical facility is however severely overpopulated with 284 detainees for a capacity of 188. The MoJ has engaged in several reforms targeting the professionalism and integrity of prison personnel. In November 2019, 12 Prison Police Directors and eight employees were dismissed for "low performance" and suspected of committing criminal offences, including corruption related offences. By October 2019, 70 % of Prison Directors had been dismissed as a follow-up to the negative report delivered by the General Director of Prison to the Assembly.

The use of alternatives to custody increased in 2019 compared with the previous reporting period. There were 7,992 cases of non-custodial alternatives in 2019, compared to 6,171 cases in 2018 and 4,904 in 2017. The use of electronic monitoring has been suspended since 2017 because of an unresolved legal dispute. The new Law on Probation has been drafted and is pending approval by the Parliament. The increase in numbers of alternative sentences has also led to a reduction in prison overcrowding.

In March 2020, about 600 detainees, 10% of the total prison population, have been transferred for three months to their homes. The decision was adopted by the government as a measure to prevent possible spread of the COVID-19 in penitentiaries.

On the **protection of personal data,** further efforts are needed to align the personal data protection legislation with the General Data Protection Regulation 2016/679 and the Police Directive 2016/680. Albania has not yet signed the 2018 Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data. The capacity of the office of the Commissioner for the Right to Information and Data Protection need to be further strengthened so that it can perform its tasks effectively. In 2019, the Commissioner received 301 complaints from data subjects which shows an increased awareness on personal data protection issues compared to previous years. The Commissioner carried out 142 inspections in both public and private entities and issued over the same period 39 recommendations, including one unifying recommentation, 20 decisions and 56 administrative sanctions. This represents a comparable level of activities to 2018. The Commissioner successfully hosted the 41st International Conference of Data Protection and Privacy Commissioners in October 2019.

Freedom of thought, conscience and religion was generally upheld. Inter-religious harmony and cooperation continued with frequent joint appearances of religious leaders in public local and international platforms. As is the case every year, the government allocated EUR 890,000 to support the five official religious communities in April 2019 with a core support dedicated to religious education. The religious groups – the Muslim Community, the Orthodox Church, the Catholic Church, the Bektashi Community and the Evangelical Fraternity – continue to express strong public support for Albania's EU integration process. With the ongoing political stalemate in the country, religious leaders have been calling for dialogue among political parties. Following the earthquake in November 2019, some religious charity organisations have grown close and are supportive of the Government's relief efforts. However, the restitution of properties belonging to religious groups remains an issue.

Freedom of expression

The country has **some level of preparation / is moderately prepared** in the area of freedom of expression. There was **no progress** over the reporting period. In December 2019, the Parliament approved a set of amendements to media law, aiming to regulate online media and some aspects of defamation. The adopted amendments, which presented issues that required reconsideration in light of the relevant international and European standards, were returned by the President to the Parliament. In June 2020, the Venice Commission issued an opinion on the amendments to the media law. The amendments fall short of international standards and principles of media freedom and raise concerns about increased censorship and self-censorship,

and about possible setbacks on freedom of expression in the country. Albania must ensure that European standards of freedom of expression and media are upheld. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission opinion. The draft media law is currently being revised in light of the opinion of the Venice Commission. Criticism and harsh language against journalists persisted. No final convictions of past reported attacks against journalists were recorded during the reporting period. Self-regulation in online media needs to be ensured. Albania needs to provide for more stringent criteria regarding transparency of ownership and media funding. Legislation on public advertising needs to be introduced to improve transparency in line with international best practices. Albania is expected to address outstanding recommendations from the 2019 Commission report, including by aligning to international standards the legal requirements for transparency of media ownership and financing, and its limitations, as well as requirements on public advertising. Furthermore, Albania should:

→ ensure a policy of zero tolerance for intimidation and attacks against journalists, as well as for threats against the media, including in political discourse;

→ review media legislation to bring it fully in line with international standards on freedom of expression, especially regarding online media;

→ strengthen self-regulation mechanisms;

→ ensure implementation of the Labour Code and strengthen the protection of Albanian journalists' labour and social rights.

Intimidation of journalists

During the reporting period, no final convictions of past reported attacks against journalists were recorded. Some reporters were injured while caught between protesters and police during the opposition street protests. A journalist was beaten while reporting on a police operation in Dibra. Police apologised for what it considered an accident. Intimidating language against journalists persisted. In the margins of the protest following the demolition of the National Theatre, police used force during the arrest of a journalist. Media organisations strongly condemned the incident, which is being investigated by the authorities. Journalists critical to the Government and media organisations reported online harassment and smear campaigns against them leading more journalists towards self-censorship and some media towards closure of critical shows.

Following the 26 November earthquake, organisations dealing with freedom of expression raised concerns about Government actions towards media. On grounds of generating public panic in the emergency situation of the post-earthquake period, the regulatory Authority for Electronic and Postal Communications (AKEP) closed down some web portals broadly perceived as critical to the government. A 25-year-old was arrested for four days by the counter-terrorism police directorate after sharing an article of a foreign media about a possible explosion of natural gas depots during earthquake aftershocks and requesting authorities for an urgent assessment.

Legislative environment

The amendments to the media law, aiming to regulate online media and some aspects of defamation were adopted by the Parliament in December 2019, but not decreed by the President of the Republic, who returned the package to the Parliament for review. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission Opinion adopted in June 2020. The amendments fall short of international standards and principles of media freedom and raise concerns about increased censorship and self-censorship, and about possible setbacks on freedom of expression in the country. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission

opinion. The draft media law is currently being revised in light of the opinion of the Venice Commission.

Defamation remains a criminal offence, although it does not carry prison sentence. With the newly adopted anti-defamation package, journalists convicted of defamation are at risk of disproportionate fines in comparison to the average salary and standard of living in Albania.

Albania still needs to introduce legislation to strengthen transparency in public advertising.

Access to information about procurement contracts, audits and salaries of officials should also be strengthened. Decisions of the Commissioner on the Right to Information are non-binding on public administration officials.

Implementation of legislation/institutions

The Audio-visual Media Authority (AMA) is currently operating with limited human resources with three out of seven vacant board member positions. In October 2019, two AMA board members terminated their five years mandate and in July 2019 the Parliament removed from office a third board member on grounds of conflict of interest. In addition, the mandate of the AMA Chairman terminated in November 2019. The Parliament has initiated procedures to fill these vacancies.

With regard to **digital switchover** process, the digital infrastructure of the public broadcaster (RTSH) has been completed throughout the country. Meanwhile, the private national providers continue to develop their infrastructure in the few remaining regions in the country, mainly in the north of the country. AMA has announced that it will conclude the digital switchover by the end of 2020.

Public service broadcaster

During the reporting period, the public broadcaster, RTSH, has made progress with regard to an improved programing, content and technology. This is also due to support and expertise provided by international donors. It remains to be seen how these improvements will translate into increased audience share. RTSH has also completed the construction of two DVB-T2 digital broadcasting networks, one for its own programmes and the other for broadcasting the signals of national private operators. However, RTSH still needs to ensure its overall financial sustainability. The mandate of 11 out of 12 board members of the public broadcaster steering committee has expired and the Parliament has initiated the replacement process.

Economic factors

The market and audience concentration of the media scene in the hands of few major owners with strong political affiliations remains a source of concern. Due to the pressure from media owners and their political and economic interests, many Albanian journalists resort to self-censorship. Transparency of media funding remains a key challenge to improve media freedom in the country.

Internet

Going against self-regulation practices advocated by the Commission for online media, the new media package under revision by the Parliament may have adverse effect on online freedom of expression. The package puts online outlets under the obligation to formally register with AMA. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission Opinion on this matter. The draft media law adopted by Parliament is currently being revised in light of the opinion of the Venice Commission.

Professional organisations and working conditions

Many Albanian journalists lack a regular work contract, social and health insurance and face delays in the payment of salaries. Journalists are often unwilling to report such violations of

their labour rights out of fear of losing their jobs and lack of faith in the justice system. Unions of journalists and civil society organisations are mounting pressure on the authorities to properly implement the Labour Code for journalists, but institutional steps to ensure this implementation remain insufficient. In February 2020, 16 media outlets signed a memorandum of understanding pledging to apply self-regulation and comply with the code of ethics.

The COVID-19 crisis had an impact on the media sector, with several outlets in Albania reducing their ranks due to unexpected financial constraints.

(*See also Chapter 10 - Information society and media*)

Freedom of assembly and association are provided for in the Constitution and legislative framework and are broadly in line with international standards. Assemblies are regulated by the Law on Assemblies which, although largely in line with the Guidelines on Freedom of Peaceful Assembly of the OSCE/ODIHR, needs to address the right to spontaneous assemblies and counter–assemblies. During the reporting period, freedom of assembly and association were generally respected. However, violent actions resulting in serious injuries of demonstrators and police officers and damage to public buildings have been registered in a number of protests and political demonstrations.

Issues of **labour and trade union rights** are further covered in *Chapter 19 - Social policy and employment*.

On **property rights,** continued progress is needed towards advancing the process for registration, digitisation and compensation. Albania should, as a matter of priority, conclude first registration of the immovable properties and titles in its territory. A new law on cadastre was approved in February 2019 and the newly-established State Cadastre Agency (merging three existing agencies) became operational in April 2019. The Law on the Finalisation of Transitional Ownership Processes was adopted by Parliament and entered into force in May 2020, taking into account the recommendations of the Venice Commission Opinion of October 2019.

For the three years 2016-2019, following the establishment of the Agency for the Treatment of Property (ATP), the financial assessment of 26,091 decisions has been completed resulting in the recognition of the right to compensation for property worth around 818,000,000 EUR. The ATP has further executed 678 claims out of a total of 2,128 claims, with a financial value of around 47,000,000 EUR, and distributed 612.3 ha from the physical land fund. The process is ongoing for the remaining 1,450 claims. In 2020, there are 615 cases pending before the ECtHR, many of which are related to property and due legal process in property-related cases.

On **non-discrimination**, the legal and policy framework is generally aligned with EU standards. However, the Law on protection against discrimination needs to be improved in a number of aspects, including terminology used, the categories of discrimination to be mentioned and procedures. The implementation of the anti-discrimination legal framework needs to be strengthened by the provision of specialised training to judges and prosecutors. In 2019, the CPD continued handling a stable number of cases of alleged discrimination, mostly in the areas of employment and services. The three local offices of the CPD are fully operational and have started filling complaints. The capacity of the CPD has been strengthened with additional staff and with an increased budget.

Laws on hate speech are in line with international standards. Awareness raising campaigns were organised across the country, but much remains to be done to eliminate hate speech, particularly in rural and remote areas.

On equality between women and men, there was moderate progress in the reporting period. The effective implementation of the national strategy and action plan 2016-2020 on **gender equality** is hampered by a persistent funding gap. More efforts are required to ensure that all sectoral

strategies at central and local level are gender mainstreamed and apply gender responsive budgeting. The overall Gender Equality Index for the Republic of Albania reached 60.4 in 2017, indicating a gender gap of 7.4 points below the EU-28 average (67.4). The largest gaps to the EU-28 are in the domains of knowledge, money and time, while scores are similar in the domains of work and health.

The Law on Reproductive Health regulates the activities of public and private reproductive health institutions; some areas are however missing, for example: referral mechanisms between different levels of care; training for health care providers; youth friendly services; and outreach to vulnerable groups. The law also lacks sub-acts on the delivery of sexuality education and on reproductive technologies.

Efforts to strengthen the legislation that addresses gender-biased sex selective abortion have been taken by the Ministry of Health and Social Protection. The practice continues nonetheless. Efforts should thus be stepped up to ensure monitoring of the practice. Improvements have been made in the availability and accessibility of contraception, for example, by introducing family planning services as part of the general health services package and by offering modern contraceptive methods free of charge.

Regarding **gender-based violence**, during the period January-December 2019, 4,629 cases of domestic violence were identified and processed. Among these, 2,836 cases of domestic violence were dealt upon filing the lawsuit "On issuance of Emergency Protection Order/Protection Order". According to Article 130/a "Domestic Violence", 1,341 cases have been identified, where 1,439 perpetrators have been prosecuted, of whom 535 have been arrested, 76 detained, 68 dismissed and 760 perpetrators prosecuted while free. During the period January-December 2019, a total of 103 victims/ potential victims of trafficking were identified, of which 80 were women and girls. 67 of the victims were minors. The monitoring report on the implementation of the Inter-Institutional Action Plan "For the implementation in Albania of United Nations Security Council Resolution 1325 on "Women, Peace and Security" 2018-2020" was prepared and published for the period October 2018-October 2019.

Several women's organisations operate shelters for victims of domestic violence, but they have limited hosting and financing capacity. Women from disadvantaged and marginalised groups, such as women with disabilities, LGBTI community, Roma and Egyptian women, are often unaware of their rights and how to access services, including shelters. Effective implementation of the free legal aid system and the promotion of legal awareness and empowerment will be essential to ensure women's access to justice.

The number of local referral mechanisms for reporting gender-based violence has increased to 52 municipalities out of 61. Efforts should however be stepped up to set up and make referral mechanisms functional in all municipalities. Emergency shelters have been set up in some municipalities of the country. These services remain mainly donor-funded.

Data from the National Population Survey (INSTAT 2019) included a section on sexual violence which found that 8.6% of women aged 18-74 are currently experiencing one or more of the six types of sexual harassment measured. The general findings show an alarming situation, where 38% of the respondents have been exposed to harassment or sexual assault during their lifetime.

During the Universal Periodic Review, May 2019, Albania was recommended to revise the definition of rape and ensure protection, rehabilitation and reintegration measures for victims of all forms of sexual violence and to ensure the full implementation of the Law 47/2018 "On Measures against Violence in Family Relations' through development of by-laws allocation of sufficient resources and training of relevant staff to ensure adequate support to victims of violence.

Reports by CSOs and observers indicate that vulnerable groups have been particularly affected by the COVID-19 crisis, especially in remote areas. A number of measures have been adopted by the government to mitigate the effects of the pandemic and the subsequent lockdown, so to ensure outreach to vulnerable persons and groups at risk. Effectiveness of action will depend also on strenghened collaboration between the central governement, local governance units and the civil society.

On the **rights of the child**, the adoption of the Law on the Rights and Protection of the Child in 2018 constituted a major step in improving the legal framework for child protection. However, the resources awarded to the State Agency on Child Rights and Protection, both financial and human, do not correspond to its increased legal responsibilities. The National Council on the Rights and Protection of the Child was also created in 2018. Concrete measures to implement child protection legislation have been planned as part of the National Agenda on Child Rights 2017-20, which contains clear objectives and budgeted activities. However, little action has been taken so far to implement these actions. An inter-institutional National Action Plan (2019-2021) for the protection of children from economic exploitation, including street children was approved in October 2019. Currently, there are 236 child protection workers in total (56% of the required number). A mid-term review on the implementation of the agenda was presented in September 2019 with concrete recommendations for its implementation in 2020.

There is growing evidence of child abuse and exploitation through the Internet. In July 2019, the Government adopted measures to protect children from access to illegal and/or harmful content on the Internet. However, the capacity for investigation and prosecution needs to be strengthened. The practice of child marriage/union is still present in Albania, particularly in the Roma, Egyptian and rural communities. There is a lack of data and reporting on child poverty.

Albania has advanced the policy framework and taken steps to strengthen institutional capacities to address the various barriers Albanian children face in accessing justice. In the framework of the implementation of the Juvenile Code and **Juvenile Justice** Strategy 2018-2021, necessary bylaws were approved by six Decisions of the Council of Ministers in 2019. With the aim of treating juveniles with alternative measures in multidisciplinary social centres, 11 new local cooperation agreements were signed in 2019, bringing the total number of cooperation agreements to 18 municipalities. All these municipalities have established the relevant structures/multidisciplinary centres which are functional and can treat the juvenile in conflict with the law. The Kavaja Detention Centre for Minors is to be transformed into a Multidisciplinary Institute for Juvenile Rehabilitation" following a decision of April 2019. The number of juveniles currently in the centre is 25, of which three convicted offenders. In addition, the “Juvenile and Youth Crime Prevention Centre” was established in May 2019. The Centre is conceived as a subordinate mechanism to the Ministry of Justice which will develop preventive programmes and supervise a juvenile for a six-month period after the end of the sentence.

In 2019, the government publicly committed to progressively reorganising the child care system, ending child institutionalisation and ensuring a transition from institutional to family and community-based care. Further efforts are needed to prevent unnecessary separation of children and provide appropriate family and community-based care where children are separated, thus reducing and eliminating the use of large-scale institutions.

Albania’s framework legislation on the **rights of persons with disabilities** is partially compliant with the UN Convention on the Rights of Persons with Disabilities. However, Albania has yet to ratify the Optional Protocol to the Convention on the Rights of Persons with Disabilities. In September 2019, the UN Committee on the Rights of Persons with Disabilities adopted concluding observations on the report submitted by Albania, expressing concerns on a number of areas, such as: insufficient efforts to bringing legislation in line with the CPRD, the lack of a harmonised concept of disability, the absence of disability-specific services, the lack

of consultations with organisations of persons with disabilities and the absence of a comprehensive gender equality policy and strategy that addresses the multiple and intersecting forms of discrimination faced by women and girls with disabilities. Further efforts are needed, among other things, to address violence against persons with disabilities, improve overall accessibility (including services and information), to promote employment for persons with disabilities, and to collect statistical data on the situation of persons with disabilities.

A number of pieces of implementing legislation related to the 2014 law on inclusion and accessibility are still outstanding. Despite efforts to ensure inclusive education, the quality of education for disabled children, especially deaf children, is a cause for concern. Children with disabilities are still placed in residential care centres. The number of assistant teachers for children with disabilities in the pre-university education system increased over the years but the number and qualifications are not yet sufficient to meet the needs. In some municipalities, more than 65%[4] of children with disabilities are not included in the education system. Monitoring of how disability-related measures are being implemented is hampered by a lack of data.

Albania's legislation prohibits discrimination against **lesbian, gay, bisexual, transgender and intersex (LGBTI)** persons. However, more efforts are needed to protect LGBTI persons from discrimination when it comes to access to health care, education, justice, employment and housing. The national action plan for LGBTI persons, which comes to end in 2020, did not produce visible results, partially due to the lack of financial resources. An inter-ministerial team responsible for monitoring the action plan is operational and held its last meeting in May 2019. Police officers, prosecutors and gender 'focal points' in line ministries have received training on preventing discrimination on the basis of sexual orientation and gender identity. The shelter for LGBTI persons has continued to provide care, support and advocacy to homeless LGBTI individuals. For the first time, the shelter received state funds in 2019. However, it remains heavily dependent on donors' support. Public awareness and acceptance of LGBTI persons remain low, particularly in rural areas. Hate speech and discriminatory language continue to be a problem in the media, especially online media. Violence and discrimination against members of the trans community is a worrying phenomenon in the country. A number of initiatives and awareness raising events were organised during the celebrations of the IDAHOT week. In 2019, the 8th Tirana Pride was attended by many government officials, CSOs, families and LGBT supporters, and the first Tirana Dyke March took place. During the 2020 IDAHOT celebrations, the 9th Tirana Pride was replaced by an online event, called "Pride On", which gathered support from the LGBTI community, civil society, as well as government representatives and international organisations.

On **procedural rights**, following the adoption of the new scheme on free legal aid, a New Directorate has been set up at the Ministry of Justice to administer the free legal system. Six centres providing first legal aid services have been opened across the country since October 2019. Further efforts are necessary regarding awareness rising, monitoring and reporting of progress in the implementation of the rights enshrined in the procedural codes following the justice reform. The legal aids scheme should further progress towards design and implementation of outreach mechanism to all related groups.

[4] The Regional Education Directorate (RED) data from the 10 municipalities where work efforts were made for drafting of the local plans, showed that children with disabilities, to a considerable extent, are still out of the education system. In ten municipalities, only 1,255 children with disabilities, that have obtained an attestation from the Medical Commission for Work Capacity Assessment, are enrolled in regular schools and kindergartens. The level of involvement varies from one area to another, so in Lezha Municipality, 60% (n=165) of children with disabilities of school age, are not part of the educational system. Also in the Municipality of Vlora, 65% (n=173) children with disabilities, are not yet part of the education system. Children with disabilities, especially children with a higher degree of disability or those with multiple disabilities, experience major obstacles in regard to access to schools.

Following the adoption of the framework Law on the **Protection of National Minorities**, Albania has adopted seven by-laws related to its implementation. Four of those were adopted in 2019. The remaining five by-laws, including on self-identification, use of minority languages and education in minority languages remain to be adopted. The government's Action Plan on European Integration outlines the measures and next steps to be taken to adopt the remaining five by laws in 2020. Two of them are currently in public consultation. These steps are necessary to ensure implementation of all the principles and rights enshrined in the framework law, including the right to free self-identification, the use of minority languages, and the right to education in minority languages. The implementation of all the secondary legislation will require strengthening the capacity of the State Committee on National Minorities and providing sufficient financial resources. The Census Law covering the Population and Housing Census of 2020, should be adopted. Concerns have been raised by the Greek minority in relation to property rights in the southern coastal region.

The implementation of the 2016-2020 national action plan for the integration of **Roma and Egyptians** reached its final year of implementation, however with limited progress.

Preparation of the next one, in an inclusive manner, should start well on time to be adopted before the end of the year. The Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process (Poznan Declaration) was endorsed by the government. The structure of the Ministry of Health and Social Protection, in charge of the coordination of Roma-related policies, needs to be strengthened. The overall trend regarding the participation of Roma and Egyptians children in the education system has remained positive, with 14 515 students in the pre-university education system and 2 996 children in kindergartens. However, the gap between Roma/Egyptians and other non-Roma children living in the same areas remains significant. Roma children continue to benefit from free textbooks and transportation to remote schools. Segregation in schools remains an issue that should be systematically addressed. The overall employment and labour force participation of Roma remains very low. Albania faces difficulties to ensure sustainable employment for Roma and Egyptians. One of the reasons for low employment levels is the fact that 94% of registered Roma with the labour offices have only compulsory education or less which causes that not many of those completing different employment promotion programmes become employed. This indicates that the employment programmes do not sufficiently increase capacities of the participating individuals. There is a need to review the national employment approach since it has not been producing the expected results. Health insurance coverage for Roma in Albania remains low and gaps persist between Roma and the majority population.

Regarding the implementation of the Law on Social Housing, Roma and Egyptians are already benefitting from the 5% quota foreseen by the law. However, most of the secondary legislation still remains to be adopted. Out of the 40 sub-legal acts required to ensure full implementation of the law, 23 Council of Minister's Decisions were developed, out of which nine were approved following a wide consultation process. Regarding the implementation of investment projects (to improve housing, infrastructure, water supply and sanitation), about 30% of beneficiaries of the projects put in place in 2019 were for Roma and Egyptian families, while concerning the rent subsidy and lump sum subsidy programmes, 19% of them addressed members of the Roma and Egyptian communities. Anti-gypsyism and hate speech remain issues that should be systematically addressed in Albania within the wider society, equality bodies and government structures and systems. The Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process (Poznan Declaration) was endorsed by the government. The mapping of Roma houses has started; preparations have also started for a Ministerial meeting in Tirana on achievements and deliverables for the next Prime Ministers Summit in October 2020. The Roma Seminar conclusions are yet to be implemented.

On **citizenship rights**, in July 2020, the Parliament adopted a new Law on Citizenship, which includes provisions that may lead to the establishment of an investors' citizenship scheme. Such

schemes pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime. As a candidate country, Albania should refrain from any measure that could jeopardise attainment of the EU's objectives, when using its prerogatives to award nationality.

2.2.2. Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails lifting border controls inside the EU. EU Member States also cooperate with Albania in the fight against organised crime and terrorism, and in judicial, police and custom matters and are supported by the EU Justice and Home Affairs Agencies.

Albania has **some level of preparation**/is **moderately prepared** to implement the EU *acquis* in this area. **Some progress** was made by improving the institutional capacity on border management, asylum, countering terrorism and violent extremism. Albania is the only country in the region to have established working agreements with all EU justice and home affairs agencies. Reception capacity to deal with mixed migration flows was further improved and remained sufficient to accommodate the increased number of arrivals. Efforts are needed to strengthen financial investigations and the fight against money laundering. The issue of unfounded asylum applications lodged by Albanian nationals in EU Member States and Schengen-associated countries requires continuous and sustained efforts. Albania should keep addressing the phenomenon of unaccompanied minors. Financial investigations are not yet systematically conducted in parallel with criminal proceedings.

In the coming year, Albania should in particular:

→ continue to develop the systematic use of parallel financial investigations when dealing with organised crime, illicit trafficking, terrorism, and money laundering;

→ keep implementing swiftly the action plan agreed with the Financial Action Task Force on preventing money laundering and countering terrorism financing;

→ further step up measures to address effectively the issue of unfounded asylum applications, including through addressing its underlying reasons, improving border checks and organising further information campaigns on the rights and obligations of visa-free travel. Relevant cooperation and dialogue with the most affected EU Member States should be continued.

Fight against organised crime

The country has **some level of preparation** in implementing the EU *acquis* in this area. **Good progress** was made in meeting last year's recommendations. Further tangible results were achieved in the fight against organised crime, including through cooperation with EU Members States, and through the action plan to address the FATF recommendations, *thus meeting the condition for the first IGC*. Police operations to dismantle criminal organisations have further intensified. Albania has continued to show strong commitment to counter the production and trafficking of drugs. Albania allowed airborne monitoring by an EU Member State (aerial surveys by the Italian Guardia *di Finanza*, co-financed by the EU). Police cooperation with EU Member States and Europol further intensified, leading to a number of successful large-scale law enforcement operations and the arrest of organised criminal group leaders. Cooperation between police and prosecutors further intensified. The Special Prosecution's Office was established and provided with a set of important investigative tools. Efforts need to continue to ensure increased prosecutions and final convictions. More efforts are needed to tackle money laundering and confiscate assets stemming from crime and other unjustified wealth.

In the coming year, Albania should in particular:

→ keep strengthening the fight against organised crime, including through cooperation with EU Member States, as well as Europol;

→ adopt a new strategy and action plan on drugs, fill-in the legislative gap on drug precursors, and intensify the fight against drug trafficking;

→ adopt a cybercrime strategy and establish a more effective law-enforcement response focusing on the detection, traceability and prosecution of cyber criminals and address the growing phenomenon of pedo-pornography online.

Institutional set-up and legal alignment

There are 11,058 officers in the ASP, equivalent to 247 officers per 100,000 inhabitants, compared with an EU average of 326 (Eurostat, 2017). Some 100 additional officers were recruited in 2019. The ASP suffers from staff frequent rotation, affecting its operational capacity.

The ASP needs to be reorganised, following the establishment of the SPO and the transfer of some of the Serious Crime Prosecution Office's competences to local prosecution offices. Local judicial police officers need training to investigate new criminal, in particular financial and money laundering, offences. The 'power of law' action plan was operational throughout 2019 and benefited from efficient cooperation between the ASP and the General Prosecution Office. Law enforcement was more proactive and there was a greater capacity to conduct parallel financial investigations. The SPO was established in December 2019 and took over organised crime and high-level corruption files from the Serious Crime Prosecution Office. The Chief Special Prosecutor is currently backed by twelve special prosecutors and two seconded special prosecutors. The support staff comprises 25 employees on temporary transfer from the Serious Crime Prosecution Office pending the vetting and appointment of permanent support staff. Albania should provide the relevant institutions with adequate resources and stability in order to ensure continuity in the fight against organised crime.

Following amendment of the Law on re-evaluating (vetting) officers of the ASP, Republican Guard and SIAC at the Ministry of the Interior, the External Evaluation Commission (EEC) held its first hearing in November 2019. Evaluation is based on personal integrity, professional capacity and verification of officers' assets. By June 2020, 21 of 300 high ranking officials had been vetted, of whom 13 had been confirmed in duty. Two had resigned before a hearing took place and five are awaiting an EEC decision. Due to the COVID-19 pandemic, hearings were suspended in March and resumed on 21 May 2020.

The **legal framework** was further aligned with the EU *acquis.* In particular, the criminal code was amended to align further with the EU *acquis*, including on environmental crimes. In December 2019, Albania adopted additional measures to prevent trafficking in human beings, notably by increasing ASP screening of minors leaving the country. In January 2020, it adopted a special package introducing temporary preventive measures to enhance its capacity to fight organised crime and terrorism (referred to as the anti "grab-what-you-can" package, or "KÇK"). The measures include the possibility of targeting assets through seizure and confiscation, limiting the movements of suspected criminals, and restricting their economic activities. The package put a set of important new investigative tools at the disposal of the new SPO and provides for amendments to the anti-mafia law, ASP law, the law on the administration of seized assets, the criminal code and the criminal procedural code. Amendments to the law on administration of seized and confiscated assets have already been adopted, while the others are in parliamentary procedure.

Albania now has a robust legal framework for confiscating criminal proceeds. The new Law on the administration of seized and confiscated assets, adopted in July 2019, provides for an asset

recovery office to be set up, in line with the EU *acquis*. However, this has not yet been done. Albania should establish or designate an office in charge of identifying and tracking criminal assets, as provided for in the recently adopted legislation and in line with the EU *acquis*.

Albania has yet to adopt legislation targeting unjustified wealth, e.g. as regards the introduction of the concept of extended confiscation and of legal financial ceilings in cash transactions; the admissibility of 'suspicious transactions reports' as evidence in court; and the establishment of a central registry of bank accounts. The Law on weapons is partially aligned with EU provisions. Albania has yet to harmonise its legislation with the latest EU *acquis* developments in this area.

As regards the **strategic framework**, Albania has a cross-cutting (2017-2020) strategy on organised crime, illicit trafficking and terrorism. It also has an action plan on the fight against organised crime (the 'power of law' action plan) and a strategy (2018-2020) and action plan on the fight against trafficking in human beings.

Implementation and enforcement capacity

In the fight against organised crime, Albania's **track record** showed a steady increase in the number of new cases referred to prosecution, from 53 in 2018 to 79 in 2019. There were 13 indictments for organised crime in 2019 (as compared with five in 2018). There were 20 convictions at appeal level in 2018, and one in 2019. In addition, nine people were convicted at first instance in 2019. In the first semester of 2020, the number of new cases related to criminal organisations and structured criminal groups referred to prosecution was 23. There were ten indictments for organised crime, six final convictions and one at first instance.

As regards serious crimes, 1,804 new cases on trafficking in human beings, money laundering, and drugs production and trafficking were referred to the prosecution in 2018 (22, 1,524 and 258 respectively) and a similar number in 2019 (1,805 cases, 25, 1,548 and 232 respectively). Of the total referrals for serious crimes, 551 cases resulted in indictments in 2018 and 507 in 2019. As for final convictions, there were 698 in 2018 and 308 in 2019. Narcotics-related cases accounted for 68.9% of the total in 2018 and 68% in 2019, followed by money laundering, trafficking in vehicles, money counterfeiting and forgery, and trafficking in human beings. In the first semester of 2020, 17 new cases on trafficking in human beings were referred to the prosecution, 126 on money laundering and 587 on drugs production and trafficking. Of the total number of referrals on trafficking in human beings, money laundering, and drugs trafficking, 141 cases resulted in indictments. As for final convictions, there were two for trafficking in human beings, four on money laundering, and 30 for drug production and trafficking.

In June, the Anti-corruption and Organised Crime Court of Appeals overturned the ruling of the first instance court that had convicted former Interior Minister, on account of abuse of office, to three years and four months on probation as well three-year ban from running for public office. The case is expected to be retried.

In October, the Serious Crimes Appeal Court upheld a first-instance court ruling sentencing the head of a transnational drug-trafficking gang to 15 years in prison (reduced to 10 years through abbreviated proceedings) for establishing a structured criminal group, trafficking narcotics, failing to declare assets and laundering money.

Following the adoption of temporary measures to prevent crime (anti "grab-what-you-can" package), the ASP new 'Power of Law Operation' Unit seized over 174 criminal assets belonging to organised crime's suspects. Since the entry into force of the temporary measures until mid-June 2020, 84 organised crime cases were reported to the SPO that involved seizures of assets. Since its establishment in December 2019, the SPO has taken over from the Serious Crimes Prosecution office 215 criminal proceedings (167 investigations are still ongoing under, 48 have been concluded). The SPO has also taken over financial investigations under the 2009 anti-mafia law and conducted verifications on asset seizures.

In June 2019, the ASP created a Fugitive Active Search Team for the most wanted national and international criminals. The unit is fully operational.

