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T O T H E E U R O P E A N P A R L I A M E N T , T H E C O U N C I L , T H E
E U R O P E A N E C O N O M I C A N D S O C I A L C O M M I T T E E A N D T H E C O M M I T T E E O F T H E R E G I O N S

Albania 201 Report

Accompanying the document

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

201 Communication on EU Enlargement Policy

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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 recommended that the Council decides that accession negotiations be opened with Albania, at the same time encouraging Albania to maintain and deepen the current reform momentum, in particular in the key field of the rule of law. In June 2018, the Council set out the path towards opening accession negotiations in June 2019. Albania has continued to implement reforms that are crucial to the EU agenda, in particular delivering concrete results in the conditions identified in the Council Conclusions of June 2018 for the opening of accession negotiations. The Commission has continued to monitor thoroughly the developments in these areas.

1.2. Summary of the report¹

As regards the political criteria, Albania has continued to make progress on its EU reform agenda throughout the reporting period. Strong polarisation persisted in the political sphere. Parliamentary activities were affected by a prolonged boycott from opposition parties, which then also relinquished *en bloc* their parliamentary mandates in February 2019. More than half of the relinquished parliamentary mandates have now been reassigned by the Central Election Commission and the quorum for the full functioning of Parliament is maintained. Main opposition parties decided not to register for the local elections, which are scheduled to take place on 30 June 2019. The main opposition parties' disengagement has negatively affected the efforts for a bipartisan electoral reform despite the majority's efforts to move forward. Opposition parties should constructively re-engage in the democratic institutions.

Albania is moderately prepared in what concerns the reform of its public administration. Efforts continued in several related areas, resulting in some progress in the efficiency and transparency of public services delivery, improving the regulatory framework on impact assessment of policies, more transparent recruitment procedures, and the overall strengthening of the administration's capacity to undertake merit-based civil service procedures. Consolidation of these achievements should advance further, to ensure a more efficient, depoliticised, and professional public administration.

Albania's judicial system has some level of preparation. The implementation of comprehensive and thorough justice reform has continued consistently, resulting in good progress overall. The new institutions for the self-governing of the judiciary, the High Judicial Council, the High Prosecutorial Council and the Justice Appointment Council have been established, representing a crucial step in strengthening the independence and accountability of the judiciary. The temporary re-evaluation of all judges and prosecutors (vetting process) has advanced steadily, producing tangible results. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. More than 140 files have been processed, resulting in 88 dismissals/resignations of magistrates from office and 53 confirmations. Most dismissals pertained to issues related to unjustified assets. These concrete and credible results have substantially strengthened the sector and consolidated independence, impartiality, professionalism, and accountability of the judiciary.

Albania has some level of preparation in the fight against corruption. Good progress was made, notably with the adoption of the new Action Plan 2018-2020 for the implementation of

¹ This report covers the period from March 2018 to March 2019. It is based on input from a variety of sources, including: contributions from the government of Albania, contributions from the EU Member States, European Parliament reports, and information from various international and non-governmental organisations.

the Inter-sectoral Strategy against Corruption, the amendments to the Law on the Declaration and Audit of Assets, the Law on Public Procurement as well as the adoption of the Code of Conduct for members of Parliament. The establishment of an Anti-corruption Task Force has increased the proactivity of administrative investigations. Direct access to databases for prosecutors and the police continued to improve. Good progress has continued through the strengthening of the track record on investigating, prosecuting and trying high level corruption cases. Concrete results in the fight against corruption include the vetting process which has led to the dismissal from office of a number of high-ranking magistrates, including at Constitutional Court and High Court level. The establishment of the High Prosecutorial Council (HPC) allowed the launch of the establishment of specialised anti-corruption bodies (Special Anti-Corruption and Organised Crime Structure – SPAK, National Bureau of Investigation – NBI). Once the vetting of candidates is completed, the bodies will become operational which will strengthen the overall capacity to investigate and prosecute corruption. However, overall, corruption is prevalent in many areas and remains an issue of concern.

Albania has some level of preparation in the fight against organised crime. Police operations to dismantle criminal organisations have been intensified. Several police operations resulted in multiple arrests, and a number of important indictments and convictions took place. These operations resulted in the arrest and prosecution of known leaders of organised criminal groups. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations. Consistently for the past years, Albania showed a strong commitment to counter the production and trafficking of cannabis. Albania allows an intrusive monitoring mechanism by an EU Member State (aerial surveys by the Italian *Guardia di Finanza*, co-financed by the EU) to be in place. In the past two crop seasons, aerial surveillance has certified that almost no cultivation of cannabis has taken place in Albania. These steps represent tangible progress in meeting last years' recommendations on improving the track record. Efforts need to continue, in particular by tackling money laundering and confiscating assets stemming from crimes and other unjustified wealth.

On fundamental rights, Albania complies overall with international human rights instruments and developed its legal framework in line with European standards. During the reporting period, Albania has made efforts to meet obligations that arise from international legal instruments. The overall implementation of those instruments remains, however, to be strengthened. Legal framework was improved in the areas of child's rights and domestic violence. A new law on social housing was approved by the parliament in May 2018, which aims to strengthen the protection of the right to housing of the most vulnerable members of the Roma and Egyptian² communities. Further efforts are needed in relation to the consolidation of property rights. As regards the freedom of expression, the overall legislative environment is conducive to the exercise of freedom of expression, but implementation requires further efforts.

As regards the economic criteria, Albania has made some progress and is moderately prepared in developing a functioning market economy. Economic growth increased further and unemployment decreased but remains still high. Exports grew solidly and the current account deficit narrowed. The high public debt-to-GDP ratio continued to decrease but the pace of fiscal consolidation remained slow. Banks continued to reduce the number of non-performing loans and the use of foreign currency. The banking sector remained stable, though business credit growth did not pick up. Steps towards developing the financial market

² 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.

have been taken. The business environment has improved only in some aspects. Progress in the implementation of comprehensive justice reform is expected to contribute to strengthening the business environment and attracting investments. Some progress was made on increasing labour market participation and the quality and effectiveness of labour market institutions and services, but the employment rate and labour market participation remain low, and the informal economy is still a significant job provider.

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. Albania has made some progress in terms of energy, transport and digital infrastructure development, but lack of productive know-how, low education levels and technology transfers hinder Albania's competitiveness and integration into international value chains. Exports and regional integration are below potential. Efforts to improve education and training show some results but reforms need to continue in particular to better address rural areas and vulnerable groups. Albania's capacity for research, development and innovation remained very low.

With regard to good neighbourly relations and regional cooperation, Albania has continued to participate actively in regional cooperation and maintain good neighbourly relations. Important steps have been taken to address bilateral issues with Greece.

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 and trans-European networks. Albania will need to continue its efforts related to its overall preparations to adopt and implement 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 of the transport and energy networks, and related connectivity reform measures, also with a view to improving connectivity throughout the region.

The administrative capacity and professional standards of bodies charged with the implementation of the *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. Albania signed the European Border and Coast Guard Status Agreement with the EU in October 2018. Reception capacity to deal with mixed migration flows was further enhanced. The number of unfounded asylum applications lodged by Albanian nationals in the EU has decreased but remains high and requires continuous and sustained efforts, as well as to address the phenomenon of unaccompanied minors.

2. FUNDAMENTAL PRINCIPLES AND RULES

2.1. Functioning of democratic institutions and public administration reform

2.1.1 Democracy

The political environment remained polarised throughout the reporting period. The opposition carried out repeated boycotts of parliamentary activities. These culminated in the decision by the main opposition parties to relinquish their parliamentary mandate *en bloc*. This has led to delays in the electoral reform and the adoption of amendments to the Law on the Status of Judges and Prosecutors. More than half of the relinquished parliamentary mandates have now been reassigned by the Central Election Commission and quorum for the full functioning of Parliament is maintained.

Elections

The ad hoc parliamentary committee on electoral reform established in October 2017 held a number of technical meetings. This bipartisan body worked intermittently. However, no progress was made to address outstanding recommendations from the Office for Democratic Institutions and Human Rights (ODIHR) of the Organisation for Security and Cooperation in Europe (OSCE). A new ad hoc parliamentary committee has been established in October 2018 to address the OSCE/ODIHR recommendations still outstanding from the last three rounds of elections (2013, 2015, and 2017). The committee has worked intermittently, under the chairmanship of representatives from the two main political parties, holding workshops and consultations. In the absence of cross-party consensus, unilateral proposals by the government majority were tabled in October 2018 and again in December 2018, but no decisions resulted.

The President of the Republic has issued a decree for holding local elections on 30 June 2019. The Central Election Commission (CEC) launched the related preparatory activities. The CEC is still missing two members, which shall be appointed by the opposition, while the members proposed by the Socialist Party were elected in October 2018. The main opposition parties have decided not to present their lists of candidates for the upcoming local elections. The deadline for the registration of parties has now expired.

Parliament

Parliamentary activities were affected by a high degree of polarisation and a prolonged boycott by the opposition, which began in September 2018. In February 2019, with very limited exceptions, Members of Parliament (MPs) from opposition parties relinquished their mandate. The Assembly has continued to increase transparency by intensifying consultations with interest groups and the public, while increasing its role in initiating new — or amending existing — legislative proposals. Capacities for oversight and involvement of the Assembly in the EU integration process remain to be strengthened. The transparency and control of political party financing need to be improved.

Strong polarisation and the opposition's repeated boycott of parliamentary activities has negatively affected the Assembly's work. Since September 2018, the opposition took part in very few parliamentary activities, mostly at committee level, and cross-party consensus was reached only on a limited number of laws (8). A joint resolution of the EU-Albania Parliamentary Stabilisation and Association Committee was adopted only in the first of the two meetings held during the reporting period (February and November 2018). The second session was marked by a walkout by the members of the opposition parties. In February 2019, the members of opposition parties relinquished their parliamentary mandate *en bloc*. The process of re-appointments through the CEC is ongoing.

Replacements of MPs have respected gender quota provisions, resulting in a further increase of women in the Assembly. There are now 43 women in the Assembly (out of a total of 140

members). At present, 8 of the government's 15 members are women (53%), and there are 13 female deputy ministers (out of 31 deputy ministers in total, or 41%). Representation of women in municipal councils increased to 34.6% in 2015 (up from 12% in the 2011 local elections). In those 2015 elections, 10 women were elected as mayors (out of 61 municipalities in total).

During the reporting period, there were no issues leading to the opening of new '**decriminalisation**' dossiers.

In February 2018, the Parliament set up a subcommittee on human rights, and in July 2018 it set up a subcommittee on the implementation of the vetting law in the Albanian State Police. In May 2018, the Parliament established an independent commission on enforcement of the law on justice-system governance bodies. The members of this commission were nominated only in November 2018.

A code of ethics was adopted in April 2018 without support by the opposition and, in September 2018 the Parliament Bureau (a grouping of the chairs of parliamentary groups and commissions) approved a handbook on conduct in Parliament. These documents aggregate: (i) existing legal provisions providing guidance to MPs on legal and ethical issues, and (ii) measures for the registration and disclosure of finances, gifts, lobbying contacts, and conflicts of interest. Although these are non-binding standards, they are expected to be applied by MPs. Communication channels between citizens and MPs need to be formalised and strengthened.

The Parliament adopted fewer acts compared to the previous reporting period. In spite of this, it continued to strengthen its contribution to legislative review through more legislative initiatives, amendments from MPs, and interest-group hearings. Urgent legislative procedures were used in about 10% of cases (6 times out of 66 laws), including two cases of laws on special financing agreements for public works. The Parliament accepted one presidential decree returning laws for parliamentary review and rejected two of such requests by the President.

Parliamentary rules of procedure do not yet reflect the existing Law on the role of Parliament in the EU integration process. Parliament's capacity to monitor the compliance of new legislation with the *acquis* and ensure implementation remains limited. Coordination with the executive needs to be improved. About 10% of overall legislative activity was aimed at partial alignment with the EU *acquis* (7 out of 66 laws). The EU Integration Committee held only two hearings during the reporting period. The National Council for European Integration still has to consolidate its role and guarantee broader involvement in EU integration issues.

On Parliament's oversight function, the work of inquiry committees remained highly polarised. The committees on telephone surveillance, on the case pertaining to a former Minister of the Interior, and on the privatisation and renationalisation of the electricity power distribution system operator did not lead to conclusive results. Other oversight mechanisms remained generally underused. In 2018, there were five 'interpellations' (formal enquiries by parliament) with ministers and two motions with debate. Parliament conducted a structured review of annual reports from independent institutions, including hearings at committee level, and adopted 21 resolutions. The mechanism for following up and monitoring recommendations by Parliament and independent institutions marked a step towards stronger oversight, but has yet to show results. The Assembly elected two heads and a number of members of independent institutions. The chair of the State Audit Institution and two CEC members remain to be appointed.

On transparency and accountability, the Parliament has ensured access to documents and activities. It has also held a number of thematic public meetings. The review of internal rules on the Parliament's administration continues. Research staff and support to MPs and parliamentary groups remain limited.

All positions of commissioners at the ombudsman office were filled. The Ombudsman, the Commissioner for Protection against Discrimination and other independent institutions still face poor implementation of their recommendations by the Albanian administration.

Political parties have partially adhered to OSCE/ODIHR recommendations on transparency of party funding. Further reform, including amendments to the Electoral Code, is required. Issues persist in relation to internal party democracy, transparency of party financing and due implementation of statutes.

Governance

The government remained committed to the EU integration process. In December 2018, the Prime Minister carried out a substantial reshuffle of the government. Nine cabinet positions were changed, including that of the Deputy Prime Minister and the Minister for Europe and Foreign Affairs. The replacement of the latter led to controversy between the Prime Minister and the President of the Republic on constitutional provisions regarding ministerial appointments. The restructuring of ministries and agencies has streamlined some existing structures, but has also created administrative gaps that must be overcome. The territorial administrative reform needs to be further consolidated as part of the wider decentralisation agenda. This is particularly necessary to guarantee local fiscal autonomy, ensure capacity building for staff, and empower municipalities to provide standard quality public services.

EU integration has remained a key driving feature of the Albanian government's actions. However, a persistently tense political situation and the opposition's boycott in particular have hampered cross-party dialogue and inclusiveness for EU-related reforms. Political will to advance on the EU agenda needs to be combined with appropriate administrative capacities to align with the EU *acquis*. In particular, the Ministry for Europe and Foreign Affairs - and line ministries responsible for the EU *acquis* - would benefit from further streamlining of staff and resources. Some positive steps have been taken to increase consultations with stakeholders and reach out to civil society groups, especially on the future structure for accession negotiations. The restructuring of the ministries, which began in September 2017, had an impact on the performance of the administration. Some gaps in administrative capacity and a certain lack of clarity in institutional responsibilities in various policy areas remain to be overcome.

The ruling majority has established structures to improve government accountability, inviting citizens to submit their assessment through 'co-governance platforms'. Implementation of this initiative should be pursued in ways that better allow preserving the distinction between party and government.

In December 2018, following several weeks of student protests against the existing education system, the government announced a large reshuffle. The reshuffle affected nine government posts, including the position of the Deputy Prime Minister and Minister for Europe and Foreign Affairs. Ministerial changes also involved the Minister of Finance, Minister of Education, the Minister of Transport, Energy and Infrastructure, the Minister of Agriculture, the Minister of Culture, the State Minister on the Protection of Entrepreneurship and the Minister for Relations with the Parliament. The replacement of the Minister for Europe and Foreign Affairs (as well as the earlier change of the Interior Minister in November 2018) led to a dispute between the Prime Minister and the President of the Republic. This dispute

centred on contrasting interpretations of the constitutional provisions on ministerial appointments between the Prime Minister and the President of the Republic. Given the presidential refusal to nominate the new Minister for Europe and Foreign Affairs, the Prime Minister took over the post, and delegated the acting functions to a deputy minister.

The Constitutional Court has been unable to fulfil its mandate over most of the reporting period due to the absence of a quorum. The court should have nine members, but only one of its nine members is in office, due to resignations, retirements, and a vetting process that removed some of the sitting judges. The process to fill these vacant posts started after the creation of the new Justice Appointment Council (*see section 2.2.1 Chapter 23: Judiciary and fundamental rights*), as foreseen in the justice reform package.

On local government, the territorial administrative reform (TAR) needs to be further consolidated as part of the wider decentralisation agenda. The government undertook a mid-term review of the 2015-2020 national cross-cutting strategy for decentralisation and local governance. The Supreme State Audit Institution also carried out an assessment of the TAR and issued a report on it, in October 2018. The new legislation affecting local government is not yet fully harmonised and implemented. Most notably, while municipalities have been attributed larger powers, the adequacy of financial resources available to local government units (LGUs) are at risk. LGUs' fiscal autonomy is also at risk. 73% of the LGUs' budget comes from national transfers. The central budget allocates about 1% of GDP to LGUs, the lowest in the Western Balkans. In most municipalities, LGUs are not effective at collecting revenues. As a result, the overall ability of local institutions to deliver quality public services remains limited. Appointments not fully in line with all the principles of the civil service law have continued, hindering the establishment of a fully merit-based civil service.

On public participation in local decision-making, further progress has been made by municipalities, especially in the area of participatory budgeting. However, the institutional framework for effective and inclusive participation needs further strengthening. The Agency for the Delivery of Integrated Services (ADISA) expanded its presence throughout the territory with its one-stop-shops. A parallel process to roll out 'front desks' for service delivery at the local level is ongoing. The definition of national minimum standards for services remains outstanding.

On territorial planning, general local plans have been approved and budgeted for 45 municipalities, and general local plans for the remaining 16 are budgeted for 2019. Coordination of the national sectoral strategies with local plans is weak. On transparency, guidelines for disclosure of information to the public by local governments were adopted by the Commissioner on the Right to Information and Protection of Personal Data in September 2018. All municipalities in Albania now regularly publish decisions of their municipal councils online. The network of 61 EU local coordinators has strengthened the LGUs' involvement in the EU accession process, raising more awareness of EU policies and the *acquis*. The so-called 'EU desks' in municipalities have been upgraded into structured units, based on a Council of Ministers decision of July 2018. A report on the performance of municipalities on EU matters was presented in April 2018.