Albania has taken further steps to strengthen **international police cooperation**. Albania participates in Europol's operational analysis projects (APs) for the prevention and combatting of crimes involving ethnic Albanian criminal groups and associated organised crime groups. Albania also participates in APs regarding cybercrime, environmental crime, organised property crime, terrorism, migrant smuggling, trafficking in human beings, weapons and explosives. A Europol liaison officer was deployed to Tirana in June 2019. The Europol Liaison Office to Albania, officially opened in July, was the first to operate from the Western Balkan region. The liaison officer has helped to strengthen cooperation between Albania and EU Member States' police forces in the fight against organised crime, including drug trafficking, and to enhance the police's capacity to assess the main organised crime threats. Since the beginning of the deployment, Albania has increasingly shared information with Europol. Albania joined the informal Anti-Money Laundering Operational Network in 2019, and became a strategic partner on 'organised property crime', one of Europol's priority crime areas, and a priority under the 2018-2021 EU's Policy Cycle/EMPACT (European Multidisciplinary Platform against Criminal Threats) policy cycle. Albania has not published a national serious and organised crime threat assessment in recent years, but should do so on a regular basis so as to have a reliable picture of the threats it faces and decide on operational measures to address them. The number and quality of messages exchanged through the secure information exchange network application (SIENA) has improved significantly since the end of 2019. Albanian law enforcement agencies should make full use of the operational agreement with Europol, including through more proactive and timely information exchange through SIENA, and make more use of joint investigation teams to conduct investigations with EU counterparts.

Albania has yet to step up the use of special investigation techniques and proactive investigations. There have been positive developments in its cooperation with Interpol, in terms of information exchanged and operations to execute extradition arrest warrants. The Albanian Security Academy cooperated with the EU Agency for Law Enforcement Training (CEPOL) and other international agencies and academies. A Working Agreement with CEPOL has been in force since 2013.

On **domestic operational capacity**, legal and institutional reforms strengthened the capacities of the ASP's Operational Directorate, which is responsible for special investigative measures throughout the country. Law enforcement authorities' response to organised crime, notably the investigation of large criminal networks, needs to be more proactive and systematic. Special task force police and prosecutors have access to 40 national registers, but they still lack direct access to the electronic register of mobile phone subscribers and IP addresses from internet service providers. Steps have been taken to improve cooperation and mutual trust between police, prosecutors and other relevant agencies and bodies such as the Financial Intelligence Unit, tax office, customs and HIDAACI in the detection and investigation of complex criminal cases. This has produced some operational results.

Financial investigations are not systematically accompanying criminal proceedings from the start, and their effectiveness remains limited. Police and prosecutors should be given further training to improve their financial investigation techniques. Some progress was made on seizures and the **confiscation** of criminal assets. Albania reported estimated seizures of criminal assets and property worth about EUR 20 million under the anti-mafia law in 2019, against about EUR 7 million in 2018. Assets worth about EUR 870,000 (estimated) were confiscated in criminal proceedings under the same law, compared to only about EUR 26,600 in 2018.

There is no strategic or systematic approach to identifying and confiscating criminal assets located abroad or not reachable. In addition to the tools for freezing, managing and confiscating criminal assets under the anti-mafia law, Albania should adopt and implement rules on the

extended confiscation and precautionary freezing of assets. It should also urgently improve its capacity to manage frozen or confiscated assets so that they do not lose economic value.

Albania is a source, transit and destination country for **trafficking in human beings**. Albanian women and children are subject to trafficking for sexual and labour exploitation to neighbouring countries and EU Member States. The Prosecutor's Office registered 22 new criminal proceedings for trafficking in 2018 and 25 in 2019. The number of cases with final convictions remained very low (three cases with three final convictions in 2018 and three cases with five final convictions in 2019). The national referral mechanism for (potential) victims of trafficking is fully functional. In 2019, 92 victims were identified and assisted, compared with 95 in 2018. Police and prosecutors cooperated more effectively on investigations and administrative procedures were simplified. NGO-run shelters remain underfunded. Victim-centred investigations and prosecutions are not conducted consistently. Albania should increase efforts on the early identification of victims and potential victims; intensify cross-border cooperation with neighbouring countries and international cooperation; and contribute to the successful reintegration of victims. It should pay particular attention to unaccompanied children and child victims of trafficking, and provide them with adequate protection. The improved legislative framework for victims, including amendments to the Criminal Procedural Code, has yet to be implemented.

On **illicit trafficking on firearms**, large numbers of firearms are available in Albania. These are used by Albanian criminal groups and trafficked, primarily to neighbouring countries. Albania is both a destination and a transit country for light firearms. There were 14 new criminal cases registered at the Prosecutor's Office in 2018 and 12 in 2019, resulting in 35 final convictions in 2018 and 16 in 2019. Albania actively participated in EU Policy Cycle/EMPACT operational action plan on firearms. It adopted an action plan 2019-2021 on small arms and light weapons and explosives control and appointed a firearms focal point. Albania should appoint a National EMPACT Coordinator. It should adopt standard procedures and mechanisms to counter the illicit trade of small arms and light weapons by air.

On **cybercrime and internet fraud,** in 2019, 47 criminal offences were referred to the Prosecutor Office in the area of cybercrime, compared with 60 in 2018. There were three convictions at first instance level in 2018 and three in 2019. Albania has not yet adopted a cybercrime strategy, and should establish a more effective law enforcement response focusing on the detection, traceability and prosecution of cyber criminals. The 24/7 points of contact network established by the Council of Europe Convention on Cybercrime is underused. Albania should raise awareness among the prosecutors to enhance the use of this network. It should swiftly tackle the growing phenomenon of online child pornography. In particular, it should adopt the necessary legislative amendments to criminalise all forms of online child sexual abuse. The ASP should increase its capacity to deal with such cases.

Albania has a large informal sector and its economy is primarily cash-based. Crimes that generate large amounts of money include drug trafficking, tax evasion, smuggling and human trafficking. As regards **money laundering,** the Parliament adopted a 'Moneyval package' in June 2019 to address the recommendations of the December 2018 Moneyval report. The package included amendments to four laws (on tax procedure, business registration, terrorism financing and the prevention of money laundering/terrorism financing), and the new law on the administration of confiscated assets. In February 2020, the Financial Action Task Force (FATF) placed Albania in the list of jurisdictions under increased monitoring. A FATF action plan contains actions to be implemented by October 2021 to allow Albania to be removed from that list. Albania has made a high-level political commitment to implement the FATF action plan, covering *inter alia* the identification of money-laundering risks, mutual legal assistance, the transparency of beneficial ownership, prosecution and confiscation measures. The government has set up a working group chaired by the deputy prime minister to steer the necessary reforms at political level. The implementation of the measures identified in the FATF action plan has

started despite the COVID-19 pandemic, in particular by conducting a risk analysis regarding banking products and service and the misuse of legal entities. The Albanian government has notified to the European Commission its commitment to align as a priority with the body of EU *acquis* on anti-money laundering, notably by developing the legal basis for the establishment of the beneficial ownership registry and a centralised bank account register. The law on establishing a beneficial ownership registry was adopted in July 2020.

In 2019, 232 cases of money laundering were referred to prosecutors, against 257 in 2018. The number of cases with final convictions for money laundering remains low (10 in 2018 and 8 in 2019).

The ASP's **witness protection** programme has worked satisfactorily. In 2019, it implemented 20 witness protection operations, three more than in 2018.

Proactively fighting organised crime and corruption remains fundamental to countering criminal infiltration of the political, legal and economic systems.

Cooperation in the fight against drugs

Institutional set-up and legal alignment

The Ministry of the Interior and the Ministry of Health and Social Protection/Institute of Public Health are the main lead bodies in the fight against drug trafficking and drug abuse respectively. Albania has not yet set up a national drug observatory or developed a functional early warning system on new psychoactive substances. The 1995 Law on narcotic drugs and psychotropic substances should be amended and the list of prohibited psychoactive substances updated in order to provide a legal framework to investigate and prosecute in relation to such substances. A new national drug control plan (2019-2023) and action plan still need to be adopted. The government has indicated its intention to propose a law for allowing the use of cannabis for medical purposes only. The 1961 Single Convention on Narcotic Drugs to which Albania is party sets strict requirements to control the production and regulate the supply of cannabis for medical use as well as to prevent its diversion to non-medical use.

Implementation and enforcement capacity

On Albania's **track record**, in 2019 the police referred 1,989 cases of drug production, cultivation and trafficking to prosecutors, involving 2,704 alleged offenders. This represents a slight increase compared with 2018 (1,907 new cases referred involving 2,357 possible offenders). Of the 1,989 cases, 1,548 (78%) were registered by the prosecutors. 485 cases resulted in indictments. 290 offenders received final convictions at appeal level, in comparison with 685 in 2018. As in 2018, none of the cases referred to prosecutors concerned the production and manufacture of narcotic and psychotropic substances.

The Albanian authorities further consolidated their fight against cannabis cultivation and trafficking. Increased cooperation with EU Member States' law enforcement authorities brought tangible results. Joint investigation teams, notably with Italy, helped to identify and prosecute criminal organisations at the core of narcotics trafficking operations, including those carried out by sea. The authorities assisted the Italian Ministry of Interior, Department of Public Security and the Italian *Guardia di Finanza* in the seizure of speedboats with cannabis heading from Albania to Italy. In June 2020, in an international operation with the Italian police, 37 people suspected of being part of an international drug trafficking ring were arrested. The police seized 3.5 tons of marijuana, cocaine and hashish, for an economic value of EUR 40 million. In March 2020, the ASP seized 613 kg of cannabis ready to be shipped to Italy. Two individuals were arrested. In February and March, the Albanian authorities participated in several successful operations with Italian law enforcement agencies (in coordination with agencies from other Member States, including the Netherlands) in the fight against international drug trafficking. One operation with the Italians led, *inter alia*, to the seizure of 450 kg of cannabis.

In February 2020, the ASP launched a large operation involving 2,225 police officers to prevent the cultivation of cannabis. Searches were conducted in greenhouses, tunnels, former military bases, abandoned dwellings, and warehouses suspected of being used for cannabis cultivation.

In August 2019, a major police operation in remote areas of Kruja resulted in 19 arrests for drug cultivation. Albania is the only country in the region that allows very intrusive monitoring by another country: since 2013, Italy's Ministry of Interior, Department of Public Security (with EU co-financing) has carried out aerial surveys to detect and monitor cannabis plantations in Albania. The results of the airborne-remote sensing campaign for 2019 show increases in the numbers of cannabis plantations identified and narcotic plants eradicated and destroyed. In all, 90,175 plants were destroyed, compared to 35,985 in 2018. The number remains at a negligible level compared with 2016, when 753,468 plants were destroyed.

The quantity of cannabis seized in Albania fell from about 20 t in 2018 to 6.3 t in 2019, and from 3.8 tonnes in the period January-March 2019 to one tonne in the same period of 2020. Seizures of cannabis oil decreased from 51.7 l to 1 l. There was a substantial increase in hashish seizures (from 363.5 kg to over 1 t). No hashish was seized in the first three months of 2020.

The lack of secure storage for drugs and drug precursors prior to destruction remains an issue of concern. The practice of keeping only a small sample as material evidence for court proceedings (instead of the entire quantity seized) has not yet taken root. Albania should establish an appropriate process for the destruction of precursors.

Albania carried out large scale law enforcement operations in relation to cocaine and heroin, some in cooperation with police authorities from neighbouring countries. Overall, cocaine seizures fell from almost 630.5 kg in 2018 (of which 613.4 kg detected in Durres in a ship coming from Colombia) to 145 kg in 2019 (of which 137 kg in a single operation in the port of Durres). In September 2020, a 5-year long investigation led by Italy, in cooperation with other States, including Albania, culminated in 20 arrests and pre-trial detentions throughout Europe, and dismantling of one of Europe's most active networks trafficking cocaine into Europe. In February 2020, Albania supported to the *Guardia di Finanza* in the seizure of 1.128 t of cocaine. In January 2020, in cooperation with the Greek authorities, 1.18 t of cocaine originating in the Caribbean and destined for Europe and northwest Africa were seized in Greece. In September 2019, Albanian law enforcement authorities seized 137 kg of cocaine in the port of Durres, hidden in containers from Ecuador. The operation was carried out in cooperation with the Greek and US authorities. Two members of the port's security staff were arrested. Heroin seizures increased from almost 24 kg in 2018 to 38 kg 2019 (about 58% more), partly thanks to more thorough police inspections and increased international cooperation.

Cooperation continued with the European Monitoring Centre for Drugs and Drug Addiction. In March 2019, Albania signed a working arrangement with the Centre, which gives the Albanian authorities access to crucial expertise and supports further approximation of Albanian law and policies on drug-related issues with those of the EU.

Fight against terrorism

Institutional set-up and legal alignment

Albania has a comprehensive **legal framework** for preventing and combatting the financing of terrorism and is fairly advanced in aligning with the main building blocks of the EU *acquis* on the fight against terrorism. It is a party to all Council of Europe counter-terrorism conventions, including those covering the seizure and confiscation of the proceeds of crime and the financing of terrorism. In 2019, it strengthened its legal framework with legislative amendments to implement the UN Security Council sanctions resolutions. The authorities should now ensure effective implementation of targeted financial sanctions by enhancing the involvement of financial institutions and other relevant actors and through effective inspections, in line with the FATF action plan. A Financial Investigation Unit was set up in the ASP's Counter-

Terrorism Directorate. The work on terrorism financing in the NGO sector has started with a risk assessment of all NGOs by the general tax authority, and now needs to be taken up by other services. So far, Albania has neither established a central bank account register nor a beneficial ownership register. Albania has **national strategies** on countering terrorism and violent extremism. In October 2019, it signed an agreement with the EU on implementing the 2019-2020 Joint Action Plan on counter-terrorism for the Western Balkans. In June 2020, it submitted its first interim report on the implementation of the arrangement. The report indicates areas where good progress has been made, especially on cooperation with Europol.

The ASP's Counter-Terrorism Directorate is the lead body on counter-terrorism. Other agencies active in the field are the State Intelligence Service and the Defence Intelligence and Security Agency. In addition, the ASP's community policing personnel are involved in preventing and countering radicalisation leading to violent extremism and terrorism. The Coordination Centre for Countering Violent Extremism (CVE), headed by the national CVE coordinator, is fully operational and charged with capacity-building, coordinating CVE activities across government institutions and overseeing the implementation of the national CVE strategy.

Implementation and enforcement capacity

In 2019, there were 16 investigations into allegations of terrorist activity, against 12 in 2018; in neither years, did the investigations result in convictions. An estimated 81 Albanian nationals remain in Syria, 45 returned to Albania and 28 are believed to have died in the conflict zone. No Albanians left for Syria in 2019. The authorities have sought to return mainly women and children from the camps in Syria since last year and in November adopted an inter-institutional action plan on the reception and treatment of returnees.

The operational and logistical capacity of the Counter-Terrorism Directorate remains limited and should be strengthened. The CVE Coordination Centre should be given sufficient funding, staff and political support to fulfil its tasks. In May 2019, it signed a memorandum of understanding with the five officially recognised religious communities on the prevention of radicalisation leading to violent extremism and terrorism. More needs to be done as regards reintegration and resocialisation of returnees and to prevent radicalisation in prisons. There was progress on operationalising the local safety councils, however more efforts are needed to make them well prepared to deal with returnees. Training for district prosecutors dealing with terrorist related offences should be provided.

Regional cooperation and the exchange of sensitive information with international partners remains satisfactory. In cooperation with Interpol, the Albanian authorities arrested and extradited to Germany, Italy and Russia three individuals suspected of participation in a terrorist organisation. While progress was made over the year, Albania should make more proactive use of the Europol European Counter-Terrorism Centre's communication platforms products, services and capabilities. It started a collaboration with the Europol Internet Referral Unit and should continue it. It should also continue to investigate links between organised crime and terrorism. It is actively participating in the implementation of the Western Balkan counter-terrorism initiative.

Legal and irregular migration

Institutional set-up and legal alignment

The Ministry of the Interior is the main actor in the field of migration. The main bodies under its supervision responsible for implementing migration policies are the Department of Border and Migration in the ASP General Directorate and the Directorate of Anti-Trafficking and Migration. MOFE and employment offices address legal and labour migration at the local level.

The **legal framework** on migration is largely aligned with the EU *acquis* but needs updating in line with recent developments. Negotiations on readmission agreements (to return irregularly

staying migrants with no right to stay to their country of origin) are ongoing with Russia and Pakistan, while draft agreements were sent for approval to the authorities in Morocco, Afghanistan, Iraq and Iran. Albania has readmission protocols with 12 Member States. In June 2019, it adopted a new national migration **strategy** and action plan for 2019-2022, providing a clear framework for managing and coordinating migration flows. A first monitoring report on the implementation of the strategy and action plan was released in March 2020. A new 2021-2025 draft national diaspora strategy and action plan were finalised in June 2019. Amendments to the Law on foreigners were adopted in February 2020, lifting working permit requirements for EU citizens, Western Balkans nationals and foreigners working for the post-earthquake reconstruction.

Implementation and enforcement capacity

Good progress has been achieved in tackling irregular migration challenges, including strengthened border controls. Albania continued to experience a growing influx of irregular migrants, mostly from Greece and leaving Albania after a few days, on the way to other EU countries. The number of irregular migrants apprehended in Albania increased by almost 83% compared with 2018 (10,557 compared with 5,792). About 30% more migrants arrived in the first five months of 2020 than in the same period in 2019, despite the COVID-19 outbreak (3,633 against 2,788). A gradual increase has been noted in the number of arrivals as movement restrictions in Albania were lifted. The nationalities represented most were Syrian, Iraqi, Afghan, Palestinian, and Moroccan.

The migrant reception capacity increased in 2019 and 2020. However, the National Centre for Asylum Seekers in Tirana was filled to capacity on a number of occasions at the end of 2019 and beginning of 2020. The asylum centre in Babbru can host 240 people. It needs proper maintenance and sufficient living conditions. A worsening security situation within the centre has remained unaddressed. Its closed reception centre for **irregular migrants** in Karreç, with a total capacity of 100 beds, also requires refurbishment. Albania should establish alternatives to detention for children, women at risk and people with serious medical conditions, as provided for in the Law on foreigners. A new reception facility for 60 people established by the International Organisation for Migration close to the border crossing point at Kapshtica was opened in October 2019. A new facility to host 30 vulnerable persons in Erseka was also opened in June 2020 with the support of the office of the United Nations High Commissioner for Refugees (UNHCR). Overall, Albania has a total capacity of 490 beds. Albania does not have separate facilities for unaccompanied minors. Albania should approve a contingency plan for a possible substantial number of arrivals of migrants and asylum seekers, with a budget and clear modalities for its triggering.

The overall **staffing** of the ASP's Department for Border and Migration is limited (1,635 employees) and needs to be increased. Comprehensive training and joint exercises have been organised for key border officials and frontline officers. However, permanent training structures should be established in compliance with basic training standards for EU border guards. Specific training should be conducted on a regular basis. The high turnover of officers is a constraint that should be addressed. There were no cases of assisted voluntary return to countries of origin. Most irregular migrants returned to the country from which they entered Albania (mainly Greece), but the overall number remained low. In 2019, 4,098 irregular migrants received an order to return to their country of origin, almost four times more than in 2018. There were reports of migrants being returned to Greece outside a legal and/or procedural framework, before pre-screening could be conducted. Albania should apply return procedures in compliance with the Law on foreigners and ensure that its return mechanism for irregular migrants is in line with the EU *acquis.*

The **readmission agreement** with the EU is functioning well, with Albania swiftly honouring requests from Member States for the readmission of both its own and third country nationals.

The overall return rate was 66% in 2018, but it dropped to 47% in 2019. Since EU Member States report good cooperation, this decrease may be due to the processing of exceptionally large volumes of decisions, a backlog in previous years and possibly secondary movements. Cooperation between Albania and the European Border and Coast Guard Agency (Frontex) on return operations is very good. In 2019, Frontex coordinated 73 return operations, returning 2 414 Albanian citizens. About 1,565 Albanian citizens were readmitted and returned in January and February 2020. Albania should train more police officers to escort returnees to Albania, step up its efforts to provide reintegration support for returned nationals and improve the training of staff working at the migration desks and regional employment offices.

Asylum

Institutional set-up and legal alignment

Legislation on asylum generally complies with European standards. However, gaps remain in the development of secondary legislation and internal guidelines to regulate procedures and guide competent authorities. A new Law on asylum is under finalisation.

Albania has the necessary institutions in place to handle asylum claims. In principle appeals can be lodged with the National Commission for Refugees and Asylum. However, the Commission was not functional in 2018 and 2019. This issue should be addressed swiftly and the Commission reactivated. Judicial appeals can be lodged at the administrative courts. The requisite resources should be allocated for full-time qualified interpreters during and after pre-screening. The exclusion of refugees from social housing and asylum seekers from social assistance still needs to be addressed, as efforts to provide integration assistance remain rather limited.

Implementation and enforcement capacity

In 2019, 6,677 individuals applied for asylum in Albania, 52% more than in 2018 (4,386). In the first five months of 2020, there were 2,057 applications, 129 less than in the same period of 2019. Albania remains a transit country for asylum seekers. As most asylum seekers leave the country after a few days, the vast majority of asylum applications were withdrawn. In 2019, 60 applications were formally lodged. One applicant was granted refugee status and 23 were granted subsidiary protection. During the outbreak of the COVID-19 pandemic, asylum procedures and interviews have been limited.

On **asylum procedure**, the Border and Migration Police registers requests during pre-screening and then refers them to the Directorate for Asylum and Citizenship. Although authorities' response to the sharp increase in arrivals in 2018 and 2019 was generally adequate, the Directorate needs greater capacity and more staff. More training is needed on how to assess individual claims, particularly the information on country of origin and cases involving vulnerable people. A database for managing registrations and allowing for follow-up of individual cases became operational in 2019. However, data management still needs to be strengthened and border crossing points interconnected.

The pre-screening instructions should be amended to include additional safeguards, in particular for vulnerable people and those with specific needs, including the early identification of children at risk. The whole asylum procedure could be improved with more direct input from the Directorate for Asylum and Citizenship, regular attendance at interviews and support for the police.

The status of about 2 700 Iranians (from the People's Mujahedeen of Iran) relocated to Albania in 2015 and 2016 has yet to be decided. They currently hold temporary residence permits on humanitarian grounds.

Albania cooperates with the European Asylum Support Office.

Visa policy

Albania's visa policy is not fully aligned with the EU's, e.g. as regards the lists of countries whose nationals require a visa and those who are exempt. Further alignment is needed, as Albania has visa-free arrangements with Kazakhstan, Kuwait, and Turkey, which are not on the EU's visa-free list. In addition, between April and October each year, Albania lifts its visa requirement for nationals of Bahrain, Belarus, Oman, Qatar, Russia, Saudi Arabia and Thailand, which is not in line with the EU *acquis*. In December 2019, it also decided to exempt Chinese nationals from visa requirement with no time limit. The country needs to ensure full alignment with EU visa policy. It has an e-visa system, based on total information management system (TIMS) software, which is used to register all foreign nationals applying for a visa when entering Albania.

The Commission's third Report under the Visa Suspension Mechanism of July 2020[5] concluded that Albania continues to meet the visa liberalisation requirements. Albania stepped up actions to tackle irregular migration and continued to strengthen operational cooperation with the Member States most affected by irregular migration from Albania. It also strengthened efforts to raise awareness among the population on the rights and obligations of the visa-free regime as well as penalties for their violations.

The issue of Albanian nationals making unfounded asylum applications to EU Member States[6] and Schengen-associated countries remains one that requires substantial efforts from the Albanian authorities. In addition to information campaigns, thorough border checks, awareness-raising on rights and obligations under the visa-free regime and identifying and addressing the underlying reasons, they have sought to improve dialogue and cooperation with the countries most affected. They have deployed three police liaison officers to the EU and a liaison officer from the EU works in Tirana to help with exit checks. The cooperation and dialogue should be continued. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

Eurostat data indicate that in 2019 there were around 2,7% fewer of these unfounded asylum applications than in 2018 and almost 20% fewer than in 2017. The decrease continued in the first two months of 2020 (pre COVID-19), with 35% fewer than in the same period in 2019. In the period January-May 2020, there were 3 305 applications lodged, against 10 375 in the same period in 2019, which represents a decrease of around 74% in applications. The 'recognition rate' (i.e. the number of successful applications expressed as a percentage of all decisions) was around 6%, 1,6 pps less than in 2018.

Since a marked peak of applications in 2017 in the Member State most affected, Albania's efforts have resulted in a 26,6% decrease from 7 633 applications in 2017 to 5 599 in 2019[7]. In the first two months of 2020 the decreasing trend continued. In the period January-May 2020, there were around 75% fewer unfounded asylum applications than in the same period in 2019 (respectively, 1235 applications, compared to 4,370 in the same period of 2019).

In 2019, 14,224 Albanian nationals were refused permission to exit Albanian territory at border crossings compared, with 20 268 in 2018 (a reduction of about 30%). This decline can be explained by travellers' increased awareness on the documents required to travel abroad. Border surveillance was intensified to prevent illegal border crossing. In March 2019, Albania started a new project to facilitate the reintegration of returnees in 13 municipalities. It should maintain and step up its efforts to address the issue of unfounded asylum applications.

[5] COM(2020) 325 final
[6] Excluding the UK
[7] Data collected from the Member State most affected. Figures excluding accompanied minors and Albanian citizens under examination in "Dublin procedures".

There was a sharp increase in the number of seized forged documents, including EU passports, used mostly by Albanian nationals to reach destinations in the EU. The detection of Albanian nationals using fraudulent documents increased by 64% between 2018 and 2019. In March 2020 in cooperation with Italian and UK law enforcement agencies, the ASP arrested 12 people and seized a laboratory used for producing counterfeit ID documents to be used for travel to EU Member States and UK.

Unaccompanied minors travelling from Albania to EU Member States remain a source of concern. The ASP continued to carry out tight checks on children travelling abroad with one or both parents. These were intensified following an order of the Minister for the Interior in January 2020. The Albanian authorities should continue to work closely with the Member States most affected. Greater attention should be given to the successful reintegration of returnees, especially the most vulnerable, such as Roma and Egyptians. A new strategy on the reintegration of returnees is needed, as well as clear attributions of responsibilities for its implementation.

Schengen and external borders

Institutional set-up and legal alignment

The Law on border control and its implementing acts are broadly aligned with the EU *acquis*. The amendments to the Law on border control on Advance Passenger Information and Passenger Name Record (PNR) made in March 2020 are not in line with the EU *acquis*. The memorandum of cooperation on PNR with the US, signed in May 2020, required further analysis as regards its implications for Albania's alignment with the EU *acquis*. The **legislative framework** for the management of Albania's external borders is not yet fully in line with EU standards. The 2014-2020 integrated border-management strategy and action plan are broadly in line with European standards.

Implementation and enforcement capacity

Implementation of the **integrated border-management** strategy and action plan continued smoothly. Albania ratified the 2018 agreement on border checks and joint control activities with Kosovo* in April 2019. The integrated radar system for the surveillance of the 'blue' (sea) border is operational. Albania should invest more resources to modernise border infrastructure and improve surveillance of the 'green' (land) and 'blue' borders. The TIMS database system is connected with Interpol's system, enabling the border police to identify internationally wanted persons, stolen vehicles and lost/stolen travel documents. Further risk-analysis **training** should be organised for the border police. Albania should establish a risk-analysis system based on the Common Integrated Risk Analysis model (CIRAM) developed by Frontex. It participates in the Western Balkan Risk-Analysis Network.

Inter-agency cooperation improved. The Navy, Coast Guard and Border and Migration Police conducted regular joint, integrated 'blue' border patrols. Cooperation between the Border and Migration Police and customs should be formalised in an agreement providing for structured information exchanges and mutual access to databases. The border police's investigative powers need to be strengthened, in particular to detect cases of people-smuggling and trafficking. Albania is the first of the Western Balkan countries to have signed the European Border and Coast Guard Status Agreement with the EU. With the entry into force of the agreement in May 2019, Frontex launched its first fully-fledged joint operation outside the EU, deploying teams, together with Albanian border guards, at the Greek-Albanian border. This proved successful in strengthening border controls, enhancing security at the EU's external borders and combating migrant smuggling. A second Frontex liaison officer to the Western

* This designation is without prejudice to positions on status, and is line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Balkans with a mandate covering Albania, Kosovo, and North Macedonia will work in Tirana and be deployed in the course of 2020.

Albania participated actively in the Western Balkan risk-analysis network. **Operational cooperation with neighbouring countries** continued to be good, although it should step up its efforts to improve bilateral cooperation. In January 2020, it started to deploy the US-sponsored personal identification secure comparison and evaluation system (PISCES) at its border crossing points. It will have to ensure that PISCES is operated in line with the EU *acquis* on personal data protection. Actions to reduce corruption at the borders included the installation of cameras at crossing points and the adoption and application of standard operating procedures setting out detailed procedures and strict deadlines for service delivery. In 2019, the Department for Border and Migration issued 149 disciplinary measures against police and migration officers, 16 of whom were relieved of their duties and 70 demoted. A total of 139 disciplinary measures were taken in 2018.

Judicial cooperation in civil and criminal matters

Albania continued to cooperate well on criminal matters, including with EU Member States. Its cooperation agreement with Eurojust, which entered into force on 1 November 2019, will further facilitate judicial cooperation between EU and Albanian practitioners, and the fight against transnational organised crime. The appointment of an Albanian Liaison Prosecutor to Eurojust should be finalised shortly in order to ease this cooperation further. Albania was involved in significantly more transnational cases at Eurojust level than in previous years (27 as against nine in 2018). The top crimes featuring in Eurojust's case-management system in relation to Albania are drug trafficking and organised crime. Albania participated in five joint investigation teams supported by Eurojust. It should appoint a liaison prosecutor to Eurojust as soon as possible.

On judicial cooperation in civil matters, in 2018 Albania received 383 requests for mutual legal assistance and sent out 218 requests, as against 250 and 124 respectively in 2019. On judicial cooperation in criminal matters, in 2018 it received 1,096 requests and sent out 1,330 requests (981 and 1,182 in 2019). It issued 160 extradition requests and received 115 in 2018 (2019: 186 and 84). There were 22 incoming and 14 outgoing requests for transfers of criminal proceedings in 2019 (eight for both kinds of request in 2018).

On civil matters, Albania should finalise the internal procedures for acceding to the 2005 Hague Convention on Choice of Court Agreements and the 2007 Protocol on the Law Applicable to Maintenance Obligations. It should further improve international cooperation, the timely implementation of multilateral instruments, and its institutional capacity. Further efforts are needed to align legislation with the EU *acquis* and promote the exchange of best practices in judicial cooperation.

All aspects of customs cooperation are now covered in Chapter 29 – Customs Union.

3. Fundamentals first: economic development and competitiveness

Albania - Key economic figures	2011-16 average	2017	2018	2019
GDP per capita (% of EU-28 in PPS)[1]	29.5	30.0	31.0	31.0
Real GDP growth	2.0	3.8	4.1	2.2
Economic activity rate of the population aged 15-64 (%), total	64.2	66.8	68.3	69.6
female	*55.3*	*57.7*	*59.7*	*61.7*
male	*73.3*	*75.8*	*76.9*	*77.6*
Unemployment rate (%), total	15.9	14.1	12.8	12.0
female	*14.7*	*12.8*	*12.3*	*11.8*
male	*16.9*	*15.1*	*13.2*	*12.2*
Employment (annual growth %)	2.5	2.7	2.1	2.4
Nominal wages[2)] (annual growth %)	2.2*	3.0	3.1	3.8
Consumer price index (annual growth %)	2.0	2.0	2.0	1.4
Exchange rate against EUR	139.48	134.14	127.57	123.01
Current account balance (% of GDP)	-9.9	-7.5	-6.8	-7.6
Net foreign direct investment, FDI (% of GDP)	8.0	8.6	8.0	7.6
General government balance (% of GDP)	-3.9	-2.0	-1.6	-1.9
General government debt (% of GDP)	67.1	70.2	67.7	66.3

Notes:
1) Eurostat
2) average gross monthly wages
Source: national sources

'In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

Economic governance has become even more central in the enlargement process in recent years. The Commission's monitoring takes place in two processes: the Economic Reform Programme exercise and the below assessment of compliance with the economic criteria for accession. Each enlargement country prepares an Economic Reform Programme (ERP) annually, which sets out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level in May each year.'

3.1. The existence of a functioning market economy

Albania has made **some progress** and is **moderately prepared** for developing a functioning market economy. In 2019, GDP growth slowed down due to lower hydropower production, a drop in investment following the conclusion of some very large infrastructure projects and the shock of the strong earthquake. Unemployment continued to decrease to record lows, even though it remains high. The fiscal deficit remained contained and the public-debt-to-GDP ratio continued to decline but remained high. Banks further reduced non-performing loans and lending to the private sector picked up. The comprehensive judicial reform advanced well, but has not yet effectively improved the legal security for businesses. Comprehensive structural reforms to support the business environment and the liberalisation of the energy sector have made limited progress. The COVID-19 pandemic has exacerbated the structural weaknesses and its economic fall-out erases some of the progress described above.

In order to improve the functioning of the market economy, Albania should in particular:

→ Keep the increase of fiscal deficit and public debt temporary, increase revenue in a growth-friendly way and strengthen fiscal governance;

→ Resolve legal impediments to NPL resolution, collateral execution and insolvency procedures;

→ Take short-term measures to preserve employment and improve active labour market policies and upskilling of adults.

Economic governance

Albania remained committed to strengthening macroeconomic stability and fiscal consolidation, but institutional capacity is still insufficient to provide for improved quality of governance. In 2019, the government continued to reduce the still-high level of public debt, albeit slowly. Frequent turnover in senior management positions in the Ministry of Finance and Economy and its sub-ordinated agencies and delays in filling vacancies in key departments in the ministry continued to weaken administrative capacity for more credible and effective implementation of economic reforms.

On 26 November 2019, Albania was hit by a devastating earthquake that caused loss of lives and substantial damages estimated at EUR 1 billion. In response to the reconstruction and humanitarian needs, the 2020 budget, which was amended and adopted in December and in the wake of the COVID-19 pandemic was revised again in March, in April and in July 2020.

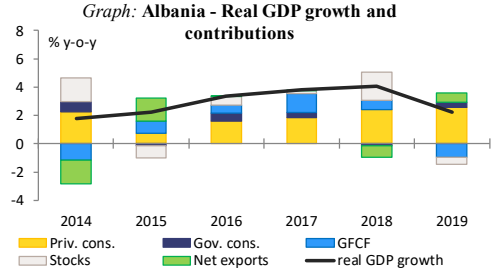
Faced with the spread of COVID-19, the government put strong social distancing measures in place from March to June 2020, accompanied by financial support schemes for the economy. The state of emergency was announced on 24 March 2020**.** To counter the economic impact of the pandemic and the resulting confinement measures, the government has introduced financial support schemes for affected businesses and their employees, for low-income households and for the health sector so far amounting to 2.8 % of GDP. The government requested financial support from the IMF (EUR 174 million from the Rapid Financing Instrument) and the EU, which approved EUR 180 million of macro-financial assistance in the form of a loan to cover the increased external and budgetary financing needs.

Albania has partially implemented the policy guidance jointly agreed at the May 2019[8] Economic and Financial Dialogue between the EU and the Western Balkans and Turkey.

Macroeconomic stability

Already before the outbreak of the COVID-19 crisis, annual GDP growth slowed considerably in 2019 due to lower hydro-electricity production, a drop in investment and the fallout from the earthquake. Economic growth averaged 2.4 % over 2013-2017, accelerated to 4.1 % in 2018before it slowed to 2.2 % in 2019, mainly because of low hydroelectric production due to below-average rainfall, aggravated by the earthquake. In addition, the completion of some

Graph: **Albania - Real GDP growth and contributions**



Source: INSTAT, own calculations

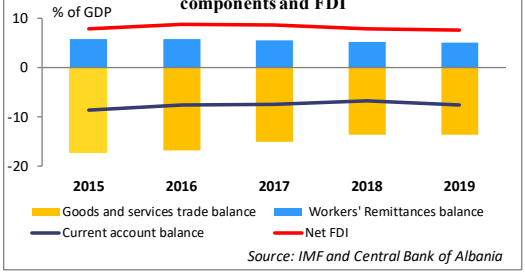
[8] Western Balkans and Turkey: Joint conclusions of the economic and financial dialogue, 2019, https://www.consilium.europa.eu/en/press/press-releases/2019/05/17/western-balkans-and-turkey-joint-conclusions-of-the-economic-and-financial-dialogue-of-17-may-2019/

large infrastructure projects caused a contraction in investment. Household consumption continued to be the main growth driver (+3.3 % y-o-y), based on growing wages and employment. Strong growth of services exports off-set the fall of electricity exports and net exports contributed 0.6 pps to growth. Per capita GDP (at purchasing power parity) increased from 29 % of the EU-28 average in 2016 to 31 % in 2019, still representing a very slow pace of convergence.

Subdued economic growth and the earthquake weakened the resilience of Albania, which is particularly vulnerable to the economic fallout from the pandemic. High reliance on tourism and the limited capacity of the health sector aggravates the situation. Albania faces a sharp economic contraction in 2020, because the domestic and international restrictions are depressing private consumption and tourism exports, with knock-on effects on investment.

The high current-account deficit widened slightly, but remained fully financed by foreign direct investment (FDI) in 2019. In 2013-2018, rising exports helped the current-account deficit to narrow gradually, before it widened again to about 7.6 % of GDP in 2019, mainly because of the worsening balance of – the electricity trade compared with 2018. Remittances fell steadily from 5.9 % of GDP in 2014 to 5.2% in 2019. Net FDI inflows fell as a proportion of GDP, from 8.7 % in 2018 to 7.9 % in 2019, but still covered the current-account deficit. Foreign exchange reserves covering more than 6 months of imports at the end of 2019 provided some safeguard against adverse shocks. External debt declined by 2 pps to 60 % of GDP at the end of 2019.

Graph : **Albania - Current account selected components and FDI**



Source: IMF and Central Bank of Albania

The recession in the EU in the wake of the pandemic affects remittances and FDI inflows and puts pressure on the balance of payments. FDI inflows dropped 18 % y-o-y in the first quarter of 2020. The freely floating exchange rate of the Albanian currency, which appreciated by 3.5 % against the euro in 2019, lost about 1 % of its value in the first five months of 2020.

Inflation remained below target and the central bank eased its policy stance. The annual inflation averaged 1.7 % over the last five years but dropped to 1.4 % in 2019, thus moving further away from the Bank of Albania's (BoA) 3 % inflation target. Since March 2020, a strong rise in food prices in combination with the depreciation has pushed the inflation rate to 2.1% (y-o-y), which lasted until May and later slowed down to 1.4% in July, reflecting also seasonal effect. The BoA maintained its very accommodative monetary policy stance unchanged over 2019, but lowered the already record-low key policy rate (the repo rate) of 1 % to 0.5 % in March 2020 in view of the economic impact of the pandemic.

In 2019, the fiscal deficit narrowed to less than half of its 2014-2018 average but fiscal governance still showed weaknesses and revenue mobilisation remained below potential. Lower expenditure and higher revenues helped to lower the cash-based deficit in the last 5 years. Expenditure declined from 31.5 % of GDP in 2014 to 29.2 % of GDP in 2019, while revenue increased from 26.2 % of GDP to 27.6 % over the same period, helped by increasing formalisation of the economy and the modernisation of tax collection. The fiscal deficit in 2019 turned out slightly lower than planned mainly due to an underspending of the capital budget[9] and savings on social insurance outlays. Revenue mobilisation also fell short of plans, because of an increasing number of tax exemptions and slowing reforms. The stock of outstanding

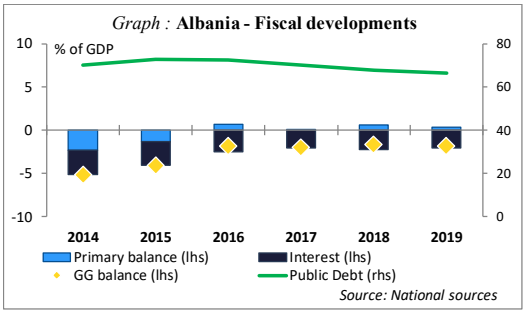
[9] Expenditure to address the destruction caused by the earthquake will mostly occur in 2020.

payments and in particular of VAT refunds in arrears declined moderately but the systemic issues of weak expenditure plans and controls and too optimistic VAT revenue forecasts remained unresolved.

Additional expenses in response to the earthquake and the pandemic's impact on both revenue and expenditure led to an increase of the expected fiscal deficit. In response to the earthquake, the government had planned to increase the fiscal deficit to 2.2% of GDP in 2020. In view of the additional expenses related to the COVID-19 pandemic combined with the expected strong fall in revenue and GDP, the budget amendment of April 2020 projected a fiscal deficit of 3.9 % of GDP. In the first seven months of 2020, tax revenue fell by 12.3 % y-o-y.

Following years of moderate debt reduction, high deficit financing needs and the fall in GDP will sharply increase the public debt ratio in 2020, possibly to 80% of GDP according to estimates by the authorities. Supported by the appreciation of the lek, a lower primary deficit and decreasing interest payments, the gross public-debt-to-GDP ratio declined from 67.7 % in 2018 to 66.3 % at the end of 2019, broadly in line with the government's plans. Between 2014 and 2019, the government reduced the high annual rollover needs from 20.5 % of GDP to 12.5 %, and reduced the share of external debt.

Graph : **Albania - Fiscal developments**



Source: National sources

Public investment management remained weak, while gaps in the governance of public-private partnerships (PPPs) pose continuing risks to public finances. Between 2014 and 2018, public investment increased from 5.2% to 5.7% of GDP, but declined to 5% in 2019. Public investment efficiency remained low, because the large number of PPPs is not integrated into the overall investment management framework and their exemption from regular public procurement rules in some sectors fails to secure appropriate value for money. In accordance with the amendment of the PPP Law in October 2019, the Ministry of Finance and Economy (MOFE) has begun to report on the fiscal implications of PPPs[10], but a full fiscal risk assessment might require additional institutional capacity.

In an increasingly difficult environment, the macroeconomic policy mix has been broadly appropriate but the high debt burden limits fiscal space. In 2019, Albania has complied with the main fiscal rule, i.e. to ensure that the reduction of the public-debt-to-GDP ratio continues (until it reaches 45 %). However, the lack of operational rules and intermediate targets on the pace of debt reduction or on the fiscal deficit remains a major weakness of the fiscal rules. The high debt burden limits fiscal space to cope with shocks and finance long-term infrastructure development. The BoA's loose monetary policy stance has been appropriate in view of the persistently below-target inflation rate. Considering the limited fiscal and monetary policy space, the policy mix in response to the pandemic has so far been appropriate and supportive to economic stability.

Functioning of product markets

Business environment

Moderate efforts to improve the business environment have yet to yield tangible results. The overall number of active domestic enterprises hardly increased in 2018 and new

[10] MOFE preliminary summary report on concession/PPP contract performance (2019).

registrations of enterprises were 18.6% fewer than in 2017, despite the introduction of e-services for registering businesses. The delivery of public services and the administrative burden on business continued to improve with the expansion of e-services in 2019, but it took longer to receive tax refunds. Implementation of the business investment development strategy progressed only slowly and most business surveys indicate that reforms have slowed down in the past 2-3 years. Businesses highlighted problems[11] in finding skilled staff and still considered corruption and informality (despite its perceived decline) to be widespread. Other major concerns raised by the business community include a failure to implement legislation effectively, *ad hoc* regulatory and taxation changes, and the controversial use of public procurement procedures.

The far-reaching overhaul of the justice system progressed well, but is still to translate into improved legal security for business. In addition to informality, weak contract enforcement continued to pose major challenges for businesses. The controversy over the regulation of private bailiff services, which are key for smooth collateral execution, was brought to the High Court, which is expected to take a decision on the matter. Efficiency of in-court dispute resolution is affected by issues such as the length of proceedings, the clearance rate and the backlog of cases and the impact of alternative dispute resolution continues to be low. Delays in the courts persist, while the vetting of judges continues and the courts face staff shortages. The implementing legislation for the Bankruptcy Law is still not complete, but the National Bankruptcy Agency has begun to process applications for bankruptcy. Consultations progressed on the draft Unified Law on investment, which will align Albanian legislation with international standards and improve legal certainty for both foreign and domestic investors. Despite recent institutional changes in the state cadastre, only limited progress has been made in clearing ownership conflicts over land titles.

State influence on product markets

State involvement in the economy is generally low, with the exception of certain markets where the growing potential for state influence could weaken fair competition. The government has increasingly engaged in PPPs, which were involved in 222 projects in 2019[12] for a total contracted investment value of about 31% of GDP, mostly in energy (48%) and transport (38%). These contracts typically include price or volume agreements for investments, services and goods, for which government payments reached 3% of the previous year's tax revenue in 2019 (5% is the legal limit). Albania adopted the legislation for establishing an Albanian Investment Corporation, with vague governance and oversight arrangements, which is supposed to be partly owned and funded by the state and to develop investment projects of public interest, in particular by making state-owned property available to private investors. The unclear delineation between public and private use and ownership of assets in such projects, the large number of PPPs and the continued partial exemption from regular public procurement rules of PPPs in the energy sector, as well as airports and ports, is likely to restrict fair competition in the respective markets.

Albania reported very low levels of state aid, but the incomplete recording of support and implicit subsidies make it difficult to evaluate their effects on competition. According to the State Aid Commission (SAC)[13], State aid rose to 0.22% of GDP in 2018, from 0.14% a year before, with the majority spent on tax reductions and 0.1% of GDP on subsidies for railway and water-supply companies. In addition to the reported State aid, state-owned enterprises (SOEs), mostly in the electricity sector, benefited from public guarantees amounting to 3.3% of GDP and from direct budget support, and the MOFE reported tax expenditure of 5.6% of GDP for

[11] *Albania – enterprise survey 2019*; www.enterprisesurvey.org
[12] MOFE preliminary summary report on concession/PPP contract performance (2019).
[13] As a secretariat within MOFE, the SAC is not independent and has limited capacity.

2018 in its first report on tax expenditure[14]. The under-reporting of state aid by SAC reflects its lack of capacity to monitor state aid appropriately.

Privatisation and restructuring

State-owned enterprises (SOEs) lack transparency and effective oversight, and rely on state funding; liberalisation of the energy market progresses with delays. Enterprises in public ownership are concentrated in the energy sector, but the inventory of state-owned assets and companies seems to be incomplete. Using ESA 2010 methodology, the Institute of Statistics identified about 17 non-financial public corporations[15], not including about 53 joint stock companies with state ownership in the energy and infrastructure sectors and about 57 municipal water-supply and sewerage companies. The SOEs rely on the budget and pose significant fiscal risks, exacerbated by the lack of oversight of their financial performance, with potential liabilities estimated by the IMF at about 18% of GDP in 2018[16].

Functioning of the financial market

Financial stability

The stock of non-performing loans (NPLs) continued to decline and the banking sector remained well-capitalised, but the widespread use of the euro creates risks. The banking sector's capital adequacy and liquidity ratios remained well above minimum regulatory levels, and return on equity increased by 2 pps year-on-year, to 15% at the end of 2019. The ratio of NPLs to total loans fell from 13 % in 2018 to a still relatively high 8.2 % by the end of 2019. Banks' relatively large exposure to government securities (averaging 25% of their assets) and the fact that about half of all bank loans and deposits are denominated in euro, continue to pose risks to the banking sector and complicates the transmission of monetary policy. The non-bank financial sector with about 31 institutions (including 11 insurance companies, 5 investment funds and 3 pension funds) increased its share in total financial sector assets from 6.7 % in 2014 to 7.5 % in 2019 but remains small.

Access to finance

Following several years of sluggish performance, credit growth picked up but financial intermediation and financial inclusion remained very low. After several years of low growth rates, the recovery of credit growth to 7.8% by the end of 2019 is a positive development. Lending to households and recently to SMEs has driven the credit growth, also stimulated by an increased weight of domestic banks, which doubled their share of the sector's assets to 21%, while the number of banks declined from 16 to 12. In response to the COVID-19 pandemic, the BoA facilitated the temporary suspension of loan repayments and the use of internet banking to support social distancing. Two sovereign guarantee loans were also mobilised and became operational.

[14] Tax expenditure is foregone tax revenue due to tax exemptions and reductions. MOFE published this report end of December 2019.

[15] There are no public financial corporations in Albania.

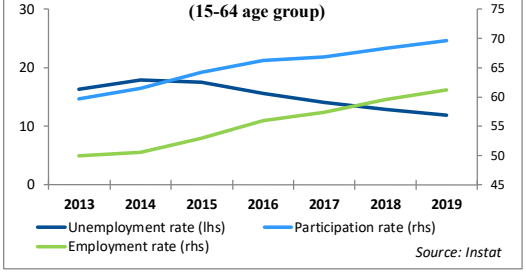
[16] IMF, *FAD technical report – June 2019*.

The functioning of the labour market

Despite muted GDP growth, employment continued to increase in 2019, but fell in the first quarter of 2020. Solid employment growth in 2019 (by 2.4% year-on-year) helped to lower the unemployment rate from its peak of close to 18 % in 2014 to a record-low 12 % in 2019, but preliminary data from the COVID-19-related wage support scheme indicate a stark increase in unemployment in 2020. The high youth unemployment rate (15-29 age-group) decreased even more, by 1.6 pps, to 21.5 %, from as high as 32.5% in 2014. Rising labour-force participation (from 61.5 % in 2014 to 69.6 % in 2019) has driven growth in labour supply, as the working-age population continued to decrease from 2015 due to lower fertility rates and emigration. The gap between the participation rates of men and women narrowed from 20.9 pps in 2014 to 16 pps in 2019.

Nominal wage growth accelerated to 3.8 %, but emigration continued to exacerbate shortages of skilled staff. Despite solid employment growth, real wages grew by only about 1.3% in 2018, but picked up to about 2.4 % in 2019 supported by an increase in the minimum wage and public wages. The overall moderate wage growth masks wide sectoral variations, which might signal shortages of skilled staff.

Graph : **Albania - Labour market trends (15-64 age group)**



Source: Instat

3.2. **The capacity to cope with competitive pressure and market forces within the Union**

Albania has made **some progress** and has **some level of preparation** in its capacity to cope with competitive pressure and market forces within the EU. Energy and transport infrastructure, the use of digital communication as well as education outcomes have improved, but significant gaps to regional peers and European levels remain. Albania's competitiveness is hindered by a lack of entrepreneurial and technological know-how, a significant skills gap, weak institutions and low levels of investment and infrastructure quality. These factors are holding back industrial and agricultural production and limit Albania's integration into global value chains. Regional integration and exports increased but remained below potential. The lack of product and geographical diversification of exports add to Albania's vulnerability to external shocks such as the current pandemic. The hard hit SMEs and self-employed receive support, but the effective outreach of support measures is limited by the large informality in the economy.

In order to improve competitiveness and long-term growth, Albania should:

→ Establish effective consultation mechanisms with businesses and social partners to ensure the transparency and predictability of support measures and legislation;

→ Provide incentives for businesses and employees in the informal economy sector for transferring to the formal economy;

→ Ensure that legislation on energy efficiency and energy performance of buildings is applied to the earthquake-related reconstruction;

→ Improve the relevance of vocational education and training for employment.

Education and innovation

Secondary school and university enrolments and outcomes have improved steadily over the past decade, but overall education levels and public spending on education remained

below OECD and EU averages. According to the 2018 results of the OECD's Programme for International Student Assessment (PISA), outcomes for mathematics improved again compared with 2015's assessment. However, outcomes in the competence of reading have not changed, while they got worse in science. Over the last 2 years, enrolments in pre-primary, secondary and tertiary education have declined slightly. Albania has the lowest rate (24%) of tertiary-educated young adults (30-34 year-olds) in the Western Balkans, partly due to the continuing emigration of educated Albanians ('brain drain').

The capacity for research, development and innovation remained very low, as public spending on research (though up slightly) remained negligible at 0.03% of GDP and the proportion of companies investing in R&D (about 18%) was the second lowest in the region[17]. In the global competitiveness index, Albania ranks particularly low for innovation capability (110th of 141) and R&D (126th), with increasing numbers of publications in scientific journals and patents the only positive developments in this area.

Physical capital and quality of infrastructure

Albania's annual public investment has averaged 5.4 % of GDP since 2014 and its infrastructure has improved significantly, but it still lags well behind regional and EU averages. Investment has accounted for roughly one quarter of GDP in the five years up to 2018 and has grown in average 2 % p.a. in the same period. In 2019, it contracted by 4 %, reducing its share to 22 % of GDP. In the global competitiveness index, Albania's infrastructure ranks 98 out of 141, despite improvements, with transport infrastructure and road connectivity ranking only 122nd. On the positive side, digital infrastructure improved, with a growing proportion of households enjoying internet access (up from 80.7% in 2017 to 82.2% in 2018), water supply extended in the coastal regions that attract the most tourists and installed electricity generation capacity increased and outages declined significantly. However, the implementation of the action plan to increase energy efficiency is delayed and Albania's economy remains three times more energy-intensive than the EU average. The inefficient use of energy, in particular in the transport and residential sectors, which account for up to 70% of energy consumption, weighs on energy security and on the trade deficit.

Sector and enterprise structure

The Albanian economy shifted further to services, but agriculture remains important. The relative weight of the agricultural sector in the economy declined from almost 19.6 % of GDP in 2014 to 18.3 % in 2019, but remained far greater than in the wider region and the EU. Services further increased their share of GDP from 46 % to 48.2 %, led by trade, tourism, education and health. Tourism has continued to grow steadily over the last 3 years, a trend which is expected to be reversed in 2020 due to the COVID-19 pandemic while industry lost slightly ground, with its share in GDP decreasing from 12.6 % to 12.3 %, as increasing manufacturing and the recovery of construction largely offset a strong decline in mining. More employment in services (up from 39.8% to 42.9%) and manufacturing (up from 8.6% to 10.6%) and less in agriculture (down from 42.7% to 37.4%) also reflect the continuing transformation of the Albanian economy.

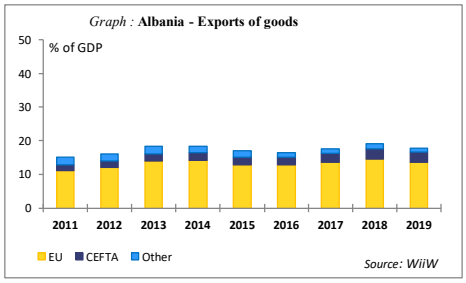
More SMEs engaged in exporting, but their entrepreneurial skills and financial literacy remained weak and public support insufficient. SMEs accounted for 99.8% of all firms in Albania, with a very high proportion of micro-enterprises (1-10 employees). Between 2013 and 2016, their contribution to exports increased from 41% to 61%[18]. In 2017 and 2018, the number of SMEs continued to grow, in particular in services, and they recorded strong growth in added value and employment. Low levels of entrepreneurial skills and financial literacy remained the major weaknesses, exacerbated by a paucity of public support services for investment and

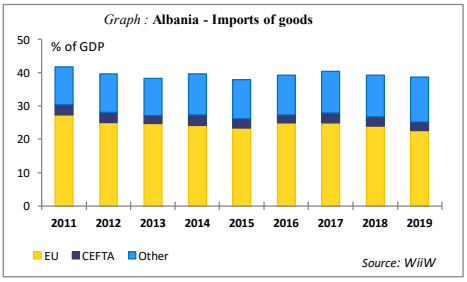
[17] World Bank / European Investment Bank / OECD, *Enterprise survey – Albania* (2019).
[18] OECD, *SME policy index 2019 – Western Balkans and Turkey*. The figures do not include agriculture.

exports. Access to finance has begun to improve and a few initiatives have been launched to improve lifelong and entrepreneurial learning. As for agriculture, scarce technical support and unclear land titles are keeping investment, productivity and incomes of the mostly small farms at very low levels.

Economic integration with the EU and price competitiveness

Albania continued to narrow its large goods trade deficit with the EU, which remained its main trading partner. In 2019, the EU accounted for 76.6 % of Albania's goods exports, a slight increase compared with 2018, and for 58.5 % of its goods imports, a 2.5 pps decline. The goods trade deficit with the EU narrowed from 10.6 % of GDP in 2014 to 9 % of GDP in 2019 or to about EUR 1.2 billion, and was to some extent offset by Albania's growing surplus in services. Italy remained the main destination for Albanian exports and a major source of remittances. Overall trade remained well below potential, in particular for a small economy, and decreased slightly from 76.9% of GDP in 2018 to 76.7% in 2019 (in real terms), up from





75.4 % in 2014. The appreciation of the real-effective-exchange-rate index practically halted in 2019 (+0.3 %), after the steep climb of 9 % in 2018. Albania's comparatively low integration into global value chains is based on textile and footwear manufacturing services and this is reflected in the limited diversification of goods exports.

Exports of goods to Central European Free Trade Agreement (CEFTA) countries increased, while imports from CEFTA countries declined. Merchandise exports to CEFTA countries increased their share from 11.6% of exports in 2014 significantly to 17.2 % in 2019, while exports to the rest of the world (excl. EU) declined. In contrast, imports from CEFTA countries gradually declined and fell back from 7.9 % in 2014 to 6.9% of total Albanian imports, while the proportion of imports from other countries increased from 31% to 34.5%. The low imports from CEFTA countries reflect the dominance of machinery and equipment in the composition of Albania's imports, which are not key export goods of CEFTA countries.

Albania attracted increasing FDI flows from the EU and elsewhere, but only in a limited range of sectors. FDI inflows from the EU grew by 16% year-on-year in 2018, after a record 44% increase in 2017. Nevertheless, the EU lost some of its dominant position in Albanian FDI stocks, accounting for only 53.9% in 2018 and 53% in 2019 (down from a peak of 66% in 2015), partly due to a large build-up of non-EU FDI stocks in the energy and mineral sector. At the same time, the number of medium-sized and large enterprises from the EU (or with investment from a EU-based company) declined strongly.

4. Good neighbourly relations and regional cooperation

Good neighbourly relations and regional cooperation form an essential part of the country's process of moving towards the EU. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past. The government has taken a positive approach to regional cooperation and good neighbourly relations. Albania participates actively in around 35 regional organisations and initiatives, such as the Central

European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South East European Cooperation Process (SEECP) and the Regional Cooperation Council.[19] In April 2020, Albania hosted the Brdo-Brijuni Summit at the level of Presidents.

With the outbreak of COVID-19 pandemic, Albania like other Western Balkan countries opted for temporary closure of the borders for passengers aiming at preventing the virus from spreading. Albania took part in EU-initiated "Green Lanes" initiative, aimed at ensuring the fast flow of essential goods across the region.

During the COVID-19 crisis, inclusive regional cooperation has proven to be essential. The establishment of green lanes within the region has proven the capacity of the region to address common challenges swiftly and efficiently. Inclusive regional organisations – the Regional Cooperation Council, the Transport Community, and CEFTA – have been instrumental in responding to the COVID-19 crisis. These achievements need to be turned into sustainable improvements.

In September 2019, Serbia's President and the Prime Ministers of North Macedonia and Albania agreed to launch an initiative to enhance regional cooperation. This was followed by leaders' summits in October in Novi Sad, November in Ohrid and December in Tirana. The meetings produced Chairs' conclusions on tripartite cooperation on free movement of people, goods, services and capital. The initiative provided a renewed impetus to regional cooperation and enhanced regional ownership. It is important that regional initiatives include all partners in the Western Balkans and are based on EU rules, building on commitments previously taken in the framework of CEFTA, the Regional Economic Area (REA) or the Transport Community Treaty. Many commitments and decisions have already been taken in these regional frameworks and they need to be swiftly implemented.

Building on the results of the previous summits with the region, the Western Balkans summit in Poznan focussed on strengthening regional cooperation in the fields of economy and trade, the digital agenda, connectivity, security, fight against corruption, promoting reconciliation and youth. The summit endorsed a number of achievements in these fields, in particular the clean energy transition declaration signed in Podgorica, the regional roaming agreement signed in Belgrade, a substantial connectivity package and the Roma[20] integration declaration. It was also the occasion to kick-start the preparation of a Green Agenda for the Western Balkans.

At the Zagreb Summit on 6 May 2020, EU and Western Balkans leaders agreed that deepening regional economic integration has to be a prominent part of recovery efforts of the Western Balkans. To do so, Albania needs to continue playing a constructive role in building a common regional market, which will be critical to increase the attractiveness and competitiveness of the region. It will help Albania to speed up the recovery from the aftermath of the pandemic – notably by attracting investors looking for diversification of supply and shorter value chains. Such a common regional market has to be inclusive, based on EU rules and built on the achievements of the regional economic area multiannual action plan.

Concerning the implementation of the multiannual action plan (MAP) for the development of a regional economic area (REA) in the Western Balkans, despite persisting challenges, achievements have included the adoption of overdue decisions in the framework of CEFTA in Tirana in December 2019. Albania maintains a strong commitment to the successful implementation of MAP REA and is advised to continue implementing all measures under the

[19] Albania also actively participates in initiatives such as the Brdo-Brijuni Process, the Central European Initiative, the Adriatic-Ionian Initiative, the South-Eastern Europe Cooperation Process (SEECP), the EU Strategies for the Danube Region and for the Adriatic-Ionian Region, the Migration, Asylum, Refugees Regional Initiative (MARRI), the Regional School of Public Administration (ReSPA), the Regional Youth Cooperation Office in the Western Balkans (RYCO), the South East European Cooperation Process (SEECP) and the Western Balkans Fund.
[20] In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups without denying the specificities of these groups.

MAP REA and the regional investment reform agenda to reap the benefits of regional economic integration. This process is based on the EU *acquis* and the EU accession process, which are mutually reinforcing.

Albania has continued to strengthen **bilateral relations** with the countries of the region.

Relations with ***Bosnia and Herzegovina*** are friendly and without open issues, with occasional high-level bilateral visits. The countries initialled an agreement on cooperation in the EU accession process and an agreement on economic cooperation. Trade flows remain low.

Overall, Albania continues to have good relations with ***Kosovo***. In July 2019, an agreement on strategic and diplomatic cooperation was signed between the two governments aimed at extending the mechanism of the joint diplomatic missions and economic diplomacy. Albania continued to advocate for Kosovo's full participation to regional processes. In 2019, Kosovo and Albania signed a number of bilateral sectoral agreements (including on roaming, common border crossing points, mutual recognition of driver's licences). However, the momentum of these relations fluctuated due to internal political dynamics in Albania and Kosovo, and to the positioning of respective leadership on the EU-facilitated Dialogue between Belgrade and Pristina.

Relations with ***Montenegr*o** remain good with some further improvement in infrastructure and cross-border cooperation. Maritime delimitation between the two countries remain pending. The first meeting of the Interstate Commission for water management was held in September 2019.

Relations with ***North Macedonia*** have intensified. During the reporting period, the two sides agreed to establish a commission for joint management of natural and cultural heritage of the Ohrid region, and to improve implementation of UNESCO recommendations. Frequent bilateral visits took place during the reporting period. In October 2019, President Pendarovski paid his first official visit to Albania in the context of the Southeast Europe Peace Summit. In November 2019, Albania opened an Honorary Consulate in Bitola. In the context of the COVID-19 crisis, the Presidents of both countries had a telephone conversation in February 2020 and the Ministers of Foreign Affairs also maintained close communication.

The relationship with ***Serbia*** are good. Leaders of both countries regularly meet in the framework of regional and international events. The two countries signed a memorandum of understanding in the field of pre-university education.

Albania strengthened its relations with ***Turkey***. Turkish President Erdogan met Albania's President Meta in May and July 2019 and Prime Minister Rama in July 2019. Economic cooperation increased in areas such as energy, banking system, telecommunication and infrastructure. In April 2019, the country's flagship airline, Air Albania, a joint venture with Turkish Airlines, started commercial flights. The two countries have strengthened cooperation in the security field and the 11th joint commissions meeting between ministries of interior took place in Tirana in September 2019. An agreement has been signed for Turkey to support the restructuring of the Albanian Army, for a five-year span. Turkey was also very present and supportive of Albania in the aftermath of the 26 November earthquake. Turkey has been increasing pressure on Albania to deliver on dismantling the so-called Gülen movement in the country. In January 2020, a Turkish citizen was expelled from the country under controversial procedures. His lawyers claimed after the expulsion that he did seek asylum.

Relations with ***Greece*** remained generally good and marked a peak with the meeting of the two Prime Ministers in October 2019. Progress on outstanding bilateral issues has, however, been limited. Greek minority rights in general and more particularly property rights of this minority continue to remain a subject of disagreement in the bilateral relation. Economic relations are to be improved.

Relations with ***Italy*** remained very good. Political dialogue intensified with high-level visits on both sides. In April, Albania's Speaker of Parliament visited Rome. Italian Prime Minister Conte visited Tirana in October and Prime Minister Rama visited Rome in November. Cooperation on justice and home affairs was further strengthened, in particular in the fight against organised crime, drug trafficking, trafficking of human beings, irregular migration as well as on asylum. Italy remained Albania's first trading partner and one of Albania's leading bilateral donors. At the onset of the COVID-19 crisis, Albania sent support to Italy by deploying doctors and a pool of nurses to the most affected areas in the north of the country.

5. Ability to assume the obligations of membership

5.1. Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules the principle of the free movement of goods prevents these creating unjustified barriers to trade.

Albania has **some level of preparation**/is **moderately prepared** in the area of free movement of goods. There was **limited progress** over the reporting period on the sectoral alignment with the "new and global approach" product legislation and the accreditation of additional conformity assessment bodies. However, last year's recommendations remain valid, as efforts are needed to ensure more legislative alignment and to strengthen enforcement.

In the coming year, the country should in particular:

→ continue to align its legislation with both the horizontal and sectoral *acquis*;

→ further strengthen the enforcement capacity of the Market Surveillance Inspectorate.

General principles

Albania still has measures in place that affect the **production, distribution and marketing of industrial products**, in particular as regards: (i) price of products; (ii) import licences or permits for imported goods; and (iii) the obligation to have storage facilities in specific areas. Plans for further alignment with the EU *acquis* are set out in the 2019-2021 national plan for European integration, and the 2020 consumer protection and market surveillance strategy.

Non-harmonised area

Albania still has no action plan for screening national technical regulations for compliance with **Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU)** in place, despite having completed a methodology for comparative analysis in 2019. There were no developments in the reporting period.