Civil society

Progress is yet to be 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 National Council for Civil Society. 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 fiscal and legal frameworks.

Albania's legal and regulatory framework on the right of freedom of association is generally in line with international standards. Nevertheless, the legal framework on free assembly needs improvement to clarify the different requirements for 'notification' versus 'permission' for free assembly. The law also needs to: (i) address the right to spontaneous assembly and counter assembly and (ii) make the procedures for notification more easy to complete and more accessible. The public consultation law requires reporting on how inputs by civil society organisations (CSOs) are taken into consideration. However, little evidence exists on the use and efficiency of the feedback mechanisms. The scope of the law should be amended to cover governmental decisions (sub-legal acts).

The 2014 Law on Public Consultation laying down the procedural norms for transparency and public participation in decision-making is overall in line with European standards. The registration process continues to be problematic due to the high costs of registration, lengthy procedures and lack of specialised judges. 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 has organised regular meetings. The Law on the National Council should be amended to reflect changes in ministerial portfolios and their representation in the Council. There is a need to further increase the Council's engagement with other civil society actors articulating CSOs' opinions in the policy making processes. The revised roadmap on an enabling environment has not yet been approved.

The Agency for the Support of Civil Society remains the main public body providing financial support for civil society. However, public funding is insufficient to sustain CSOs' actions, in particular in the social services sector. No significant developments took place in the legal and regulatory framework of the relevant tax regime for CSOs, which remains an issue. This absence of a favourable tax regime 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, while no tax incentives are given 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 improving the quality of public services, strengthening the administration's capacity to undertake merit-based recruitments, and upgrading the regulatory framework on impact assessments. Implementation of the public administration reform and public-financial-management reform strategies has continued, although the reorganisation of ministerial portfolios and structures has affected its pace and effectiveness. Only partial progress was made on the Commission's 2018 recommendations, which remain largely valid.

In the coming year, Albania should in particular:

- build capacity and implement regulatory and budgetary impact assessments in all ministries to improve the quality and financial sustainability of legislative and policy proposals;
- upgrade the regulatory framework on policy planning and monitoring, and roll out the integrated policy making system;

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

Strategic framework for public administration reform

Throughout 2018, the government has continued to monitor implementation of the 2015-2020 public administration reform strategy and the 2014-2020 public-financial-management (PF) reform strategy. In April 2018, it also published the third annual monitoring report. The implementation record of the public administration reform strategy has remained modest.

The deputy prime ministers, who have been in charge of the overall reform, ensured continued political support for the reform. Coordination between the Prime Minister's Office, the Ministry of Europe and Foreign Affairs, and the Ministry of Finance and Economy needs to be further strengthened. The prime minister's office should play a greater role in steering policy processes and managerial accountability (*see Chapter 32*). The Integrated Policy Management Group on Good Governance (IPMG) was established in 2018 with two main aims. The first aim was to improve high-level policy dialogue among institutions, development partners and civil society. The second aim was to ensure a common monitoring and reporting framework for all related reforms. Financial sustainability needs to be improved, as the overall reform of public administration is still too dependent on external donor funding.

Policy development and coordination

The legal basis and the institutional set-up are partially in place to ensure a consistent policy-making system. The creation of a coherent strategic planning and monitoring system is being held back by: (i) weaknesses in the existing regulatory framework on medium-term policy planning and (ii) a lack of a dedicated central quality control function. Some progress was made in preparing the rollout of the Integrated Planning System Information System, an IT tool that should help to link strategic policy planning and budgeting. The government needs to step up efforts to upgrade administrative capacity in: (i) strategic policy planning and (ii) policy monitoring. These increased efforts should be made at both ministerial level and the level of the Prime Minister's Office.

The Ministry for Europe and Foreign Affairs prepares and monitors implementation of the national plan for European integration (NPEI). The rate of implementation of the NPEI remains low, at less than 30%, and the overall quality of policy planning remains weak. The government should step up efforts to establish functional inter-institutional co-ordination structures for more effective implementation of the NPEI at both political and administrative level.

On inclusive and evidence-based policy and legislative development, the administration needs to further strengthen its capacity, particularly to harmonise the legislation with the *acquis*. Administrative data collection and its systematic use for policy and law-making should be improved across the administration. The government introduced a formal requirement to carry out regulatory impact assessment (RIA) on legislative proposals through amendments to the rules of procedure, approved in 2018. Full implementation of this requirement needs to be ensured in 2019. Stronger coordination is needed between the Ministry of Finance and Economy and the RIA unit in the Prime Minister's Office. Public consultations are required for policy and legislative development, but methodological guidance and quality control is lacking. The electronic web-portal for public consultations is operational, but its use by the public remains limited.

Public scrutiny of government work remains limited. Most government reports on various policies continue to present implemented activities rather than explain the actual results and outcomes that have been achieved through the implementation of government policies. Coordination structures for monitoring policy implementation need to become operational through IPMGs. It is also necessary to ensure a less fragmented system on policy monitoring by streamlining the relevant legislative framework.

Public financial management

The Ministry of Finance and Economy, which leads the public financial management reform, underwent further restructuring in 2018. There are still several posts unfilled in the Ministry at present. Based on a mid-term review of the PFM strategy in 2018, priorities are currently being reassessed. The goal of this reassessment is to: improve budget planning and management; strengthen internal control implementation across government; prevent arrears at central and local government level; follow up on internal and external audit recommendations; improve investment planning and management; improve public procurement review and compliance with procurement rules; grant more institutions online access to the treasury; and analyse the fiscal risks of state-owned enterprises.

Progress was achieved with the preparation of the 2018 and 2019 budgets and with the execution of the 2017 budget in line with the revised Organic Budget Law. Adherence to fiscal rules has improved, mainly thanks to the inclusion in the 2019 budget proposal of both a section on fiscal risks and a list of Public-Private-Partnerships (PPPs). The new public investment management (PIM) guidelines were adopted in March 2018. A campaign to combat the informal economy was implemented, and external audit manuals were piloted. (See also Chapters 5, 16, 29 and 32)

Budget transparency has improved with the publication of all key budget documents on time. The 2019 budget, the citizens' budget, and the list of public investments (including PPPs under the medium-term budget programme) have been published. Public participation in the budget process needs to be further strengthened. The 2017 budget implementation report was published. However, information on state assets contained in this report does not allow for a full comparison with the original budget.

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, which continued to improve in 2018 thanks to a centralised recruitment process. 92% of the planned vacancies in 2018 were filled, compared to 46.5% in 2017. Overall transparency and fairness of recruitment at the central level has improved thanks to refinements of the online application system, improved quality of examination procedures, and the use of electronic written tests. An ad-hoc selection procedure was used for the integration of highly qualified young graduates in the public administration. Notwithstanding merits in the objectives of this initiative, the relevant decision of the Council of Ministers should be brought fully in line with the principle of merit-based recruitment enshrined in the Civil Service Law. Proper implementation of the Civil Service Law requires more efforts at the local level, where many appointments have been made in breach of this law. There were 568 dismissals of civil servants in 2018, a slight increase compared to the 460 dismissals in 2017. This was mainly due to the reduction in the number of ministries. The backlog of court decisions confirming unlawful dismissal of civil servants was reduced.

The human resources management information system (HRMIS) is still not fully functional. The system now includes more data on public-service organisations and employees, but does not cover the whole civil service. The number of institutions that can generate payroll reports has increased, but the link between the HRMIS and the treasury's IT system is not yet operational. The Commissioner for Oversight of the Civil Service needs more staff and more financial resources to better fulfil its responsibilities. The government needs to step up efforts to establish a coordination mechanism on human resource management between central and local level. These efforts should include extension of the HRMIS to the local level and systematic oversight at the local level.

The remuneration system is based on a job classification system, which needs to be further reformed. There is no coherent salary policy that would establish clear criteria for pay supplements and salary increases. This means that it is a common practice for salary increases for certain positions to be awarded through a decision of the Council of Ministers. This impairs the fairness and coherence of the system. Salary supplements are not awarded in a uniform manner across institutions. Salary increases are not linked to the promotion and performance appraisal system.

The training programmes implemented by the Albanian School of Public Administration contribute to the professional development of civil servants. However, an integrated training management cycle remains to be established. The School's budget in 2018 has been reduced compared to 2017, although the number of training courses has increased. Local-level civil servants receive very little training. A law is in place that prevents corruption and ensures the integrity of public officials and civil servants. However, institutional capacity for verifying assets and assessing conflict-of-interest declarations should be reinforced.

Accountability of the administration

The legal framework on the organisation of the central administration duly regulates accountability lines between institutions. However, this legal framework lacks clarity on the creation of administrative bodies that are sub-ordinated to ministries, the parliament and prime minister. Some subordinated bodies are already being reorganised, but new agencies are still being set up without any strategic planning. Recruitment to these new agencies is mostly regulated outside the scope of the civil service law. Managerial accountability within institutions is still focused on processes rather than the achievement of results, and there is little delegation of decision-making to top and middle management. (*See Chapter 32*). The government needs to step up its efforts to develop a long-term strategy on accountability by ensuring appropriate supervision and reporting lines between ministries and subordinated agencies.

Citizens' right to good administration is limited. Public institutions do not systematically implement the recommendations of oversight bodies. The number of implemented recommendations from the Ombudsman 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. However, public institutions need to make more efforts to pro-actively disclose information of public interest. The capacity of the Commissioner for the Right to Information and Protection of Personal Data to oversee the process needs to be increased. There is already a central registry on information requests, but it needs more funding.

The legislative framework for the right to administrative justice is in place. The capacity of the administrative court system to deal with the backlog of cases has improved at the first-instance level, but a backlog persists at the appeal-court level since Albania has only one administrative court of appeal. The capacity of appeal boards to process cases remains weak.

The legislation for protecting the right of citizens to seek compensation is in place, but court cases remain rare due to the public's limited awareness of their rights. Due to the lack of data collection, the effectiveness of the liability regime cannot be assessed.

Service delivery to citizens and businesses

Institutions and laws on public-service delivery are in place to ensure citizens' user-oriented administration. Three important documents have been adopted: a guide to standardise service delivery, a citizens' charter that explains the organisation of the public service, and an ethics manual for service desks. The Agency for the Delivery of Integrated Services has started measuring user satisfaction, and has continued to set up one-stop-shops across the country. E-services, such as online payment of taxes, have been further developed. Information on public services is more accessible to citizens.

The Code of Administrative Procedures provides the legislative framework for simplifying administrative procedures. However, legal uncertainty for citizens and businesses continues, as there have been delays in adopting the necessary implementing legislation and amending the sectoral policy legislation. This is due to the weak capacity of the Ministry of Justice to coordinate and promote implementation of the new law and the weak capacity of line ministries to harmonise sectoral legislation that contradicts provisions in the Code of Administrative Procedures. Training is needed to upgrade the capacities of the administration to both harmonise and effectively implement the legislation.

2.2. Rule of law and fundamental rights

2.2.1. Chapter 23 Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. A properly functioning 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 in implementing the *acquis* and European standards in this area. Good progress was made, in particular through the further determined implementation of far-reaching justice reforms (which included the establishment of the institutions for the self-governance of the judiciary) and the continuation of tangible results in the vetting process. All the vetting priority cases were finalised in first instance and a number of appeals were also completed. To date, over 280 vetting dossiers have been processed, leading to decisions on more than 140 assesseses. The legislative framework has been strengthened to fight corruption more effectively. Operational efforts against high-level corruption have started to bring some concrete results. However, corruption is prevalent in many areas and remains an issue of concern. There has been further progress in enforcing human rights, strengthening the institutional and legislative framework for the protection of children's rights, tackling gender based violence and the protection of vulnerable groups, in particular the Roma and Egyptian communities.

Functioning of the judiciary

Albania has some level of preparation. Good progress has been made through continued implementation of the justice reform. The re-evaluation of all judges and prosecutors has advanced steadily and delivered substantial results. The number of magistrates having left the judicial system, through dismissals and resignations (88), is higher than the number of confirmations in office of existing magistrates (i.e. existing magistrates who passed the vetting process), which is currently at 53. The outcome of thorough vetting has affected the pace of setting-up the new judicial institutions. Due to the outcome of the vetting, the new bodies for the self-governance of the judiciary (the High Council of Justice, the High

Prosecutorial Council, and the Justice Appointment Council) were formed in December 2018. Dismissals due to vetting have resulted in several vacancies at other key institutions, in particular at the High Court level. The Constitutional Court has lost its quorum, with only one judge out of nine remaining in office. The new bodies for the self-governance of the judiciary are taking the necessary steps to address this ongoing transition. On the other recommendations from the 2018 report, making 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 (moving on with appeals is expected to consolidate a jurisprudence on the most critical issues of the re-evaluation process); make progress in the recruitment of new magistrates to fill the positions made vacant by the vetting;
- complete the set-up of specialised investigative and judicial bodies against corruption and organised crime, and consolidate the structures of the newly established institutions for the self-governing of the judiciary;
- continue to pursue a sector-based approach to the justice reform under the cross-cutting strategy for 2017-2020 and ensure adequate governance, monitoring and reporting mechanisms through well-developed structures, methods and indicators coupled with adequate financial support for implementation of the reform.

The comprehensive transitional re-evaluation process (vetting) of all judges and prosecutors has continued steadily. The vetting has been implemented thoroughly, with the overall objectives of strengthening professionalism across the sector; eradicating corruption; consolidating independence and impartiality; and, ultimately, rebuilding public confidence in the judiciary. The vetting institutions have continued to build their investigations on the basis of the three pillars provided for in the law: proficiency assessment; asset verification (which is performed on all assessees, as well as on all their close relatives for wealth accumulated in Albania and abroad); and links to organised criminal networks. The vetting process is carried out under the independent oversight of an international monitoring operation, which has been deployed under the aegis of the European Commission. The international monitoring operation follows the work of all vetting institutions: the Independent Qualification Commission (IQC), the two Public Commissioners, and the Appeal Chamber.

To date, investigations on 280 assessees have been initiated (out of the 800 magistrates that will undergo vetting). In total, more than 140 dossiers have been processed, leading to 88 dismissals/resignations and 53 confirmations in office. The International Monitoring Operation (IMO) has consistently performed its oversight role in the vetting process. The IMO has issued opinions on first-instance assessments, including seven recommendations to appeal first-instance decisions of confirmation. All were followed up by the Albanian vetting institutions.

Strategic documents

The cross-sectoral justice strategy for 2017-2020 and its action plan were adopted in 2016. Parts of the earlier action plan have already been implemented. The estimated budget for its implementation is EUR 98 million, of which 35% is provided by international donors. The establishment of appropriate monitoring, evaluation and reporting mechanisms is still pending. A monitoring body has been appointed within the Ministry of Justice, and it presented its third monitoring report in November 2018. In May 2018, the Parliament established an independent commission for the coordination, monitoring, and enforcement of

the Law on Justice System Governance Bodies. The members of this independent commission were eventually nominated in November 2018.

New judicial governance bodies

The new High Judicial Council, a separate High Prosecutorial Council, and the Justice Appointment Council started to perform their functions in January 2019.

Independence and impartiality

The principles of impartiality and judicial independence are set out in the Constitution and reflected in the laws on the governance of the judiciary and on the status of judges and prosecutors. The reform has given prosecutors greater autonomy and reduced the centralisation of the system around the General Prosecutor. Judges and prosecutors cannot be transferred without their consent. Exceptions concern disciplinary measures, structurally justified changes or temporary needs. Judges can be dismissed only for serious misconduct or if sentenced for a criminal offence. The dismissal decision may be appealed at the Constitutional Court.

Attempted interference with the judiciary, including by authorities within the judiciary, has been an issue and needs to be addressed beyond the vetting process. The allocation of cases should be conducted randomly by lot and electronically. However, the electronic case management system has shown many shortcomings. Random allocation of cases to prosecutors is partially used, but prosecution offices often fail to make full use of the system and produce reliable data. The laws provide for strict procedures in case of undue influence over a court case or when judges consider their independence to be jeopardised.

Accountability

The Code of Ethics for judges and prosecutors is now regulated by law and is no longer a non-binding document produced by the National Conference of Judges. The High Judicial Council and the High Prosecutorial Council are now responsible for approving the ethics rules and code of conduct and for monitoring them. The High Justice Council has improved evaluation forms and adapted these forms to the new legal standards. However, the performance of judges continues mostly to be measured on the basis of numbers of complaints and final court convictions. Until the High Justice Inspector (HJI) is established, the High Judicial Council and the High Prosecutorial Council should continue to investigate disciplinary misconduct. Based on the latest reform, disciplinary proceedings have to be initiated and conducted by the High Justice Inspector and no longer by the Minister of Justice. However, the Minister of Justice retains the right to submit a complaint and to ask the HJI to carry out investigations on prosecutors.

The recruitment process for the School of Magistrates has been improved with the inclusion of an integrity test and a psychological assessment of the integrity and moral standards of candidates. Judges and prosecutors are obliged to declare their assets on an annual basis. Provisions should be adopted to address the current lack of legal definitions for the list of misconduct for judges and prosecutors. Previous provisions addressing these definitions were repealed by the Constitutional Court decision on the Law on Status.

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.

The High Court has currently only three members exercising their functions, and is awaiting new appointments from the High Judicial Council. Former members have mostly resigned after the termination of their mandate and one judge was dismissed after being found guilty of corruption. Five members were dismissed at the first-instance level of the vetting procedure and three were confirmed. However, two of the confirmation cases have been appealed by the Public Commissioner. The newly appointed High Judicial Council is expected to fill all open vacancies at the High Court. Appointments to the Constitutional Court are ongoing. The new Justice Appointment Council has set in motion the process to appoint the eight vacant Constitutional Court judges, as well as of the High Justice Inspector. The General Prosecutor should be elected following a proposal by the High Prosecutorial Council and approval by a qualified majority in Parliament. While the appointment process is ongoing, a Temporary Prosecutor General remains in office. The responsibilities of the temporary General Prosecutor are limited under the law.

Quality of justice

Albania had 358 full-time judges (12 per 100 000 inhabitants) and 336 full-time prosecutors (11 per 100 000 inhabitants) in 2018. According to the European Commission for the Efficiency of Justice (CEPEJ), the European average is 21 judges/11 prosecutors per 100 000 inhabitants. The 2017 budgetary plan for the justice sector was EUR 98 million, while in 2018 it was raised to approximately EUR 100 million, with a 14% increase. This amounts to approximately EUR 5.3 per inhabitant. The new justice institutions and the vetting process are supported by a budgetary plan of EUR 12 million. Court infrastructure remains poor overall and future budget allocations should take this aspect into account.

Some hearings continue to be held in judges' offices, as spending on court premises has not been prioritised due to the establishment of the new judicial institutions.

The School of Magistrates is responsible for the initial and continuous in-service training of judges and prosecutors. The training needs are identified by the School in cooperation with stakeholders within the judiciary. The new legislation expanded the School's responsibilities, which now also include training legal advisers at all court levels, court chancellors, court administrators and state advocates. However, the School continues to rely heavily on donors' support and has limited capacity in terms of premises, academic staff, and qualified specialised trainers. A structured needs assessment and proper evaluation mechanism should also be developed to strengthen the overall effectiveness of the School with more adequate financial and human resources.

The School of Magistrates has not managed to attract enough candidates, resulting in only 10 candidates passing the entry exam for the academic year 2018/19. One of these successful candidates withdrew and another one was dismissed at first-instance level in the vetting process. The Parliament failed to adopt transitional provisions allowing for a doubling in the number of students for the 2018/19 academic year, which were necessary back then since the two new councils for the self-governance of the judiciary had still to be formed. The amendments could not be adopted since the boycott by the opposition of plenary sessions prevented the Law on the Status of Judges and Prosecutors to be revised with the necessary qualified majority. The newly formed High Judicial Council and High Prosecutorial Council set the number of candidates to be admitted in the 2019/20 academic year at 75. The first 53 have already been selected.

The High Judicial Council monitors and evaluates court activities on a monthly basis. All courts are required to send a monthly report to the High Judicial Council. They are also required to produce annual activity reports. All courts have websites, which are publicly accessible, although the data is not always fully updated due to lack of capacity. This is also

affected by the lack of full functionality in the electronic case management system, which thus far did not produce reliable and coherent statistical information. A new modern, centralised and unified case management system is being developed with donors' support, but remains to be established.

The impact of alternative dispute resolution continues to be low. The total number of cases referred to and solved through mediation was 2 077 compared with 1 260 in 2016.

Efficiency

There is still a lack of consolidated reporting on the efficiency of the justice system. Efficiency of the justice system is affected by issues such as the length of proceedings, the clearance rate, and the number of pending cases at all court levels including the Constitutional Court. The clearance rate is lowest for the appeal courts, particularly for the Appeal Administrative Court (37%). This is due to a high number of appeals and the low number of judges allocated to the Court. The highest clearance rate (100%) is in the first-instance court of serious crimes.

Dismissals and resignations resulting from the vetting process have created vacant positions in the judiciary. This increased the backlog in cases, in particular at the High Court level, where the current backlog is approximately 30,000 pending cases. The Constitutional Court repealed the provisions of the Law on Status regulating the rights for retirement for judges and prosecutors. Revised 'repairing' provisions remain to be adopted to clarify the age of retirement for judges and prosecutors.

There are 205 related applications pending at 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. A human-resources strategy should also be developed by the High Judicial Council. However, correct implementation of these improved legal provisions requires more training for judges and advocates.

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. However, the enforcement of monetary claims against the state should be improved further. Success fees should be more proportionate to the final value of the immovable property at the end of the enforcement procedure, rather than its initial value. The centralised electronic system into which all enforcement cases should be registered is not yet functional. The system should also be effective and accessible for other related agencies, such as notaries and the Immovable Property Registration Office. At the same time, enforcement officers should have access to existing state-run registers and databases on assets, such as immovable property. Further amendments in the procedural laws are necessary to ensure the timely implementation of decisions, particularly for territorial powers linked to the residence of the debtor.

Fight against corruption

Albania has some level of preparation in the fight against corruption. Good progress has been made, notably with the adoption of the new action plan 2018-20 for the implementation of the Inter-sectoral Strategy against Corruption; the amendments to the Law on the Declaration and Audit of Assets; the Law on Public Procurement; and the adoption of the Code of Conduct for Members of Parliament. Although the vetting of members of the judiciary is an administrative process, progress in this area is relevant to assess Albania's concrete results in fight against corruption. Improvements are still expected to the Law on political party financing, the Electoral Code and the Law on Conflicts of Interest. The

establishment of an Anti-corruption Task Force has increased the proactivity of administrative investigations and is already producing its first concrete results. Good progress has continued through further consolidating efforts towards the establishment of a solid track record on investigating prosecuting and trying high-level corruption cases.

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. The ongoing establishment of specialised anti-corruption investigative and judicial bodies remains crucial. Direct access to databases for prosecutors and the police continued to improve. Overall, corruption is prevalent in many areas and remains an issue of concern. There is awareness at political level of the need to effectively address corruption. The justice response against high-level corruption has started to generate concrete results, which needs to continue.

In the coming year, Albania should therefore:

- further progress towards establishing a solid track record of seizure and confiscation/recovery of criminal assets resulting from corruption-related offences; further increase the use of financial investigations;
- finalise the procedures for the establishment of the specialised anti-corruption bodies, composed of the Special Anti-Corruption and Organised Crime Structure (SPAK), the National Bureau of Investigation (NBI), and the Court to address high-level corruption; ensure adequate resources and cooperation between these new structures;
- continue to improve access to national electronic registries for law enforcement authorities.

Track record

On the track record of investigations, prosecutions and convictions in the fight against corruption, the overall positive trend of recent years continued. However, further efforts are needed to consolidate this trend, as shown by some statistical data. In particular, the number of final convictions involving junior or middle-ranking officials has slightly decreased compared with the previous reporting period (there were 289 such convictions in 2018 compared with 331 in 2017). The overall number of referrals to prosecution has also slightly decreased (2 126 in 2018 and 2 342 in 2017).

On convictions of high-level state officials, the judiciary has achieved some good initial results. In 2018, one Appeals Court judge was sentenced by the Serious Crime Court (case currently at appeal level) and one prosecutor was sentenced by the Court of Appeal for Serious Crimes (case currently at the Supreme Court). There were 102 new cases against high-level state officials sent to prosecution in 2018 (7 persons indicted), this has been an increase compared to 61 in 2017 (10 persons indicted). However, these frequent investigations in recent years have so far not resulted in a substantial number of final convictions of high-ranking state officials. This risks fostering a culture of impunity.

In February 2019, 12 officials and former officials of the Ministry of Justice were arrested for suspected abuse of office and violation of equality in tenders during the period 2016-17. The officials include a former secretary general of the Ministry of Justice.

Although the vetting of members of the judiciary is an administrative process, it is relevant for assessing Albania's concrete results in fight against corruption. Of the more than 140 magistrates who underwent vetting so far 88 have been dismissed from office, mostly for issues related to unjustified assets, or resigned. These results have been crucial to restoring public trust in the judiciary. Institutional support has been crucial to the progress made and

confirms the strong commitment of all relevant authorities in Albania to eradicate corruption in the judiciary. Among the high-ranking judges and prosecutors that have been dismissed through the vetting to date, it should be noted that eight out of nine Constitutional Court judges and 15 out of 18 High Court judges have been dismissed through the vetting or have resigned. This represents a significant number of cases involving high-level state officials.

On asset declarations by high-level state officials, the number of cases referred by the High Inspectorate of Declaration and Audit of Assets and Conflicts of Interest (HIDAACI) to the prosecution has increased: 27 cases were referred in 2018 and 22 cases in 2017. In 2018, eight high-level officials (four of whom were heads of commune and one of whom was a head of municipality) were convicted, compared to five in 2017 (including one head of commune and two customs officials). In total, HIDAACI referred 53 low- and mid-ranking officials to the prosecution services in 2018 (of which 17 resulted in final convictions). This is an increase compared to the 32 referrals resulting in 14 final convictions in 2017.

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. Establishing a solid track record of investigations, prosecutions and final convictions in corruption cases remains a long term objective to be further consolidated.

Some progress was made in setting up an interface between the different electronic case-management systems of the police, prosecution and courts. However, the electronic case-management system of the courts needs a technical update before further progress can be achieved.

Implementation of the Law on whistle-blowing and whistle-blower protection continued. At both central and local level, 163 units responsible for protecting whistle-blowers and for reporting cases to HIDAACI have been established. In 2017, 446 units responsible for the protection of whistle-blowers were established across private companies. In 2018, 16 external reporting cases were registered and investigated by HIDAACI, compared with eight in 2017.

On internal control mechanisms, the newly established Anti-corruption Task Force carried out 70 inspections leading to 108 dismissals from the civil service and 36 criminal referrals. The State Supreme Audit Institution referred 41 cases, including high-level officials, to prosecution. The rate of implementation of the State Supreme Audit Institution's general recommendations by public institutions remains low.

On access to information, the Commissioner for Information and Data Protection received 820 complaints and issued 37 decisions in 2018, while 560 complaints were received in 2017. A system was established and installed in 27 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 etc.) remains limited. There is still a strong and urgent need to improve and strengthen internal checks and inspection mechanisms within the public administration. There is also a need to improve their cooperation with law enforcement authorities.

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) needs to be further strengthened. The Ministry of Justice, which serves as the new NCAC since September 2017, is currently vested

with the role of the Secretariat of the Inter-ministerial Coordinating Committee for the Implementation of the Strategy, established in 2018. The Inter-ministerial Committee is chaired by the Minister of Justice and is composed of 10 deputy ministers representing their respective ministries. The newly established Anti-corruption Task Force is responsible for inter-institutional inspections and has started to produce positive results. Coordination between the new structures and the Council of Ministers' Unit for Transparency and Anti-Corruption as well as the Integrated Policy Management Group has to be consolidated. 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. An online asset declaration system is being installed and tested and will be used fully as of January 2020.

The role of the State Supreme Audit Institution in the overall anti-corruption framework should be strengthened 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. Albania should now prioritise the implementation of the remaining six recommendations. Albania had implemented satisfactorily or dealt in a satisfactory manner with all 12 recommendations from the third round.

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 yet for ministries but a 'Manual of Ethics on Public Service Delivery' has been adopted.

A new online portal has been created to promote 'co-governance' with citizens. Since 2017, 33 336 citizens' complaints against the public administration have been registered. Out of 28 565 cases related to the central government, 27 335 were resolved, leading to 300 dismissals.

Law enforcement

Specialised bodies in charge of investigating, prosecuting and sanctioning corruption are being set up. These include an investigative body (NBI), a specialised prosecution office, and a specialised court (SPAK). The process is advancing based on the foreseen legal deadlines. The Special Prosecution Office has performed a preliminary verification of the fulfilment of the eligibility criteria of all the candidates for the SPAK. The High Prosecutorial Council has already submitted the list of candidates to the Independent Qualification Commission, which is carrying out the relevant vetting investigations.

Police and prosecution have been granted direct access to additional private and public national registries, including 22 key national registries, through a central task force. 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 need to be strengthened.

Legal framework

Albania is 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. The Code of Conduct for members of Parliament adopted in April 2018 has strengthened the rules on conflicts of interest; declarations of private interests; limitations on outside activities whilst in office; acceptance of gifts; contacts with lobbyists and third parties; post-employment restrictions; and standards on conduct during parliamentary and non-parliamentary activities. The Law on the Declaration and Audit of Assets, Financial Obligations of Elected Persons and Certain Public Officials was further amended in December 2018, making it possible to use the online declaration system. The Law on Conflicts of Interest needs to be further improved. A Law on lobbying remains to be adopted. The legal framework on whistle-blower protection still needs to be aligned with the new EU *acquis* on this issue.

The latest amendments to the Law on political party financing provide for the publication of financial reports on the election campaigns of political parties, election campaign monitoring reports and financial audit reports. However, further amendments to the Law on political party financing are necessary, as well as to the Electoral Code. Amendments to the Criminal Code introducing a clear definition of ‘high state official’ have yet to be adopted. 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 should be prioritised.

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 of the strategy’s measures and ensure harmonisation with the ongoing actions in the anti-corruption sector (including donor activities). A new action plan for 2018-20 for the implementation of the strategy was approved in April 2018, but it should be reviewed to include a detailed costing of the measures. According to the 2018 draft annual monitoring report, 53 activities out of 97 planned have been realised (54%) while 17 are ongoing. In 2017, out of 191 planned activities, 52% were fully implemented, and 31% were partially implemented. The monitoring mechanism and its accountability need to be strengthened. There should be consultations with the relevant stakeholders before the approval of the reports. Feedback should also be systematically provided to the stakeholders who participate in developing anticorruption policies.

A comprehensive performance assessment framework has been finalised, and reporting on the performance indicators is for the first time included in the annual monitoring report for 2018. The lack of human and financial resources for implementing the measures and reporting on progress remains a concern.

Fundamental rights

Albania complies overall with international human rights instruments and has ratified most international conventions related to the protection of fundamental rights. It 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. During the reporting period, Albania made efforts to meet obligations that arise from international legal instruments. However, the overall implementation of those instruments needs to be strengthened. The legal framework was improved in the areas of children’s rights and domestic violence. A new Law on Social Housing was approved by the Parliament in May 2018, which addresses shortcomings in the field of housing and forced eviction. This law

creates a quota for 5% of housing to be reserved for the most vulnerable members of the Roma and Egyptian communities. Adoption of secondary legislation on minority rights is ongoing. Efforts are ongoing to consolidate property rights and shall be further pursued.

In the coming year, Albania should:

- further improve institutional mechanisms for protecting children, protecting victims of domestic violence, 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 communities;
- swiftly adopt the full package of secondary legislation related to the 2017 framework Law on the Protection of National Minorities;
- further consolidate the entrenchment of property rights, notably by advancing the revision of property deeds, implementing the compensation scheme, and making the necessary progress on the digitalising and mapping of property.

Albania complies overall with international human rights instruments and has ratified most international conventions. It 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. Albania has made efforts to address human rights and to fulfil the obligations that arise from international legal instruments. However, the implementation of such instruments should be improved. Assessing the level of implementation of policies, analyses and strategies remains a challenge due to the absence of comprehensive monitoring and data. It is therefore important to develop comprehensive reports and critical analysis. An inter-institutional action plan (2018-2020) on the implementation of UN Security Council Resolution 1325 was adopted in September 2018. Albania underwent its third Universal Periodic Review cycle in May 2019. Albania is in the process of becoming an observer to the European Union Agency for Fundamental Rights.

Albania continues to ensure good cooperation with the European Court of Human Rights. Between 1 January and 31 December 2018, the Court delivered nine judgments on Albania, seven of which found that Albania had violated rights guaranteed by the ECHR. The majority of cases are related to the right to a fair trial. On 20 September 2018, the Committee of Ministers of the Council of Europe decided to close the examination of 16 cases on the Driza Group and Manushaqe Puto.

On the promotion and enforcement of human rights, the Ombudsman has been awarded 'A' status by the Global Alliance of National Human Rights Institutions since 2014. During the reporting period, all five vacant positions for Commissioners have been filled. In 2018, the Ombudsman submitted a total of 171 recommendations, of which 93 were accepted, 17 were rejected, five went without response, and 56 remain in process. Effective implementation of the Ombudsman's recommendations by the public administration remains to be strengthened and made more systematic.

In October 2018, the Ombudsman launched an online mobile application to which citizens can submit complaints about human rights violations and corruption. In November 2018, the Ombudsman launched an ex-officio administrative inquiry into the new ring-road demolition case, noting that central and local government bodies had failed to address earlier recommendations on similar demolitions. The Ombudsman called for the planned demolitions to be preceded by consultations with the affected residents, and also recommended that the

necessary construction permit should be issued before this infrastructure project is allowed to proceed.

A comprehensive targeted approach is necessary to strengthen the capacities of the Ombudsman and of the Commissioner for Protection from Discrimination in handling cases of human rights violations. This will include ensuring an appropriate budget for the former. In this regard, guidance is provided by the European Commission's Recommendation on standards for equality bodies, adopted on 22 June 2018.

On the right to life, following a visit to the country in December 2016, the UN Working Group on Enforced or Voluntary Disappearances (WGEID) issued several recommendations for Albania to address the crimes committed during the communist regime. A cooperation agreement with the International Commission for Missing Persons (ICMP) was signed in July and ratified by the Albanian Parliament in November 2018, allowing the ICMP to start collecting DNA samples with financial support from the EU.

On the prevention of torture and ill-treatment, the National Preventive Mechanism conducted 51 inspections in 2018, resulting in 51 recommendations. During this period, two complaints of violence in police facilities and penitentiary institutions were processed. The European Committee for the Prevention of Torture (CPT) visited the country in February 2017 and subsequently published a report. 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. The recommendations issued by the CPT have only been partially implemented by the Albanian authorities. As recommended 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. Preparation of these plans should be accelerated. In November 2018, the Ombudsman carried out an inspection at the Burrel prison. The Ombudsperson reiterated that this correctional facility should be closed because of its poor state.