Harmonised area: quality infrastructure

Albania's legislation on accreditation and market surveillance is partially aligned with the EU *acquis.* Administrative structures exist to deal with technical regulations, standardisation, conformity assessment, metrology, accreditation, and market surveillance. The recruitment of specialised staff to the Market Surveillance Inspectorate is still ongoing. Albania has mutual cooperation agreements on accreditation, standardisation and conformity assessment with countries in the region and other non-EU countries.

On **standardisation**, the General Directorate of Standardisation (GDS) is a full member of the European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical

Standardisation (CENELEC), and an associate member of the International Electrotechnical Commission (IEC). National standards are adopted in conformity with European standards (CEN, CENELEC and ETSI standards). In the reporting period, over 3,300 European and international standards were adopted (including 1,148 CEN, 678 CENELEC, 700 ETSI, 646 ISO, and 188 IEC standards). In total, the GDS has adopted about 98% of all standards issued by CEN and CENELEC.

National legislation on the accreditation of **conformity assessment** bodies is partially aligned with the EU *acquis.* It regulates the functioning of the General Directorate of Accreditation (GDA), its accreditation board, its technical committees and various procedural matters. In 2019, there were 83 accredited conformity assessment bodies (compared with 73 in the previous reporting period): 52 laboratories, 21 inspection bodies and 10 certification bodies. The GDA is a signatory of the European Cooperation for Accreditation Multilateral Agreement (EA MLA) in the fields of: inspections and management systems certification, testing and, since 26 May 2020, certification of persons. It is also a full member of the International Laboratory Accreditation Organisation Mutual Recognition Agreement (ILAC MRA) in the field of inspection and has a mutual recognition agreement with ILAC. Albania launched an electronic system for accreditation procedures in October 2018 and five applications were submitted online in 2019. The General Directorate of **Metrology** maintained its capacity of 104 employees.

The State Inspectorate for **Market Surveillance** (SIMS) had 54 staff against 45 in the previous year. It should continue to increase staff numbers, including inspectors. It carried out in total 1 151 **inspections** in 2019, as a result, 191 administrative measures were taken, including 22 fines and 56 emergency measures that led to dangerous products (mainly toys and electrical goods) being withdrawn from the market.

Harmonised area: sectoral legislation

Albania's **'new and global approach' product legislation** is designed to be fully aligned with the EU *acquis* on non-automatic weighing instruments and low voltage equipment (following government decisions adopted in the reporting period). However, alignment has not yet started on cableways, aerosol dispensers, explosive atmospheres equipment, construction products, recreational craft, and eco-design.

As regards **'old approach' product legislation**, some positive steps were taken towards further aligning the legal framework with the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and other related parts of the EU *acquis.* National legislation on **chemical classification, labelling and packaging** is designed to be aligned with the United Nations (UN) Globally Harmonised System of Classification and Labelling of Chemicals. There were no other developments in the reporting period.

On **drug precursors**, the list of controlled substances tallies with the relevant lists in the EU *acquis*. Partial alignment was achieved in the area of **procedural measures**, notably on firearms, textile labelling and mixtures, and the pricing of medicinal products. The legislation on defence products and the return of **cultural objects unlawfully removed from the territory of a Member State** is still not aligned with the EU *acquis.*

As response to COVID-19, upon joint initiative by the Permanent Secretariat of the Transport Community and the CEFTA Secretariat, Albania, alongside all the other governments in the Western Balkans, has successfully implemented measures to facilitate the transport and trade of essential goods within the region.

5.2. Chapter 2: Freedom of movement of workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Albania is at **some level of preparation** in freedom of movement for workers. **Some progress** was achieved on implementing recommendations of the previous report, when it comes to free movement of family members of EU citizens, conclusion of new social security bilateral agreements and with preparation for joining the European network of employment services (EURES) upon accession.

In the coming year, Albania should:

→ adopt the law amending the law on foreigners and enabling family members of EU citizens to work in Albania without a work permit in line with the EU *acquis* in the area of freedom of movement for workers;

→ continue negotiating and implementing new bilateral agreements on social security, notably with EU Member States;

As regards **access to the labour market**, EU citizens are eligible to work in Albania without a work permit. This is in line with the Law on foreigners (as amended) under which nationals of an EU Member State or Schengen country, legally residing in Albania do not need a work permit or business registration certificate. Immigration admission policies do not present obstacles to the permanent settlement of EU workers' family members. The draft law amending the law on foreigners and enabling family members of EU citizens, who are not EU nationals, to work in Albania without a work permit, was adopted by the government and is currently undergoing the legislative procedure in the Parliament.

In preparation for joining **European network of employment services (EURES)**, Albania has set -up an integrated database for its employment services. This will facilitate exchanges of information between IT departments on civil status, the tax system, the compulsory healthcare system and the economic assistance system. A new service system will be developed to enable connection to EURES, upon accession. The Unit for Migration Services and Labour Relations under the newly established National Agency for Employment and Skills will have also tasks related to EURES participation. There are plans under the new system of employment services to supplement the national list of occupations with competencies in line with European skills/competences, qualifications and occupations (ESKO).

On the **coordination of social security systems**, Albania has bilateral agreements with Belgium, Czechia, Germany, Luxembourg, Hungary, Austria, Romania, North Macedonia, Turkey and Kosovo. It has concluded new agreements with Switzerland and Canada and negotiations with Bulgaria for a new agreement started. There have been exchanges Montenegro, Spain, France and Croatia on coordinating social security schemes. A technical cooperation agreement is in place to continue negotiations for a bilateral agreement with Italy. Negotiations and implementation of new bilateral agreements on social security between Albania and EU Member States remain to be fostered.

5.3. Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. Postal services are open to competition since 2017.

Albania is **moderately prepared** in the right of establishment and freedom to provide services. **Limited progress** was achieved in the reporting period, in particular on preparing the screening exercise of the legislation to be aligned with the acquis. The country should focus on fully implementing the following Commission's recommendations from 2019, which still remain valid.

→ finalise screening of the existing legislation to identify barriers to the freedom of establishment and free movement of services with a view to further aligning its legislation with the Services Directive;

→ step up efforts to align its legislation with the EU acquis and ensure appropriate institutional capacity in the area of mutual recognition of professional qualifications.

On the **freedom of establishment and the free movement of services**, the legislation on mining and social policy is broadly in line with the Services Directive. However, the legislation on the veterinary sector still requires amendment to allow for the licensing of private veterinary clinics and hospitals. The legislation regulating the legal profession is partially aligned with the EU *acquis* while remaining restrictions apply in particular for public notaries and private bailiffs. The screening of legislation is managed and monitored by the Ministry of Finance and Economy (MOFE), which follows a sector-by-sector approach whereby it has identified 34 service sectors and around 125 subsectors. Currently, the process is focusing on sectors covered by MOFE, the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Tourism and Environment. The first legislative, institutional and administrative gap analyses under this chapter were finalised in April-May 2020, paving the way to prioritisation of further alignment actions.

On the **freedom to provide cross-border services**, the National Business Centre functions as a one-stop-shop for registering businesses and issuing licences, authorisations and permits. It operates through service desks throughout the country and virtual desks on the government`s e-Albania portal. In the reporting period, around a million registered e-Albania users benefited from over 500,000 electronic services per month.

On **postal services**, the legislation is aligned with EU *acquis* except for the Regulation on cross-border parcel delivery services. The postal market has been open to competition since 2017. There is one universal service provider (Albanian Post S.A.) and 17 other postal service providers on the market. The Electronic and Postal Communication Authority (AKEP) is the independent national regulator for the postal market. A new postal strategy 2020-2025 is being prepared.

No progress was made during the reporting period on aligning the professional qualifications framework with the EU *acquis* on the **mutual recognition of professional qualifications**. Albania needs to strengthen institutional capacity in this area.

5.4. Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restriction and there are common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

Albania is **moderately prepared** in the area of free movement of capital. **Some progress** was made in the reporting period, particularly in the area of payment systems, through the adoption of the Law on Payment Systems, which aims at alignment with the Payment Systems Directive II. Some of the Moneyval report recommendations were implemented, while no progress can be reported with the liberalisation of acquisition of land by EU citizens.

In the coming year, Albania should in particular:

→ continue implementing the recommendations of the Moneyval report and continue to align with the EU *acquis* on anti-money laundering/countering terrorism financing;

→ take short- and medium-term measures to address the commitment under the Stabilisation and Association Agreement (SAA) on granting rights to acquisition of land by EU citizens, which is outstanding since 2016.

Regarding **capital movements and payments**, the expiry date for the Law on strategic investments which provides special protection to foreign investments was extended until December 2020. The unified Law on investments remains to be adopted. The acquisition of real estate by foreigners remains subject to restrictions: foreigners including EU citizens are not

allowed to acquire agricultural land, forests, meadows or pasture lands. Albania is late in delivering on its commitment under the 2006 Stabilisation and Association Agreement (SAA) to amend the arrangments for the acquisition of property by EU nationals/entities, which is a step due since 2016. An inter-institutional working group is foreseen to be established, to ensure the implementation of the national commitments under the SAA. Provisions regulating the acquisition of real estate by foreigners remained unchanged and uncertainties over ownership rights continued to discourage investment.

As regards **payment systems**, foreign banks have the right to open branches and agencies in Albania and to offer cross-border payments. Non-cash payments are governed by the Bank of Albania (BoA) Regulation on the payment system and instruments. In March 2020, due to COVID 19 state of quarantine, the BoA adopted measures to reduce the costs of payment systems services, and promote home banking. The legal and regulatory framework for electronic payments in Albania is the same for national and cross-border payments. The National Payment System Committee is open to representatives of non-bank financial institutions and from the payment system operators and presented the strategy on Albania's national retail payments strategy (NRPS) for 2018-2023. Implementation of the strategy continued with the adoption of the Law on Payment Services, which aims at alignment with the Payment Service Directive II. Part of the NRPS objectives is the increase of financial literacy to Albanian population, aiming at achieving an adult account ownership ratio of 70% by 2023 from about 40% that is currently.

Regarding the **fight against money laundering**, Albania made efforts to address the deficiencies on technical compliance identified in the 2018 Moneyval mutual evaluation report on Albania which, notwithstanding deficiencies in relation to effectiveness, triggered Albania's referral to the International Cooperation Review Group. Albania intensified its efforts to address most of the Moneyval's recommendations during 2019. The Committee for Coordination in the Fight against Money Laundering, chaired by the Prime Minister, adopted an action plan in September 2018. A "Moneyval package" was adopted in Parliament in June 2019 which included amendments to four existing laws, related to i) the prevention of money laundering and financing of terrorism, ii) measures against terrorism financing, iii) tax procedures and iv) the National Registration Centre. It also included the adoption of a new law on the administration of seized assets. A new law on international restrictive measures was adopted in November. In recognition of these efforts Albania was upgraded on six recommendations at the Moneyval plenary in December. The National Business Centre worked on an assessing the best practices on establishment of beneficial ownership register. Preparations for establishment of Beneficial Owner register were at the initial stage. The law on establishing a beneficial ownership registry was adopted in July 2020. Due to the fact that not sufficient positive and tangible progress could be demonstrated in relation to addressing all the identified strategic deficiencies, also relating to the effective implementation of the framework in place, the FATF has placed Albania in the 'grey list', which means the country has committed to resolve the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. A draft law on fiscal amnesty is under preparation. Consultation with Moneyval on this initiative is needed as Albania needs to fulfil its recommendations swiftly and to insure that the activities subject to anti-money laundering and financing of terrorism and organised crime do not benefit from the proposed fiscal amnesty. In view of the Moneyval recommendations, the BoA approved a regulatory package, which aims at strengthening the risk management standards and licensing requirements of financial institutions, including non-banks and foreign exchange bureaus. As a response to the amended Law on prevention of Money laundering and terrorism financing, in December the BoA adopted three regulations related to the prevention of money laundering and terrorism financing; consolidated supervision and to the supervision of electronic banking transactions.

The BoA inspected 97 foreign exchange offices during 2019, and concluded with 7 cases of proposed license revocation and 23 cases with substantial discrepancies, as a result of which it took some administrative measures and provided relevant recommendations and appropriate assistance for the correct implementation of the anti-money laundering/counter terrorism obligations.

Albania ratified in November 2019 the International Convention for the Suppression of Counterfeiting Currency.

The General Directorate for the Prevention of Money Laundering (the Albanian Financial Intelligence Unit or FIU) received six new posts, bringing the number of staff to 45 as compared to 39 in the previous reporting period. Recruitmentfor the new posts has started.

The FIU received for 2019 1424 suspicious transaction reports (1525 in 2018) and referred 266 cases to law enforcement authorities in 2019 (376 cases in 2018). The decrease in the number of suspicous transaction reports is mainly due to fewer reports from the notary offices, reflecting better the understanding on what a suspicious transaction is, in line with the training provided by the FIU.

5.5. Chapter 5: Public procurement

EU rules ensure that public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.

Albania **is moderately prepared** in public procurement. **Some progress** was made in the past year, in particular by amending the law on concessions and public-private partnerships (PPPs) to remove the bonus for unsolicited proposal in line with Commission recommendations and the adoption of the new law defence and security procurement. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle. The Commission's recommendations from 2019 were not fully implemented and remain valid.

In the coming year, Albania should in particular:

→ adopt the planned new law on public procurement and the law on defence procurement in order to further align the legal framework with the EU Directives;

→ adopt the prepared public procurement strategy in line with the overarching public financial management strategy;

→ ensure adequate administrative capacity in contracting authorities and the supreme audit institution.

Institutional set-up and legal alignment

The **legal framework** on public procurement is largely in line with 2004 EU directives on public procurement and procurement of utilities as well as relevant administrative and budget provisions. The Law on public procurement refers explicitly to the principles of transparency, equal treatment and non-discrimination. Further alignment with the 2014 EU public procurement directives is planned through the adoption of a new law on public procurement for which public consultation ended in March 2020. In July 2019, the Law on concessions and public-private partnerships (PPPs), partly aligned with the EU Directive on the award of concession contracts, was amended to abolish bonuses for unsolicited offers, to limit the use of unsolicited offers in specific sectors and to strengthen controls on the fiscal implications of concessions/PPP contracts. All legal and financial instruments in the area of public procurement and concessions, including inter-governmental agreements with other countries on the implementation of joint projects, should comply with the principles of transparency, competition, equal treatment and non-discrimination. A new law on defence and security procurement was adopted in April 2020 intended to largely align the framework in this area

with the relevant EU Directive. In response to the Covid-19 situation, procurement procedures were conducted mostly under the rules of competitive procedure, direct award procedure, and negotiated procedure without prior publication alongside instructions to delay or cancel non-essential procurements.

The 2019-2022 public financial management (PFM) **strategy** was adopted in December 2019. The revised public investment management guidelines (approved in March 2018) still require full and effective implementation. A strategic framework for public procurement was published for public consultation in June 2020.

The **Public Procurement Agency** (PPA) is the central public procurement entity mandated to propose regulatory measures and monitor compliance with public procurement rules. It provides contracting authorities with information, support and guidance. Its staffing remains at 44 posts, three of which are vacant.

Implementation and enforcement capacity

Albania's **public procurement market** represented 4.7 % of the GDP, slightly below the 2018 level. The average number of bids per tender was 2.37, as compared to 3.05 in 2018. The planning and preparation of public procurement procedures are generally transparent and efficient principles, and public procurement forecasts are published regularly.

On the monitoring of contract awarding and implementation, following new instructions and close monitoring by the PPA, the number of negotiated procedures without prior publication continued to fall significantly in 2019 (to 192, from 531 in 2018 and 2,234 in 2017). In terms of volume, these represented 2.8% of all awarded procedures. From January to May 2020, the number of negotiated procedures without prior publication related to COVID-19 procurements was 122, which accounted for 0.8% of value of all procurements in that period. The use of framework agreements expanded further (to 763, from 627 in 2018). For categories of common-use goods and services, the centralised procurement body in the Ministry of the Interior became an agency in 2018, thus providing intermediary functions in line with EU directives.

Albania has a central electronic public procurement portal on which it publishes tender and contract notices, and other important information and guidance. Use of the portal is mandatory, including for low-value procurement. Standard tendering documents for each type of procedure and contract are published on the PPA website, and the procurement forecast register is prepared and posted online.

By the end of 2019, the concessions registry contained information on 224 PPPs, five of which had been signed in 2019. Although required by law, value-for-money analysis is still not systematically carried out before approval of all PPPs. MOFE made initial attempts to establish regular monitoring and reporting on PPPs. The technical skills and capacity to design and assess concessions and PPPs require further development.

The PPA has recently strengthened its monitoring role, and applies a monitoring system to assess procurement performance, procurement compliance and, since 2019, contract implementation, with information available for 1,006 contracts. The monitoring system is based on a variety of performance indicators. There is still a need for: (i) further support for contracting authorities; (ii) a strengthening of the e-procurement system; (iii) monitoring of contract implementation; and (iv) analysis of market trends in public procurement.

The contracting authorities lack the **capacity to manage public procurement processes** effectively. Compliance is still generally weak, especially in more complex procedures. Some progress was noted regarding **integrity and conflicts of interests**. The PPA has already issued instructions on the declaration of conflicts of interest by procurement officials. In addition it adopted a regulation on prevention of conflicts of interest in the exercise of public functions in

the PPA. The State Audit Institution (SAI) reported a substantial number of irregularities in public procurement, with an estimated loss to the state budget of around EUR 13.9 million[21] in 2019 (as compared with € 9.4 million in 2018 and € 12 million in 2017).

Efficient remedy system

The Constitution and the Law on public procurement contain provisions on the **right to legal remedy** that are mostly in line with the Remedies Directive. Albanian law still has no provisions on the ineffectiveness of contracts, alternative punishments and *ex ante* voluntary transparency notices. The remedy system is easily accessible to economic operators, without discrimination. However, the complainant must pay a fee equal to 0.5% of the budget for the procurement procedure, which is refunded once the complaint is accepted and granted. For refused complaints, the fee is transferred to the state budget.

The Public Procurement Commission (PPC) is an independent review body dealing with complaints related to public procurement procedures. Its decisions can be challenged before the Administrative Court.

Most initial complaints lodged with contracting authorities are dismissed, complainants are therefore forced to appeal to the PPC. The processing of complaints within the legal time limit improved in 2019, but remains a challenge. An electronic database for PPC decisions would improve the transparency of the review system.

Although the remedy procedure is largely in place, the **capacity** of the PPC and the Administrative Court to deal with a high number of appeals needs to be improved. There are no specialised training courses on public procurement.

5.6. Chapter 6: Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

Albania is **moderately prepared** in the field of company law. **Some progress** was made in the implementation of the 2018 law on accounting, which aimed at further alignment with the *acquis* in the corporate accounting area. Recommendations from the previous year were only partially met and remain valid.

In the coming year, Albania should in particular:

→ review the existing legislation in the area of company law with a view to identifying amendments needed to complete alignment with the EU *acquis*,
→ ensure full transparency of company financial statements in the business register;

Although there is some alignment with the EU *acquis* in a range of **company law** areas, including on takeovers and cross-border mergers, there was no legislative progress in the reporting period. The National Business Centre is responsible for company registration, allowing free online registration and online access to data (business registration is offered only online on the e-Albania electronic service window since 1 January 2020.) In February 2020, it signed an agreement for participation in the South-East Europe Regional Business Registries Portal.

In the area of **corporate accounting**, the 2018 Law on accounting and financial statements is partially aligned with the EU Accounting Directive (e.g. on company size, management report requirements, exemptions for small companies from the obligation for detailed disclosures, and rules for large and public interest economic entities active in the extractive or logging industries). Albania needs to further align its legal framework in the area of non-financial

[21] LEK 1,678,989,000; exchange rate EUR/LEK on 31/12/2019 = 120.562

reporting in line with the Directive on disclosure of non-financial and diversity information by certain large undertakings and groups. In November 2019, the Minister for Finance and Economy appointed members to the National Accounting Council, which monitors the enforcement of financial reporting and accounting standards. Albania also took some steps to ensure transparency of financial statements. In April 2019, the National Business Centre received a modernised electronic reporting system for filing and publishing financial statements.

On **auditing**, the Public Oversight Board (POB) is the independent competent authority for quality assurance (with its own budget). In July 2019, it adopted a decision regulating the investigation and discipline of statutory auditors/auditing firms, and certified accountants. In the reporting period, the Investigation and Disciplinary Commission issued 10 disciplinary measures (nine fines and one temporary licence suspension). Albania should continue to strengthen POB capacity and align with EU statutory audit rules.

5.7. Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR) and of copyright and related rights. Rules for the legal protection of IPRs cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Albania has **some level of preparation**/is **moderately prepared** on intellectual property rights. **Limited progress** was made during the reporting period, in particular, with the legislative alignment with the EU *acquis* in the area of trade secrets. Recommendations from the previous year were partially met and remain valid.

In the coming year, Albania should in particular:

→ intensify the efforts to align its legislation on copyright and neighbouring rights with the EU *acquis*;

→ further improve the functioning of collective management agencies and the payment of royalties to right holders;

→ further align legislation on industrial property rights and the IPR enforcement system.

In the area of **copyright and neighbouring rights**, the two main bodies responsible are the General Directorate of Industrial Property (GDIP), which is in charge of registering, administrating and promoting IP objects and the Copyright Directorate. The National Copyright Council, consisting of five members appointed by the Minister for Culture, is responsible for certifying the tariff methodology.

No further legislative alignment was achieved in the reporting year. Following the decision of the National Council of Copyright of May 2020, the one-stop-shop set up to increase the contribution base of tariffs collected by collective management organisations (CMOs) is now administered by the CMO "F.M.A.A". Both the National Council of Copyright and the Copyright Directorate supervise the system. The functioning of the collective management system and the payment of royalties to right holders needs to be further improved.

On **industrial property rights**, the GDIP has prepared a draft Law on trade secrets in order to align the with the EU *acquis.* It is scheduled for adoption by the end of 2020.

The number of applications to register industrial property continued to rise with 2,654 new applications (including 1,475 trademarks and 1158 for patents) in the reporting period. The GDIP participated in 17 court proceedings.

The SIMS Copyright Division of the State Inspectorate for Market Surveillance (SIMS) carried out 496 inspections resulting in 48 administrative measures. The activities of the SIMS

Industrial Property Division took 74 administrative measures (69 warnings and five fines).

The customs administration suspended the release of 23,440 products suspected of infringing IPR. The high number of counterfeit products in the country remains a cause for concerns.

5.8. Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

Albania has **some level of preparation /** is **moderately prepared** in competition policy. There was **some progress** during the reporting period, in particular in the area of application of the competition rules. However, no progress was made in improving legislative alignment with the *acquis* and enforcement of State aid rules. Despite previous recommendations, the operational independence of the State aid Commission (SAC) has not yet been ensured. Furthermore, the SAC needs to redouble efforts to improve its enforcement record.

In the coming year, the country should in particular:

→ significantly increase the administrative capacity of SAC's secretariat, which currently raises serious concerns;

→ ensure the operational independence of the SAC;

→ raise awareness of the SAC with respect to line ministries, regional and local authorities in order to ensure prior notification of aid measures and strengthen the enforcement of State aid rules.

Antitrust and mergers

Albania's **legislative framework** is broadly in line with the EU *acquis* and the Stabilisation and Association Agreement (SAA). The Law on the protection of competition is largely aligned with Article 101 TFEU (restrictive agreements) and Article 102 TFEU (abuses of dominant position). It also provides for prior control of mergers, in line with the Merger Regulation. Implementing legislation is broadly in line with the relevant EU regulations and Commission guidelines. In the reporting period, the Albanian Competition Authority (ACA) approved guidelines and procedures protecting those who have suffered damage as a result of breaches of competition rules.

As regards the **institutional framework**, the ACA is responsible for implementing the Law on the protection of competition. It is an operationally independent authority reporting to Parliament. It can adopt implementing legislation, impose fines and remedies, prohibit mergers or authorise them with or without conditions. It can conduct sector enquiries and, on its own initiative, issue opinions and recommendations on draft laws that may affect competition. A leniency programme is in place for companies providing information on cartel cases. Parties may appeal against the ACA's decisions before the courts. The ACA took several initiatives to raise awareness among companies about the existence of competition rules, these initiatives have targeted to specific sectors, for instance trainings on the mobile phones industry market. Further initiatives should be taken in the future in order to raise awareness on the work of the ACA.

RAs regards **enforcement capacity**, the ACA has increased its number of staff to 46. Its level of expertise has benefited from a series of training courses organised with the European Commission, the REKABET, UNCTAD, OECD, EBRD and the Italian Competition Authority. On **implementation,** in the reporting period ACA took 116 decisions, including nine on prohibited agreement, 13 on abuse of dominant position and 36 authorising concentrations. No

fines were imposed. The ACA should continue to strengthen the enforcement of competition rules.

State aid

The **legislative framework** on State aid is broadly in line with the EU *acquis* and the SAA. The Law on State aid largely reflects Articles 107 and 108 TFEU. The implementing legislation is partially aligned with the EU *acquis* in some areas e.g. the General Block Exemption Regulation. Further alignment with EU implementing legislation on State aid control is needed.

As regards the **institutional framework**, the State Aid Commission (SAC) is responsible for implementing the Law on State aid. As MOFE (an aid-granting institution) continues to determine its organisational arrangements, the SAC cannot be considered an operationally independent authority, as required by the SAA. Under the Law on State aid new aid measures must be notified to the SAC, which must find them compatible before they can be put in place. The SAC can order the recovery of illegal and incompatible aid but has not done so to date. Its decisions are subject to court appeal.

The **enforcement capacity** of the SAC secretariat continues to raise serious concerns; it is currently insufficient and needs to be significantly strengthened. It has yet to be shown that the Law on State aid is being **implemented** effectively. The track record on State aid control is very poor. In the reporting period, the SAC adopted seven decisions on State aid schemes notified by aid grantors. No negative or recovery decision was taken. The final draft of the 2019-2022 PFM strategy sets the objective of strengthening effectiveness of State Aid. It is also important to expand the SAC's role in advising line ministries and regional and local authorities. Implementation of the State aid rules in large projects involving Albania and other countries should be monitored more closely. Advocacy among aid grantors must be stepped up to ensure prior notification of aid measures to the SAC.

Liberalisation

The Law on State aid applies to all legal and natural persons perform an economic activity. There has been no investigation of State aid for public undertakings or undertakings with special or exclusive rights.

5.9. Chapter 9: Financial services

EU rules aim at ensuring fair competition between and the stability of financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

Albania is **moderately prepared** in the area of financial services. **Some progress** was made in addressing banking supervision and in further aligning the legislation with regards to the bank recovery and resolution. There was limited progress on the finalisation of the implementation of the non-performing loans stategy and no progress on the compulsary insurance in the transport sector.

In the coming year, Albania should:

→ align its legislation with the EU capital requirements framework corresponding to Basel III and continue with the implementation of macro-prudential policy and the resolution framework;

→ ensure the full implementation of the non-performing loan resolution strategy by all relevant actors;

→ accelerate the adoption of the amendments to the Law on compulsory insurance in the transport sector.

Regarding **banks and financial conglomerates**, the Bank of Albania (BoA) has continued to align the banking regulation with Basel III, notably the liquidity coverage ratio and the macro-prudential framework. There was further progress made by the Albanian regulator during 2019 in approving a number of regulations and progressing on finalising the rulebook for recovery and resolution of banks. Regarding the state of play of the strategy on non-performing loans, in July 2019 a new regulation on out-of-court treatment of distressed borrowers by banks was adopted, aiming at a more prudential approach towards restructured loans, including their classification and provisioning. In October 2019, all the banks signed the framework agreement on out-of-court restructuring. The non-performing loan ratio continued to decrease from 11.08% in December 2018 to 8.37% in December 2019, mainly due to write-offs and some loan restructuring. Further actions with regard to credit scoring will be needed. Full implementation of the Non-performing Loans Resolution Strategy requires the further improvement of the credit registry, as well as the full implementation of the bankruptcy law. Part of the collateral execution system is currently the subject of court proceedings, which reduces its efficiency.

In 2019, the Supervisory Council of BoA adopted the Medium Term Development Strategy 2019-2021, with specific objectivities in the field of supervision of the entities that conduct banking and/or financial activities. Albania has a system of identification of systemically important banks similar to EU practice. BoA approved the investment policy for the administration of the financial assets of the Resolution Fund. In April 2020, the Supervisory Board amended the regulations on capital adequacy ratio and on risk management from large exposures of banks to allow preferential treatment of banks' exposures in Albanian government debt securities in foreign currency, which were issued later during April.

In response to the COVID-19 emergency, BoA announced a temporary change on the provisioning requirements in March 2020, enabling clients to ask banks and other financial institutions to defer loan instalments without penalties. It suspended the requirements for classification and provision of loans until end of August 2020, and also introduced relaxation measures on loan classification and provisioning for loans restructured between 12 March and December 2020. BoA also temporarily suspended the dividend distribution for 2019 and 2020 for banks in order to boost capital and support lending. The implementation deadline of the regulation "On out-of-court treatment of distressed borrowers by banks" has been postponed until January 2022. BoA also postponed by one year, until January 2022, the entry into force of tighter requirements for the classification and provision of restructured loans.

In the area of **insurance and occupational pensions**, amendments to the Law on compulsory insurance in the transport sector still need to be adopted. Implementation of the Strategy on consumers and investors' confidence in the supervised markets continued through activities to improve public financial education and consumer awareness. The Albanian Financial Supervisory Authority (AFSA) is a member with full rights of international organisations of regulators for insurance, securities and pension funds. Following the 26 November earthquake, the Albanian authorities drafted legal provisions to allow for the establishment of a national insurance agency on earthquake and the introduction of a mandatory insurance for buildings.

In the area of **financial market infrastructure**, the Albanian Stock Exchange, a private entity, continues to operate with government securities only, while the public stock exchange remains suspended. A Central Securities Depository (AFISAR) is in place, which supports the process of settlement and registration of Government securities. It is operated by BoA, while the settlement of non-government securities is enabled by the Albanian Securities Registry, a private company, which since December 2019 fully operates as a registrar and a clearing and settlement system. According to the agreement between the Bank of Albania and the Albanian Financial Supervisory Authority, BoA is responsible for minimising the systemic risk, while AFSA is responsible for investor protection. The expiry period of the privatisation vouchers has been extended until December 2020. The Law on collective investments was adopted in April 2020. The law on capital markets was adopted in May 2020 and will enter into force on

1 September 2021. These laws partially align Albania's framework with MiFID II, the transparency directive, the market abuse regulation, the prospectus regulation, the regulation on settlement and central securities depositaries (capital markets law) and the directives on Undertakings for Collective Investments in Transferable Securities and Alternative Investment Fund Managers (collective investment law).

As regards **securities markets and investment services,** companies were authorised to issue bonds for private offerings to institutional investors, their shareholders or individuals. The liquidity requirements for investment funds were strengthened.

5.10. Chapter 10: Information society and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support the universal availability of modern services.

Albania is **moderately prepared** in the field of information society and audio-visual media. **Some progress** was made on implementing the recommendations of the previous report, with the adoption of part of the necessary amendments to the Law on Electronic Communication. Progress was made on the digital agenda strategy and e-government services, and with the signature of the Regional Roaming Agreement. The finalisation of the digital switchover was postponed and further financial efforts are required to implement the European emergency number 112.

In the coming year, Albania should in particular:

→ continue to adopt the necessary amendments to the Law on Electronic Communication, in alignment with the new European Electronic Communications Code, and approve the action plan for the digital agenda;

→ finalise and adopt the national cybersecurity strategy;

→ draft a digital skills strategy.

On **electronic communications and information and communications technologies (ICT)**, no progress was made in implementing the single European emergency number 112 as planned in the 2015-2020 public order strategy. The unified 112 emergency number currently operates in the region of Tirana only, and further efforts are required to extend it to the whole country. The current structure of the Authority of Postal and Electronic Research has 85 employees, including five board members.

Fixed internet broadband penetration is low, with 436,192 subscribers connected in the December of 2019, a 20% increase from 2018, with a penetration rate of about 15.24% of the population and 60% of the households being covered. There is a considerable gap in fixed internet-broadband penetration between urban and rural areas. Rural areas account for 40% of the population, but only 5% are connected to the internet. The mobile penetration rate at the end of 2019 was 61.8% compared with 63% at the end of 2018. In 2019, there were about 1.7 million active users of mobile broadband, about 1.2 % compared with 2018. The volume of data usage during 2019 increased by 15% compared with 2018.

In the area of **information society services**, the revised 2015-2020 digital agenda action plan was updated in July following public consultation, revised in March 2020 but remains to be approved by the Council of Ministers. There is no digital skills strategy in place.

In 2019, the National Agency for the Information Society (NAIS) launched "TechSpace", an ICT Lab to support start-ups and students with education in the latest technologies, and continues to manage the e-government portal offering 627 **on-line public services** (29 more than in 2018 for a total of 1818 services as of 8 June 2020). There are over 1 500 000 uses of electronic services each month on the e-Albania portal. Over 12.7 million uses of electronic

services were registered during January – May 2020 (compared to 2 947 000 in the same period one year ago). In 2019, the government interoperability platform (allowing interaction between 53 electronic systems owned by public institutions) registered a 35% increase in activity.