On the prison system, a strategic action plan to improve detention conditions was adopted in 2014 but its implementation was not monitored. A new action plan is currently being drafted for 2019-2022. Legislation on prisons and prison police should be amended to ensure compliance with European standards. With the opening of the new EU-funded prison in Shkodra, there has been some progress in addressing overcrowding in prisons. In total, the number of inmates decreased by 8%. During the reporting period, the newly appointed director of the Prison Directorate was dismissed on corruption charges. Several former prison directors and prison police officers have also been charged, and are under investigation for abuse of office and corruption. Training for prison personnel was carried out by the Ministry of Justice and the Ministry of Interior. There was also training for prison personnel as part of EU and Council of Europe projects.

The use of alternatives to custody has increased compared with the previous reporting period. There were 6 171 cases of non-custodial alternatives in 2018 and 4 904 in 2017. The use of electronic monitoring has been suspended since 2017 because of a legal dispute. The specialist monitoring of convicts by the Probation Service slightly decreased from 85 in 2017 to 82 in 2018.

On the protection of personal data, the capacities of the office of the Commissioner for the Right to Information and Data Protection need to be adequate to perform its tasks effectively. In 2018, the Commissioner received 170 complaints from data subjects, carried out 190 administrative inspections, issued 30 decisions, and imposed 61 administrative sanctions, which represent an increased activity compared to 2017. 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 or ratified the 2018 Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data.

Freedom of thought, conscience and religion was generally upheld, and there continued to be good relations overall between religious affiliations and practices. However, the restitution of properties belonging to religious groups remains an issue. The government allocated EUR 880,000 to support the five official religious communities in May 2018. The religious communities – the Muslim Community, the Orthodox Church, the Catholic Church, the Bektashi Community and the Evangelical Fraternity – have jointly expressed strong public support for Albania’s EU integration process. In May, the religious communities in Albania signed a joint statement pledging their engagement in interreligious dialogue. The Interreligious Council, a forum for the country’s religious leaders to discuss shared concerns, has increased its activities. In April, the head of the Russian Orthodox Church, Patriarch Kirill of Moscow and All Russia, paid his very first visit to the country.

Freedom of expression

The country has some level of preparation / is moderately prepared in the area of freedom of expression. There was limited progress over the reporting period. Threats and intimidating language against journalists have increased, although these acts have been systematically condemned. There have been some convictions on past and current cases. During the reporting period, financial resources and staff levels at the audio-visual media regulator were reinforced. The new Code of Ethics for journalists was launched in March 2018 and incorporates ethical guidelines for online media. The overall legislative environment is conducive to the exercise of freedom of expression, but implementation of this legislation remains a challenge. Ownership of audio-visual media and the transparency of media funding and public advertising remain key issues. Self-regulation in online media needs to be ensured. Legislation on public advertising needs to be introduced to improve transparency in line with international best practices.

In the coming year, Albania should in particular:

- ensure implementation of the Labour Code and strengthen the protection of Albanian journalists’ labour and social rights;
- bring the legal requirements for transparency of media ownership and its limitations into line with international standards;
- introduce legislation in line with international best practice on public advertising to increase transparency.

Intimidation of journalists

During the reporting period, there were two cases of physical assaults against journalists, reported respectively in June and September 2018. In addition, in August bullets were fired on the parental home of an investigative journalist, while a television programme moderator received a threat in December. Media associations and public authorities resolutely condemned these attacks. Investigations were launched, but there have been no arrests on these cases so far.

In May, a politician was convicted in relation to a defamation case involving a journalist, while a first instance court dismissed a defamation case against two investigative journalists. A total of 13 cases in which journalists or newspapers were parties in the judicial process

were registered in first instance courts in 2018 with 10 first instance court rulings. In addition, there were 7 cases registered in appeal courts in 2018 with 1 ruling. Albania should further strengthen its efforts to ensure a policy of zero tolerance for intimidation of journalists and threats against the media, including in political discourse.

Legislative environment

The Constitution and relevant laws are in line with international human rights law. They guarantee individual liberties, including the right to privacy and freedom of expression. They also include sanctions against incitement to hatred. Defamation remains a criminal offence, although it does not carry a prison sentence. However, journalists convicted of defamation are at risk of fines. In December 2018, the government announced a package of amendments to the Law on Audiovisual Media and the Law on Electronic Communications, and a public consultation on these amendments was held in January 2019. It is important that the opinions of the relevant stakeholders, including the media sector, are taken into account before any new measure is adopted. Specific concerns have also been raised by the international community. Among others, these concerns included the scope of the definition of electronic publication, the extent of the domain registration obligation, and the implications of failure to register. The package of amendments is currently being reviewed for alignment with the EU acquis and European standards. Albania still needs to introduce legislation strengthening transparency in public advertising.

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

Implementation of legislation/institutions

The Audio-visual Media Authority (AMA), the regulatory authority in the field of audio and visual broadcasting services, approved its 2017-19 strategic action plan in March 2017. The funding of the AMA has been doubled, and it has changed its structure to focus more strongly on supervisory and inspection activities to identify illegal broadcasting. The AMA's activities are subject to parliamentary oversight by the Committee on Education and Public Information Means.

The new deadline set by the AMA for the digital switchover process is September 2019. The infrastructure to access digital broadcasting is generally already in place. However, the AMA has postponed the deadline of the digital switchover in Tirana and Durrës due to the scarcity of DVB-T2 digital decoders on the market and the associated public discontent. These events indicated a shortcoming in the AMA's role in the management of the process as well as a lack of public awareness about the digital switchover.

Public service broadcaster

The public broadcaster RTSH has a new internal structure that reflects the digital switchover process. RTSH has developed and approved editorial principles to guard against political interference. RTSH still needs to ensure its financial sustainability.

In June 2018, private broadcasters pushed for changes to the Audio-visual Media Law, which would have allowed for part of the TV licence fee to be diverted from the public broadcaster to private TV channels. The proposed amendments were opposed by international actors, the public broadcaster, and media organisations. The initiative was rejected by the government.

Economic factors

Oversaturation of the media landscape and opaque media ownership create concerns about fair competition for independent media organisations. The editorial direction of private media continues to be the subject of political and business interests. Media funding remains key to improving media freedom, especially given new challenges such as fake news and third-party influence.

Self-censorship and the precarious nature of employment for journalists remain issues of concern.

Internet

In October 2018, the regulatory Authority for Electronic and Postal Communications (AKEP) warned that 44 online portals would be shut down if they were not registered within 72 hours with the National Business Centre and if they failed to publish their respective tax number/business registration number. As mentioned above, the recently proposed amendments to the media law legal framework include the obligation of online media registration, the scope of which remains to be clarified.

Professional organisations and working conditions

Job security for journalists needs to be strengthened. Media owners do not formalise work contracts and the Labour Code needs to be properly implemented for journalists. A recent survey supported by the EU indicates that employment in the media sector continues to be problematic, with one third of respondents stressing that they do not currently have a work contract. More than half of the respondents claimed that the salary they received was lower than the average salary in the public sector and the same proportion complained of delays in receiving their salaries in a timely manner. Delays that last for several months are regularly reported. The AMA, together with the Parliamentary Media Committee, is pressuring the authorities to properly implement the Labour Code for journalists. However, institutional steps to ensure this implementation need to be more concrete.

(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 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, incidents have been registered in some protests and political demonstrations.

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

On property rights, progress has yet to be made towards improving the legal framework for registration, expropriation and compensation. In February 2019, the Parliament approved the Law on Cadastre. Albania should conclude first registration of property titles in all its territory. The decision on the registration and management of land located in the coastal area adopted by the government in November 2018 and contested by stakeholders has been amended. There are 572 cases pending before the ECtHR, most of which are related to property and due legal process in property-related cases. On 20 September 2018, the Committee of Ministers of the Council of Europe issued a Resolution in which it decided to close the monitoring of the Driza group and Manushaqe Puto cases. The total fund for compensating property owners amounts to approximately EUR 700 million. Around EUR 17

million have already been disbursed. Further progress is dependent on the budget allocation for integrated land management and on follow-up legislation. Prior to the creation of the State Cadastre Agency, the Agency for the Treatment of Property treated 3 000 applications in the course of 2018, while 6 950 are still pending.

On non-discrimination, the policy and legal framework is generally aligned with EU standards. The Law on protection against discrimination does not address the concept of multiple discriminations. The implementation of the anti-discrimination legal framework needs to be strengthened by the continuous provision of specialised training to judges and prosecutors. In 2018, the Commissioner for Protection against Discrimination (CPD) handled an increased number of cases of alleged discrimination (205 cases handled in 2018, against 173 in 2017), out of which 179 complaints and eight ex-officio. The Commissioner participated in 66 judicial proceedings (53 in 2017) and imposed seven penalties (against 11 in 2017). The local offices of the CPD, opened in three main cities, are now fully operational. 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. Three cases of hate speech were registered during the year, and related complaints were submitted to the CPD on minority, gender and sexual orientation grounds. Awareness campaigns were organised across the country, but much remains to be done to eliminate the stigma of being discriminated against, particularly in rural and remote areas.

The effective implementation of the national strategy and action plan 2016-2020 on gender equality is hampered by a persistent funding gap. At central level, the deputy Prime Minister has been nominated as the National Coordinator for Gender Equality. More efforts are required to ensure that the gender equality mechanism is fully operational and that all sectoral strategies at central and local level are gender mainstreamed and apply gender responsive budgeting. In July 2018, Albania progressed in tackling gender-based violence by amending the Law on Measures against Violence in Family Relations. The changes introduced are in line with the Istanbul Convention and the Convention on Elimination of all forms of Violence against Women. The law has strengthened protection measures for survivors of violence. It is important that implementation of the new legislative framework starts swiftly, as domestic violence remains a serious concern. In 2018, there was evidence of 4 951 cases of domestic violence. In 1 914 cases, the required investigative and procedural acts were referred to the prosecution office to initiate criminal proceedings. 608 alleged perpetrators were arrested, 77 were detained, and 688 prosecuted at large. 541 cases of other criminal offences related to family relationships were reported. In 2018, 60 women and girls were identified and referred to relevant services as victims or potential victims of human trafficking. While the number of local referral mechanisms for reporting gender-based violence has increased to 39 municipalities out of 61, efforts should be stepped up to set up and make these referral mechanisms functional in all municipalities. There are several women's organisations that operate shelters for victims of domestic violence, but they have limited hosting and financing capacity. Women from disadvantaged and marginalised groups, such as 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. In September 2018, the government adopted its first national action plan to transpose UN Security Council Resolution 1325 on women, peace, and security. During 2018, Albania's parliamentary subcommittee on gender equality and its Women Caucus continued to step up efforts in the area of gender equality legislation. A new health and psychosocial centre for victims of sexual abuse is now open and its service delivery standards have been adopted.

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. This new law requires a multi-sectoral preventive and responsive approach to all forms of violence against children. Several by-laws have also been adopted. The mandate of the State Agency on Child Rights and Protection (a dedicated state institution under the Ministry of Health and Social Protection) has now been reinforced. This constitutes an opportunity to build a strong child protection system in Albania. However, the resources awarded to this institution, both financial and human, do not correspond to its increased legal responsibilities. Moreover, the fact that social protection and child protection fall under the mandates of two different government agencies does not allow for a comprehensive approach to the implementation of the national childcare reform. Coordination between these bodies as well as the local governments and the Commissioner for Children's Rights should be improved. In October 2018, the Parliament of Albania adopted legal amendments to the country's civil registration law. The aim of these amendments was to remove barriers to birth registration and reduce the risk of childhood statelessness in Albania, particularly for children of Albanian parents born outside the country and for children of the Roma and Egyptian communities.

The National Council on the Rights and Protection of the Child was 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. Currently, there are 223 child protection workers in total (52% of the required number) out of which only 45 (26%) work full-time. The new law requires all child protection workers to have a background in social work. However, currently only 78 out of 223 (35%) have such experience.

There is growing evidence of child abuse and exploitation through the internet. Three ministries (Interior, Health and Social Protection, and Education) adopted a national action plan in 2018 to address these issues. However, capacities for investigation and prosecution of crimes against children committed through the internet need to be strengthened. The phenomenon of child marriage/union is still prevalent, particularly in Roma, Egyptian and rural communities. There is a lack of data and reporting on child poverty.

The legislative and policy framework on juvenile justice was strengthened with the approval of the National Justice for Children Strategy (2018-21) in September 2018. The strategy covers implementation of the Criminal Justice for Children Code. The strategy is based on the government's budgetary programmes. Implementing the new strategy and the Criminal Justice for Children Code adopted in 2017 will require a shift in administrative culture, considerable capacity building, specially adapted infrastructure, the establishment of community services, and inter-disciplinary/inter-institutional coordination at the central and local level. There are still structural gaps in juvenile justice in Albania. In February 2019, there were 31 juveniles in the Kavaja detention centre for minors.

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. Persons with disabilities continue to face difficulties in accessing education, employment, healthcare and social services and in participating in decision-making. There are also widespread difficulties in removing environmental and infrastructural barriers that hinder mobility. Since the adoption of the law on inclusion and accessibility in 2014, only three by-laws have entered into force, while most of the secondary legislation still needs to be adopted. 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 to 944 in the 2018/19 school year (compared to 700 at the end of the 2017/18 school year), but these assistant teachers need further tailor-made training. The number of children with disabilities in the education system has reached 4336, out of which only 652 children or 15% attend special schools. The assessment of disabilities is still based on an outdated medical model, but a new bio-psycho-social model of disability assessment is being piloted in two administrative units of Tirana with a view to reform the assessment system countrywide. Monitoring of how disability-related measures are being implemented is hampered by a lack of data.

Despite the fact that the Constitution does not include references to sexual orientation and gender identity, Albania's anti-discrimination 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. In 2018, 10 members of the transgender community sought asylum abroad due to severe discrimination. The national action plan for LGBTI persons (2016-2020) lacks a budget and is yet to produce visible results. An inter-ministerial team responsible for monitoring the action plan in Albania is operational and held its last meeting in January 2019 to take stock of implementation. Police officers, prosecutors and gender 'focal points' in line ministries have been given training on preventing discrimination on the basis of sexual orientation and gender identity. The donor-funded shelter for LGBTI persons has continued to provide care, support and advocacy to homeless LGBTI individuals. During the reporting period, there were no court rulings in cases related to sexual orientation and gender identity. In addition, 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. In March 2018, a hate-speech campaign against the LGBTI community developed on social media, with the active participation of members of the Parliament and a former minister. Despite strong statements from the international community, the response of equality bodies and state institutions was limited compared with the gravity of the campaign.

On procedural rights, the new Law on Legal Aid broadens the category of persons that benefit from legal aid, and introduces primary and secondary legal aid concepts. The rights of victims were strengthened through amendments to the Criminal Procedure Code in May 2017. Nevertheless, the legal aid scheme still needs to develop an outreach mechanism and promote access to its services. A directorate for free legal aid within the Ministry of Justice was supposed to be established by the end of October 2018 but this has not materialised. There continue to be reports of obstacles to access to justice and a lack of access to legal aid for vulnerable groups, including Roma, Egyptians, persons with disabilities, and persons with economic difficulties. The vast majority of cases involving vulnerable groups are still handled by civil society groups with donor support.

Albania demonstrated a strong commitment to promoting and protecting minority rights through the adoption of the framework Law on the Protection of National Minorities in 2017. However, Albania still needs to swiftly adopt the full package of related secondary legislation, in line with European standards. 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. As of May 2019, 5 bylaws related to the package have been approved. The adoption of the remaining bylaws is scheduled to be finalised by June 2019. The implementation of all the secondary legislation will require strengthening the capacity of the State Committee on National Minorities and providing sufficient financial resources. In October 2018, the Council of Europe's Advisory Committee on the Framework Convention

for the Protection of National Minorities adopted its fourth Opinion on Albania, which was published in March 2019. Concerns have been raised by the Greek minority in relation to property rights in the southern coastal area.

The implementation of the 2016-2020 national action plan for the integration of Roma and Egyptians is ongoing. The fourth policy dialogue seminar on inclusion of Roma and Egyptians took place in December 2018, and made a number of recommendations to be implemented throughout the coming 2 years. The structure of the Ministry of Health and Social Protection, in charge of the coordination of Roma-related policies, needs to be strengthened. In recent years, there has been a positive overall trend in Albania in the field of education. This is particularly the case with regard to compulsory education enrolment of Roma children aged 7-15 years (currently at 66%) and compulsory education completion (43%) by Roma. 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 (over 56% of economically active working-age Roma are unemployed). Informal employment among Roma accounts for 62% of total Roma employment. There is a need to review the national employment approach because it is not producing the expected results. Health insurance coverage for Roma in Albania remains low and gaps persist between Roma and the majority population. A new Law on Social Housing was approved by the Parliament in May 2018, which addresses shortcomings in the field of housing and forced eviction. The law requires a quota of 5% of housing to be reserved for the most vulnerable members of the Roma and Egyptian communities. The related sub-legal acts still need to be enacted. In 2018, there were 424 Roma families that benefited from projects to improve housing conditions (508 in 2017). Albania is still the country with the region's lowest rate of access to piped water (46%) and electricity (84%) by the Roma population. Legal amendments to the country's civil registration law in October 2018 have allowed the regularisation of 157 unregistered children. Overall access to public services for Roma remains difficult, particularly in rural areas. An electronic data collection system, ROMALB, is operational and used by all local governments.

On **citizens' rights**, in January 2019 Albania took steps to amend the Law on Citizenship, which would potentially establish 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

Albania has some level of preparation / is moderately prepared in implementing the **acquis** in this area. Some progress was made in improving the institutional capacity on border management, asylum, countering terrorism and violent extremism. Albania signed a European Border and Coast Guard status agreement with the EU. Reception capacity to deal with mixed migration flows was further improved. Organisational changes in law enforcement agencies introduced in the previous reporting period were implemented. The number of unfounded asylum applications lodged by Albanian nationals in the EU has decreased but remains high and requires continuous and sustained efforts. These efforts should include addressing the phenomenon of unaccompanied minors.

In the coming year, Albania should in particular:

- further develop the systematic use of parallel financial investigations when dealing with organised crime, illicit trafficking, terrorism, and money laundering;
- implement the recommendations of the report from the Council of Europe’s Committee of experts on the evaluation of anti-money laundering measures and financing of terrorism (Moneyval) on preventing money laundering and countering terrorism financing;
- further step up measures to address effectively the problem of unfounded asylum applications in the EU through addressing the ‘push factors’ behind it, improving border checks and organising information campaigns on the rights and obligations of visa-free travel, continuing the relevant cooperation and dialogue with the most affected EU Member States.

Fight against organised crime

The country has some level of preparation in implementing the *acquis* in this area. Good progress was made in meeting last year’s recommendations. Police operations to dismantle criminal organisations have been intensified. In recent years, Albania has consistently shown a strong commitment to counter the production and trafficking of cannabis. Albania allows airborne monitoring by an EU Member State (aerial surveys by the Italian *Guardia di Finanza*, co-financed by the EU). In the past two crop seasons, aerial surveillance has found that almost no cannabis has been cultivated open-air in Albania. International police cooperation, especially with EU Member States, has also intensified, leading to a number of successful large-scale law enforcement operations. These steps represent tangible progress in meeting last years’ recommendations on improving the track record on fighting organised crime. The ‘Power of law’ special task force has promoted stronger police/prosecutor cooperation, which should also be expanded to other relevant agencies and bodies. Some progress was also made on aligning relevant legislation with European standards and best practices, and on seizures of criminal assets. Efforts need to continue to ensure increased prosecutions and final convictions, and more effective destruction of cannabis stockpiles. 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:

- make further tangible progress in effectively dismantling organised crime groups, issuing deterrent sentences, taking away the proceeds of their crimes through asset confiscation, and addressing money laundering;
- establish or designate an asset recovery office/agency in line with the EU *acquis* that is in charge of the identification and tracing of criminal assets;
- adopt a new strategy and action plan on drugs, fill-in the legislative gap on drug precursors, and intensify the fight against the trafficking of hard-drugs;
- adopt a cybercrime strategy and establish a more effective law-enforcement response focusing on the detection, traceability and prosecution of cyber criminals.

Institutional set-up and legal alignment

There are 10 145 officers in the Albanian State Police (ASP), equivalent to 374 officers per 100 000 inhabitants, compared with the EU average of 318 per 100 000 people in 2016 according to Eurostat. Albania reorganised its police structures in March 2018, separating management and administrative functions from operational and investigative ones. The reorganisation also merged relevant sectors, such as those dealing with money laundering and

criminal assets. The restructuring involved the reallocation of human, logistics and financial resources. Albania should establish or designate a specialised structure (asset recovery office) in line with the EU *acquis* that is in charge of the identification and tracing of criminal assets. This should further increase the effectiveness of the national asset recovery system and facilitate operational cooperation with asset-recovery offices in EU Member States. In December, the ASP law was amended to allow for the recruitment of military personnel. All the army ranks are now administratively equal to police ranks. The recruitment of military staff could have an impact on the career and promotion system within the ASP.

The multi-disciplinary special task force set up in the framework of the ‘Power of law’ action plan was operational throughout 2018. Within the task force, cooperation between the ASP and the General Prosecution Office (GPO) has proven to be efficient. The proactivity of law enforcement has been improved and its ability to conduct parallel financial investigations has increased. The legal framework has been further aligned with the *acquis*. Albania has a robust legal framework for confiscation of criminal proceeds. Some legal amendments on unjustified wealth have not yet been adopted. These include 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 *acquis* developments in this area.

The Law on re-evaluating (vetting) officers of the ASP, Republican Guard, and Service for Internal Affairs and Complaints at the Ministry of Interior was approved in March 2018 and amended in March 2019. The evaluation will be based on personal integrity, professional capacity and verification of officers’ assets, and will affect around 12 000 officials. Approximately 250 officers of all ranks have already resigned before this vetting began. In January 2019, the government allocated funds for the salaries and expenses of the vetting bodies. In February 2019, the selection board finalised the list of candidates for the External Evaluation Commission and the Technical Secretariat. On the strategic framework, Albania has a cross-cutting strategy on organised crime, illicit trafficking and terrorism (2017-2020). It also has an action plan on the fight against organised crime (the ‘Power of law’ action plan). The new strategy and action plan on the fight against trafficking in human beings for 2018-2020 was approved in December 2018.

Implementation and enforcement capacity

On Albania’s track record for investigations, indictments, and convictions on organised crime, in 2018 and the first quarter of 2019 there was an increasing number of large-scale police operations, targeting organised crime groups. These operations were also helped by closer cooperation with EU Member States. Several police operations resulted in multiple arrests, and a number of important indictments and convictions took place. These operations resulted in the arrest and prosecution of known leaders of organised criminal groups. In November 2018, the first instance Serious Crimes Court sentenced an Albanian criminal leading a structured criminal network. In January 2019, a major police operation resulted in the arrest of an Albanian national who was wanted for being the alleged leader of a well-known criminal group. The subject is now facing charges for participation in a criminal group, drug trafficking, and money laundering. In February 2019, a joint operation between Albanian and Italian law enforcement authorities against four criminal groups resulted in the arrest of 27 people (21 of whom were Albanians) for drug trafficking. In March 2019, the Serious Crimes Court issued a final decision on a criminal organisation that in 2017 trafficked 2.5 tonnes of drugs to Italy. In May 2019, one of the biggest drug traffickers in Albania was sentenced to 10 years of imprisonment for drug trafficking, participation in a criminal group, concealment of assets and money laundering. In the same month, Albanian and Greek law

enforcement agencies carried out a coordinated operation against an organised criminal group involved in international drug trafficking. The operation resulted in 61 arrests, of which 26 were made in Albania. Another police operation followed few days later, whereby thirteen people were arrested as part of a criminal group involved in drug trafficking from Albania to Greece.

Overall, the number of new cases related to criminal organisations and structured criminal groups referred to prosecutors increased from 34 in 2017 to 51 in 2018. However, the number of final convictions remains very limited. In 2017, there was one case with eight final convictions, while in 2018 there were two cases with five final convictions. On indictments for organised crime, there were seven in 2017 and five in 2018. There are still several cases every year that are initially reported as organised crime cases, but subsequently transferred to local prosecutors' offices (therefore not legally considered organised crime cases anymore) or dismissed for lack of evidence and/or due to the poor quality of the referrals. Statistics on serious crimes that are not linked to criminal organisations and structured criminal groups indicate a large percentage of crimes related to the production and cultivation of narcotics. Narcotics-related cases accounted for 66.5% of such crimes in 2016, 72.3% in 2017, and 68.9% in 2018. Narcotics-related cases were followed by money laundering; trafficking in vehicles; money counterfeiting and forgery; and trafficking in human beings. In these cases, there is also a serious gap between the numbers of new referrals and final convictions.

Following the conclusion of the 2013 agreement on operational and strategic cooperation with Europol (and the updated framework amended in September 2018), Albania has taken further steps to strengthen international police cooperation with EU law enforcement agencies and Member States. The reinforced international law enforcement cooperation led to several large operations, which resulted in the dismantling of some prominent organised criminal groups, as also highlighted above. In November 2018, a liaison agreement on the secondment of a Europol liaison officer in Albania was ratified and it has now entered into force. The ASP continued to assess the main organised crime threats in line with Europol methodology. A growing number of messages are exchanged through the Europol Secure Information Exchange Network Application (SIENA): in 2018, a total of 8,960 messages were exchanged between Albania and Europol in this way, 28% more than in 2017. However, Albania should become more proactive in international police cooperation and make more use of Europol's strategic intelligence products. Albania's law enforcement authorities should make use of regional initiatives, such as the Joint Operational Office in Vienna, and the Task Force Western Balkans, which serve as a regional operational platform for international investigations into migrant-smuggling organised crime groups. In 2018, Albania took part in the annual planning of the operational activities under the European multidisciplinary platform against criminal threats (EMPACT). Albania should also enhance its participation in the different priorities of the EU Policy Cycle on serious and organised crime. There have been positive developments in the cooperation with Interpol. The Albanian Security Academy also cooperated with CEPOL and other international agencies and academies.

On domestic operational capacity, legal and institutional reforms have strengthened law enforcement and security institutions. These reforms have been particularly helpful in enabling the establishment of the special task force under the 'Power of law' action plan. However, law enforcement authorities' response to organised crime is often delayed, limited, and still conducted in a reactive rather than proactive way. This is due to a combination of factors: inadequate resources; undue influence and pressure on law enforcement; frequent and unjustified turnover of State Police personnel; low salaries; and limited equipment made available to the judicial police. Albania is encouraged to further establish joint investigation teams, and to step up the use of special investigation techniques and proactive investigations.

Police and prosecutors have been granted access to additional national registries (40 in total). However, they still lack direct access to some key national registries, including the electronic register of mobile phone subscribers. Steps have been taken to improve cooperation and mutual trust between police, prosecutors and other relevant agencies and bodies to detect and investigate complex criminal cases. This has led to operational results. Investigations of large criminal networks should be started proactively and in a more systematic way.

Parallel financial investigations are not systematically conducted in criminal proceedings, and their effectiveness is limited. Albania should ensure appropriate measures to initiate financial investigations in a systematic manner in all proceedings involving assets derived from organised and serious crime, including drug trafficking and terrorism. Law enforcement structures and prosecution offices should be given further training in financial investigation techniques to improve their capacity to investigate unjustified wealth.

Some progress was made on seizures of criminal assets. It is crucial that seizures are followed by final decisions on confiscation. The number and value of asset confiscations in criminal proceedings are limited. In fact, the non-conviction-based confiscation regime under the anti-mafia law is more widely used than the criminal confiscation regime pursuant to Article 36 of the Criminal Code, which is mandatory and applies to all criminal offences. In domestic proceedings, there is no strategic or systemic approach to identify and confiscate criminal assets located abroad. Albania has developed tools for freezing, managing and confiscating criminal assets through amendments to the anti-mafia law. These tools include the possibility of non-conviction-based confiscation and third-party confiscation. However, Albania should focus on adopting and implementing rules on extended confiscation and precautionary freezing of assets. Albania should also urgently improve its capacity to manage frozen or confiscated assets so that they do not lose economic value. A national asset recovery strategy is currently being drafted.

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 within the country and in some EU Member States. The Prosecutor's Office registered 30 new criminal proceedings for trafficking in 2017 and 21 in 2018. Most of the referrals involved adults. The number of final convictions remained very low (9 in 2017 and 3 in 2018). In 2018, there have been 94 victims of trafficking (VOTs) and potential victims of trafficking (PVOTs) who were identified and assisted. Cooperation between the police and prosecutors during investigations improved and administrative procedures were simplified. NGO-run shelters are underfunded and the government does not consistently conduct victim-centred investigations and prosecutions. Albania is encouraged to conduct financial investigations related to trafficking in human beings cases; ensure early identification of VOTs; improve cross-border and international cooperation; contribute to successful reintegration of victims; and provide child victims of trafficking with adequate protection. The improved legislative framework for VOTs, including amendments to the Criminal Procedural Code, has yet to be implemented. The national referral mechanism for VOTs/PVOTs was fully functional. In August 2018, the government adopted new standard operating procedures for the protection of VOTs/PVOTs. These procedures provide for the identification, referral, protection and assistance of VOTs/PVOTs, including children. Albania should strengthen its criminal justice system and

step up efforts to prevent trafficking in human beings. It should pay particular attention to unaccompanied children and child victims of trafficking.

On trafficking in weapons, large numbers of military-grade firearms are available in Albania. These firearms are used by Albanian criminal groups and are trafficked primarily to neighbouring countries. Albania is also a destination and transit country for light firearms. There were 5 new criminal cases in 2017 and 11 in 2018. The number of final convictions were 59 in 2017 and 34 in 2018. Albania participates in Europol operational activities within the EMPACT on firearms. Albania should finalise the establishment of the firearms focal point in the ASP.

Cybercrime and internet fraud in particular remain a concern. The number of registered criminal proceedings related to computer fraud increased. Final convictions for cybercrime have thus far remained low: one in 2018 and five in 2017. Albania should adopt a cybercrime strategy and establish a more effective law enforcement response focusing on the detection, traceability and prosecution of cyber criminals.

Albania has a large informal sector and its economy is primarily cash-based. Crimes that generate large amounts of money in Albania include drug trafficking, tax evasion, smuggling and human trafficking. The main money laundering methods are illegal gambling establishments, exploitation of exchange houses, and cross-border transportation of currency. The Moneyval report published in December highlighted a number of deficiencies in the Albanian system for tackling money-laundering and terrorist financing. Albania has been placed under enhanced follow-up, and should implement without delay the recommendations of the Moneyval report to avoid a possible 'grey-listing' by the Financial Action Task Force in February 2020. The government adopted an action plan in September to address these recommendations; its implementation has been so far in line with the planned deadlines.

In 2017, 309 cases on money laundering were referred to prosecutors, against 257 in 2018. The number of convictions for money laundering at appeal level remains low (2 in 2017 and 10 in 2018). Limited law-enforcement resources, weak legal institutions, corruption, and a largely cash-based economy with substantial informal sectors all make Albania vulnerable to money laundering. The witness protection programme within the ASP has worked satisfactorily. In 2018, it implemented 17 witness protection programmes. 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 Interior and Ministry of Health and Social Protection/Institute of Public Health are the main bodies in Albania in charge of fighting drug trafficking and preventing drug abuse respectively. Albania still has no national drug observatory and no functional Early Warning System on new psychoactive substances. In May 2018, Albania adopted the national plan against cannabis cultivation and trafficking 2018-20. The national drug strategy and action plan 2012-2016 expired, and a new strategy and action plan remain to be adopted.

Implementation and enforcement capacity

On the track record, in 2018 the police submitted to prosecutors 1 907 cases of drug production and trafficking involving 2 357 possible offenders. This was 164 cases and 128 people fewer than in 2017 (when there were 2 071 cases and 2 485 possible offenders). In 2018, the Prosecutor's Office registered 1 524 drug production and trafficking cases (against

1 766 in 2017). Most of these cases were dismissed or suspended, and 532 cases resulted in indictments. Some 685 offenders received final convictions in 2018 (570 in 2017).

Albania has been a source country for herbal cannabis trafficked into the EU. It is also increasingly a transit country for cocaine and heroin. However, the coordinated approach between Albanian institutions, cooperation with Member States (especially with Italy in carrying out airborne monitoring of the Albanian territory), and checks by the Albanian police have brought positive results. In 2018, there was a significant decline in the number of cannabis crops detected by the airborne surveillance campaign carried out by the Italian Guardia di Finanza and co-financed by the EU (675 plants detected by the airborne campaign were destroyed in 2018 compared with 4 844 in 2017 and 753 468 in 2016). In addition to airborne surveillance, the police carried out helicopter and drone monitoring of suspicious areas, and was active in inspecting greenhouses and warehouses. Compared with 2017, in 2018 there were 24% fewer cannabis-cultivation plots detected and almost 46% fewer plants destroyed (67 000 plants destroyed in 2017 against 36 000 in 2018). Most of the cannabis plants were identified by the ASP during land operations. While the quantity of cannabis seized in 2018 was almost 75% lower than in 2017, there was a substantial increase in seizures of cocaine (from 3.7 kg in 2017 to 630.5 kg in 2018), heroin (from 21.5 kg in 2017 to 24 kg in 2018), and hashish oil (from 7.1 litres in 2017 to 51.7 in 2018). The main points of entry for Albanian cannabis into the EU are the Adriatic Sea coast and the EU's external border with the Western Balkans. 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 seized quantity is not yet in place. An appropriate process for the destruction of precursors has yet to be set up. A new laboratory for collecting and analysing data allows for faster processing and response on the destruction of the plants.

Albania is a transit and storage country for heroin and cocaine. Seizures of hard drugs increased considerably in 2018. Since the large seizure of 613.4 kg of cocaine from Colombia in February 2018, there have been several significant operations conducted by Albania all over the country. In October, a nationwide coordinated operation led to 44 arrests and the dismantling of a heroin lab in Has, with 182.5 kg of morphine seized.

Cooperation continued with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). In March 2019, Albania signed a working arrangement with the EMCDDA. This agreement will facilitate information exchange between the EU and Albania and capacity building activities. It will also contribute to the development of data collection and reporting on drugs.

The list of precursors for which the production, trafficking and possession is illegal in Albania has not been updated since 1995 when Albania ratified the United Nations Convention on Psychotropic Substances. This leaves many such activities without criminal penalty.

Fight against terrorism

Institutional set-up and legal alignment

The Counter-Terrorism Directorate of the ASP is the lead body on counter-terrorism. Other agencies active in this field are the State Intelligence Service and the Defence Intelligence and Security Agency. In addition, the State Police's community policing personnel are involved in preventing radicalisation and combating violent extremism. In June 2018, the office of the National Coordinator for countering violent extremism (CVE), who is charged with overseeing the implementation of the national strategy for CVE, was upgraded to a National Coordination Centre for CVE, under the lead of the National Coordinator.

Albania has a comprehensive legal framework for preventing and combating the financing of terrorism. The country is a party to all Council of Europe conventions on counter-terrorism, including those covering the seizure and confiscation of the proceeds from crime and financing of terrorism. Albania has national counter-terrorism strategies on CVE and the prevention of violent extremism. In October, the country signed the joint EU-Western Balkans action plan on counter-terrorism, which sets out concrete steps for enhanced cooperation in countering terrorism and preventing radicalisation over the next two years. Albanian authorities have been cooperating with the EU in identifying priority actions for Albania to implement the related bilateral action plan. Albania should proactively implement the Albanian counter terrorism strategy, the Albanian CVE strategy and its action plans.