A new National Broadband Plan 2020-2025 was approved in June 2020. The Plan aims to develop the broadband infrastructure for a gigabit society. A feasibility study for the preparation of the National Framework Programme for the Development of Broadband Infrastructure in areas lacking sufficient commercial interest for investment was completed in June 2020. In addition, a draft 5G road map is being prepared. The authorities signed the regional roaming agreement in April 2019. The Electronic Postal and Communication Authority approved the final decisions on Western Balkans roaming in June 2019.

The Law on **cybersecurity** is partly aligned with the EU Directive on the security of network and information systems. Albania has established a list of critical information infrastructures and the necessary implementing legislation. In 2019, the National Authority for Electronic Certification and Cyber Security (NAECCS) drafted a national cybersecurity strategy that still needs to be adopted.

In order to monitor progress on compliance with the EU rules on electronic communications and information society services and convergence with the internal market, as well as the alignment with the Digital Agenda for the Western Balkans, Albania needs to improve the collection of statistical data on digital performance and digital competitiveness.

In the field of **audio-visual policy**, the digital switchover continues to be postponed and the Audio-visual Media Authority (AMA) announced the end of 2020 as the new deadline for the conclusion of the process. The digital infrastructure of the public broadcaster (RTSH) has been completed throughout the country. The private national providers continue to develop their infrastructure in the few remaining regions, mainly in the north. On 1 October 2019, analogue broadcasting was switched off in the regions of Tirana and Durrës, with 80% of the population now having access to digital broadcasting. An analogue switch-off process continues in the remaining regions that still receive both analogue and digital broadcasting. The timeline might be influenced by the process of electing the new AMA chair, replacing the two AMA members whose mandate has expired and adopting the new media legislation.

5.11. Chapter 11: Agriculture and rural development

The common agricultural policy (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.

Albania has **some level of preparation** in agriculture and rural development. During the reporting period, there was **some progress** in adopting and implementing the new legal framework for quality policy; ensuring administrative capacities for the implementation of the instrument for pre-accession assistance for the rural development programme (IPARD II). Albania submitted a new measure *'Technical Assistance'* for entrustment. The Commission's recommendations from 2019 were not fully implemented and remain valid.

In the coming year, Albania should in particular:

→ set up as a priority a farm register by the end of 2020, further improve the animal registers and adopt an implementation plan to establish the farm accountancy data network (FADN) to provide validated data for policy-making;

→ ensure administrative capacity required to fully implement available IPARD II funding and to prepare for the entrustment of the remaining measures under the IPARD II programme;

→ complete the legal framework for organic products and quality schemes, as well as on vineyards and wine, and ensure the institutional and administrative capacity for its implementation.

As regards **horizontal issues,** continuous capacity building of the IPARD authorities is required to receive entrustment for implementation of new measures under the IPARD programme. Strong cooperation among responsible national authorities should be ensured to facilitate the successful implementation of the IPARD programme.

Priority should be given to establishing a farm register by the end of 2020. This is an element of the integrated administration and control system (IACS), but can be of assistance to implement the IPARD II programme. Albania registered no progress in establishing a land parcel identification system (LPIS) and has no farm accountancy data network (FADN). However, it started basic preparatory work on the latter and this should be stepped up by adopting an implementation plan with a concrete timeline.

Direct payments coupled to production and not subject to cross-compliance rules decreased overall, but still accounted for 85% of the farm support. The decrease in the national agriculture budget is of concern, as IPARD II should not be seen as a substitute for national support. The farm advisory service at regional level was reorganised in four main regions. A clear strategy is yet to be adopted to complete the reform of the advisory system.

No progress can be reported on the **common market organisation (CMO)**. Draft legislation on wine remains to be adopted and Albania should take additional steps to align this sector with the EU *acquis*.

On **rural development**, on 3 April 2020, the Commission granted Albania conditional entrustment of the *'Technical Assistance'* measure under the IPARD programme, subject to fulfilment of certain conditions. The IPARD implementation in Albania had a good start in terms of number of contracts signed as well as their corresponding contracted value. Albania should make use of the list of short-term actions made available by the Commission in order to counter the negative effects of the COVID-19 crisis, avoid de-commitment of funds and ultimately increase the number of IPARD-funded investment projects finalized and paid. The national authorities mobilised the resources to avoid de-commitment of IPARD II programme funding at the end of 2019. However, extra effort is needed as the risk of de-commitment remains high for 2020.

Albania adopted a new Law on **quality policy**, which is partly aligned with the EU *acquis* and requires subsequent implementing legislation. It establishes quality schemes and responsible bodies for the recognition and protection of quality terms.

The level of alignment with the EU *acquis* on **organic farming** remains low. Albania re-introduced support for organic farming in 2020.

5.12. Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with the quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

Albania has **some level of preparation** in this area. Albania made **some progress** in implementing relevant measures in the food safety and veterinary sectors, as well as in the animal register. However, so far, the restructuring of the veterinary sector is still to be implemented. Albania needs to design a coherent roadmap to ensure the alignment, capacity building and implementation of the EU *acquis* on official controls, animal health and plant health in the frame of a consolidated national food safety policy. The Commission's recommendations from 2019 were not fully implemented and remain valid.

During 2020, Albania should in particular:

→ complete the reorganisation of the veterinary service to enhance the efficiency and ensure a suitable level of administrative capacity;

→ continue to efficiently implement the new rabies vaccination programme (2020-2021);

→ adopt a new risk-based methodology for the planning of official food safety controls; implement official controls according to the updated annual inspection plans based on an improved risk -based methodology for the planning of official food safety controls;

→ improve the control of plant protection products and consolidate the pesticide residues monitoring capacity in food products.

On **general food safety**, the National Food Authority carried out regular official controls in line with an annual risk-based plan, and took relevant measures, including warnings, fines, the seizure and disposal of non-consumable food, and activity suspension. However, risk assessment capacity based on scientific opinion remains weak and must be improved.

At the current stage, it is important to: enhance official controls by adopting an improved risk-based methodology, produce clear and detailed official control statistics that are based on the relevant information system assisting in the preparation of annual inspection plans and the design of specific policies in the sector, establish internal audits, and continue ensuring training of staff.

As regards **veterinary policy**, following the approval of the disease control strategies, the Ministry of Agriculture and Rural Development (MARD) continued to work on a regulation establishing criteria for national programmes to accelerate the eradication of certain diseases in cattle (e.g. brucellosis, tuberculosis and leucosis).

Implementation of programmes for the monitoring of brucellosis and tuberculosis in cattle herds of over 10 heads continued, as did vaccination against lumpy skin disease in cattle, brucellosis on replacement animals in small ruminants and anthrax.

Animal numbers were verified and registered countrywide, but the animal register still requires updating. The new data are expected to improve information on the real number of animals and help the veterinary service to plan the measures and budget for registration and animal disease control.

The amendments to the veterinary law approved in June 2020 are expected to improve the structure and functioning of the Veterinary Service by avoiding fragmentation and improve the chain of command and communication. However, the reform is yet to be completed. Problems identified in the previous report should be addressed, and adequate administrative capacities should be ensured. .

With regard to the **placing on the market of food, feed and animal by-products**, the national residue monitoring plan (covering veterinary medical products, pesticide residues, heavy metals and mycotoxins in live animals and products of animal origin) was implemented in line with the requirements and validated analytical methods.

Albania implemented the annual national plan for official controls based on risk and sampling of food, feed, plants and agriculture inputs, and the sampling plan in border control posts. In addition to adoption of a risk-based approach to inspections, in conjunction with the other areas of food safety and veterinary policy, attention should be paid to investments in border control posts facilities.

Actions under the Instrument for Pre-Accession Assistance (IPA), including equipment and staff training, have enhanced the capacity to monitor pesticide residues in food products.

As regards **food safety rules**, the Council of Ministers endorsed amendments to the Law on food and these were approved by the Parliament in February 2020. One of the amendments concerns exemptions from the hazard analysis and critical control points (HACCP) system for producers of traditional products and small producers of primary products selling directly to consumers.

On **phytosanitary policy**, MARD continued with the approval of active substances of plant protection products under the 2016 Law on plant protection. In line with the EU *acquis*, the government approved an implementing regulation on the sustainable use of plant protection products and eligibility criteria for users.

As regards the legislation on **feed** and **genetically modified organisms (GMOs)**, the regulation on the "Rules for labelling of feed for animals used for food, including those consisting of or containing GMOs" was approved by the government in May 2020, following earlier notification to the World Trade Organization (WTO).

5.13. Chapter 13: Fisheries

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture and support for fisheries and coastal communities.

Albania is still at an **early stage** of preparation. Albania made **some progress** in the preparation and approval of regulations regarding data collection, management of small fisheries and fishing efforts for some species in the Adriatic Sea. Albania also launched procurement procedures that would allow starting the necessary works to reactivate the vessel monitoring system. However, recommendations of Commission's latest reports on efficient and effective implementation of the fishery sector strategy as well as inspection and control capacity to fight illegal fishing remained to be addressed.

During 2020, Albania should in particular:

→ take steps to complete and strengthen the administrative capacity of the fishery sector to ensure an appropriate management of fisheries resources in line with the national strategy and international obligations;

→ continue with the implementation of the Regional Plan of Action for small-scale fisheries including the improving of data collection and landing statistics from small fisheries;

→ finalise the process of reactivation of the vessel monitoring system (VMS) and strengthen inspection and control capacity to deter illegal, unreported and unregulated fishing.

As regards **resource and fleet management**, the vessel register is regularly updated, e.g. with data on engine power (KW and GT), which are reported regularly to General Fisheries Commission for the Mediterranean (GFCM) for all fleet segments.

In February 2019, Albania amended its Fishery Law to include provisions on resource management involving fisheries organisations in small costal fisheries. Also, to ensure the long-term sustainability of the fishing resources in the Adriatic Sea, in line with the recommendations of the GFCM, an amendment to the Fisheries Law approved by the Parliament in April 2020 includes measures to impose limits on the number, engine power and gross tonnage of fishing vessels.

Inspection and control capacity has not improved. The Department for Fisheries Services and Aquaculture lacks the capacity means and resources to fight illegal fishing, especially in marine

waters, with inspections and controls enforced mostly in small coastal or inland fisheries. The vessel monitoring system (VMS) is not yet in operation. Despite the efforts made, the procurement procedures for its reactivation, which were launched during the last months of 2019, have not been completed. Albania shall take appropriate action to complete the procurement procedures and reactivate the VMS during 2020.

Fisheries statistics for vessels over 12 metres are collected from logbooks submitted to inspectors. In accordance with the amended Fisheries Law, since October 2019 seven observers were recruited to monitor and provide information on catches, the biological status of stocks and the management of marine resources.

A regulation on collection, management and use of data in the fisheries sector was approved in early 2019. Also, a draft plan on designated zones for aquaculture on the south coast was prepared with IPA support.

The fisheries service is not yet in line with the recommendations of the government's 2016 sector strategy.

On market policy, the government approved two regulations on the organisation of the markets and the sale of fishery and aquaculture products.

As regards **international agreements**, Albania is a contracting party to the GFCM, participates regularly in its activities and implements its recommendations, including measures to limit fishing effort on small pelagic stocks and adoption of multi-annual management plans for the conservation and sustainable exploitation of the European eel, and demersal fishing activities in the Adriatic Sea. It has applied the GFCM Recommendation on the International Maritime Organisation (IMO) number assigned to metallic-hull fishing vessels over 24 metres and will soon adopt the GFCM Recommendation on multi-annual management plan for sustainable demersal fisheries in the Adriatic.

Albania complied with the recommendations of the International Commission for the Conservation of Atlantic Tunas.

5.14. Chapter 14: Transport

The EU has common rules for technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Albania has **some level of preparation** in the area of transport policy, although only **limited progress** was achieved in the past year. The recommendations of last year have been partly addressed with the adoption of the revised national transport plan (ANTP3). Efforts to comply fully with the requirements under the first transitional phase of the European Common Aviation Area Agreement remain to be made.

In the coming year, Albania should in particular:

→ implement the revised national transport plan (ANTP3) and start developing a national strategy for intelligent transport systems;

→ adopt legislation to implement the railway sector reform;

→ start preparations for the National Transport Strategy for 2021-2026.

As regards the **general transport** *acquis,* the inter-institutional working group monitoring the implementation of the national transport strategy and action plan for 2016-2020 and the sustainable transport plan for all transport modes published its second monitoring report in June 2019. Albania continues to participate actively in the EU strategy for the Adriatic and Ionian Region (EUSAIR). The second review of the national transport plan (ANTP3) was adopted in

January 2020 by order of the Minister for Infrastructure and Energy. Albania now needs to prepare the national transport strategy and action plan for 2021-2026, in line with the ANTP3. It should make further efforts to align its transport policy with public-service obligations and the *acquis* on public-service contracts. Further efforts are required to transpose fully the Intelligent Transport Systems (ITS) Directive and implement relevant national laws. It has yet to adopt an overall ITS strategy and allocate resources for its implementation.

Administrative capacity needs to be strengthened throughout the transport sector, particularly in rail transport, for which several capacity-building events were organised. Independent bodies have not yet been set up to investigate railway accidents and waterborne accidents. Funding for road and railway infrastructure maintenance is insufficient, resulting in continued deterioration of that infrastructure. Further efforts are needed to support the 2018-2022 rail maintenance plans.

Albania has made further progress in aligning its national legislation on **road transport** with the *acquis*. The General Directorate for Transport Services, tasked with implementing the Law on dangerous goods, has yet to adopt and apply rules and guidelines on training and sanctions. It has not yet strengthened its inspection capacity. More efforts are needed to align Albania's legislation on traffic-management systems and road safety (including road-safety education and enforcement). Pilot road-safety inspections and audits are being implemented on the 'core' road network, but these should be extended to the entire network. The government declared 2020 as the '*Year of Road Safety*'.

Albania further aligned its legislation establishing common conditions for practising the profession of road transport operator. It is preparing draft guidelines on the criteria, rules and procedures for the issuance of licences, authorisations and certificates for the operation of international transport of passengers by road. These are partially aligned with the *acquis* and should be adopted in the second quarter of 2020. In May 2020, Albania adopted legislation on technical roadside inspection of roadworthiness of commercial vehicles, in line with the *acquis*. It needs to improve the national system for continuous road-crash data collection, in line with recommendations under technical assistance (Connecta TA).

The January 2018 Railway Code aims to regulate **rail transport** in line with the *acquis.* However, it only partially transposes the recast Directive on a single European rail area and the EU Safety and Interoperability Directives. As a result, train operations have not yet been unbundled from infrastructure management. A 2019 technical assistance project analysed options for the restructuring of the whole railway sector. Implementing legislation for the establishment of relevant structures and agencies (separation of infrastructure management and operation, national safety authority, accident investigation body, regulatory authority) has been prepared, but is still under consultation with line ministries. Further efforts are needed to draw up the strategic framework for implementing ITSs on the core rail network.

On **maritime transport**, significant efforts are needed to reduce the detention rate of Albanian-flagged vessels and follow up on the country's application for membership of the Paris Memorandum of Understanding on Port State Control. Since September, a working group made up of representatives of all interested Albanian institutions has been examining the current situation and future steps to improve the performance of the maritime fleet. Further efforts are needed to draw up a strategic framework to implement ITSs on the core maritime network. Legislation on EU vessel-traffic monitoring and information systems has not yet been aligned. A project establishing those systems in Albania is expected to start in 2020.

Albania needs to align with the *acquis* on ports and enact legislation based on the Port Services Regulation ((EU) 2017/352).

There were no new developments regarding **inland waterway transport**. Albania and neighbouring Montenegro continued to implement their July 2018 agreement on the Ckla-Zogaj

lake border crossing. Inland waterway transport is limited to two lakes shared with neighbouring countries and regulated by bilateral agreements.

On **aviation**, Albania continued preparations for the assessment visit requested under the European Common Aviation Area Agreement (ECAA), which will take place after adoption of the relevant national legislation. On air-traffic management, it adopted in April 2020 legislation laying down airspace usage requirements and operating procedures concerning performance-based navigation, in line with the *acquis*.

Although the national transport strategy includes some priority actions for the development of **combined transport**, there is still no legislation in this area.

Albania should increase efforts to implement EU **passenger rights** legislation in all modes of transport.

5.15. Chapter 15: Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and nuclear safety, and radiation protection.

Albania is **moderately prepared** in this area. There was **some progress** in the renewables and gas sectors as well as on interconnection lines. However, last year's recommendations were only partly addressed with the unbundling of the distribution system operator OSHEE SA. Plans for establishing a non-mandatory Energy Efficiency Fund were abandoned. The country has again delayed electricity market reforms. Implementation of the connectivity reform measures should be accelerated, especially by removing legal and contractual obstacles to the integration of energy markets.

In the coming year, Albania should in particular:

→ further diversify electricity production away from hydropower and promote alternative sources of renewable energy while complying with environmental standards, and establish an organised day-ahead electricity market;

→ finalise the legal and functional unbundling of energy companies and abolish legal obstacles to the right of customers to change their electricity supplier;

→ fully align its Energy Efficiency Law with the *acquis* and adopt implementing legislation related to the Energy Performance of Buildings Directive.

On **security of supply**, Albania is at a moderate stage of preparation. Its oil-stock legislation is not in line with the *acquis*. There was no progress in creating a central stockholding body for oil. The inter-institutional working group for analysing and developing a plan for re-designing the emergency stockholding system has been working for several years on a model for an emergency oil-stock reserve and on a draft law on the minimum stocks of crude oil required for security of supply. Albania must complete alignment with the *acquis* on minimum oil stocks of crude oil and/or petroleum products. It must also amend its emergency oil-stock model.

Albania's electricity system has been connected with neighbouring systems in Greece and Montenegro since 2014. The connection between Tirana and Pristina was completed in 2016, but has still not been put into operation due to an ongoing dispute between the transmission operators of Serbia and Kosovo. However, thanks to new developments this stalemate should be solved in due course *(see Chapter 21 – Trans-European Networks)*. The construction of a connection with North Macedonia is under preparation. In 2019, Albania made some progress in reducing electricity distribution losses in the power grid (23.03%, compared with 24.4% in 2018). Work on the trans-Adriatic pipeline (TAP) project, a major natural gas connection between Greece and Italy through Albania, was 99% completed in June 2020 in the onshore Albanian part *(see Chapter 21 – Trans-European networks)*. Currently, TAP is starting the

introduction of hydrocarbons into the pipeline system. In January 2019, the Albanian Regulatory Authority licensed TAP AG Albania as transmission operator.

On the **internal energy market**, the mandatory unbundling of OST itself was not achieved by the December deadline, despite the full separation of the ownership of the Albanian Power Corporation (KESH SA) from that of the transmission system operator OST SA. In June 2020, an amended Law on power sector entered into force. The Council of Ministers approved several implementing acts that provide a legal basis for setting up the market operator and establishing the Albanian Power Exchange (APEX). A first meeting of the APEX Steering Committee was held in October. A special commission was tasked with preparing the selection of shareholders. The procedure was slowed down also due to the situation created by the Covid-19 pandemic. An Energy Regulatory Authority (ERE) decision postponed the completion of functional unbundling to 29 June 2020.

As of 1 January 2020, the legal and functional unbundling of distribution system operator OSHEE SA from its supply activity is completed. Three new companies responsible for electricity distribution, universal supply and free market supply were established and are now operational, but effective unbundling is pending due to delayed transfer of activities, assets and staff to the new companies.

Electricity prices are still regulated, but should be gradually liberalised once legislation is implemented. The freedom for all customers to switch suppliers is effectively prevented by amendments to the Power Sector Law; implementation is still lacking since all eligible customers, except those connected to high voltage, can be supplied at regulated prices by OSHEE (as last-resort supplier) for two years. As a result, all distribution customers, except some of those connected to 35kV, effectively remain under regulated supply. The electricity market is dominated by a regulated contract between state-owned generation and supply companies. This contract should be terminated urgently.

ERE's legal framework is generally in line with the acquis, except for a few (albeit crucial) missing competences: the right to impose measures to promote competition, to require transmission and distribution system operators to change their terms and conditions, and to raise the level of the penalties that ERE can impose. On the practical side, ERE should develop into a well-equipped and skilled independent institution that addresses shortcomings in the national energy markets more actively. A new organisational structure has been approved in April 2020.

The Vlora thermal power plant, built with financing from the European Bank for Reconstruction and Development (EUR 40 million), the European Investment Bank (EUR 40 million) and the World Bank (EUR 20.5 million), has never been put into operation since its completion in 2011. This is due to a failure in its cooling system that has not been repaired. The planned conversion of the plant from oil to gas, once connected to the TAP, is encouraged. This would stabilise the generation of electricity during droughts in the southern part of Albania. Albania adopted acts implementing the 2015 Law on the natural gas sector.

Albania has not aligned its legislation with the **Hydrocarbons** Licensing Directive, but it has made some progress on its secondary legislation. It has not transposed the Directive on the safety of off-shore oil and gas installations.

Albania has made some progress in preparing the regulatory framework for **renewable energy**. The revised national renewable energy action plan (NREAP) for 2018-2020 envisages that 38% of the gross final energy consumption will come from renewable sources by 2020. With the adoption of the 2017 Law promoting renewable energy, Albania improved its compliance with the *acquis*. The Law introduced schemes to support renewable-energy producers above 2MW (for solar power) and 3MW (for wind power) through a competitive procedure based on 'contracts for difference' support, to be paid on top of the market price for electricity. The Law incorporates a feed-in tariff and net metering scheme for photovoltaic or wind energy with a

capacity of up to 500kW. The revised NREAP provides for generation from renewable sources, especially photovoltaics. However, urgent efforts are needed to reach the new targets by the end of 2020.

Albania depends almost exclusively (98%) on hydropower for its electricity, making it vulnerable to unfavourable hydrological conditions in the summer. In addition, electricity from hydropower is not sufficient to meet its needs. It is a net importer of electricity and an integrated regional energy market will ensure security of supply. It has made several investments in (local and foreign) renewable energy through concession contracts for the construction and operation of hydroelectric power plants. However, around 20% of the 500+ contracts concern sites in protected areas, and some plants have had a significant impact on local biodiversity. Plans for future plants have generated debate and protests about the need to address ecological and water rights considerations.

Doubts have been expressed about the quality of strategic environmental and environmental impact assessments (SEAs and EIAs) for energy projects. Investments in hydropower should be compliant with the environmental *acquis*. Hydropower plants in protected areas and sensitive locations should undergo all necessary legal procedures, i.e. they should be subject to public consultation (Aarhus Convention), comply with national legislation and be subject to properly conducted EIAs and SEAs.

The main target of the **energy efficiency** action plans for 2017-2020 is a cumulative saving of 6.8% of the energy used in Albania by 2020. The Energy Efficiency Agency was set up in 2016 to implement energy efficiency policies and measures, but it was not fully staffed and became operational only in late 2018. It reports to the Ministry of Energy and Infrastructure. Plans for establishing an Energy Efficiency Fund, which is recommended but not mandatory under the Energy Efficiency Directive (EED), were abandoned. Full compliance with the Energy Community *acquis* has still not been achieved and the Energy Community's Ministerial Council adopted a decision stating that Albania was in breach of its obligations. Albania still needs to start amending its Energy Efficiency Law to align with the EED. It only submitted its second annual report under the EED (due in June 2018) in March 2019. It still needs to adopt the necessary legislation to achieve full compliance with the *acquis* in the area of energy performance in buildings.

Albania has made little progress on **nuclear energy, nuclear safety and radiation protection**. In December, it adopted a Regulation on the protection of public and employees professionally exposed to ionising radiation and safety from medical exposure to ionising radiation sources, which is partly aligned with the 2013 Council (Euratom) Directive setting out basic safety standards for protection against the dangers arising from exposure to ionising radiation.

5.16. Chapter 16: Taxation

EU rules on taxation cover value added tax and excise duties as well as aspects of corporate taxation. They also deal with cooperation between tax administrations, including the exchange of information to prevent tax evasion.

Albania is **moderately prepared** in the area of taxation. **Some progress** was made through joining the OECD inclusive framework on base erosion and profit shifting (BEPS) and through establishing a central liaison office to automatically exchange financial account information. Revenue performance in 2019 was above the 2018 levels (+ 1.7%) but below target (-4.9%), largely due to underperformance of VAT, customs duties, national taxes and excise.

In the coming year, the country should in particular:

→ simplify the taxation system by encouraging enhanced tax compliance;

→ continue addressing systematically the recurrence of delays in VAT refunds and avoid large backlogs.

On **indirect taxation**, the standard VAT rate is 20% and the reduced rates are 6% and 10%. However, there is further increase in the number of exemptions, including exemptions related to the construction/re-construction activities in the areas affected by the 26 November earthquake. Albania accelerated the VAT refund and therefore the stock of VAT arrears was cleared by March 2020 with the exception of three large taxpayers with whom the Directorate General on Taxation (GDT) has a special arrangement, approved in February 2020.

Excise taxation is partially aligned with the *acquis*. Mineral oils are marked for some uses. Tobacco excise duties are set to increase in annual steps, from EUR 49.8 per 1,000 cigarettes in 2019 to EUR 51.25 in 2020. Favourable excise taxation for manufactured tobacco with tobacco leaves cultivated in Albania persists. Small producers of alcoholic beverages enjoy reduced tax rates. There are tax exemptions for up to 100 litres for spirits and up to 200 litres for wine for personal consumption. The excise Law taxes all energy products listed in Directive 2003/96/EC.

Regarding **direct taxation**, financial institutions are legally required to calculate, withhold, and declare income tax on income from savings. In response to the COVID-19 situation, the deadline to submit the financial statements was extended, exemption of profit tax for small businesses, and deferral of and profit tax payments for all other businesses with few exceptions were introduced. Albania does not allow deferral of taxation as provided for in the Merger Directive. In May 2019, Albania joined the OECD inclusive framework on anti-base erosion and profit shifting and started developing legislation to implement its obligations in that respect.

The general directorate of taxation (GDT) has started to facilitate the communication with taxpayers through wider electronic methods and by simplifying regulations and taxpayers registration procedures. As a result of GDT sending personalised letters to employers and employees in selected sectors, contributions and personal income tax in January and February 2020 increased. Real-time monitoring of invoices and receipts is going to become operational in mid-2020, following the adoption of the so-called Law on fiscalisation in December 2019, which aims to increase the formalisation of economic operators and improve VAT collection. However, different thresholds to categorise economic operations apply for income and VAT, making the system more complicated to administer and probably encouraging tax avoidance and evasion.

As regards tax compliance, the GDT identified a considerable number of taxpayers who under-declare the salaries of their employees and drafted the strategy for addressing labour market informality.

On **administrative cooperation and mutual assistance**, Albania is yet to sign double taxation agreements with Denmark, Cyprus, Lithuania, Portugal, Slovakia and Finland. In April 2019, four additional staff in the GDT were approved to act as central liaison officers to exchange financial account information automatically based on the OECD single Global Standard. In 2019, the data exchange infrastructure has been developed but no automatic exchange has been conducted yet.

As regards **operational capacity and computerisation**, in March 2020 the personnel of the tax administration was further reduced from 1,512 to 1,450. In spite of this decrease of staff, as of June 2020 the number of vacancies remained very high at 193 (13.3%) compared with 206 in 2018 (13.1%). The annual training programme, approved in 2019, is needs-based and 1,081 employees of the GDT were trained in 2019.

In January 2020, the Law on automatic exchange of information on financial accounts was adopted, aiming at alignment with Conformity Reporting Standards and partial alignment with the relevant 2014 EU Directive. Albania does not yet have the technical capacity to facilitate the efficient exchange of information, nor the appropriate infrastructure to apply EU IT

standards. The electronic tax administration system has been operational since January 2015, but there are no deadlines to achieve interconnection and interoperability with EU systems.

The implementation of the legal basis for the fiscal cadastre, approved in 2018, was delayed, due to incomplete data, impeding its functionality. The municipalities continued compiling the necessary information, while the legal base is planned to be amended.

5.17. Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Albania is **moderately prepared** in the area of economic and monetary policy. **No progress** was made, in particular, in complying with the EU *acquis* regarding the Bank of Albania's independence and its accountability to the Parliament, and government's policy coordination and consultation mechanism with non-governmental stakeholders.

Albania should take further measures to:

→ align with the EU *acquis* the legislation on the Bank of Albania's independence and accountability to the Parliament;

→ improve the government's policy coordination and consultation mechanism with non-governmental stakeholders when formulating sector policies and economic reforms.

In the area of **monetary policy**, the primary objective of the central bank, as set out in the Law on the Bank of Albania (BoA), is to achieve and maintain price stability. BoA is financially independent and has sufficient instruments, competence and administrative capacity to function effectively and to conduct an efficient monetary policy. The Supervisory Council of BoA is operational and has one vacant post, for which the recruitment process has begun. The monetary policy is conducted with a standard set of instruments: i) open market operations; ii) standing facilities; iii) required minimum reserves and within a free-floating exchange rate regime. The alignment of the 1997 Law on the Bank of Albania with the *acquis* as regards the personal independence of the Supervisory Council members, especially of the governor, and BoA's accountability to the Parliament remains incomplete. On 27 November 2019, the Supervisory Council of BoA approved the Medium-Term Development Strategy 2020-2022 of BoA, which confirms the aim to fully harmonise its organic Law with the Statute of the European System of Central Banks. In response to the economic effects of the COVID-19 crisis, BoA cut the policy rate to a new historic low of 0.5% and lowered the overnight lending rate from 1.9% to 0.9% on 25 March 2020. In addition, BoA is providing unlimited liquidity to the banking system to keep up lending to the private sector, enhanced its operational capacities to guarantee the sufficient cash supply to the economy and facilitated electronic payments.

In the area of **economic policy**, further alignment with the Directive on Requirements for Budgetary Frameworks is needed. Albania has complied with the fiscal rule since its adoption in 2016. Excessive Deficit Procedure notification tables are submitted regularly to Eurostat on a best-effort basis, but they are not complete and not fully in line with the European System of National and Regional Accounts (ESA 2010) requirements. Following the completion in July 2019 of the pilot project on source data required for the calculation of the macroeconomic imbalance procedures (MIP) indicators, Albania has reported to Eurostat and has shared the metadata for 14 available MIP scoreboard indicators. Further progress is needed on the calculation of nominal unit labour costs and house price index deflated.

In April and May 2020, the government ammended the 2020 budget to include additional expenditure to buffer the economic fall-out of the pandemic, adjust the planned fiscal deficit from 2.2% to 3.9% in view of the expected drop in revenue and plan the additional deficit financing. The budgetary measures intend to provide additional funds to the health sector,

support small businesses and self-employed affected by the lock-down and cushion the socio-economic impact of the pandemic. In addition, the government allowed to postpone certain tax payments, waived penalties for late utility payments and issued two sovereign guarantees for loans to businesses.

Albania submitted its Economic Reform Programme 2020-2022 on time, but the COVID-19 crisis rendered its macro-fiscal projections and policy priorities largely obsolete. Albania needs to strengthen its inter-institutional coordination mechanism for comprehensive strategic policy planning, including for the preparation of the programme. It needs to increase its administrative capacities and human resources for designing and coordinating economic policy and for monitoring the implementation and impact of structural reforms in consultation with local stakeholders.

5.18. Chapter 18: Statistics

EU rules require that Member States are able to produce statistics based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.

Albania is **moderately prepared** on statistics. **Some progress** was made, notably on the alignment with ESA 2010 standards, and faster and new publications of statistics and increased transmission to Eurostat. The role of the National Statistical System (INSTAT) was further strengthened and its resources improved; however, the methods of data collection need to be modernised and the statistical production processes should be improved. Communications with stakeholders improved for some statistical domains.

In the coming year, Albania should in particular:

→ appoint a Director General and continue to reinforce INSTAT's resources;

→ adopt the Law on Population and Housing census and continue the preparation of the population and housing census in line with the relevant EU legislation and UN standards;

→ prepare the action plan and the detailed estimated budget for the 2022 census of agriculture;

→ implement the amended Law on Official Statistics and continue to expand the scope of official statistics in line with the EU *acquis*.

As regards **statistical infrastructure**, Albania's Law on Official Statistics is in line with the European Statistics Code of Practice and most classifications are in line with EU standards. The annual work plan for 2020 for the implementation of the 5-year programme on the official statistics for 2017-2021 further to the Law on Official Statistics is not adopted by the Parliament and its draft will need to be revised due to the Covid-19 crisis. The Institute for Statistics (INSTAT) has continued its organisational restructuring following the 2018 amendments to the Law on Official Statistics. In 2019, 62 employees were recruited while the recruitment process for the 30 remaining vacancies is ongoing. INSTAT's budget and staffing continued to be insufficient for fully implementing the EU *acquis* in the field of statistics. The position of the General Director of INSTAT is still vacant. An additional memorandum of understanding was signed during 2019 with data custodians on access to statistics, and another one with the General Prosecutor Office. The ones signed before 2018 were adapted to be in line with the Law on Official Statistics.