Implementation and enforcement capacity

On the track record, in 2017 there were 7 new proceedings, while in 2018 there were 4 new proceedings. In both years, there were no convictions. A number of deficiencies remain in the Albanian system for tackling terrorist financing. No Albanians are reported to have left the country to become foreign fighters since 2015. Some 45 individuals have returned from fighting in Syria, while 26 are believed to have died, and 73 remain in Syria. The Counter-Terrorism Directorate has continued to improve its capacity through specialised training, personnel and equipment. However, its operational and logistical capacity remains limited, in particular for special investigations and operations such as surveillance and interceptions. The upgraded CVE Centre is working with different line ministries and local authorities in the implementation of the CVE strategy. The Centre should be provided with sufficient funding, staff and political support to perform its tasks effectively.

On international cooperation, regional cooperation and exchange of sensitive information with international partners was satisfactory. A protocol on cooperation in the fight against terrorism was signed with North Macedonia in February 2018. Albania cooperated swiftly with Interpol on urgent verifications of suspected terrorists following attacks in EU Member States. Cooperation with Europol was satisfactory. However, Albania should make more proactive use of Europol's European Counter-Terrorism Centre, which has useful communication platforms, products, services and capabilities. Links between organised crime and terrorism should continue to be investigated.

The government needs to develop programmes to reintegrate returning foreign terrorist fighters and their families. Efforts are also needed to improve the programmes to prevent radicalisation in prisons, and strengthen the monitoring mechanisms involving civil society and religious communities. Online radicalisation content in Albanian is on the rise. The authorities need to enhance their online monitoring and response capacities, and enhance their efforts to empower civil society to develop positive and alternative narratives online. The government also needs to step up efforts to counter external influences, including financial flows that could lead to further radicalisation. Albania is actively participating in the implementation of the Western Balkan counter-terrorism initiative (WBCTi).

Legal and irregular migration

Institutional set-up and legal alignment

The Ministry of Interior is the main actor in the field of migration. The main bodies under its supervision in implementing migration policies are the Department of Border and Migration of the General Directorate of the ASP, and the Directorate of Anti-Trafficking and Migration. On legal and labour migration, other actors are the Ministry of Finance and Economy and employment offices active at local level. The legal framework on migration needs to be further aligned with recent developments in the *acquis*. Negotiations on readmission

agreements (agreements to return irregularly staying migrants with no right to stay to their country of origin) are ongoing with Russia, and were signed in 2018 with Morocco, Afghanistan, Iraq and Iran. There are readmission implementing protocols with 12 Member States. The implementation protocol with Spain was signed in May 2018.

In June 2019, Albania plans to adopt the national strategy on migration governance and its action plan covering 2019-22, providing a clear framework to better manage and coordinate migration flows. The national strategy for the diaspora 2018-24 and its action plan were adopted in May 2018. As part of the broader policy area of migration and development, efforts to engage the diaspora should continue. The status agreement with the EU on the deployment of the first European Border and Coast Guard's teams entered into force on 1 May. It will allow the European Border and Coast Guard Agency (EBCGA) to assist the Albanian authorities in external border management. The Status Agreement was swiftly operationalised through the deployment of first EBCG teams on 22 May. This will also strengthen border controls and the fight against migrant smuggling.

Implementation and enforcement capacity

The number of irregular migrants arriving in Albania and trying to reach EU Member States increased significantly in 2018 (5 730 in 2018 against 1 047 in 2017). By far the largest group were Syrian nationals, followed by Pakistani and Iraqi nationals. The migratory flows were largely of a transitory nature, with most migrants arriving from Greece and leaving Albania after a couple of days.

Albania's reception capacity to accommodate migrants was sufficient. Its reception centre for irregular migrants in Karreç, with a total capacity of 150 beds, requires refurbishment. The country still does not have facilities for unaccompanied minors. Alternatives to detention should be put in place for children, women at risk, and people with serious medical conditions, as provided for in the Law on foreigners. Border police staff should be trained in identifying vulnerable categories of people and referring them for assistance. Albania is updating its contingency plan for a possible mass influx of migrants and asylum seekers. The plan, initially drafted in 2015, was never formally approved by the government.

The overall staffing of the State Police's Department for Border and Migration is limited (1 635 employees) and needs to be increased. Albania should continue to ensure appropriate training of its border police staff in compliance with basic training standards for EU border guards. The number of irregular migrants with no right to stay that returned from Albania to their country of origin remained low. In 2018, 1 044 irregular migrants received an order to return to their country of origin, compared with 683 in 2017. Most of them were returned (mainly to Greece) with a voluntary departure order. There were also reports of informal returns (pushbacks) to Greece. Albania is encouraged to apply the return procedures in a way that is compliant with the Law on foreigners and to ensure that its return mechanism for irregular migrants is in line with the EU *acquis*.

The readmission agreement with the EU, in force since 1 May 2006, is being implemented in a satisfactory manner, with Albania swiftly honouring readmission requests from Member States both for own and third country nationals. Albanian nationals ordered to leave are effectively returned. The cooperation between Albania and the EBCGA in the area of return operations is very good. In total, from 2016 to 2018, 254 return operations were organised to Albania and a total of 10 043 Albanian nationals were returned. In 2018, the EBCGA coordinated 81 return operations to Albania, returning 2 953 Albanian nationals. Additional efforts are required to provide reintegration support to returned Albanian citizens. Training of staff working at the migration counter and regional employment offices should be strengthened.

Asylum

Institutional set-up and legal alignment

On paper, the country has the necessary institutions in place to handle asylum claims. Appeals can be lodged in principle with the National Commission for Refugees and Asylum. However, the Commission was not functional in 2018. This issue should be addressed swiftly and the Commission reactivated. Judicial appeals can be lodged at the administrative courts. Procedural safeguards to guarantee fair procedures for the most vulnerable individuals should be improved through cooperation by the Ministry of Interior with other relevant ministries. The instruction regulating pre-screening and detention should be revised and aligned with international standards. The revised version should include: procedural safeguards for vulnerable persons, and provisions on the identification, referral and protection of children and persons with special needs. It should align its content with the new Law on child protection, and refer specifically to compliance with the non-refoulement principle and language rights. Albania is party to the 1951 Geneva Convention. The current Law on asylum is partially aligned to the EU *acquis*.

Implementation and enforcement capacity

The number of asylum seekers in 2018 increased more than tenfold compared with 2017. In 2018, 4,386 individuals applied for asylum in Albania, against 309 in 2017. As most asylum seekers leave the country after a few days, the vast majority of asylum requests are not further processed. In 2018, there were 105 decisions, with three refugee-status recognitions, and 13 subsidiary protections awarded.

On the asylum procedure, asylum requests are recorded by the Border and Migration Police during pre-screening and are then referred to the Directorate for Asylum and Citizenship. Although the sharp increase in arrivals in 2018 was met with a generally adequate response by the authorities, the capacity and staffing of the Directorate for Asylum and Citizenship need to be enhanced. Some asylum seekers faced considerable delays in the treatment of their cases. To adhere to legal timeframes, a more proactive approach by the Directorate for Asylum and Citizenship is needed to process applications by asylum seekers that have remained in the country. More training is needed on how to assess individual claims, particularly the assessment of information on country of origin and cases involving vulnerable people. Access to information about asylum procedures and interpretation has improved but should be guaranteed without exception. Electronic, biometric and fingerprint data management needs to be strengthened, and border crossing points interconnected.

There is consensus among stakeholders that the pre-screening instructions should be amended to include additional safeguards, and involve the participation of other relevant ministries, notably for vulnerable persons and persons with specific needs. More direct input from the Directorate for Asylum and Citizenship, with regular attendance at interviews and support to the police, would improve the whole asylum procedure.

Albania has tripled its reception capacity for asylum seekers since October 2017. The total number of places, including at the National Centre for Asylum Seekers in Tirana and temporary accommodation facilities in Gjirokastra and Shkodra, now stands at 400 bed-places. As most asylum applications were withdrawn after a few days, the increased capacity has so far been sufficient. Provisions were made to set up emergency camps for 500 people in Gjirokastra and 100 people in Korça in the event of a massive influx. The reception conditions were generally adequate. A reception centre for vulnerable groups has been made available in Gjirokastra. In light of the increased number of unaccompanied and separated

children, a mechanism needs to be put in place for their effective and timely identification and referral.

The status of some 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 on an informal basis with the European Asylum Support Office (EASO).

isa policy

Albania's visa policy is not yet aligned with the EU's, including with the EU lists of countries whose nationals require a visa and those who are exempt from this requirement. Albania has a visa free regime with Kazakhstan, Kuwait, and Turkey, which are not on the EU's visa-free list. Between April and October, Albania lifts its visa requirement for citizens from Bahrain, Belarus, China, Oman, Qatar, Russia, Saudi Arabia and Thailand, a practice which is not in line with the EU *acquis*. In order to ensure a well-managed migration and security environment as the underlying condition for the continuous fulfilment of the benchmarks, the country needs to ensure alignment with the EU visa policy. Albania has in place an e-visa system, used to register all foreign nationals applying for a visa when entering Albania. The system is provided by TIMS software (total information management system).

Overall, the visa liberalisation benchmarks continue to be fulfilled. Good progress was achieved in the implementation of actions to tackle irregular migration. Albania continued to strengthen its operational cooperation with the Member States most affected by irregular migration from Albania, including through information exchange on Schengen entry bans and information campaigns on the rights and obligations of visa-free travel. Cooperation with France, in particular, has intensified. Following the signature in December 2017 of an agreement with France on strengthening operational police cooperation, four Albanian police liaison officers were posted to France to support French law enforcement authorities in investigating criminal cases where Albanian nationals are involved. Repatriation operations of unfounded Albanian asylum seekers are organised in full cooperation and coordination between the two countries (a recent operation in April involved the repatriation of 50 people from France).

The number of manifestly unfounded asylum applications in Member States and Schengen-associated countries decreased but remained high. The number of asylum applications fell by almost 15% (from 26 020 in 2017 to 22 170 in 2018). In France, which remained the main receiving country for Albanian asylum applicants, the number of applications fell by 20% (from 12 130 in 2017 to 9 680 in 2018). In Germany, the number of applications decreased by 52%. Another important destination country is Greece, with 3 325 applications. In 2018, the recognition rate (i.e. the number of successful asylum applications expressed as a percentage of all decisions) in the EU Member States and Schengen associated countries was around 7.6% (made up of a subsidiary protection rate of 4.7%, a refugee status rate of 1.7%, and a national protection status of 1.2%).

Albanian nationals remained the largest group of asylum seekers from visa-free Western Balkan countries. Albanian nationals also had the highest number of illegal stayers and cases of illegal entry. Albania has implemented measures to prevent abusive asylum applications. These include tighter checks at border crossing points, more thorough exit interviews and information campaigns. In 2018, 20 255 Albanian citizens were refused permission to exit the Albanian territory at border crossings compared with 12 175 in 2017 (an increase of 59%). Border surveillance was intensified for the prevention of illegal crossing of borders. In 2018, 2 158 Albanian citizens were detected attempting to illegally exit the Albanian territory, 24% more than in 2017. Albania needs to continue and strengthen its efforts to tackle the

phenomenon of unfounded asylum applications and address the ‘push factors’ behind it. Immediate and determined action should be taken under the post-visa liberalisation monitoring mechanism.

There has been a large increase in the number of seized forged EU passports, used mostly by Albanian nationals to reach destinations in the EU. In December, 39 persons were apprehended with fake passports. In February, a major police operation resulted in the arrest of 32 persons suspected of being part of a criminal organisation involved in the falsification of travel documents for citizens travelling to EU countries, the US and Canada.

Unaccompanied minors from Albania travelling to EU Member States remain a matter of great concern. The ASP continued to carry out tight checks on children travelling abroad with one or both parents. The Albanian authorities should continue to work closely with the most affected Member States. Increased attention should be given to the successful reintegration of returnees, especially the most vulnerable, such as Roma and Egyptians. A new strategy document on reintegration of returnees and clear definition of responsibilities for its implementation is needed following the expiration in 2015 of the previous strategy for reintegration. Better communication and coordination is required between ministries, local government, international organisations and NGOs active in the reintegration of returnees.

Schengen and external borders

Institutional set-up and legal alignment

The Law on border control and associated implementing by-laws are aligned with the *acquis*. However, the legislative framework for the management of Albania’s external borders is not yet fully aligned with EU standards. The 2014-2020 integrated-border-management strategy and action plan is broadly aligned with European standards.

Implementation and enforcement capacity

Implementation of the integrated-border-management strategy and action plan continued smoothly. The focus of this implementation was on the regulatory and institutional framework; human resources and training; communication and exchange of information; and infrastructure and equipment for border control and surveillance. The reconstruction of the Hani i Hoti and Morinë border crossing points with Montenegro and Kosovo* was completed in the summer of 2018. In April 2018, Albania signed a protocol with Montenegro for the implementation of joint border checks at the shared Zatriebačka Cijevna-Grabon crossing point. In December, the agreement with Montenegro on the opening of the joint Zogaj-Skje/Ckla crossing point entered into force. The trilateral centre in Plav has been operational since July. In December, Albania concluded an agreement with Kosovo on the shared border crossing point at Morinë. This agreement regulates the border checks at the shared border crossing point and entails joint control activities in line with the concept of integrated border management.

The integrated sea surveillance system of radars for the ‘blue’ (sea) border is operational. Overall, more resources need to be devoted to modernising border infrastructure and increasing surveillance of the ‘green’ (land) and ‘blue’ borders. The TIMS database system is interconnected with Interpol’s system. The automatic generation of alerts through the Interpol system enables border police to identify internationally wanted persons, stolen vehicles, or lost/stolen travel documents. Albania should continue risk-analysis training at all levels and

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

ensure sufficient training for border police. In particular, it should include protection-sensitive migration management in the curriculum of the Police Academy.

Inter-agency cooperation improved. Joint and integrated 'blue' border patrols were conducted regularly between the Albanian Navy, the Coast Guard and the Border and Migration Police. Cooperation between border guards and customs worked well, including on mutual access to databases. The border police's investigative powers need to be strengthened, in particular to detect cases of people-smuggling and trafficking. In October 2018, Albania signed the status agreement with the EU, which will allow the deployment of EBCG teams with executive powers for joint operations with Albanian authorities on Albanian territory. The status agreement will also ensure better management of irregular migration. Albania actively participated in the Western Balkan risk analysis network. Operational cooperation with neighbouring countries continued to be good, although efforts to improve bilateral cooperation must continue.

Albania is planning to introduce the United States-sponsored personal identification secure comparison and evaluation system (PISCES) at its border crossing points. Albania should ensure that PISCES is set up and operated in a manner consistent with the EU *acquis*. The installation of cameras at the border crossing points has helped to reduce corruption at the borders. The adoption and application of standard operating procedures set out detailed procedures and strict deadlines for service delivery and resulted in lower corruption. In 2018, the Department for Border and Migration decided on disciplinary measures against 139 police and migration officers, of which 34 were removed from the police and 105 were sanctioned with disciplinary measures. In 2017, there were far fewer disciplinary measures (65). Some 27 police and migration officers were removed from their jobs in 2017.

Judicial cooperation in civil and criminal matters

Albania continued to intensify judicial cooperation in criminal matters, including with EU Member States. Albania signed a cooperation agreement with Eurojust in October 2018, which will allow for the exchange of personal data on operational cases. However, additional steps are still necessary for the agreement to enter into force. In 2018, Albania was involved in 8 Eurojust cases (against 4 in 2017), mainly dealing with drug trafficking and crimes against life, limb or personal freedom. Albania participated in one joint investigation team supported by Eurojust. A concrete result of the cooperation with Eurojust was the arrest of 43 people involved in a large drug trafficking case, thanks to a joint investigation team created by Italy and Albania with the support of Eurojust.

On judicial cooperation in civil matters, in 2017 Albania received 200 requests and sent out 104 requests of mutual legal assistance, against 383 and 218 respectively in 2018. On judicial cooperation in criminal matters, in 2017 the country received 1 311 requests and sent out 1 177 requests for mutual legal assistance, compared with 1 096 and 1 330 respectively in 2018. The country issued 89 extradition requests and received 181 in 2017, against 160 and 115 respectively in 2018. There were eight incoming and eight outgoing requests for transfers of criminal proceedings in 2018 (compared with three for both kinds of requests in 2017).

Albania needs to further improve international cooperation, the timely implementation of multilateral instruments, and its institutional capacity. Further efforts are necessary to align legislation with the *acquis* and promote the exchange of best practices in judicial cooperation.

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

3. FUNDA EN ALS FIRS EC N IC DE EL P EN AND C PE I I ENESS

Albania key economic figures	2010-15 average	2016	2017	2018
GDP per capita (% of EU-28 in PPS)	30.4	31.2	31.7	32.2
Real GDP growth	2.2	3.4	3.8	4.1
Economic activity rate of the population aged 15-64 (%), total	62.9*	66.2	66.8	68.3
<i>female</i>	53.2*	58.3	57.7	59.7
<i>male</i>	72.8*	74.1	75.8	76.9
Unemployment rate (%), total	16.4**	15.6	14.1	12.8
<i>female</i>	14.7**	14.6	12.8	12.3
<i>male</i>	17.7**	16.4	15.1	13.2
Employment (annual growth %)	1.5	6	2.7	2.1
Nominal wages ¹ (annual growth %)	5.2	-0.8	3.0	:
Consumer price index (annual growth %)	2.2	1.3	2.0	2.1
Exchange rate against EUR	139.5	135.2	133.0	123.4
Current account balance (% of GDP)	-11.6	-7.6	-7.5	-6.6
Net foreign direct investment, FDI (% of GDP)	8.6	8.8	7.8	7.9
General government balance (% of GDP)	-4.0	-1.8	-2.0	-1.5
General government debt (% of GDP)	64.7	72.3	70.0	67.3

Source: Eurostat and national sources

Notes: * 2014-2015

** 2013-2015

¹ average gross monthly wages

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 EU.

Economic governance has become even more important in the enlargement process in recent years. The Commission's monitoring involves two processes: the economic reform-programme process, and the assessment in the pages below of compliance with the economic criteria for accession. Each enlargement country prepares an economic reform programme (ERP) every year, 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, 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 in developing a functioning market economy. Economic growth increased further and unemployment decreased even though it remains high. Exports grew solidly and the current-account deficit narrowed. The high public-debt-to-GDP ratio continued to fall. The stability of the financial sector improved, as banks continued to reduce non-performing loans. However, lending to the private corporate sector remained muted and the high use of foreign currency in the domestic market persisted. Steps have been taken to develop the non-banking financial market. The comprehensive judicial reform advanced well, but shortcomings in the rule of law continued to hamper businesses and deter investment. The business environment has only improved in some areas, and while formal employment grew, informality is estimated to have remained high. The liberalisation of the energy sector progressed, albeit with some delays.

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

→ advance fiscal consolidation and developing a plan to mobilise revenue and to address

informality;

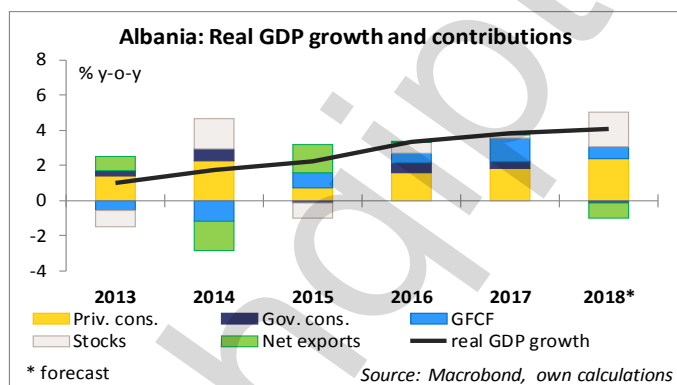
- ensure monitoring and control of fiscal liabilities stemming from Public-Private Partnerships and of arrears;
- improve access to finance by strengthening collateral enforcement and raising financial inclusion;
- improve the labour market relevance, quality and targeting of active labour market policies, including upskilling of adults.

Economic governance

Albania remained committed to strengthening macroeconomic stability and fiscal consolidation. The government continued to reduce the still-high level of public debt at a faster pace than originally planned due to the appreciation of the currency and underspending on the budget. Reforms to the management of public finance have progressed with EU support. However, administrative restructuring following national elections has negatively affected overall capacity in the public administration. It remains a challenge to create a stronger link between the budget process and policy-making, and this challenge affects expenditure planning. The budget for 2018 was published and adopted in time, and consultations with civil society groups for the preparation of the 2019 budget had also started in time. The policy guidance jointly agreed at the May 2018³ Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been partially implemented.

Macroeconomic stability

The Albanian economy has continued to expand, thanks to both domestic and foreign demand. Annual real GDP growth, averaging 2.2 % between 2010 and 2015, accelerated to 3.8% in 2017, and averaged 4.2% in the first three quarters of 2018. In 2018, all components of domestic demand contributed positively to output expansion. Private consumption was the main driver, supported by rising employment and low rates of interest and inflation. The



contribution made by net exports to GDP growth remained negative in 2018, as high imports offset the recovery in goods exports. Despite strong economic growth and rising employment, per capita GDP (at purchasing power parity) stood at only 29% of the EU-28 average in 2017, representing a very slow pace of convergence.

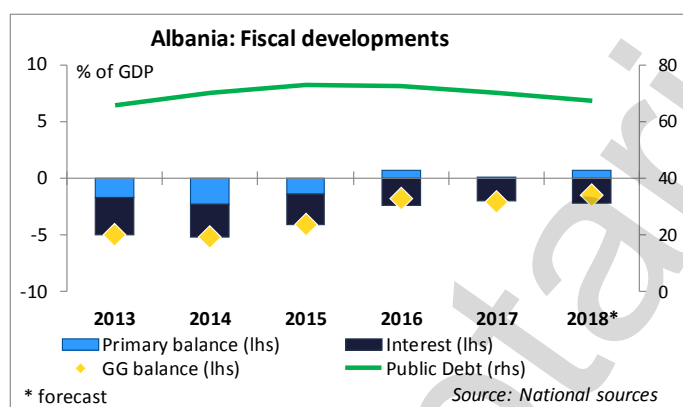
The high current-account deficit continued to narrow, and was financed by foreign direct investment (FDI) inflows. Albania has historically run a large trade deficit in goods, which has recently widened due to exceptional FDI-related imports. The goods trade deficit was partly offset by a surplus in the balance of services, which benefited from: (i) strongly increasing revenues from foreign tourism between 2016 and 2018; and (ii) an even stronger increase in the contribution of manufacturing services. The real-effective-exchange-rate index (REER) climbed 9% by the end of 2018, reflecting the recent acceleration in the appreciation of the Albanian currency.

³ Western Balkans and Turkey: Joint conclusions of the economic and financial dialogue, 2018, <https://www.consilium.europa.eu/en/press/press-releases/2018/05/25/western-balkans-and-turkey-joint-conclusions-of-the-economic-and-financial-dialogue/>

Overall, the current-account deficit fell considerably, dropping to 6.3% of GDP in 2018 from its 2010-2015 average of 11.6%. This decline in the current-account deficit was helped by larger remittances and rising exports of both goods and services. Both remittances and FDI recorded a slightly decreasing share in GDP: remittances fell to from 5.8% in 2015 to 5.2% of GDP in 2018, while FDI softened from 8.6% to 7.9%, as the construction of two large energy projects is nearing completion. Foreign reserves continued to cover 6.5 months of imports and 37% of total external debt in 2018, providing an adequate safeguard against adverse shocks.

Persistently below-target inflation and the rapidly strengthening currency prompted further monetary easing and foreign-exchange interventions by the Albanian central bank. The freely floating exchange rate of the Albanian lek appreciated by about 7.2% against the euro by the end of 2018. In the middle of the year, the central bank began to intervene on the foreign-exchange market to contain this appreciation. Average annual inflation has been below the central bank's 3% target since 2013. Food prices pushed the inflation rate upwards, but lower import prices due to the stronger lek meant that overall inflation only increased slightly, rising to 2.2% in 2018 from 2.0% in 2017. The Albanian central bank, the Bank of Albania, has therefore maintained a very accommodative monetary policy by lowering the key policy rate (the repo rate) to a record low of 1% in July. The monetary-policy stance effectively supported price stability in line with the policy framework.

The government's fiscal deficit is now 50% below its 2010-2015 average. The general



government deficit fell to 2.1% of GDP in 2017 from 4.1% in 2015. Based on preliminary data, the 2018 budget has turned out with a deficit of 1.5% of GDP, lower than the initially targeted 2% of GDP. This lower-than-expected deficit is mainly due to ambitious plans for capital expenditure that were not fully implemented. The successful clearance of arrears in 2014 under the IMF programme accounted for most of the deficit reduction in

2015/16. However, the last 3 years have seen lower expenditure and higher revenues, both of which helped to lower the deficit. At the same time, new arrears emerged due to: (i) weaknesses in budget planning and implementation; (ii) policy-coordination issues between government levels (local-government arrears); and (iii) slow tax-refund procedures (arrears of VAT refunds). A broader tax base, reduced informality and an increase in social contributions from increased formal employment helped to increase revenue. The recent multiplication of VAT exemptions will complicate attempts to broaden the tax base and improve the efficiency of tax collection. Overall, tax revenues remain far below potential. This is mainly due to informality but also due to tax evasion in the formal economy.

At 67.3% of GDP, public debt remains high. This high debt level could be unsustainable in case of an adverse shock to the economy. Supported by the appreciation of the lek, the gross-public-debt-to-GDP ratio declined to 67.3% at the end of 2018⁴. The government successfully placed a EUR 500 million seven-year eurobond in October 2018. This helped to reduce the still-high annual rollover needs, and reduce the pressure by government financing on the domestic local-currency debt market.

⁴ The Albanian government includes its loan guarantees fully in its public debt calculation, and uses the IMF GDP forecast to calculate the debt-to-GDP ratio.

Public financing is not sufficient to bridge the large infrastructure gap, so the government is seeking to mobilise private capital - mainly through public-private partnerships (PPPs). Public investment grew on average 6.2% per year in 2013-2018, and accounted for about 18% of total public expenditure on average. The increasing reliance on PPPs generates contingent liabilities and therefore fiscal risks. The newly established Fiscal Risk Unit does not have sufficient capacity to monitor these risks. Infrastructure financing could be made more efficient by taking advantage of the potential for synergies in the planning and execution of both PPPs and conventional public investment.

The overall macroeconomic policy mix has been broadly appropriate, and Albania has complied with fiscal rules. The main fiscal rule — to keep the public-debt-to-GDP ratio declining until the limit of 45% is reached — has been complied with. Budget implementation and public financial management (PFM) should be strengthened to avoid arrears and manage fiscal risks. Increasing tax revenues could help speed up the path to the 45%-debt-to-GDP limit, thus strengthening debt sustainability. Maintaining a loose monetary-policy stance has been appropriate for promoting a sustained rise in inflation towards the 3% target.

Functioning of product markets

Business environment

Albania's competitiveness and private-sector development remained below potential, as efforts to improve the business environment had poor results. Growth in the number of active domestic enterprises slowed from 5.5% in 2016 to 1% in 2017, with the number of newly established enterprises in 2017 about half that of 2015. Similarly, the number of foreign enterprises in industry and construction in 2017 actually declined compared to 2015, as did the number of greenfield investments. However, in the services sector and in agriculture, foreign enterprises grew strongly in 2017 compared to 2015. Major concerns raised by the business community include a lack of effective implementation of legislation, ad hoc regulatory changes, cumbersome tax payment procedures, and the controversial use of public-procurement procedures. Consultation with the private sector is ineffective. In addition, the development of a proper real-estate market has been held back by the lack of a cadastre and the problem of land titles that are burdened by ownership conflicts. This has been a particular hindrance to investment in agriculture and tourism.

Although judicial and institutional reforms continued, ineffective regulation and informality continue to pose major challenges for businesses. Progress has been made on judicial reforms, but this has not yet resulted in a more favourable business environment. The new Bankruptcy Law still awaits the adoption of accompanying regulations, and the implementation of the amended Private Bailiffs Law is hampered by disputes over fee schedules and the selection of bailiffs. In addition, corruption remains a widespread problem. In spite of measures taken to address the informal economy, it is estimated to account for about one third of GDP. This is causing losses in tax revenue, a lack of labour protection and unfair competition among firms.

State influence on product markets

State involvement and public subsidies remained overall low in the Albanian economy, but the increased reliance on PPPs raises the potential of state influence in certain markets. The government has increasingly engaged in PPPs, in particular for energy and transport, where there are price or volume agreements for services and goods. Government payments under these contracts are by law limited to 5% of the previous year's tax revenue, and for 2018 this limit has reportedly been complied with. Most of the existing PPP contracts were selected on the basis of unsolicited proposals, which reduce competition in procurement.

It is welcome that the ongoing review of the procurement guidelines for these projects proposes to restrict the use of unsolicited proposals. Although the procurement legislation has recently improved, the implementation of public procurement remained flawed and continued to be perceived as not being transparent. The reported state aid granted in Albania between 2014 and 2017 was estimated at about 0.7% of GDP annually. In 2017, it was reported that 0.14% of GDP was spent on state aid, amounting to EUR 16.88 million, an increase on the EUR 12.7 million spent on state aid in 2016. Most of this EUR 16.88 million was spent on grants (about 77%) and tax exemptions (about 23%). Reportedly, most state aid goes to public services.

Privatisation and restructuring

The private sector remained dominant in the economy, but although overall market liberalisation is well advanced in Albania, there are delays in the liberalisation of the energy market. About 19% of assets in the Albanian economy in 2017 were owned by the state. State involvement in the economy is concentrated in electricity, with state-owned enterprises providing around three quarters of the electricity used in the country. State-owned enterprises are also active in other public utilities, such as railways, water supply and natural resources. Albania has moved ahead with separating the production, purchasing and distribution of electricity. However, the functional unbundling of the distribution-system operator from generation operators has not been completed. Restructured public electricity companies face difficulties in freely accessing the market, and electricity prices for consumers are not fully deregulated. This provides little economic incentive for electricity companies to enter the market. The reforms of the public electricity companies have substantially decreased their technical losses, improved their bill-collection rates, and strengthened their financial situations. However, shortcomings remain in the corporate governance and finances of the state-owned electricity companies. Competitive mechanisms have only been fully introduced for projects in renewable energy. In 2018, Albania successfully completed the first-ever renewable-energy support auction in the Energy Community, an organisation that aims to connect the EU's energy market with the energy market of some of the non-EU neighbours.

Functioning of the financial market

Financial stability

The declining stock of non-performing loans (NPLs) improved the stability of the banking system, but sovereign exposure and poor collateral-execution remain risks to stability. The ratio of NPLs to total loans fell to 11% by the end of 2018, down from 15.6% in 2017. NPLs declined mainly through write-offs, but Albanian banks resolved more NPLs through collateral execution in 2018 than they did in 2017. The banking sector also holds over 20% of its assets in government securities, exposing it to sovereign risks, while a quarter of domestic loans and deposits remain exposed to exchange-rate risks. Banking supervision and management have been increasingly aligned with international standards. The banking sector's capital adequacy and liquidity ratios remain well above the minimum regulatory levels. Return on equity softened from 15.7% in 2017 to 12.9% in 2018.

Access to finance

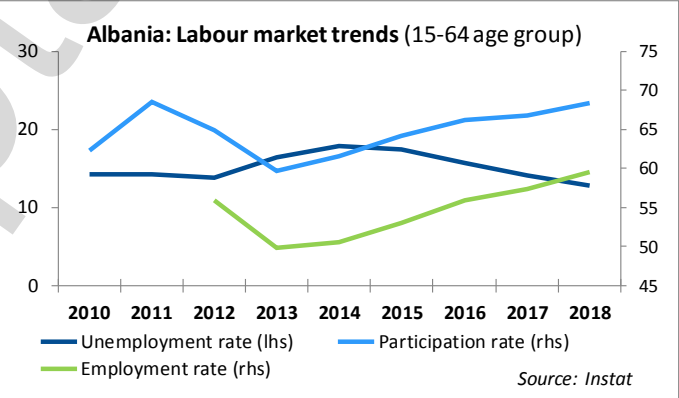
Financial intermediation remained undeveloped, and credit growth to the business sector stayed subdued. Credit to the private sector amounted to about 39% of banking sector assets in 2018. Credit growth to business was sluggish due to: (i) banks' greater risk awareness; (ii) tighter lending conditions; (iii) the low financial literacy of SMEs; and (iv) 'unbankable' business plans. Only lending to households picked up recently. The small but growing non-bank financial sector, with about 30 institutions, owned 10.7% of total financial

sector assets in the first half of 2018. In February 2018, the first private stock exchange (ALSE - the Albanian Security Exchange) began trading government securities, but equity and corporate bond finance remain underdeveloped. Overall, financial inclusion remained low, with only 40% of adults and about 75% of SMEs holding bank accounts. The Bank of Albania has set out a plan to promote financial inclusion, which is important for reducing informality, illicit financial flows and remittance fees.

The functioning of the labour market

The economic upswing has translated into increasing employment and lower unemployment. Employment growth of 2.7% in 2017 allowed the unemployment rate to decline from 15.6% in 2016 to 14.1% in 2017 and to 12.8% in 2018. However, employment growth slowed further in 2017, falling to 2.1%. The high youth unemployment rate (covering the 15-29 age group) continued to fall, dropping from 33.2% in 2015 to 25.9% in 2017 and further to 23.1% in 2018. The working age population began decreasing in 2015, so the growth in labour supply has been driven by rising participation rates (which rose from 66.8% in 2017 to 68.3% in 2018). The gap between the labour force participation rates of men and women fell from 20.9 pps in 2014 to 17.2 pps in 2018. Public employment services improved job mediation, but active labour market policies remain limited in scope, insufficiently targeted and underfunded. Only a very limited number of the unemployed (2.2%) receive unemployment benefits or are in active employment promotion programmes. Thus, social benefits are not providing an incentive to withdraw from the labour market and the labour code provides sufficient flexibility not to dampen job creation. Overall, wages grew by about 3% in 2018 but overall Albanian salaries are among the lowest in the region and reflect the low productivity. Low incomes, low social security and low-quality job offers continued driving Albanians - in particular the higher educated (“brain drain”) - into emigration, although the recent employment growth decelerated this trend.

Three trends continue to transform the structure of the Albanian economy: the significant shift of employment to the non-agricultural private sector, the declining importance of agriculture and the increasing service orientation of the economy. The share of employment in the non-agricultural private sector jumped from 34.1% in 2015 to 43.3% in 2018 (administrative data), but informal employment in this sector remained widespread with 30.3% of the workforce (LFS 2017). Meanwhile, the share of the labour force employed in agriculture and in the public sector continued to decline.



In agriculture, the share of the labour force fell from 42.4% in 2015 to 39% in 2018, and in the public sector, it fell from 15.5% in 2015 to 14.5% in 2018. Still, agricultural employment is relatively high in absolute terms. Agriculture is often a form of self-employment for people with no other employment options, and the high levels of agricultural employment keep productivity low.

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, transport and digital

infrastructure improved. However, Albania's competitiveness is hindered by a lack of entrepreneurial and technological know-how and low education levels. This also hinders Albania's integration into international value chains. Exports and regional integration are below potential. Efforts to improve education and training have led to some improvements, but reforms must continue to close the significant skills gap. Albania's capacity for research, development and innovation remained low.