On **macroeconomic statistics**, annual and quarterly GDP data are produced according to the production and expenditure approach, in current and previous year prices as well as in chain-linked volume and seasonally adjusted. Supply and use tables and derived input-output tables are harmonised with the definitions of the European System of National and Regional Accounts

(ESA 2010). Further efforts are needed to improve the completeness of the excessive deficit procedure notification tables, which are sent regularly to Eurostat on a best-effort basis. Further improvements are needed in government finance statistics in order to meet legislative requirements. INSTAT produces and publishes the harmonised index of consumer prices and since May 2018 the production accounts generation of income accounts.

As regards structural **business statistics**, data collection and production have further improved. Albania carried out an industrial production survey, although data is not collected by the PRODCOM list in force, nor transmitted to Eurostat. In addition, Albania is partly compliant for all Short Term Statistics domains (industry, construction, retail trade and other service), but some important indicators are still not transmitted to Eurostat, in particular the index of industrial production and the services price indices. A special publication was finalised in cooperation with the Bank of Albania on the main tourism indicators for the period 2014-2018 and has completed the data collection for the enterprise tourism survey "Accommodation structures survey" (to be published in 2020). INSTAT has good relationships with respondents, and achieves quite high response rates in both business and household surveys.

On **social statistics**, the labour force survey is conducted regularly and micro-data are provided to Eurostat. INSTAT does not produce job vacancy statistics yet. Labour cost statistics are calculated on the basis of a labour cost survey. A Structure of Earning Survey was conducted for the first time in 2019 (data to be published in 2020). INSTAT conducted the survey of income and living conditions wave 3 (SILC 2019) between April and July 2019, and published the 2017 and 2018 SILC results on 26 December 2019.

INSTAT published in 2020, for the first time, the gender equality index for Albania. The index measures gender equality in six core domains: work, money, knowledge, time, power, health, and two additional domains: intersecting inequalities and violence.

Statistics on external migration and asylum are partly aligned with the EU legislation. Crime statistics are published on a quarterly basis.

The preparatory work for the population and housing census continued. During October-November 2019, INSTAT carried out the pilot population and housing census. However, the law on population and housing census has not been adopted yet. Albania should ensure funding for its full implementation.

Agricultural statistics are partially aligned with the EU *acquis*. It is essential to improve the quality of the data of the administrative registers, such as the farm register, individual register of animals and the animal holding registers, among others. INSTAT should start the preparation of the strategic document for the census of agriculture holdings, planned for 2022, including a corresponding action plan and the budget. INSTAT is working to introduce the possibility to move from a system based on an expert estimates to survey-based agriculture statistics.

Environmental statistics are in line with the EU *acquis* to a very limited extent, while **energy statistics** are moderately aligned. INSTAT produces the balance of electricity on a quarterly basis and publishes the general energy balance produced by the National Agency of Natural Resources. Short-term energy statistics are still produced as volume data for electricity only. Detailed data on municipal waste statistics is provided. Air emission accounts are partially in compliance with the EU requirements. INSTAT continues to publish environment-related taxes by economic activity on its website; the 2017 data were published in 2019.

5.19. Chapter 19: Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social dialogue at European level.

Albania has **some level of preparation** on social policy and employment. **Some progress** was made on implementing recommendations of the previous report, especially on increasing labour

market participation and on improving the quality and effectiveness of labour market institutions and services. Albania has continued the restructuring of its employment governance system, in line with the laws on vocational education and training and employment promotion. The employment rate and labour market participation remain low, and the informal economy is still a significant job provider. Social services reform is progressing but financial and administrative efforts should be stepped up to strengthen the local level. No progress was achieved regarding the tripartite social dialogue, as clear representativeness criteria are still under discussion and have not yet been set in the law.

In the coming year, the country should:

→ continue the operationalisation of the employment and vocational education and training (VET) structure, following the establishment of the new National Agency for Employment and Skills (NAES), and finalise the adoption of the necessary implementing legislation for the employment reform;

→ ensure implementation of the National Strategy on Social Protection (2020-2023) and the social inclusion policy document (2015-2023) and strengthen inter-institutional coordination on measures affecting the most at risk groups;

→ adopt the implementing legislation on representativeness criteria for membership in the National Labour Council and the bylaws for the establishment of the tripartite regional council.

Regarding the **labour law**, the amended Labour Code is being implemented, but its implementation and enforcement still needs to be monitored more closely. Some progress was made as regards the number and impact of inspections and the training of labour inspectors. However, the capacity of the State Labour Inspectorate needs to be further strengthened when it comes to human resources, as the staffing decreased in 2019. The labour inspectors should continue to receive regular training and adequate resources to perform their duties. Additional efforts are needed to ensure sound coordination with the State Health Inspectorate and social partners to ensure proper enforcement and monitoring of the occupational health and safety legislation.

The **informal economy** remains significant with the share of informal employment in the non-agricultural sector at 30% (LFS 2019). The highest percentage of informal employment was reported in trade activities (42.2%), manufacturing (17.3%) and construction (16.6%), according to the Labour Inspectorate. During 2019, 10,042 inspections were carried out (9,994 in the private sector) in both private and public sectors. 2,879 (out of which 994 female) uninsured employees were identified, of which 2,794 (of which 970 female) were formalised. The sectors in which irregularities were assessed are: manufacturing, mining, construction, trade and hospitality.

Albania adopted the 2019-2021 National Action Plan for the Protection of Children from Economic Exploitation. It still needs to strengthen the system for monitoring child labour and other forms of exploitation. Albania has become a pathfinder country under the global Alliance 8.7 with a goal to eliminating child labour.

On **health and safety at work**, Albania is implementing the 2016-2020 occupational, safety and health policy document and action plan. Albania progressed on the legal framework with the adoption of most of the legislation transposing the EU Framework Directive on health and safety at work. However, the implementation and enforcement of health and safety at work legislation is limited due to insufficient financial and human capacities. This remains a particular issue in the shoe/textile and mining sector. Reported accidents at work decreased from 195 in 2018 to 176 in 2019, while fatalities at work increased from 27 to 38 in the same timeframe.

Bipartite **social dialogue** remains weak in both the private and the public sector, mainly due to insufficient experience of trade unions, lack of a culture of dialogue, as well as employers' scepticism towards the trade unions. Coverage by collective bargaining agreements is higher in the public sector in comparison with the private sector, with 73.7% of public sector employees, 28% of private sector non-agricultural employees and 3.8% of private agricultural employees being covered (2018 data). The union freedom and the right to strike need to be guaranteed to all workers, and trade union members shall not be discriminated. Also, the amicable labour disputes resolution system needs further consolidation. Regarding tripartite social dialogue, the mandate of the National Labour Council (NLC) was renewed in 2018. However, clear representativeness criteria have not yet been set in the law. Significant efforts are still needed to transform the NLC into an effective and regular social dialogue forum, aiming at improving collective bargaining. To be effective, work and regular meetings of committees established under NLC shall be promoted in order to prepare meaningful plenary meetings of the NLC. At regional level, the decision on tripartite Regional Consultative Councils, consisting of representatives of employers' organisations, trade unions and representatives of state structures, expected to be established by the end of 2018, is still awaiting adoption.

On **employment policy**, the administrative reform and the reduction in human capacities continues to affect the design, implementation and monitoring of employment policies and measures. While the labour market participation has improved, efforts are still needed regarding the alignment of education and training (including adult education and lifelong learning) to the needs of the labour market and the provision of targeted support to low skilled people. Employment and labour market participation continued to grow in 2019, but these figures hide a high underemployment. In 2019, job creation remains one of the major cross-sectoral priorities of the current government. Following the mid-term review of the National Employment and Skills Strategy (NESS) conducted at the end of 2018, a revised action plan was completed in 2019 and the policy framework extended by two years in view of the limited progress on the promotion of employment services at local level and social cohesion. The Institute of Statistics has sufficient resources to contribute to policies with comprehensive and reliable data. Special focus should be placed on urban/rural ratios in all labour-related statistics.

There was progress regarding the adoption of the Law on employment promotion in March 2019 and the establishment of the National Agency for Employment and Skills (NAES) through a bylaw in July 2019. The new Agency will manage the implementation of employment and skills policies and administer the employment offices at the regional and local level, as well as the network of public vocational education and training (VET) providers (VET high schools, training centres). It is crucial that the new agency is fully equipped financially and in terms of human resources to implement its mandate. In December 2019, a new structure of NAES was adopted with a significant increase in human resources, but still pending enforcement with financial support.

Existing **employment promotion programmes** (EPPs) were revised to better address the needs of unemployed people and two new EPPs were developed (on self-employment and community employment) and .Operational guidelines for the implementation of new and revised EPPs have been developed and their implementation is to be launched in autumn. A good sign is the incorporation of support measures in terms of transport compensation or childcare provision for beneficiaries of EPPs. The implementation of EPPs in the coming years will show whether the 2019 policy guidance to better target those measures will be achieved, especially when it comes to vulnerable groups such as long-term unemployed, young people neither in employment nor in education or training, women, low-skilled and Roma and Egyptian communities.

As a reaction to lay-offs due to Covid-19 crisis, the Council of Ministers approved on 29 July 2020 two additional and temporary employment promotion programmes for recently unemployed jobseekers laid off during the peak period of quarantine measures between 10

March and 23 June. One of the programmes targets people who self-declare as informal workers prior to their lay-off. The overall budget for active labour market measures for 2020 was increased by more than 50% from 390 million Lek to 590 Lek.

Some progress was made in strengthening **linkages between the active labour market policies and the social assistance scheme**, with the adoption of the operational plan for labour market integration of cash assistance beneficiaries for the year 2019-2020. Emphasis is however missing as regards social care services in the absence of which it is often impossible to enable labour market integration of cash assistance beneficiaries. In addition, social inclusion through labour market integration will only be possible for a part of cash assistance beneficiaries and it remains unclear what will happen with those beneficiaries who phase out from the programme after five years without having been integrated into the labour market. Close monitoring of this programme alongside with the employment promotional measures will be crucial to ensure a long-term solution for beneficiaries of the economic aid scheme.

Public employment services made progress in establishing performance indicators and procedures, improved visibility and outreach services for vulnerable groups. Work is ongoing on the development of an information system that will enable automation of many processes now done manually and will assist in better profiling the job seekers and ensuring traceability. Efforts are needed to introduce new technologies, including self-service tools and innovation methods. Work is also needed to finalise the reorganisation of the remaining employment offices and ensure that their services remain relevant for local jobseekers especially those having a higher level of education and young people because only less than half of the unemployed seek help to find employment through public employment services.

In 2019, there were 70,930 registered unemployed jobseekers (out of which 52% women). Labour offices do not succeed in attracting a significant part of unemployed people, whose number in 2019 was 164,160 according to Labour Force Survey, in particular those with upper secondary and university education. The profile of registered jobseekers tends to be the one of lower educated people, having at most primary education (39,582 or 56% of registered unemployed), with a lower proportion of people having upper secondary education (26,062 or 37%) and a very low coverage of unemployed having university education (5,286 or 7%). This is in stark contrast with the composition of unemployed work force according to Labour Force Survey: 52,859 people having at most primary education (32%), 73,932 people having upper secondary education (45%) and 37,369 people having university education (23%). In addition, almost two thirds of young people not being employment, educated or trained were not actively seeking a job and are out of reach of the labour offices. In 2019, 30,391 registered unemployed (out of which 49% women) found a job through labour offices (LOs). The number of vacancies announced in LOs reached 50,785 in 2019 (minus 17% compared to the previous year). Only a very low proportion of registered unemployed (4% or 2,781) were receiving an unemployment benefit and 48% were long-term unemployed. To support the transition to the labour market of the unemployed, a training on soft skills (so-called Start Smart) was delivered to 12,327 unemployed jobseekers in 2019, especially young people. Other 8,714 unemployed jobseekers were participants in vocational training courses (comparable to the previous year) and 5,338 unemployed jobseekers were beneficiaries from EPPs, of whom 2,589 started benefitting from it in 2019.

Despite some improvement, the overall **unemployment rate** remains high, particularly among women, young people, Roma and Egyptians, and people with disabilities. According to annual LFS data, the unemployment rate (15-64 age range) fell to 12% in 2019 (11.8% for women), from 12.8% 2018 (12.3% for women). Meanwhile, labour force participation rose to 69.6% (61.6% for women), 1.9 pps more compared to the same period in 2018. However, this remains below European averages, with a significant difference between males and females. The youth unemployment rate (15-24 age range) was 27.2% in 2019 down from 28.3% in 2018. Young people aged 25-29 presented significantly better figures, with a 16.7% unemployment rate.

Although it decreased as compared to the previous year, it remains high. There was a high percentage of young people not being educated, employed or trained (NEET) at 25.5% (15-24 age range) and 26.6% (15-29 age range). There is a big challenge in the transition of upper-secondary (VET and gymnasia) and university graduates from education to jobs as attested by a higher NEETs rate for these groups as compared to lower NEETs rates for young people having primary education. These trends and developments are likely to be obscured by the impact of the COVID-19 pandemic on growth and employment in 2020, with a particular emphasis for services industries, which constitute a large size of the Albanian economy.

Long-term unemployment remains a challenge that Albania should to address through more flexible and tailored policy interventions. Labour force participation rates (15-64 age range) kept increasing (69.6% in 2019) and approaching the EU-28 average (74.0% in 2019), with a notable difference of 16 percentage points between males and females, significantly more pronounced than in the EU-28 where it was 10.8 percentage points. In 2019, the labour force participation rate of young people aged 15-24 was lower than for the rest of the population (36.7%), which can be explained by attendance in education as well as a high share of young people not being employed, educated or trained in this age group. However, for the age group 25-29, the labour force participation rate was very high (82.0%) and comparable to the EU-28 average (82.8%).

There were no developments as regards preparations for the **European Social Fund**.

On **social protection and inclusion**, the 2015-2020 national strategy on social protection was revised and extended until 2023. Public spending on social inclusion programmes is modest and all too often the government structures fail to address adequately the needs of marginalised and vulnerable groups, since there is no mechanism for monitoring the situation of those who are vulnerable and/or excluded from society, including those affected by emigration.

As a response to the COVID-19 crisis, the Government undertook in March several emergency measures to respond and protect the most vulnerable groups. Around 70,000 vulnerable families are benefiting a relief package (food and hygiene items) for a period of 3 months. In addition, around 63,251 families on cash assistance scheme are benefiting the double amount of cash assistance for 3 months. People with disabilities and invalids of work will continue to benefit the monthly entitlements without going through the evaluation commissions.

Without cash transfers, the social care services accounted for only 0.40% of the government budget in 2018. Cash transfers continue to constitute about 95% of the social protection sector's overall budget. The needs assessment for social services conducted in 2019 by the State Social Service in the 12 regions of Albania highlights that 34% of municipalities (21 municipalities) do not provide any social care services. 62% or 38 municipalities do not have services for elderly and 61% or 37 municipalities do not provide services for people with disabilities. Local social care services are undeveloped and lack investments and human resources in many municipalities. According to Social Services data, social care coverage is critically low, with only about 10,000 users in 2019 (0.35% of the population). Increased investment in the development of new social care services and wider geographical coverage are urgently needed. Local government units (LGUs) are expected to assess needs in their territory and prepare local social care plans, but they lack human and financial resources to deliver on this task. Only 24 municipalities approved and budgeted for social care plans outlining the needs of vulnerable communities and the services that need to be established in response. The work also involves assessing the costs for services and identifying the costs that can be supported by the municipality budget.

Secondary legislation implementing the Law on social care services adopted in 2019 specifies that central government will have to resource the social fund with central budget allocating such budget to the approved local social care plans. In April 2019, the government set up the Social Fund Mechanism as a transitory measure to distribute funding from the state budget to

municipalities. The Ministry of Health and Social Protection has started to operationalise the social fund by awarding 14 projects to support establishment of social care services at the local level. Application is open only to municipalities with an approved and budgeted social care plan underlining the need to increase the number of municipalities with an approved and budgeted plan.

The implementation of the reform of the disability assessment system on the basis of a 'bio-psycho-social' model is continuing and was extended from two administrative units of the capital to the whole municipality of Tirana covering about one third of the Albanian population. Some progress was achieved with the initial (pilot phase) implementation of the management information system for people with disabilities. The accessibility of many public services is still a critical issue. Access to services for people with disabilities in rural areas is significantly lower than for those living in urban areas and in particular for those over 21 years of age. The state social services promote foster care and other forms of alternative care for children without parental care but more emphasis should be put on preventing institutionalisation of children, and targeted support for parents suffering from poverty is critical in many cases. In addition, more state financial and human resources should be allocated to alternative care services.

As regards the 2016-2020 cross-sectoral document on social inclusion policy, little progress was made in setting up the necessary structures at central level or clarifying arrangements for implementing the policy. The SILC statistics on income and living conditions were published for the first time in December 2019. In 2018, half of the population (49%) was at risk of poverty or social exclusion (AROPE), which is more than double the EU average (22.4% in 2017). The at-risk-of-poverty rate was 23.4%, while 38.3% of the population was estimated to live in severe material deprivation and 13.3% of individuals aged 18-59 were estimated to live in households with very low work intensity.

The implementation of Social Housing Law of May 2018 addresses shortcomings in the field of housing and forced eviction and introduces key social housing concepts and principles. Although, some progress was made in the preparation and adoption of sublegal acts, implementation of the law hinges on the adoption of the full legal framework.

On **non-discrimination in employment and social policy**, legislative amendments were adopted on employment and the workplace environment for women, defining sexual harassment and reversing the burden of proof.

As regards **equality between women and men in employment and social policy**, according to 2019 LFS data, employment rate for the population aged 15-64 is 68.2% for men and 54.4% for women. The structure of employees indicates that 29.0% of working women engage in unpaid work in the family business, compared to only 16.4% of working men. A significant percentage (39.6%) of working men are self-employed, compared to 23.1% of working women. The gender pay gap amounted to 10.1% in 2019 compared to 10.7% in 2018.

According to the 2019 World Economic Forum's gender gap index report, Albania ranked 20 out of 153 countries, improving in particular in areas of political empowerment and economic participation and opportunities. Albania published for the first time the Gender Index measuring gender equality in six core domains: work, money, knowledge, time, power, health, and two additional domains: intersecting inequalities and violence. The overall Gender Equality Index for the Republic of Albania reached 60.4 in 2017, indicating a gender gap of 7.4 points below the EU-28 average (67.4). The largest gaps to the EU-28 are in the domains of knowledge, money and time, while scores are similar in the domains of work and health.

According to the labour force survey 2019 on causes of inactivity, women remain out of the labour force mostly because they are busy with unpaid work at home (21.4%) or are attending school (22.0%). On the other hand, only 1.0% of men declare housework as the reason behind their inactivity, while 30.4% are students or pupils.

The changes to the Labour Code introduced more measures to support gender equality in the labour market, mainly related to raising the awareness and supporting the economic empowerment of women in the labour market, but there is no monitoring of the implementation of these changes. Concerns remain over the proportion of women in the informal labour market, especially the textile and shoe industries, without appropriate labour and social protection. There are also concerns over the lack of disaggregated data on the number of working women in the informal economy.

5.20. Chapter 20: Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

Albania is **moderately prepared** in the area of enterprise and industrial policy. **Some progress** was made with the endorsement of the Investment Policy Reform Action Plan as part of the MAP-REA regional efforts on investments, maintaining incentives to stimulate investment in the tourism sector and implementing an innovation support programme. Legislative work for approximation with the Late Payments Directive has started, while the implementation of the triple-helix action plan continues to face delays. Efforts to improve the business environment continue, but have limited impact.

In the coming year, Albania should, in particular:

→ effectively implement the triple-helix action plan;

→ accelerate the full alignment of its legislation with the Late Payment Directive;

→ address the main challenges to the business environment, notably reducing regulatory burden more vigorously and enhancing participation in the available funding programs for businesses;

→ prepare the next Business Investment Development Strategy to address challenges to competitiveness and growth as stressed in the May 2019 joint recommendations of the Economic Reform Program 2019-2021.

The 2014-2020 business and investment development strategy (BIDS) sets the strategic framework for Albania's **enterprise and industrial policy**. A monitoring report, finalised in February 2020, identifies the challenges to progress in implementing and monitoring the BIDS. Work to draft a new BIDS 2020-2025, covering SMEs skills development, innovation, sustainable growth, and conditions for attracting foreign investment, started in February 2020. The BIDS will also incorporate the strategy on development of the non-food industry. The government has initiated the drafting of the Economic Recovery Plan - 2030 with the intention to supplement the post-November earthquake 2019 and post-COVID-19 crisis economic recovery measures and to extend them until 2030. This action plan needs to be aligned with the national strategic documents for development and integration as well as the Economic Reform Program 2020-2022.

Albania continues to implement the South-East Europe 2020 regional initiative and actions under the Western Balkans Multi-Annual Action Plan for the development of Regional Economic Area (MAP-REA). As part of the MAP-REA Investment pillar, Albania has been involved in the Investment Policy Reform Action Plan, analysis and reporting on issues related to investment entry and establishment, investment protection and retention and investment attraction and promotion. Albania has adopted in principle at the WB6 level the standards on International Investment Agreement, and procedure for internal adoption has been initiated. Some progress has been made on the implementation of the action plan based on a 'triple helix' model that incorporates measures requiring the involvement of the public and private sectors together with universities, mainly related to drafting of innovation start-up legislation. Albania is behind schedule with the overall implementation of the 'triple helix' action plan. It started to

implement the national Strategy on Innovation and Technology adopted in 2017 and established a TechSpace for start-up and innovation in ICT in February 2019.

Albania follows the implementation of the Small Business Act. Despite some improvement in the business environment, SMEs continue to identify their main challenges as being: the informal economy (particularly in tourism), a lack of transparency in public procurement especially as regards Public Private Partnerships (PPPs), the need for stable state institutions, unclear ownership of property titles, and the enforcement of the rule of law. Concerning the combating of informal economy, Albania continued to implement measures to expand the taxpayer bases aiming to enforce compliance and contribute to creating a level-playing field for economic operators. It also continued to privatise state assets, partly through privatisation vouchers; some of these assets were purchased by land -owners exercising their pre-emption right. A Law on the Establishment and Operation of Economic Zones exists but no development can be reported regarding their establishment. A Technological Economic Development Area (TEDA) for the construction of the Industrial Plant for the integrated processing and management of metal scrap in Rrashbull, Durres, is still in a development phase. The contract for construction, maintenance and operation of the technology and economic development zone in Elbasani was signed in March 2020. Following the application by the Tirana Municipality, in May the TEDA Kashar was granted the status of strategic investor. The issue on the expiry of the 2015 Strategic Investments Law has been postponed to the end of 2020, while the draft unified law on investments is being finalised. Since the adoption of the law, 15 investment projects have obtained the status of 'strategic investment', the majority of which are in the tourism sector, followed by agriculture and energy. A further 23 applications are under consideration. A new Law on establishing an Albanian Investment Corporation was adopted in December 2019, and the main implementing regulations are to be adopted by the Council of Ministers in 2020.

In the area of **enterprise and industry policy instruments**, the Albanian Investment Development Agency (AIDA) continued to offer funding instruments to stimulate start-ups and entrepreneurship in tourism, handicrafts and innovation, as well as competitiveness. Overall, the absorption capacity improved compared with the previous year, reaching 78% of applications and 92% of fund disbursement, while the funds remain limited. No funds were distributed during the first half of 2020, as the government re-oriented the funds towards COVID-response measures for businesses. The authorities are drafting new regulations on the competitiveness fund and on the creative economy fund. Access to finance remains a serious challenge for businesses. As part of response to COVID-19 measures, two sovereign guarantee loans were adopted by the government and agreements were signed with second tier banks to enable liquidity for businesses to cover salaries of their employees and to finance their operational costs. With donor support, the National Agency for Information Society has established in February 2019 the TechSpace, aiming to set up a creative environment for developing start-ups. TechSpace is dedicated to training on technology, innovation and entrepreneurship activities, mentoring start-ups in the field of ICT. Since its establishment, 100 start-up ideas have been registered and there have been over 1,000 visitors. The “Roadmap to Silicon Valley” pilot program for start-ups – launched in January 2020 – includes an incubation phase at TechSpace, workshops, extensive research and a combination of lean start-up methods. Cooperation agreements were signed with public universities, and public and private vocational high schools. A new Law on Start-Ups is being drafted.

Albania participates in the EU’s COSME programme for SMEs with participation in COSME’s major actions like Erasmus for Young Entrepreneurs (EYE) with the intermediary organisation Protik and the Enterprise Europe Network (EEN) through a consortium led by the AIDA. The second and third EEN projects were completed by the end of 2018 and in 2019. A new consortium with three new organisations led by AIDA started the fourth EEN project for the operation period 2020-2021. Ten new partnership agreements were signed during 2019 and two

more during the first quarter of 2020, 53 companies have registered their profiles in the EEN database and 50 new profiles were published to attract business partners. Two financial intermediaries were selected to provide COSME financial instruments to SMEs. The potential of COSME to assist SMEs in accessing markets remains underused. The relevant Albanian legislation is partially aligned with the 2011 Late Payment Directive and full alignment should be accelerated. Albania has partly aligned its definition of SMEs with the EU Recommendation. The national capacity for policy making and implementation in the field of SME policies and support remains very limited.

As regards **sectoral policies**, a fiscal incentive package adopted in 2018 for 4-5 star hotels remained in place in 2019. Incentives for the agro-processing industry continued to be implemented. The 2019-2023 national strategy for the sustainable development and tourism and action plan were adopted in June 2019 and its implementation is underway. The regulatory framework on classification and categorisation of accommodation structures was adopted in July 2019 following the adoption of the tourism strategy. A law on activities of maritime tourism was adopted in June 2020, followed by a law on introducing VAT exemptions for the imported tourism boats/yachts. A ministerial guideline on recovery measures in tourism was adopted in March, focusing on the areas affected by the November 2019 earthquake, and a protocol of tourism services for the post COVID-19 period to ensure the safety for all the guests and the employees was endorsed. AIDA worked on an investment and export outreach campaign for the agribusiness sector, including support for Albanian enterprises in preparing project proposals and finding foreign partners targeting the country and potential interested stakeholders. Preparations started for the launch of the second outreach campaign for light manufacturing and the automotive industry at the beginning of 2020. To respond to the COVID-19 crisis, the government introduced financial support measures for small businesses. The fiscal policy was relaxed, including the postponement of tax filing and tax payment in the end of 2020; removal of corporate tax for SMEs for 2020 and the postponement of profit tax installments to 2021 for some other business categories and some relaxation meassures under local taxes; salary payment support schemes were introduced for the categories most at risk of unemployment due to closure of businesses, bonus payment for employees of other businesses affected by confinement. Specific measures are planned to address the needs of businesses in the most affected sectors such as tourism, inward processing and manufacturing.

5.21. Chapter 21: Trans-European networks

The EU promotes trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

Albania has **some level of preparation** in the area of trans-European networks. **Some progress** was made in developing transport and energy networks, including operationalisation of its power connection with Kosovo and developing its gas connections with completion of the trans-Adriatic pipeline (TAP) project.

In the coming year, Albania should in particular:

→ continue developing the core transport and energy networks in line with: (i) the national strategies for transport and energy; (ii) the infrastructure investment prioritisation under the single project pipeline; and (iii) the connectivity agenda;

→ harmonise the legal framework with the EU *acquis* and the regulations on TEN-T (trans-European transport networks) and TEN-E (trans-European energy networks), including transposition of guidelines for trans-European energy infrastructure;

→ implement connectivity reform measures and strengthen the institutional framework and administrative capacity to develop and monitor TENs.

Albania is making good progress on its strategic framework for **transport networks.** It continued to harmonise its legal and institutional framework with the EU Trans-European Transport Networks (TEN-T) Regulation and the Transport Community Treaty (TCT). It participates actively in TCT Regional Steering Committee (RSC) meetings and the TCT Secretariat's technical committees on railways, roads and road safety transport facilitation. In 2020, it holds the RSC presidency. The Albanian authorities are encouraged to maintain and intensify cooperation in the framework of the TCT.

The 2016-2020 national transport strategy and action plan provide for the extension of the TEN-T comprehensive and core networks to Albania and its alignment with TEN-T guidelines and EU standards and regulations. Albania has made progress in drafting a Council of Ministers Decision to transpose the guidelines for the development of the TEN-T; adoption is expected by the end of 2020. The second review of ANTP3 was completed in January 2019 and adopted in January 2020 by order of the Minister for Infrastructure and Energy. Albania needs to start preparations for the 2021-2026 national transport strategy and action plan in line with ANTP3 *(see Chapter 14 - Transport)*.

Albania has made some progress in repairing and maintaining its core road infrastructure. It is progressing with the preparation of road, rail and port infrastructure projects, especially along the Adriatic-Ionian corridor and corridor VIII (Varna–Durrës). The construction of Fieri, Tepelena and Vlora bypasses is progressing, but expropriation issues still hamper the speed of works. Works to rehabilitate the Durrës-Tirana rail line and construct a new line to the international airport are due to start by mid-2020. Albania should ensure that its transport network projects are implemented in line with the TEN-T regulatory framework. Current and future infrastructure investments should comply with EU standards on public procurement, State aid and EIAs. Also, investments need to be implemented in accordance with cost/benefit analyses carried out in line with EU best practice. Projects are channelled through a single project pipeline, confirming the country's strategic orientation towards TENs. Further efforts are needed on road safety. More serious measures should be taken to eliminate 'blackspots' identified on stretches with high accident rates resulting in fatalities and injuries. The adoption of the multiannual maintenance plans for the entire (rail and road) core network remains a challenge.

Albania is partially aligned with the *acquis* on a single European railway area, railway system interoperability and rail freight corridors for competitive freight. It should make further efforts to fully align the country with the ITS Directive, develop a national strategy on the deployment of ITS and prepare for the implementation of the strategy.

On **energy networks**, further efforts should be made to adopt the strategic environmental assessment (SEA) and project identification plan under the gas master plan. This will help the development of TEN-E projects. The trans-Adriatic pipeline is on schedule, with 99% of the project completed in June 2020. The pipeline is expected to be operational in autumn 2020. The gas master plan provides for major gas interconnector projects such as the Ionian-Adriatic pipeline and the Albania-Kosovo gas interconnector pipeline (ALKOGAP) which are at an early stage of planning.

Progress was made on improving the infrastructure for power transmission. Albania has functional power interconnection lines with Greece and Montenegro. A technically functional 400kV line Between Albania and Kosovo was completed in June 2016, but has not been put into operation, thus representing a huge financial drain for both parties. In April 2020, the Kosovo transmission system operator KOSTT SA concluded a new connection agreement with the European Network of Transmission System Operators ENTSO-E. With this agreement, KOSTT and Kosovo will finally leave the Serbia, Montenegro and North Macedonia control block and join the Kosovo-Albania control block. This should pave the way for KOSTT to

integrate into the regional energy market, participate in the Albanian Energy Exchange (APEX) and finally put into operation the connection.

The government approved the construction of a 400kV line between Elbasan in Albania and Bitola in North Macedonia in June 2016. Selection of the winning bidders for the pre-qualification phase was completed in 2019. The technical stage procedure is still ongoing. The line is projected to cost €70 million and the project is scheduled for completion in 2021.

Albania participates in EUSAIR, under which the improvement of connectivity (transport and energy networks) is a top priority.

5.22. Chapter 22: Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for investing in sustainable and inclusive economic growth. Member States are responsible for its implementation, which requires adequate administrative capacity and sound financial management of project design and execution.

Albania is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Limited progress** was made, in particular with the signature of the Financing Agreement for the 2017 IPA national programme and the completion of the IPA 2018 programme.

In the coming year, the country should in particular:

→ strengthen its administrative capacity, especially the Central Finance and Contracting Unit (CFCU) of the Ministry of Finance and Economy, the National Authorising Officer's Support Office and the Audit Authority as well as the Ministry for Europe and Foreign Affairs;

→ accelerate the preparation of project documentation to avoid delays in the use of EU funds and difficulties in meeting contracting deadlines, as observed in the 2013, 2014, 2015 and 2016 programmes;

→ increase programming capacity in line with the sectoral approach and sectoral policies, and improve the design of mature sector project pipelines.

As regards the **legislative framework** for regional policy, Albania has adopted and is implementing a national strategy for development and integration, and several sectoral reform strategies. It has yet to establish adequate co-financing capacity for EU programmes at national and local levels.

On the **institutional framework**, Albania should ensure coordination on EU integration and EU assistance between national entities such as the Albanian Development Fund, the Ministry for Europe and Foreign Affairs, MOFE, the Prime Minister's Office and line ministries.

On **administrative capacity,** the staff of the structures involved in indirect management received further training. A proper retention strategy needs to be developed for all indirect management structures. The administrative capacity for coordinating and monitoring sectoral reform through the integrated policy management groups and sectoral steering committees needs to be improved. Staffing of the relevant secretariats needs to be confirmed. The involvement of development partners, local governments and civil society organisations in sectoral dialogue should be improved.

Programming of IPA 2019/2020 was completed, but efforts are still needed to address strategic planning beyond 2020 and strengthen sectoral programming in line with the sectoral approach under the 2014-2020 IPA framework and in preparation for IPA-III (2021-2027). The national project pipeline of investments, including those for regional development, is not yet fully aligned with the medium-term budget programme and the planning and management of nationwide public investment.

On **monitoring and evaluation**, the sectoral monitoring committees have been formally set up and convened, and they have issued operational recommendations. They ensure the proper monitoring of EU pre-accession assistance and should continue to meet twice a year.

On **financial management, control and audit**, the Audit Authority has improved its contradictory procedure. In March 2020, a new structure of the Central Finance and contracting unit was adopted by Order of the Prime Minister. The prolonged absence of the national authorising officer after tendering his resignation had an adverse effect on the functioning of internal control systems. The national authorising officer's support office needs to improve the quality of its management declaration and the reliability of its self-assessment of management and control systems. Its monitoring of control activities and its management of irregularities need to be stepped up.

Since the transfer of functions from the regional development agencies (RDAs), the Agency for Regional Economic Development, and the National Agency for Regional Development to the Albanian Development Fund (ADF) in July 2018, the ADF has been the sole executive agency for regional development at national and regional level. The Prime Minister's Office is leading regional development reform and is responsible for the policy framework.

The adoption of the draft Law on regional development and cohesion policy was delayed due to the need for revision to reflect the above institutional and procedural changes. It is currently undergoing consultation with relevant stakeholders and is due to be submitted to Parliament by April 2020. In the meantime, the ADF has drafted a national development and cohesion strategy and plan for 2021-2027 and four regional development plans (2021-2024). As managing authority for regional development, it is also preparing a multi-annual (2021-2027) operational programme for regional development.

The ADF strengthened its regional structures and implemented the Regional Development Fund (RDF) budget allocations, the main beneficiaries of which are the local government units. The RDF focused on supporting the completion of on-going interventions and the government's 'programme of 100 villages'. In parallel, the ADF and the regional development units (former RDAs) implemented a pilot grant scheme, based on rules similar to those in the European Commission's practical guide.

5.25. Chapter 25: Science and research

The EU provides significant support for research and innovation. All Member States can benefit from the EU's research programmes, especially where there is scientific excellence and solid investment in research.

Albania is at an **early stage** in the area of science and research. **Some progress** was made over the reporting period, especially with the completion of the mapping phase of the Smart Specialisation Strategy. However, last year's recommendations have not been fully addressed and therefore remain valid.

In the coming year, the country should in particular:

→ increase investment in research, in line with its own commitments and European research area priorities;

→ progress on the development of the Smart Specialisation Strategy;

→ ensure higher participation in Horizon 2020.

On **research and innovation policy**, the implementation of the 2017-2022 national strategy for scientific research, technology and innovation was monitored for the first time in 2019. Key recommendations included carrying out a review of resources planned in the draft midterm 2020-2022 budget planning for increasing scientific research funds to 1 % of GDP by 2022. Despite a significant increase in national resources for research and innovation (from ALL

62.12 million for 2018 to ALL 227.34 million for 2019), this is still well below the target and still needs to step up investments in scientific research and other measures to strengthen research and innovation capacity at national level.

Albania does not have a clear methodology to establish funding for research and science. Despite attempts to map the research infrastructure since 2018, which is expected to be updated again in 2020, Albania has not yet developed a roadmap to address this at national level. In 2019 the Prime Minister's Office initiated a plan to continuously update Albania's research infrastructure data, based on Frascati indicators. However, to date, no survey has been circulated for such data collection.

Limited progress was made with the implementation of the 2017-2021 action plan to support the development of innovative policies, which is aimed at promoting better links between academia, industry and government. Now that Albanian's National Research and Education Network is connected to the pan-European GÉANT network for scientific excellence, research, education and innovation,, national efforts should be made in the fields of open access and open data.

The Law on the Academy of Sciences was adopted in September 2019, regulating the functioning of the Academy of Science, the Youth Academy and aiming at increasing the integrity of the scientific research system. The new draft law on scientific research has been finalised but is still pending adoption.

The development of a **Smart Specialisation Strategy (S3)** started in 2017 under the lead of the Ministry of Education, Sports and Youth, in cooperation with the European Commission; a road map for the S3 process was drafted and the mapping phase of the S3 process was completed in December 2019 with EU support. Further steps on the S3 in 2020 should involve finalization of the qualitative analysis phase and the launch of the Entrepreneurial discovery process.

As regards **EU framework programmes**, Albania participates in Horizon 2020 as an associated country. Its participation in Horizon 2020 has improved and shows a good trend for 2019, nonetheless its performance continues to be low. Albanian entities have participated in 40 actions of Horizon 2020, receiving 4.2 million euros of direct EU contribution. The success rate of proposals with Albanian participation is of 8.1 % (up from 7.8 % since last year) compared to 15.6% Horizon 2020 success rate. Private sector participation in the programme continues to remain particularly low. A further positive trend is an increased number of publications, 842 publications per 1000 researchers. The National Agency for Scientific Research and Innovation (NASRI) has strengthened its efforts to raise awareness on Horizon funding opportunities. Apart from awareness raising events, no other measure to support participation in Horizon2020 are present.

On integration into the **European research area**, Albania should be more active in all six priority areas, and should improve its networking with European partners to engage in international cooperative research, where there is already active engagement in COST.

As regards the **innovation Union**, the National Agency of Scientific Research and Innovation has financed six national research projects for a total of around €400 000 in six priority research areas and is currently funding bilateral technological and scientific research projects with Italian and Austrian support.

The European Innovation Scoreboard is not yet available for Albania, however a plan to provide indicators showed that eight indicators from international sources are already present. Albania should make efforts to produce statistics and reliable data on science and technology, including the indicator on gross domestic expenditure on R&D, with a view to participating in the European Innovation Scoreboard.

On brain circulation, considering that the human capital in the diaspora is an important asset for Albania, work on building a platform for brain circulation has started with the gathering of data on the Albanian specialists/researchers/experts working abroad.

5.26. Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the open method of coordination. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Albania is **moderately prepared** in the field of education and culture. **Some progress** was made on implementing recommendations of the previous report in this area, especially on establishing a policy framework for pre-school education Concerning vocational education and training (VET), some progress was registered with the establishment of the National Agency for Employment and Skills, the restructuring of National Agency for Education, Vocational Training and Qualifications, the implementation of the Albanian Qualification Framework Law and in the adoption of the implementing legislation for the VET Law. Also, the strategy on culture for 2019-2023 was adopted.

In the coming year, Albania should in particular:

→ draft the new strategy on education, covering all levels;

→ finalise the implementing legislation of the VET Law and continue with the optimisation of the VET system to develop services and competences in line with the needs of the private sector;

→ fully adopt the implementing legislation on the Law on Cultural Heritage and Museums.

On **education and training,** progress was made with the appraisal of the current policy framework, the implementation of curricular and legislative frameworks and the delivery of free textbooks to pupils in primary education. About 225,000 free textbooks were delivered for the 2019/2020 academic year, including 155,000 for primary school children and 70,000 students from the most vulnerable groups. Around 3,000 early childhood education teachers and directors were trained on the new competence-based curricula.

Progress was noted on enrolment in the preparatory/pre-school classes for 5-6 year-olds – only 10% of boys and 11% of girls country wide, are not yet enrolled in formal education. Moreover, the enrolment rate in early childhood education and care for 3-4 year-olds reached 73%, in the school year 2017-2018 compared with 55% in 2008. It also marks an increase in participation of children from disadvantaged backgrounds (66 % in 2018 against 26 % in 2017).

According to LFS data of 2018, adult (25-64) participation in formal or non-formal education and training was extremely low (0.9%) compared to the EU-28 average (11.1%). The Adult Education Survey (AES), which measures participation over a longer time span of one year, also shows a significant gap between Albania (9.2%) and the EU-28 average (45.1%). In 2019, 19,589 people (including 8 480 women) were registered in vocational courses, of whom 8,714 unemployed from the employment offices. In total, 13,570 people were certified during this period.

A new Agency for Quality Assurance in Pre-University Education was established in 2019 to strengthen quality performance. It is responsible for development of the school curriculum in line with the competence-based approach, in-service teacher training policy, and monitoring of performance in pre-university education. As a result of piloting and implementing a competency-based curriculum system, the Agency conducted an external evaluation of the new curriculum.

Although very low overall, the enrolment rates of Roma people and Egyptians increased from the previous academic year in both pre-university (+6 %) and early childhood education and care. Their access to higher education also improved, by 13.8% in the 2018/2019 academic year. Nevertheless, the gap in access to education between Roma/Egyptian children and the rest of children living in the same areas remains very large. The measures planned to facilitate access to universities (a quota system and university fee waivers) are in general not implemented.

Under the curriculum reform, in-service teachers received basic training before the introduction of a new curriculum for each grade. However, the new competence-based approach requires pedagogical skills that current teachers did not acquire at university, as well as further training, adequate ongoing mentoring, and support. Such support should be arranged in order to ensure effective and meaningful implementation of the reform, help teachers make the shift from memorization type of learning and teacher-centred learning to the child-centred approach and embrace the concept of formative assessment. The review of the content and structure of curricula for initial teacher training in higher education institutions has started but the study programmes have not yet been aligned with the curricula in pre-university education. In addition, teachers and principals are trained at least 3 days a year and the trainings are conducted according to the "on-demand" system, based on the needs of teachers and offers from accredited training agencies.

However, this is not sufficient to ensure a consistent upscale of pedagogical skills, especially those related to the implementation of the competence-based approach and overall skills in the thematic areas of competence of teachers and directors. The school interruption occurred toward the end of 2019 due to the tragic earthquake in central Albania and during the first quarter of 2020 to the COVID-19 pandemic outbreak, clearly highlighted the shortcomings and the challenges in the provision of distance learning at all levels of education. Due to financial resource and capacity constraints, the quality of education remains an issue across the country. Inclusive pre-university provision is particularly inadequate in rural and isolated areas where school premises, often in poor conditions, are used for both early childhood education and care and primary education, and it is difficult to attract qualified teachers. In general, the education budget should be increased and used more transparently, including for private higher-education institutions.

The revised Qualification Framework Law, adopted in 2018, was complemented by secondary legislation on establishing sectoral skills committees. Albania is currently preparing its referencing to the European Qualification Framework, expected to take place in 2021. Validation of non-formal and informal learning is one of the priority measures in the national strategy for employment and skills 2014-22 and provided for in both the VET and AQF laws. Implementation so far has been confined to pilots and has not yet been applied countrywide.

Despite some progress in 2019, the implementing legislation of the 2017 VET Law is not yet fully adopted. Qualification standards and framework curricula for most VET programmes are being modernised, but some schools lack the teaching skills and equipment to put them into practice. The government has recently rationalised VET institutions, by establishing of the National Agency for Employment and Skills and further restructuring the National Agency for VET and Qualifications. However, implementation challenges persist and much remains to be done before these important modernisation efforts have a positive impact on the labour market. Qualification standards and framework curricula for most VET programmes are being modernised, even though some Albanian schools lack the teaching skills and adequate equipment to put them into practice. Despite promotional activities and support to students from rural areas in following VET education, participation in VET is low in regional comparison with only 18.2% of upper secondary students enrolled in vocational schools in 2019.

Despite demonstrated faster transition into employment for VET graduates as well as promotion efforts, the enrolment into this learning path is not increasing. Teacher professionalization, curricula design, VET centre management, inclusion and quality assurance all need to be significantly strengthened so that learner's aspirations and labour demands are properly addressed. Albania is an active member of the European Alliance for Apprenticeships (EAfA) which aims to strengthen the quality, supply and image of apprenticeship in Europe, and more recently the mobility of apprentices. The country is committed to implement and monitor the 2015 Riga Conclusions on Vocational Education and Training. Although the number of VET students with disabilities rose recently, more efforts are needed to ensure inclusion of populations at risk of exclusion.

A working group was established to draft a strategy on education from early childhood to higher education for the coming years and the first draft should be ready by the first quarter of 2021.

Albania maintained its efforts on automatic diploma recognition; it joined Bosnia and Herzegovina, Croatia, Italy and North Macedonia in the network of Adriatic national information centres on the recognition of qualifications. The country will host the Secretariat of the Bologna Process from the end of 2020 until the following ministerial conference. Albania continued to participate actively in EU programmes, in particular Erasmus+ , with very good results in 2019, especially in terms of mobility (6,067 students, as against 4,028 in 2018) and capacity building in higher education projects, where five Albanian higher education institutions were selected as lead project coordinators.

The results of Albania's 2018 participation in the OECD Programme for International Student Assessment (PISA) were published in December 2019. Despite steady improvement over the previous four testing rounds (2000, 2009, 2012 and 2015), Albania continued to perform poorly in 2018: 50.3 % of 15-year olds underperformed at PISA levels I or II in reading and 53.3 % in mathematics. Preparations are ongoing for Albania's participation in PISA 2021. The country participates in the trends in international mathematics and science study (TIMSS) 2019 and progress in international reading literacy study 2021 international assessments (PIRLS).

Regarding the **culture** sector, the national strategy for culture for 2019-2025 was adopted in December 2019. A law on cultural heritage and museums was adopted in May 2018, but the implementing legislation needed is not yet fully in place. The demolition of the National Theatre in May 2020 came at a moment when the European Union had consistently called for dialogue between authorities, civil society and other stakeholders, before an irreversible decision was taken. Albania is invited to respect and exploit fully the potential of its existing cultural heritage. Albania needs to continue to cooperate with UNESCO on the management of its World heritage sites and progress in elaborating the integrated management plans for its sites following a participatory approach. Cross-border cooperation on the preservation of Ohrid with the authorities of North Macedonia should be encouraged.

In line with the 2017 Law on the protection of national minorities, the government adopted in 2019 two implementing laws on the participation of national minorities in public, cultural, social and economic life and on the conditions for national minorities to use fundamental elements of minority identity, including their language.

Albania continued to participate in the EU Creative Europe programme. In 2019, Albania benefited of three projects under this programme, and during the reporting period the Ministry organised two information sessions about the programme. Albania has better success rates projects under the Culture strand of Creative Europe (and particularly with Literary Translations) but could improve participation in the MEDIA strand. In the new mobility action, i-Portunus, 4 artists from Albania were funded.

The Law on **youth** (adopted on 4 October 2019), is expected to enhance the role of youth organisations in decision-making and ensure the efficiency of state institutions working on

issues affecting young people. The criteria for national youth representative organisations to be recognised by the institution responsible for youth have to be approved by decision of the Council of Ministers. Youth organisations expressed concerns about the new Law, especially the representativity of the structures to be put in place. Three youth centres were established in 2018 in Lac, Lushnja and Elbasan, but no further steps were taken during 2019 to establish the remaining youth centres. Regional youth centres should provide young people with services and develop cultural, social and sporting activities in line with policies and programmes approved by the Ministry, but the Law on youth makes no provisions for such structures.

The Regional Youth Cooperation Office (RYCO) has its headquarters in Tirana and continues to be active in the region. Good level of participation of Albania was noted in 2019 in the three first calls of RYCO with seven projects selected from Albania.

Albania made considerable progress on comprehensive sexeducation. A thorough curriculum reform including the evaluation of teaching and materials is underway, with a target date of 2020 for full implementation. However, there are no specific strategies to reach young people who do not attend school.

Albania actively joined the fifth edition of European Week of Sport (23-30 September 2019), under the framework of the Commission's initiative *European Week of Sport beyond Borders*. Sport and healthy lifestyle activities were organised across the country.

5.27. Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU law contains provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Albania shows **some level of preparation** in this area. **Limited progress** was made in further aligning the policies and legislation with the *acquis*, in areas such as waste and water management, environmental crime and civil protection. However, significant efforts are still needed on implementation and enforcement, especially on waste management, water and air quality and climate change.

The 2019 recommendations remain valid and in the coming year, Albania should in particular:

→ align further with key water directives, and accelerate capacity development of the national agencies for Water Resource Management and for Water Supply, Sewerage and Waste;

→ take immediate measures to review and improve environmental and strategic impact assessments on existing and planned projects, plans and programmes, especially in the hydropower, construction, tourism and mining sectors;

→ implement the national strategy on climate change and related action plans on mitigation and adaptation, adopt the relevant legislation and develop its integrated National Energy and Climate Plan in line with Energy Community obligations.

Environment

As regards **horizontal issues**, Albania needs to step up efforts to achieve full alignment and implementation in most areas. Its implementation of the Environmental Impact Assessment and Strategic Environmental Assessment Directives needs to be strengthened, especially in the energy and mining sectors. In decision-making, public participation and consultation needs to be improved, particularly at local level. In July 2019 Albania adopted a Law amending the Penal Code fully transposing the Directive on protection of the environment through criminal law. However, implementation remains an issue as only a small fraction of those crimes reported end with conviction. Some efforts were made to further implement the INSPIRE Directive. Further progress is needed to achieve full alignment with the directive on

environmental liability. Between January and October the State Environmental Inspectorate carried out over 3,300 environmental inspections. After the earthquake in November 2019 and during the COVID-19 pandemic in spring 2020, inspections were suspended. The Inspectorate is currently being reorganised in line with a July 2019 Council of Ministers decision, according to which the National Environment Agency received responsibilities for the inspection and control in the environment and the water sector. The Ministry of Interior was apparently also granted competence in this field in early 2020. Responsibilities for environmental enforcement should be clarified and enforcement itself should be rapidly strengthened, especially to address environmental crimes effectively. The already limited State budget for environment and climate change was further reduced in 2019. It needs to increase to meet all requirements of transposed EU directives.

More efforts are needed to align with the **air quality** *acquis* and improve the monitoring system. Implementation of the 2014 national air quality strategy is still pending. The national plan on air quality management adopted in June 2019 mostly focuses on transport measures and does not provide for improving the monitoring system and making it fully and continuously functional. Currently, due to a lack of funding, air monitoring equipment is not being maintained and calibrated, and all stations have been turned off. Information on ambient air quality and pollution levels is limited, infrequently updated and difficult for the public to access. Work on the preparation of air quality plans for the main agglomerations and sensitive areas is yet to start. Albania has put efforts into building its administrative capacities to prepare and submit emission inventories as requested by the UNECE Convention on Long-range Transboundary Air Pollution. The alignment with the National Emissions Ceiling Directive has also not started.

The legal framework for **waste management** is partially aligned. The new 2020-2035 national strategy for integrated waste management has been approved on 27 May 2020. It aims incorporating circular economy principles in the national waste management system. Closing of numerous non-compliant landfills and dumpsites remains a challenge. Separate collection of waste streams and economic instruments to promote recycling and reuse and to prevent waste generation remain limited. The construction of new incinerators poses concerns in terms of compliance with the EU waste acquis including the waste hierarchy principle and the recycling targets. The enforcement and policing institutions roles and function should be clarified and strengthened.

On **water quality**, the level of alignment remains unchanged and partial, inter alia in relation to certain important directives. A legal package is in preparation for increasing transposition. Having been set up in 2018 under the Prime Minister's Office, the Water Resource Management Agency (AMBU) recruited staff in 2019, but needs rapidly to build its administrative capacities for river basin management and implementing the EU water *acquis*. In February 2020, the National Water Council endorsed the Drini-Buna and Seman river basin management plans and started the procedure for their adoption by the Council of Ministers. Albania should proceed with the completion and adoption of the remaining river basin management plans, including the transboundary consultations. The water quality monitoring and reporting system and the licensing system should be further enhanced and aligned with the *acquis* requirements. The water monitoring network is extended to rivers, lakes, coastal area and lagoons. The National Environmental Agency should be urgently strengthened for this purpose. The water supply and sewerage sub-sector is still underperforming. Some progress was made through performance contracts signed with utilities, the regularisation of illegal connections, a revised subsidy scheme, and the adoption of a staff certification scheme. However, greater efforts are needed to strengthen the capacity, performance and sustainability of utilities. In order to consolidate progress, the draft Law on water supply and sewerage and the 2020-2030 national strategy for water supply and sewerage should be adopted. The National Agency for Water Supply, Sewerage and Waste Infrastructure should increase its capacity, especially in the waste-water

and waste sectors. While waste-water treatment plants cater for only about 15% of the population, they still face key concerns such as lack of licencing and tariffing for waste-water treatment, insufficient operation and maintenance and limited environment impact due to underdeveloped networks and connections. There is an urgent need to ensure full alignment with the Urban Wastewater Treatment Directive, extend sewerage networks, license and apply tariffs for all waste-water treatment plants and build new ones, in particular in urban and coastal areas and those popular with tourists.

Alignment with the *acquis* in the field of **nature protection**, in particular the Habitats and Birds Directives, is well advanced, but policy and law enforcement remain generally weak despite numerous capacity building activities and technical assistance. The Law on protected areas was amended in 2018 to put greater emphasis on the planning and development of such areas. The legislation on strategic investment raises concerns for the protection of biodiversity, as it may allow large tourism and industrial investments in protected areas, e.g. the proposed airport in the Vjosa-Narta area. This conflicts with other national laws and with international biodiversity protection conventions that Albania has ratified. The National Protected Areas Agency still has very limited capacities and financial instruments, as it is forbidden by law from becoming financially autonomous.

Albania should ensure enforcement of the deforestation and logging laws, and prosecute offenders and arsonists. Environmental crime reports have increased in the last 6 months, especially on deforestation, logging, arson, hunting and sale of wildlife and protected species, gravel extraction from riverbeds, dumping of waste in rivers. Investments in hydropower should comply with national and international environmental, nature protection and water management obligations, involve proper public participation and consultation, and are subject of EIA reports that include high quality assessment on the cumulative impacts on nature and biodiversity. EIA reports are still lacking despite the high number of existing and planned hydropower installations in all river basins. They should be conducted before any approval may be granted for single projects. Inspection and monitoring of the environmental flow from the current HPPs is still lacking.

Alignment with the EU legislation on **industrial pollution and risk management** is still at an early stage. Capacity constraints are hampering progress in implementing legislation on the prevention of major accidents involving dangerous chemicals. The limited data on industrial pollution rely on companies' self-monitoring and declarations. The enforcement capacity of the Environment Inspectorate is very limited.

On **chemicals**, some positive steps have been taken to align with the EU Regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH) and with other instruments. However, the implementing legislation remains to be adopted and adequate administrative structures to be established. In February 2020 Albania ratified the Minamata Convention on mercury.

Albania should strengthen its administrative capacity for preparing strategic **noise** maps and action plans.

A **civil protection** strategy is in place. The new Civil Protection Law approved in July 2019 provides for the General Directorate of Civil Emergencies to become the National Agency for Civil Protection (NACP). The strategy and national plan are outdated and do not take account of recent institutional and organisational changes. The administrative capacity, infrastructure and systems for early warning, prevention, preparedness and response are inadequate. The 2019 earthquakes highlighted the urgency of building efficient civil protection and disaster risk reduction (DRR) systems, and mainstreaming DDR in key sectors. The Covid-19 pandemic highlighted the need to strengthen the legal framework and institutional capacities as well as human and financial resources of civil protection authorities also with regard to health emergencies. Albania is encouraged to accelerate preparations for joining the Union Civil

Protection Mechanism (UCPM). It should build institutional capacity and seek to establish secure trans-European services for telematics between administrations (STESTA), which is a pre-condition for connecting to the Common Emergency Communication and Information System (CECIS). The NACP should be provided with full capacity for this purpose. In view of the high Donors' pledges resulting from the post-earthquake conference organised by the Commission in Brussels on 17 February 2020, Albania should also urgently put a financing and action plan in place for implementing the Civil Protection and DRR measures of the post-earthquake recovery strategy, which include key national structuring action as well. In addition to earthquakes, floods are a major hazard, but Albania has made only little progress in aligning with the Floods Directive, and still needs to regulate its early warning and hydrometric-meteorological services.

Climate change

Albania has achieved some level of preparation for tackling climate change, but alignment with the *acquis* is still limited. It made progress by ratifying the Kigali Amendment to the Montreal Protocol. In July 2019, Albania adopted a national strategy on climate change for 2019-2030, with objectives for 2050. The strategy focuses on energy, transport, agriculture, land use and forestry, with a 32% renewable energy target. However, it will require updating if Albania comes closer to accession, due to the new climate targets set by the EU. Lack of specific administrative structures and available staff for handling climate change issues are a matter of serious concern.

As regards its reporting under the UN Framework Convention on Climate Change, Albania is preparing its fourth national communication and its first biennial update report.

5.28. Chapter 28: Consumer and health protection

EU rules protect consumers' economic interests and in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also ensures high common standards for upholding patients' rights in cross-border healthcare and tackling serious cross-border health threats including communicable diseases.

Preparations are at an **early stage** in the area of consumer and health protection. There was **no progress** on last year's recommendations although there was some progress on strengthening the effectiveness of the Consumer Protection Commission (CPC). On public health, significant progress needs to be made to implement the policy framework and ensure everyone in Albania has healthcare coverage.

In the coming year, the country should in particular:

→ strengthen the implementation and enforcement of the policy framework on public health and ensure the sustainability of interventions;

→ further align its legislation with the EU *acquis* on substances of human origin and on medicines for human and veterinary use;

→ continue to improve access to health and services for disadvantaged populations, including: Roma and Egyptian minorities; people with disabilities; and populations in rural or remote areas. It is of particular importance to improve the access of women and girls belonging to these groups, who are often subjected to multiple forms of discrimination.

Consumer protection

On **horizontal aspects,** the capacity of the Consumer Protection Commission (CPC) and other consumer protection bodies were strengthened through the appointment of a new CPC chairman and new members and training on EU legislation and enforcement practices. In the reporting period, the CPC handled 66 complaints (60 from individual consumers or consumer

organisation and local governments, and 6 from businesses). The legal framework in the area of consumer credit and distance marketing of financial services needs to be further aligned with the *acquis*.

On **product safety**, the State Inspectorate for Market Surveillance (SIMS) carried out over 477 inspections on toys, detergent products, electrical, textile and mechanical goods, as a result, over 150 products were withdrawn from the market. The SIMS should further strengthen its operational capacity. National legislation is partly aligned with the EU *acquis* in this area. On **non-safety-related issues**, a legal gap analysis was produced and awareness-raising materials and reports were made available on the CPC's website.

Public health

On **public health**, the 2016-2020 national health strategy seeks to ensure universal healthcare coverage. However, public spending on health remains low at 2.9 % of GDP with disproportionately low resource allocations to primary health care, especially in maternal and child health. In particular, neonatal mortality (6 per 1,000 live births), under 5 mortality (9 per 1,000 live births) and infant mortality rates (8 per 1,000 live births) remain high. The governance of public hospitals and healthcare quality should be strengthened.

Albania has ratified most international conventions relating to the protection of fundamental rights but obstacles to the exercise of the right to health and to sexual and reproductive health services, particularly for vulnerable groups, persist across the country. While abortion care is guaranteed by law, women from vulnerable groups, especially Roma women, face barriers in accessing it.

The Ministry of Health and Social Protection and NAIS are the authorities responsible for **e-health.** The relevant legislation on **blood, tissues, cells and organs** is still not fully aligned with the *acquis* on blood safety.

On **tobacco control**, the Law to protect public health against tobacco products, which is designed to be aligned with the EU *acquis*, is being implemented. Albania should accede as soon as possible to the Illicit Trade Protocol of the World Health Organization's Framework Convention on Tobacco Control and start work on establishing a tobacco traceability system.

In the field of **serious cross-border health threats including communicable diseases**, the legal basis for communicable disease prevention and control is designed to be in line with the EU *acquis*. However, it still needs to be implemented through secondary legislation. Albania has a national alert, response and surveillance system for communicable diseases. However, no national plan for implementing international health regulations. It still does not have an antimicrobial resistance action plan.

In response to the COVID-19 outbreak, the Albanian Ministry of Health and Social Protection adopted a decision on health surveillance and other measures for preventing the transmission of the pandemic. A national coordination body was established to coordinate the national response to the pandemic and take adequate precautionary measures. These included a nationwide curfew, social distancing, a ban on public gatherings and public and religious ceremonies, and a country lockdown during weekends and most critical days. All sports and recreational activities were banned; flights, buses and taxi services were suspended. Schools, restaurants, and cafés were closed and the number of customers in supermarkets limited. Self-isolation and quarantine periods were imposed initially to people arriving from affected countries and subsequently to all individuals at epidemiological risk.

Albania has been associated to the work of the Health Security Committee, and received material from JRC to control COVID tests, as well as EUR 4 million in EU funding to enabling it to buy urgently needed medical equipment and supplies.

National legislation on **patients' rights in cross-border healthcare** has yet to be aligned with the EU *acquis*.

There was some progress on standards in the pharmaceutical sector with the approval of the Convention on the Elaboration of a European Pharmacopeia. However, the legislation on **medicines for human and veterinary use** is not aligned with the *acquis*. Additional efforts are needed to develop cross-border cooperation for sustainable access to and the proper use of medicines.

On **preventive measures**, there is a national **cancer** control plan. Appropriate structures for cancer screening services have been put in place, especially in the main urban areas, but a cancer registry is yet to be set up. The Ministry of Health and Social Protection endorsed the national plan for cervical cancer screening, but a lack of integration in health care services limits its effectiveness.

On **nutrition and physical activity,** malnutrition is a critical issue, especially for children and pregnant women. Albania is encouraged to develop a nutrition plan and raise awareness in schools and community centres of the risks of malnutrition**.** The national legislation on the pricing of **medical devices** is designed to be partly aligned with the EU common procedural framework and legislation.

On **drug abuse prevention and harm reduction**, prevention activities have taken place sporadically, mainly initiated by the Department of Health Promotion and the Institute of Public Health, should be conducted in a more systematic way.

On **health inequalities**, the national community health care programme continues to provide residential health care mainly for marginalised Roma and Egyptian minorities. The number of Roma and Egyptians provided with free health cards increased substantially as did the number of people in informal settlements benefiting from health services delivered by mobile teams. However, Roma people and Egyptians continue to face barriers and no decision has been taken on appointing health mediators in public hospitals. HIV awareness activities have been conducted for those communities but further efforts are needed to improve access to services for them and other vulnerable groups, including women, people with disabilities and populations in rural or remote areas.

5.29. Chapter 29: Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment, adequate implementing and enforcement capacity, and access to the common computerised customs systems.

Albania is **moderately prepared** in the area of the customs union. **Limited progress** was made, in particular on improving control of cash movement at border crossing points and stepped-up efforts to enforce intellectual property rights. Preparatory work started for the development of the New Computerised Transit System and the information campaigns on the authorised economic operator status continued.

In the coming year, the country should in particular:

→ approve legal provisions and develop the New Computerised Transit System;

→ advance the registration of authorised economic operators;

→ pursue the fight against smuggling, corruption and imports of counterfeit products.

As regards **customs legislation**, Albania's customs code is broadly aligned with the *acquis*. Its system for customs debt and guarantees is harmonised with EU rules. However, the levying of "scanning fees" per customs declaration continue to contravene the Stabilisation and Association Agreement which prohibits customs duties or charges having equivalent effect on trade between the EU and Albania. The adoption by Parliament of national legislation and

procedures to implement common transit is still pending. Albania is implementing its Authorised economic operator programme but without any registrations to-date. Awareness raising activities regarding the benefits, procedures and programmes are taking place, but capacity still requires development. In September 2019 and May 2020 implementing provisions for free zones were approved. In February 2020 exemptions from import duties were approved for construction materials and equipment for reconstruction following the November 2019 earthquake. As repose to COVID-19, upon joint initiative by the Permanent Secretariat of the Transport Community and the CEFTA Secretariat the six governments in the Western Balkans have implemented measures to facilitate the transport and trade of essential goods within the region.

Binding tariff information and explanatory notes are published by the Albanian Customs Authority (ACA), and anonymised decisions on administrative appeals by the relevant court. The Customs Code contains rules of non-preferential origin and Albania applies the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin and follows the European Commission guidance related to the COVID-19 crisis period.

The customs code's provisions on valuation are aligned with EU rules. The risk management system is automated and compares import, export and transit data against active risk profiles. The legislation on customs enforcement of intellectual property rights (IPRs) is harmonised with the *acquis*. The customs control system for drug precursors, dangerous chemical products and 'controlled substances' is harmonised with the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The national rules on cash and goods transported in travellers' baggage still differ from the *acquis* as, as regards amounts to be declared and the declaration form. In June 2019 the law was amended to allow ACA to impose sanctions for non- or mis-declarations of cash at the border. Implementing provisions are pending approval. In 2019, the importation of a total of 23,273 goods suspected of infringing IPRs were suspended and 4149 goods destroyed following confirmation by right-holders.

On **administrative and operational capacity**, the Customs Authority business strategy sets out its mission and strategic objectives for the period between 2017 and 2021, including an objective of improving the IT systems and platforms. Electronic local customs clearance is functioning, but the IT systems are fully interconnected only with the General Directorates of Taxation and of Road Transport, while police and prosecution officials have to meet certain conditions to gain direct access. While the number of staff appointed in the Customs Administration under the Civil Service Law increased, the staff turnover remained very high.

5.30. Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Albania is **moderately prepared** in the area of external relations. During the successful chairmanship of the Central European Free Trade Agreement (CEFTA) by Albania, **some progress** was made with the adoption of CEFTA Additional Protocol (AP) 6 on liberalisation of trade in services and on the mutual recognition of national Authorised Economic Operators (AEOs), and with the ratification of CEFTA AP 5.

In the coming year, Albania should in particular:

→ strengthen the overall administrative capacity of the Ministry of Finance and Economy dealing with trade with the EU, WTO and CEFTA;

→ continue implementing the national action plan on trade policy coordination and facilitation;

→ adopt the relevant legislation in the field of export control of dual-use goods;

→ implement actions under the multi-annual action plan for the development of a Regional Economic Area, in particular on implementation of CEFTA AP 5 on Trade Facilitation and AP 6 on liberalisation of trade in services and, respectively, on the AEOs, negotiate and conclude the CEFTA AP 7 on dispute settlement; and adopt regional standards for International Investment Agreements and pursue the implementation of the individual reform action plan on investment (IRAP).

On the **common commercial policy**, Albania continued to coordinate its positions and align its policies closely with those of the EU, including within the World Trade Organization (WTO) as regards the dispute settlement understanding (DSU), proposed mechanisms of the DSU and the Joint statement on Services Domestic Regulation. It ratified the WTO Trade Facilitation Agreement and notified its list of commitments, which still needs to be reviewed in order to speed up implementation. Due to COVID-19 crisis measures, Albania adopted in March the order on prohibition of export of medicines and medical equipment.

Further approximation of legislation on the control of exports, transfer, brokering and transit of dual-use items and on the Common Military List of the European Union (EU Regulation 2017/2268) was reached through a February 2019 Government Decision. Albania adopted its national control list of dual-use goods in line with EU Regulations. The CoM adopted a the regulation on organization, functioning and status of the State Export Control Authority, the procedure for sharing information and gathering opinions with other institutions involved in the international transfer of controlled goods, and the procedures for state guarantees and controls. Further alignment is still needed with the EU *acquis* on export controls of dual-use goods. A specific unit dealing with dangerous goods, dual use and illegal trafficking was set up in the anti-trafficking directorate in the General Directorate of Customs. While there was no progress on its participation in the multilateral export control regimes, such as the Wassenaar Agreement, Albania aligned with the EU lists of dual used goods and military items deriving from those regimes. Albania did not align its legislation the EU's on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

Albania signed 12 new **bilateral agreements with third countries** on economic/trade/technical cooperation. It now has 36 such agreements, including 13 with EU Member States. In July 2019, Albania concluded a Memorandum of Understanding with Croatia on the cooperation in the field of enterpreneurship. Albania has Bilateral Investment Treaties with 45 countries and 7 more are under negotiation with Slovakia, Iran, Canada, Morocco, Lebanon, Saudi Arabia and Iceland. Negotiations for amending the free trade agreement with Turkey continued, with a focuse on trade in services and investments and implementation of rules of origin under the Pan-Euro-Med Convention as well as on furthe mutual concessions for agricultural products. Interest was expressed bilaterally in establishing joint committee/economic cooperation agreements with Algeria, Egypt, Cuba, India, Norway, Georgia, Ukraine, Liban and recently negotitaions for a free trade agreement with the United Kingdom are ongoing and a draft agreement is under finalisation. Negotitations have started with Kazakhstan for possibe revision of the 2015 agreement on trade and economic cooperation.

In 2019, Albania held successfully the chair of CEFTA, at the end of which the joint committee successfully endorsed, among others, the adoption of the CEFTA Additional Protocol 6 on trade in services and the decision on establishing the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators. Albania continued to work in line with the commitments under the Western Balkans Multi-Annual Action Plan for developing a Regional Economic Area (REA). The government established a mechanism for implementing and monitoring the REA. CEFTA Additional Protocol 6 was ratified by parliament in April 2020.

Administrative and operational capacity needs to be strengthened. The Ministry of Economy and Finance still lacks a unit dealing with trade policiy including with the EU, CEFTA and the WTO. Despite the increased workload in 2019 of chairing CEFTA, Albania's limited administrative resources consisted of one expert and one director who also covered economic development policies, internal market issues and the functions of the Technical Secretariat for the National Committee for Trade Policy and Facilitation. Partial support from donor funded assistance in the sector proved useful but cannot substitute the need for permanent staff. A stable administrative structure dealing with trade-related issues was not in place.

Albania has no **development policy** framework for cooperation/aid or agency for development cooperation. The country is encouraged to establish a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries, in accordance with EU policies and principles. The 2001 Law on Non-Profit Organisations recognises such organisations' potential activities in the field of **humanitarian aid** and allows them to carry out development and humanitarian aid activities in Albania and elsewhere.

5.31. Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogue under EU foreign, security and defence policy, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures.

Albania has a **good level of preparation**. The country assumed the OSCE's Chairmanship-in-Office in 2020, demonstrating its commitment to multilateral cooperation. Albania continued to participate in EU crisis-management missions and operations and to fully align with EU positions. **Some progress** was made through the ongoing security upgrade of storage facilities for armaments and ammunition. The EU-Albania agreement on the exchange of classified information entered into force after the final implementing arrangements were concluded in 2019. The hybrid risk survey was launched with Albania and answers to the survey were provided.

In the coming year, the country should in particular:

→ make the firearms focal point in the Albanian State Police fully operational, continue to implement the national strategy on small arms and light weapons, and further improve the security of storage facilities for armaments and ammunition.

The **political dialogue** between the EU and Albania on foreign and security policy issues continued, including through Albania's active engagement in the EU's regional dialogue with the Western Balkans at political directors' level (for more information on relations with other enlargement countries and EU Member States, *see Political criteria — Regional issues and international obligations*).

Albania's Ministry for Europe and Foreign Affairs and the Ministry of Defence have appropriate structures to participate in the common foreign and security policy and the common security and defence policy. On the **common foreign and security policy (CFSP)**, Albania supports the Global Strategy for the EU's foreign and security policy. When invited, Albania aligned with all relevant Council decisions and High-Representative declarations on behalf of the EU (100% alignment). In October 2019, the country adopted a law on international restrictive measures, which provides a new legal basis for the implementation of EU, UN and other international sanctions.

Albania maintains a 2003 bilateral immunity agreement with the United States, granting exemptions for US citizens from the jurisdiction of the **International Criminal Court**. In doing so, it does not comply with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements. Alignment with the EU position is therefore needed.

Albania continued to implement its national strategy and action plan on **small arms and light weapons** adopted in February 2019. It also remained actively engaged in the implementation of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons and their ammunition in the Western Balkans. Also, the authorities continued to actively participate in regional and international processes for the exchange of information and good practices in the field of small arms and light weapons. Albania also participates in Europol operational activities within the European multidisciplinary platform against criminal threats (EMPACT) on firearms.

Albania made further progress on improving the security of storage facilities for armaments and ammunition. Security upgrades of the Ministry of Defence's ammunition and armament storages in Miraka and Zall-Herr have been completed. Security upgrades of the State Police's storage facility in Mullet are ongoing. Albania made further progress on implementing the action plan for destroying surplus weaponry. Clearance of hotspots contaminated with unexploded ammunition continues.

The firearms focal point set up within the Albanian State Police in 2018 remains a virtual entity only and its full establishment is pending. It is important that Albania fully integrates the focal point in the police structures and makes it fully operational as soon as possible. This would improve the ability of law enforcement and the judiciary to analyse and coordinate actions against firearms misuse and trafficking. A national electronic registry for weapons was set up in 2015 and is fully functional.

Albania continued to participate in some, but not all, international export control arrangements and instruments on non-proliferation. The next step would be for Albania to start complying with the Wassenaar Arrangement.

Albania continued to engage actively with **international organisations**. It took over the Chairmanship-in-Office of the Organisation for Security and Cooperation in Europe in January 2020 and is a candidate for a non-permanent seat in the United Nations Security Council in 2022/2023. Albania maintained a robust presence in a number of NATO missions, including some of strategic importance for the EU, and contributed to the United Nations Mission in South Sudan.

On **security measures**, negotiations were completed on the arrangements for implementing the 2016 agreement between the EU and Albania on security procedures for exchanging and protecting classified information, allowing the agreement to enter into force in 2019. In July 2019, Albania's Council of Ministers adopted the necessary rules for protecting classified information[22]. A hybrid risk survey was launched with Albania submitted its contribution to the EU hybrid risk survey in August 2019 as part of a process aimed at identifying vulnerabilities to hybrid threats and mobilising possible EU instruments to build capacity and strengthen resilience.

Albania continued to actively participate in EU crisis management missions and operations under the **common security and defence policy (CSDP)**, notably EUFOR Althea in Bosnia and Herzegovina and EUTM Mali. The country plans to contribute to the EU battle groups in 2024.

5.32. Chapter 32: Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the Euro against counterfeiting.

[22] In accordance with EU Council Decision 2013/488

Albania is **moderately prepared** in this area. **Some progress** was made during the reporting period, especially with the ratification of the international convention for the suppression of counterfeiting currency and the adoption of a revised methodology for performance monitoring of internal control. However, Albania has not yet adopted a comprehensive public internal financial control (PIFC) policy paper, focusing on managerial accountability and it has not introduced the required amendments to the legislation. The proper and effective functioning of internal control is not yet ensured across budget entities. The timely implementation of internal and external audit recommendations should be further improved. Since only partial progress was made with the Commission's 2019 recommendations, these remain valid.

In the coming year, Albania should in particular:

→ adopt and start implementing a comprehensive PIFC policy paper with the specific focus on the definition and implementation of managerial accountability and monitoring framework coordinating PIFC with public administration and public financial management reforms;

→ improve the implementation of the annual PIFC report across budget entities;

→ increase parliamentary scrutiny of audited bodies in the implementation of external audit recommendations, through more frequent parliamentary hearings and the establishment of a parliamentary monitoring framework to regularly assess government's follow-up action.

Public internal financial control

A **strategic framework** for PIFC is partially in place. PIFC measures are currently included only in the PFM Strategy 2019-2022. A comprehensive policy on internal control with a specific focus on the definition and implementation of managerial accountability still needs to be approved. Some enabling conditions for PIFC implementation are addressed in the public administration reform strategy and its action plan. The functionality of the integrated policy management group for good governance to improve coordination, monitoring and reporting of PIFC reforms still needs to be strengthened.

Managerial accountability is not yet enshrined in the legislation and administrative practice. Decision-making in the institutions is centralised and a very small number of decisions are delegated in practice. Vertical accountability is very weak between policy-making and policy implementing entities. Governance arrangements ensuring strategic plans with defined objectives, performance indicators and clear monitoring and reporting lines between parent ministries and sub-ordinated agencies are still lacking. The reoccurence of and increase in arrears is an indicator for not yet fully effective attribution of responsibilities and commitment controls. The law on state administration, law on civil servants and relevant laws on policy planning and the budget system law need to be assessed and if necessary amended to ensure a consistent basis for implementation of managerial accountability. (*See Public administration reform*).

The legislation on **internal control** is largely in line with international standards. Declarations of assurance are systematically signed by senior management, but in the absence of a delegation framework, this remains more of a formal exercise. In April 2019, a new methodology was approved that should improve the effectiveness of the Ministry of Finance to monitor the performance of the internal control systems of public units. Sub-ordinated agencies and local government units remain the weakest institutions as regards functioning of internal control systems. At all levels, risk management is still at an early stage and needs to be better incorporated in the management of financial and operational processes. . The budget inspection function is centralised within the Ministry of Finance and Economy performs ex-post activities upon request. The number of requests introduced by internal audit units is relatively low.

The legislation on **internal audit practice** is in line with international standards. In 2019, the number of certified auditors in the public sector increased. The internal audit function still does not issue audit opinions on the effectiveness of the internal control systems across budget entities. The internal audit quality control procedures still need to become generally compliant with the standards and fully operational . The monitoring of the effectively and timely implementation of internal audit recommendations should be improved.

The **central harmonisation unit** (CHU) provides methodological guidance and monitors the performance of internal control and internal audit in the public seector on the basis of quality reviews and self-assessment reports from institutions. In 2019, the CHU developed a methodology for internal control quality reviews and started to undertake such reviews. The capacity of CHUs needs to be strengthened. The annual PIFC report is presented to the Council of Ministers and discussed in the Parliament.

External audit

In line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) Albania's **constitutional and legal framework** provides for independence of the State Audit Institution (SAI) .Adoption of proposed legal amendments is pending to strengthen the scope of the audit mandate to cover all public entities.

In accordance' with its 2018-22 strategic development plan, the SAI is implementing actions to improve its **institutional capacity**. The current legislation should be strengthened to ensure continuity after the end of mandate of the SAI chair. In recent years, the SAI has taken measures to improve the professional development of its audit staff. The SAI has implemented the 2017-19 communication strategy, and has raised awareness among academia and civil society on the importance of external audit.

The **quality of audit work** needs to be further improved, as the audit activities do not yet fully comply with the INTOSAI standards, specifically regarding quality control procedures. The SAI audit objectives have started to shift from compliance and regularity audits towards audits that could help prevent economic damage and violation of rules . Financial audits do not yet result in professional and qualified audit opinions, even though the SAI issued for the first time in 2018 an opinion on the execution of the 2017 state budget. The SAI follows a risk-based external audit approach. The number of performance audits has increased accounting for approximately 10% of all conducted audits in recent years.

The **impact of audit work** is limited. Audit reports are summarised quarterly and published on a regular basis on the SAI website. The 2017 Memorandum of Understanding between the SAI and the Ministry of Finance on monitoring the follow-up of audit recommendations resulted in the creation of a technical secretariat with representatives of both parties. Such secretariat has not not yet become fully operational. The monitoring of the effectively and timely implementation of audit recommendations should be improved. At the end of 2019 the electronic platform for the follow-up of audit recommendations became functional.

Protection of the EU's financial interests

Albania has ensured some level of ***acquis* alignment**, yet still needs to fully harmonise with the EU Directive on the fight against fraud to the EU's financial interests by means of criminal law. The national **anti-fraud coordination service** (AFCOS) is a unit within the Directorate of Financial Inspection in the Ministry of Finance and Economy. An AFCOS network, involving other relevant authorities, has been set up and it meets regularly. A manual for the management of irregularities in EU funds was adopted during the reporting period. Albania **cooperates with the European Commission** during investigations and reports to the Commission on irregularities and suspected fraud cases. Albania reported three cases via the online Irregularity Management System in 2019. So far, only four cases have been reported through the system since 2006. There is no national anti-fraud strategy yet in place. Although

cooperation on investigations has improved, Albania needs to develop a solid track record on investigations and reporting on irregularities.

Protection of the euro against counterfeiting

In November 2019, Albania ratified the 1929 International Convention for the Suppression of Counterfeiting Currency. Albania is partially **aligned with the *acquis*** regarding the definition of counterfeiting banknotes and coins, as well as the procedures for gathering, storing and withdrawing them from circulation. **Technical analysis** is performed by the National Analysis Centre of the Bank of Albania. **Cooperation** at the national and international level is ongoing. In August 2018, the Bank of Albania joined the Europol Platform for Experts. A cooperation agreement between European Commission and the Bank of Albania on coins is in place, while an agreement on banknotes with the European Central Bank is pending. Albania participates in the actions of the Pericles 2020 programme.

5.33. Chapter 33: Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; and (iii) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Albania has **some level of preparation** in this area. **Some progress** was made in the underlying policy areas that affect the functioning of the EU funding system, through the progress in implementation of the 2016 Organic Budget Law, the fiscal rule and the continuation of the public finance management reform. Alignment with EU acquis in the underlying policy fields continued.

Albania needs to make further progress on last year's recommendations and should therefore make efforts to:

→ continue aligning data on National Accounts to ESA 2010 (European System of Accounts), and improving the comprehensivenes of data transmission to Eurostat.

→ align its legislation with the EU provisions on VAT and customs duties;

There was some progress on the underlying policy areas indirectly affecting the **own resources** system (*see chapters: 16 Taxation, 18 Statistics, 29 Customs Union and 32 Financial control*).

Albania has structures in place for levying customs duties at the point of import. It operates a national VAT system. Albania has started drafting a Mid-Term Revenue Strategy to outline the taxation reform and adoption is expected in 2020.

As regards the Gross National Income (GNI) resource, further progress was made on alignment with ESA 2010 standards, in methodological improvements, faster publication of statistics and increased number of statistical tables reported to Eurostat. Currently INSTAT is working on the next benchmark revision of national accounts, and has prepared a harmonised revision policy in coordination with the Central Bank of Albania and the Ministry of Finance and Economy (MOEF).

Preparations continued for improving the estimation of Non-Observed Economy in Albania. A pilot project to improve the Exhaustiveness Adjustments of GDP/GNI estimates, in particular to develop new experimental estimates on illegal activities and fiscal audit is under implementation. A statistical project on improving the exhaustiveness of national accounts estimates is being carried out in the years 2019-2021. Albania needs to further improve compliance with ESA 2010 and to start drafting the GNI Inventory, on the basis of the existing description of sources and methods used to compile National Accounts. Continued efforts are needed to ensure that effective measures are taken to formalise the grey economy, improve the

exhaustiveness of the national accounts and GDP/GNI calculations and combat fiscal evasion and customs duty fraud.

On **administrative infrastructure**, MOEF has overall responsibility for financial and budgetary issues. Albania will need to work on establishing the relevant institutions involved in the own resources system, an own resource coordination body and implementing rules. These are needed to ensure that, on accession, it will be able to calculate, forecast, account for, collect, pay, control, and report to the EU, on own resources in line with the *acquis*.

Annex I – Relations between the EU and Albania

The **Stabilisation and Association Agreement** (SAA) between Albania and the EU came into force in April 2009. In the reporting period, Albania continued to implement the SAA. Regular political and economic dialogue has continued through the relevant joint bodies under the SAA. Discussions focused on the progress made in advancing EU reforms, in particular in the areas identified by the June 2018 Council Conclusions and the strengthening of good neighbourly relations. Albania also participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries, where joint recommendations are adopted.

Albania is a candidate country since 2014. In 2018, the Commission issued an unconditional recommendation to open accession negotiations. On 26 March 2020, the European Council endorsed the Council's decision to open accession negotiations with Albania.

Visa liberalisation for citizens of Albania travelling to the Schengen area has been in force since December 2010. A readmission agreement between the EU and Albania has been in force since 2006. The Commission's July 2020 third report under the visa suspension mechanism concluded that Albania continues to meet the visa liberalisation requirements.

On 1 May 2019 the status agreement for operational cooperation with Frontex has entered into force. Frontex launched its first fully-fledged joint operation outside the EU, deploying teams, together with Albanian border guards, at the Greek-Albanian border. Albania continued to cooperate with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) under the working arrangement signed in March 2019 on drug related issues,

Albania has continued to fully align with all EU **common foreign and security policy** positions and declarations. Albania continued to actively participate in EU crisis management missions and operations under the common security and defence policy.

The bilateral EU support for Albania under the **Instrument for Pre-accession Assistance** (IPA II) in 2014-2020 amounts to EUR 758 million. The 2019 and 2020 action programmes include an EU contribution amounting to EUR 173.95 million. The assistance is implemented mainly under direct management by the EU Delegation in Tirana, as well as through budget support operations, including for justice reform. To support the recovery following the November 2019 earthquake, EUR 115 million have been provided for reconstruction of schools and the rehabilitation of cultural heritage sites. As part of the response to the COVID-19 pandemic, EUR 4 million have been refocused for urgent medical equipment and EUR 46.65 million for socio-economic recovery measures under IPA II. Other programmes have also been reoriented to help reduce the impact of the pandemic. Albania will also receive up to EUR 180 million in loans for macro financial assistance. Furthermore, Albania benefits from the IPA multi-country and regional programmes and participates in five cross-border cooperation programmes, as well as in transnational cooperation programmes.

Albania participates with IPA support in the **EU programmes** Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME) and Europe for Citizens, and is an observer to the EU Fundamental Rights Agency.

STATISTICAL DATA (as of 03.04.2020)

Albania

Basic data	Note	2007	2014	2015	2016	2017	2018
Population (thousand)		2 982	2 892	2 886	2 876	2 877	2 870
Total area of the country (km²)		28 748	28 748	28 748	28 748	28 748	28 748

National accounts	Note	2007	2014	2015	2016	2017	2018
Gross domestic product (GDP) (million national currency)		965 528	1 395 305	1 434 307	1 472 479	1 551 281p	1 630 907e
Gross domestic product (GDP) (million euro)		7 810	9 969	10 264	10 720	11 564p	12 782e
GDP (euro per capita)		2 630	3 450	3 560	3 730	4 020p	4 460e
GDP per capita (in purchasing power standards (PPS))		5 750	8 070	8 380	8 400	8 960p	9 290e
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		23.4	30.4	30.5	29.8	30.7p	30.8e
Real GDP growth rate: change on previous year of GDP volume (%)		6.0	1.8	2.2	3.3	3.8p	4.1e
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2010 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		19.7	22.9	22.5	22.6	21.8p	21.0e
Industry (%)		10.8	14.8	14.6	14.0	12.8p	13.9e
Construction (%)		18.3	9.9	10.1	10.2	10.5p	10.4e
Services (%)		51.2	52.4	52.8	53.2	54.9p	54.7e
Final consumption expenditure, as a share of GDP (%)		92.2	92.2	91.8	92.2	91.2p	90.8e
Gross fixed capital formation, as a share of GDP (%)		36.4	24.2	24.4	24.4	24.5p	24.1e
Changes in inventories, as a share of GDP (%)		:	1.5	1.4	0.9	0.5p	:
Exports of goods and services, relative to GDP (%)		28.2	28.2	27.3	29.0	31.6p	31.7e
Imports of goods and services, relative to GDP (%)		55.0	47.2	44.5	45.8	46.6p	45.4e
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2007	2014	2015	2016	2017	2018
Industrial production volume index (2015 = 100)		33.4	102.1	100.0	82.0	81.4	96.6
Number of active enterprises (number)	1) 2)	60 573	78 920	95 184	98 262	97 352	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		15.6	15.4	:	19.5	15.3	12.5
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	:	:	:	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	2)	82.3	80.1	81.7	81.4	80.5	:
Value added by SMEs (in the non-financial business economy) (EUR million)	2)	1 129	1 949	2 083	2 276	2 520	:

Total value added (in the non-financial business economy) (EUR million)	2)	1 810	2 871	3 124	3 388	3 687	:

Inflation rate and house prices	Note	2007	2014	2015	2016	2017	2018
Consumer price index (CPI), change relative to the previous year (%)		2.9	1.6	1.9	1.3	2.0	2.0
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2007	2014	2015	2016	2017	2018
Balance of payments: current account total (million euro)	3)	-824.2	-1 076.3	-883.6	-811.7	-866.0	-866.4
Balance of payments current account: trade balance (million euro)	3)	-2 104.0	-2 215.6	-2 298.9	-2 602.8	-2 824.2	-2 871.1
Balance of payments current account: net services (million euro)	3)	18.9	323.2	524.7	796.6	1 081.8	1 111.0
Balance of payments current account: net balance for primary income (million euro)	3)	218.0	91.5	122.2	174.0	28.7	-13.8
Balance of payments current account: net balance for secondary income (million euro)	3)	1 042.9	724.6	768.4	820.5	847.7	907.5
Net balance for primary and secondary income: of which government transfers (million euro)	3)	60.5	9.4	5.5	47.8	69.6	67.1
**3 year backward moving average of the current account balance relative to GDP (%)	3)	-8.8	-10.1	-9.6	-9.0	-7.9p	-7.3p
**Five year change in share of world exports of goods and services (%)		:	-18.5	-17.4	-2.2	14.5	21.6
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		463.7	811.5	818.4	936.5	993.8	1 022.2
Foreign direct investment (FDI) abroad (million euro)		17.5	25.1	34.0	57.9	23.2	69.9
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	:	:	:	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)		481.1	836.6	852.4	994.4	1 017.0	1 092.1
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	:	:	:	:	:
**Net international investment position, relative to GDP (%)		:	-42.9	-43.2	-44.3	-47.1	-49.4
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		2.0	8.0	1.2	0.9	1.0	0.1

Public finance	Note	2007	2014	2015	2016	2017	2018
***General government deficit / surplus, relative to GDP (%)		-3.5	-5.2	-4.1	-1.8	-2.0	-1.6
***General government gross debt relative to GDP (%)		50.7	66.1	68.8	68.6	66.9	65.1
Total government revenues, as a percentage of GDP (%)		26.1	26.3	26.4	27.6	27.7	27.6
Total government expenditure, as a percentage of GDP (%)		29.6	31.5	30.5	29.5	29.7	29.2

Financial indicators	Note	2007	2014	2015	2016	2017	2018
Gross external debt of the whole economy, relative to GDP (%)	3)	28.8	69.5	74.4	73.5	68.7p	65.3
Gross external debt of the whole economy, relative to total exports (%)	3)	101.9	246.3	272.7	253.5	217.6	205.8
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		1 963.1	2 524.3	2 748.7	3 170.1	3 440.8	3 752.1
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		4 094.3	5 160.8	5 173.6	5 365.1	5 508.2	5 732.2
Money supply: M3 (M2 plus marketable instruments, million euro)		6 128.5	8 538.2	8 703.1	9 198.2	9 444.2	9 906.4
Total credit by monetary financial institutions to residents (consolidated) (million euro)		2 413.1	3 995.9	3 983.1	4 046.4	4 086.0	4 223.7
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)	4)	5.68	2.92	2.26	1.49	1.34	1.24

Lending interest rate (one year), per annum (%)	5)	11.73	7.66	7.77	5.89	5.98	5.66
Deposit interest rate (one year), per annum (%)	6)	5.67	1.92	1.35	0.80	0.75	0.73
Euro exchange rates: average of period (1 euro = … national currency)		123.62	139.97	139.74	137.36	134.15	127.59
Trade-weighted effective exchange rate index, 42 countries (2005 = 100)	7)	100	112	114	110	105	97
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2005 = 100)	7)	:	-1.4s	0.2s	-3.1s	-6.3s	-15.2s
Value of reserve assets (including gold) (million euro)		1 459.8	2 191.7	2 880.0	2 945.0	2 995.9	3 399.0

External trade in goods	Note	2007	2014	2015	2016	2017	2018
Value of imports: all goods, all partners (million euro)		3 046	3 941	3 882	4 169	4 648	5 026
Value of exports: all goods, all partners (million euro)		265	1 827	1 728	1 771	2 026	2 431
Trade balance: all goods, all partners (million euro)		-2 260	-2 114	-2 154	-2 399	-2 622	-2 595
Terms of trade (export price index / import price index * 100) (number)		92.0	119.3	119.6	115.9	119.3	123.9
Share of exports to EU-27 countries in value of total exports (%)		58.9	77.2	75.2	77.7	77.0	75.9
Share of imports from EU-27 countries in value of total imports (%)		59.5	60.1	60.8	62.4	60.8	60.0

Demography	Note	2007	2014	2015	2016	2017	2018
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		6.7	5.2	3.6	3.6	3.0	2.5
Infant mortality rate deaths of children under one year of age (per thousand live births)		6.2	7.9	7.1	8.7	8.0	8.9
Life expectancy at birth: male (years)		:	76.4	76.3	77.1	77.1	77.4
Life expectancy at birth: female (years)		:	80.1	79.7	80.1	80.1	80.5

Labour market	Note	2007	2014	2015	2016	2017	2018
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		72.2	68.6e	71.3e	73.3e	73.9	74.8
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		62.7e	56.6e	59.3e	62.1e	63.9	65.6
Male employment rate for persons aged 20–64 (%)		71.4e	65.2e	68.1e	69.4e	72.1	73.9
Female employment rate for persons aged 20–64 (%)		54.2e	48.5e	50.7e	55.0e	55.6	57.4
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		46.6e	51.2e	53.6e	54.8e	55.5e	58.2e
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	42.7e	41.3e	40.2e	38.2e	37.4e
Industry (%)		:	11.0e	11.6e	12.8e	12.5e	12.7e
Construction (%)		:	6.4e	6.9e	6.5e	6.9e	7.0e
Services (%)	8)	:	39.9s	40.2s	40.5s	42.4e	42.9e
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	17.5e	16.7e	15.6e	16.4e	15.9e
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	82.5e	83.3e	84.4e	83.6e	84.1e
Unemployment rate: proportion of the labour force that is unemployed (%)		13.5e	17.5e	17.1e	15.2e	13.7e	12.3e
Male unemployment rate (%)		14.4e	19.2e	17.1e	15.9e	14.6e	12.7e

Female unemployment rate (%)		12.2e	15.2e	17.1e	14.4e	12.6e	11.9e
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		20.1e	39.0e	39.8e	36.5e	31.9e	28.3e
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		9.4e	11.2e	11.3e	10.1e	8.9e	8.3e
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		9.7	13.4e	12.0e	11.8e	11.2	9.2
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	:	:	13.3e	11.7e	11.5e

Social cohesion	Note	2007	2014	2015	2016	2017	2018
Average nominal monthly wages and salaries (national currency)	9)	33 750e	45 539be	47 900e	47 522e	48 967e	50 589e
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2010 = 100)	10)	88.3e	111.2e	111.1e	110.7e	118.8e	119.2e
GINI coefficient		:	:	:	:	37	35
Poverty gap		:	:	:	:	33.4	32.4
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		42.0e	26.0e	21.3e	19.6e	19.6	17.4

Standard of living	Note	2007	2014	2015	2016	2017	2018
Number of passenger cars relative to population size (number per thousand population)		79.8	130.7	139.9	151.6	146.7	160.3
Number of mobile phone subscriptions relative to population size (number per thousand population)		785.8e	1 706.0	1 658.6	1 836.2	1 934.4	1 445.6
Mobile broadband penetration (per 100 inhabitants)		:	7.2	8.4	9.3	10.6	12.6
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

Infrastructure	Note	2007	2014	2015	2016	2017	2018
Density of railway network (lines in operation per thousand km²)		14.6	12.6	13.8	12.2	12.2	12.2
Length of motorways (kilometres)		:	:	:	:	:	:

Innovation and research	Note	2007	2014	2015	2016	2017	2018
Public expenditure on education relative to GDP (%)		3.3	3.3	3.1	3.1	3.1p	3.2p
*Gross domestic expenditure on R&D relative to GDP (%)		:	:	:	:	:	:
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)		:	:	:	:	:	80.7

Environment	Note	2007	2014	2015	2016	2017	2018
*Index of greenhouse gas emissions, CO_2 equivalent (1990 = 100)		88.0	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)		260.9	244.0	223.5	223.0	223.9	213.6
Electricity generated from renewable sources relative to gross electricity consumption (%)		51.5	60.6	80.8	100.5	60.8	111.9
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2007	2014	2015	2016	2017	2018

Primary production of all energy products (thousand TOE)		1 050	2 013	2 073	1 961	1 634	1 998
Primary production of crude oil (thousand TOE)		564	1 368	1 279	1 056	959	911
Primary production of solid fuels (thousand TOE)		11	0	34	2	68	144
Primary production of gas (thousand TOE)		14	25	27	35	37	32
Net imports of all energy products (thousand TOE)		1 011	682	280	465	920	504
Gross inland energy consumption (thousand TOE)		2 057	2 355	2 199	2 272	2 368	2 351
Gross electricity generation (GWh)		2 860	4 724	5 895	7 782	4 526	:

Agriculture	Note	2007	2014	2015	2016	2017	2018
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		1 121	1 178	1 175	1 174	1 174	1 174
Livestock numbers: live bovine animals (thousand heads, end of period)		577	500	504	492	475	467
Livestock numbers: live swine (thousand heads, end of period)		147	172	171	181	180	184
Livestock numbers: live sheep and live goats (thousand heads, end of period)		2 729	2 800	2 751	2 913	2 859	2 782
Raw milk available on farms (thousand tonnes)		1 016	1 133	1 131	1 145	1 156	1 144
Harvested crop production: cereals (including rice) (thousand tonnes)	11)	494	700	696	698	702	678
Harvested crop production: sugar beet (thousand tonnes)		0	0	0	0	30	28
Harvested crop production: vegetables (thousand tonnes)		672	950	1 030	1 129	1 157	1 166

Source: Eurostat and the statistical authorities in Albania

: = not available
b = break in series
e = estimated value
p = provisional
s = Eurostat estimate
* = Europe 2020 indicator
** = Macroeconomic Imbalance Procedure (MIP) indicator
*** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes:

1) The Albanian Government is implementing an action plan to reduce the informal economy. As result, 56 787 active enterprises were registered for the first time in the statistical business register in 2015. Most of them are not new entities for 2015.
2) 2006: based on NACE Rev. 1.1; coverage is Divisions 10 to 74. 2013-2016: based on NACE Rev. 2; coverage is Divisions 05 to 82 and 95.
3) 2006: based on balance of payments manual edition 5 (BPM5).
4) Annual average of the Tribor rate – interbank rate for overnight loans.
5) Average weighted rate applied on new 12-month loans over the respective month, on 12-month maturity.
6) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.

7) 2013 and 2014: including persons who have not or could not be classified to a particular activity.
8) 2006: administrative data.
9) Public sector.
10) Excluding rice.