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

- increase spending on education and research in percentage of GDP and implementing the envisaged reforms to vocational education and training;
- improve the planning and execution of public investment;
- make better technical support services locally available for micro, small and medium-sized enterprises to help them to invest, innovate and to export.

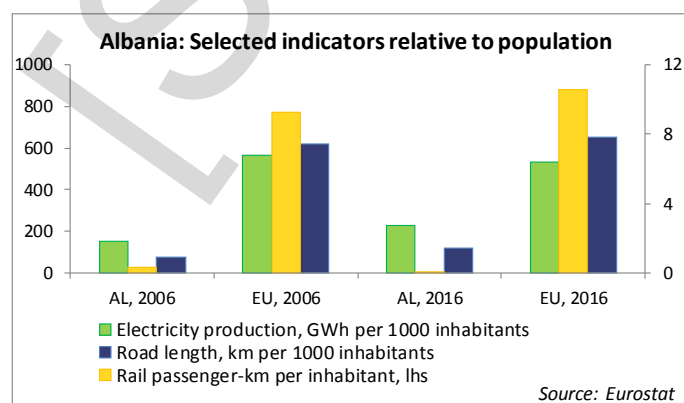
Education and innovation

Although education system outcomes have improved, they remained well below EU-average and are inadequately tuned to private sector needs. From a low base, Albania improved its scoring in the OECD's 2015 PISA assessment strongly but still about half of the tested students showed less than basic proficiency in three main competences. Almost half of the children enrolled in lower secondary education (85% enrolment) did not successfully complete it. Although VET enrolment as share of upper secondary education increased from 13% in 2013 to over 20% in the school year 2018-2019, only 11% of all youngsters between 15 and 19 years are attending vocational schools. Government's spending on education declined from 3.5% of GDP in 2013 to 2.4% of GDP in 2018, remaining below regional average and far below the appropriate level for a country with a large young population. As the Government's education policy does not systematically take into account private sector needs and often fails to enforce quality standards in vocational training institutions, young graduates often do not meet private sector expectations, with only 46.9% graduates being in employment in the year following graduation. The implementation of the action plan that requires the involvement of the public and private sectors together with universities is lagging behind.

The capacity for technological absorption, research, development and innovation remained low. Moreover, data on research spending is scarce; the few indicators available on research and innovation show a mixed picture: while the number of articles in scientific journals has declined, the number of patents and trademark registrations has increased, albeit from a very low level. The low research and technical extension capacity in the agricultural sector has not improved.

Physical capital and quality of infrastructure

Albania's annual public investment averaged 5.3% of GDP since 2013 and its infrastructure improved significantly, but the infrastructure gap to the regional and the



EU average levels remains large. Investment has accounted for roughly one quarter of GDP in recent years. Overall investment grew by 4.6% in 2017, with about 40% invested in the electricity, gas and water sector. Private investment (including large foreign investments) in energy and

transport infrastructure has increased significantly in recent years. The IMF composite public infrastructure index of 2017 estimated the gap to the EU average infrastructure level at 70%. In particular, broadband internet coverage, highways and installed electricity generation capacity, though constantly increasing, were much below EU-levels and electricity outages remained frequent. The Albanian capital budget execution rate of 91% has been above the average of its regional peers in 2017. In 2018, the capital budget execution could not keep up with the planned high growth of public investment and fell to 88% which still represents an annual capital expenditure growth of 12%. Public investment management still suffers from institutional-capacity constraints, overoptimistic planning and backloading. The large infrastructure investment needs and the increasing number of PPPs require: (i) more financing; (ii) clear frameworks for regulated prices (electricity, water, toll fees); and (iii) improved institutional capacity in the public sector for planning and supervision.

Sectoral and enterprise structure

The Albanian economy shifted further to the services sector, followed by agriculture and industry. Services further increased their share in GDP from 45.8% in 2014 to 48%, in 2018 led by trade and tourism related services and an increasing share of services in education and health. Agriculture as well as industry have lost some ground between 2014 and 2018 with shares decreasing from 23% to 18.4% and 14.8% to 12.2 respectively. The number of foreign enterprises in tourism, ICT and agriculture increased by almost 12% from 2016 to 2017.

Most investment and employment depends on a very small number of enterprises. 89% of all enterprises in Albania had less than 5 employees in 2016 ('micro-enterprises') and only 5% of all enterprises had over 10 employees. The latter account for 75% of formal employment and 86% of investment in the economy. The slow change in this structure in recent years signals persistent obstacles for enterprise growth. Many micro-enterprises cannot access microfinance due to their lack of know-how or because they operate in the informal economy, whereas many SMEs (with more than 5 employees) are too large for microfinance institutions, but also face problems accessing bank financing. The low level of public support to SMEs and farmers poses a challenge for businesses aspiring to grow or to export.

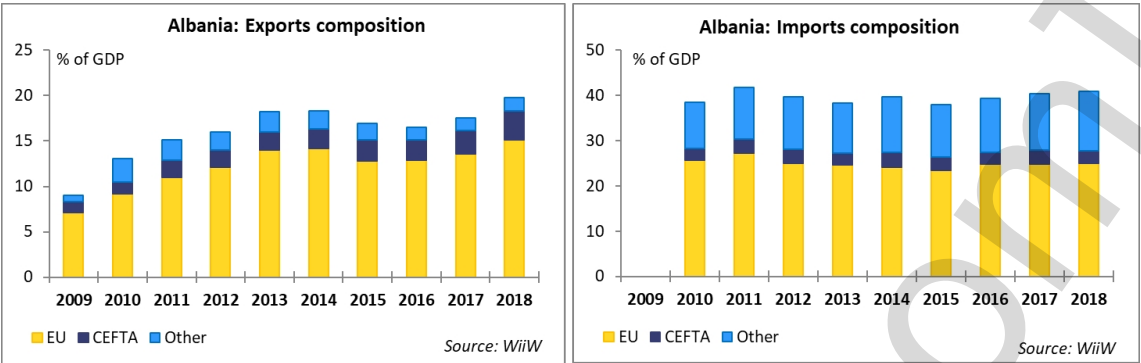
Economic integration with the EU and price competitiveness

The EU remained Albania's main trading partner, but overall trade levels remained well below potential and undiversified. Albania's total global exports increased by 17% in value in 2018, exceptionally dominated in this year by electricity exports. Over the last years, commercial services led by tourism dominated exports, accounting for 58% of global exports. Goods exports - mainly manufactured textiles and footwear - continued to show little diversification in terms of products and destinations, while the potential for agricultural exports remained untapped. The EU accounted for 76.3% of Albania's goods exports and 61.1% of its goods imports in 2018, slightly less than in 2017. Italy remained the main destination for Albanian exports and a major source of remittances.

FDI inflows into Albania from the EU grew strongly over the last 2 years. FDI flows from the EU into Albania increased by 22% in 2016 and 44% in 2017. FDI from the EU accounted for 38.5% total FDI flows into Albania's in 2017. Nevertheless, the EU's share in Albanian FDI stocks declined from its peak of 66% in 2015 to 56% in 2017, partly due to a large build-up of FDI stocks in the energy sector by non-EU partners. Albania's integration into global value chains is mostly limited to manufacturing services in the textile and footwear apparel industries for Italian lead firms (known as 'cut, make and trim' services).

Albania's trade with Central European Free Trade Agreement (CEFTA) countries increased on account of a continuously increasing share of exports to CEFTA countries, mainly to

Kosovo. Exports to CEFTA increased from about 11% of its total exports in 2013 to about 16% of total exports in 2018. Imports from CEFTA, in contrast, fell back to their 2016 level in 2018 at 6.7% of total Albanian imports while imports from other countries increased their share from 30.4% to 32.3%.



4. G D N E I G U R L R E L A I N S A N D R E G I N A L C P E R A I N

Good neighbourly relations and regional cooperation form an essential part of Albania’s European integration process. Albania has continued to participate actively in regional initiatives such as the South East European Cooperation Process, the Regional Cooperation Council, the Central European Free Trade Agreement (CEFTA), the Western Balkans Six, the Adriatic-Ionian Initiative, the Energy Community Treaty, the European Common Aviation Area Agreement, the Central European Initiative, the Regional Initiative for Migration and Asylum, the Regional School of Public Administration (ReSPA), and the ‘*Brdo-Brijuni process*’.

Albania participated in the Western Balkans London Summit of July 2018 and hosted a follow-up meeting of Prime Ministers in Durres in August 2018 to support the implementation of the Multiannual Action Plan (MAP) for the Regional Economic Area. In this regard, more attention is needed to secure timely adoption of the incurred measures, as well as streamlining regional commitments into national policies. Tirana hosts both the Western Balkans Fund and the Regional Youth Cooperation offices. Dialogue with the Western Balkans continued in Skopje on the implementation of the Digital Agenda, to which all leaders of the region had committed through a statement of support. More particularly concerning the negotiations on roaming fees, a regional agreement was signed in Belgrade in April 2019 enabling Roam like at Home (RLAH) as of July 2021.

Albania has continued to strengthen bilateral relations with the countries of the region, organising joint government meetings with many of them to deepen cooperation.

Relations with *Bosnia and Herzegovina* remain overall positive, however with no bilateral exchanges at high level. Trade flows remain at a low level compared to other countries of the region.

Albania reconfirmed its very good relations with *Kosovo* by signing several new agreements in key areas of cooperation during the fifth governments' meeting in November 2018 in Peja, Kosovo. In December 2018, Kosovo and Albania signed an agreement to establish joint border controls. Trade between the two in 2018 increased slightly above 20% compared to 2017. Albania continued to advocate for Kosovo’s full participation to regional processes and to support the dialogue between Kosovo and Serbia. Any decision with respect to the management of border control must be in line with Integrated Border Management standards.

Any actions and statements that could be interpreted as going against good neighbourly relations must be avoided.

Relations with *Montenegro* have further strengthened, in particular following the first joint government meeting in July 2018. In the framework of this meeting, 12 bilateral agreements were signed on migration and refugee flows as well as minority and security issues. Cross-border cooperation was strengthened with projects to improve infrastructure on both sides of the border. Albania also cooperates with Montenegro under the Albania-Montenegro-Croatia Trilateral, established in 2017, as part of the Adriatic-Ionian dialogue. One trilateral meeting took place during the reporting period in July 2018.

Relations with *North Macedonia* have intensified. Albania provided strong support to the agreement with Greece for resolving the name issue. Albania's Foreign Minister paid an official visit to Skopje in September 2018. A second joint government meeting is expected to take place with a focus on strengthening connectivity and mobility between the two countries. Albania ratified the protocol for the accession of North Macedonia to NATO.

The relationship with *Serbia* remained overall positive. Regular exchanges took place between civil society organisations, youth and media actors. In May 2018, the two countries signed an agreement on tourism cooperation. Leaders of both countries regularly meet in the framework of regional and international events. Albania also cooperates with Serbia under the Albania-Serbia-Italy Trilateral.

Albania further intensified its good relations with *Turkey*. In October, the Turkish Foreign Minister visited Albania and both countries committed to establish a High-Level Council of Cooperation, a cooperation mechanism similar to joint government meetings that Albania has with its neighbours in the region. Turkey remains the fifth largest trading partner of Albania and the sixth biggest foreign investor in the country. Turkey continued to provide education and training for the Albanian Army and security forces. After the coup attempt in July 2016, Turkey has been increasing pressure on Albania to deliver on dismantling the so-called Gulen/FETO structures in the country. The Marif Foundation, established by the Turkish government, is taking ownership of schools formerly owned by these structures.

Relations with *Greece* remained generally positive but were strained by an incident in the ethnic Greek village of Bularat. Progress on outstanding bilateral issues continued with the implementation of the agreement on exhumation and burial of the remains of Greek soldiers fallen in Albania during the Second World War, the withdrawal of reservation by Greece on Albania's accession to the Apostille Convention, an agreement on the process for the revision of school text books, and the signing of an agreement on the mutual recognition of driving licences. The third round of negotiations on maritime delimitation was held in June 2018. The two countries' Prime Ministers met in July 2018 and agreed to further continue the bilateral dialogue with the aim of concluding a strategic partnership agreement. Such progress should continue.

Relations with *Italy* remained very good. Political dialogue intensified with visits on both sides. 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 and asylum. Italy continued to provide key support for monitoring the state of cannabis cultivation in Albania. Italy remained Albania's first trading partner and one of Albania's leading bilateral donors.

5. ALI ASSU E E LIGA I NS F E ERS IP

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 some progress over the reporting period, in particular in the sectoral alignment with the ‘new and global approach’ product legislation and the accreditation of additional conformity assessment bodies. However, further efforts are needed to ensure 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

There are still measures in place that affect the production, distribution and marketing of industrial products, notably related to: (i) price of products; (ii) import licences or permits for imported goods; and (iii) the obligation to have storage facilities in specific areas. Further efforts towards alignment with the *acquis* are set out in the 2016-2020 national plan for European integration, as well as in the 2020 consumer protection and market surveillance strategy. However, there is no specific strategy on the free movement of goods.

Non-harmonised area

Despite the completion of the methodology for comparative analysis of Albanian legislation, an action plan on the screening of national technical regulations for compliance with Articles 34-36 of the Treaty on the Functioning of the European Union is still being prepared.

Harmonised area: quality infrastructure

Legislation in the area of accreditation and market surveillance is partially aligned with the EU *acquis*. Administrative structures are in place for dealing with technical regulations, standardisation, conformity assessment, metrology, accreditation, and market surveillance as subordinate bodies under the Ministry of Finance and Economy and the Ministry of Tourism and Environment. Recruitment of more specialised staff to the Market Surveillance Inspectorate is ongoing. Mutual cooperation agreements on accreditation, standardisation and conformity assessment are in place 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 of the European Committee for Electrotechnical Standardisation (CENELEC), and an associate member of the International Electrotechnical Commission (IEC). All national standards are adopted in full conformity with European standards (CEN, CENELEC and ETSI standards). During the reporting period, 1655 European and international standards were adopted (including: 730 CEN, 339 CENELEC, 216 ETSI, 313 ISO, and 57 IEC). In total, the GDS adopted about 97% of total standards issued by CEN and CENELEC.

The 2014 Law on the accreditation of conformity assessment bodies is partly aligned with the *acquis*. It regulates the functioning of the General Directorate of Accreditation (GDA), its accreditation board, its technical committees and other procedural issues. In 2018 there are 73

accredited conformity assessment bodies (compared to 58 in the previous reporting period): 45 laboratories, 19 inspection bodies and 9 certification bodies. In April 2018, the GDA became a signatory of the European Cooperation for Accreditation Multi-Lateral Agreement (EA MLA) in the fields of Inspection and Management Systems Certification, and remains an EA MLA signatory in the field of testing. Since July 2018, GDA has been a full member of the International Laboratory Accreditation Organisation Mutual Recognition Agreement (ILAC MRA) in the field of inspection and a mutual recognition agreement was signed between ILAC and GDA. Albania launched an electronic system for accreditation procedures in October 2018. The General Directorate of Metrology has maintained its capacity of 104 employees.

The State Inspectorate for Market Surveillance (SIMS) currently has 45 staff, down from 50 in the previous year. SIMS should significantly increase staff numbers, including inspectors. SIMS carried out more than 700 inspections in 2018. As a result, 67 administrative measures were taken, out of which 10 were emergency measures related to dangerous products (mainly toys and electrical goods), which resulted in these products being withdrawn from the market.

Harmonised area: sectoral legislation

For the **‘new and global Approach’ product legislation**, the Albanian legal framework is designed to be fully aligned with the *acquis* in the following sectors: lifts (following a decision by the government adopted during the reporting period), machinery, personal protective equipment, gas appliances, pressure equipment, simple pressure equipment, outdoor equipment noise, toys, energy labelling (following decision of the government adopted during the reporting period), and measuring instruments. However, alignment has not yet started on low voltage equipment, cableways, electromagnetic compatibility, radio and telecoms equipment, aerosol dispensers, explosive atmospheres equipment, construction products, recreational craft, eco-design, and non-automatic weighing instruments.

On civil explosives and pyrotechnic articles, alignment has not started.

For **‘old Approach’ product legislation**, the Law on chemical management is partly aligned with the Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and other related parts of the *acquis*. National legislation on chemical classification, labelling and packaging is designed to be aligned with the United Nations Globally Harmonised System of Classification and Labelling of Chemicals.

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

5.2. Chapter 2 Free 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 in this area, in particular by the conclusion of new social security bilateral agreements.

In the coming year, Albania should:

- align its legislation with the EU *acquis* in the area of freedom of movement for workers;
- develop the IT system to enable connection to EURES;

→ negotiate and implement new bilateral agreements on social security, notably with EU Member States.

On access to the labour market, EU citizens are eligible to work in Albania without a work permit. This is in line with provisions of the Law on foreigners and subsequent amendments, which provide that foreigners will not need a work permit or business registration certificate if they are nationals of an EU Member State or Schengen country legally residing in Albania. The appropriateness of social security schemes and forfeit of occupational pensions are regulated through bilateral agreements. Immigration admission policies do not place obstacles to the permanent settlement of EU workers' family members. Nevertheless, there are limitations as regards family members of Union citizens who are not nationals of an EU member state, in terms of being entitled to take up employment or self-employment.

Regarding the preparation made for joining EURES (European network of employment services), Albania has set-up an integrated database for its employment services system. This will facilitate exchanges of information between IT departments on the civil status, the tax system, the compulsory healthcare system and the economic assistance system. A new service system still needs to be developed to enable the connection to EURES.

On the coordination of social security systems, bilateral agreements on social security are in place with Belgium, the Czech Republic, Germany, Luxembourg, Hungary, Austria, Romania, North Macedonia and Turkey. Negotiations with Switzerland and Canada have been completed. The agreement with Kosovo was ratified in April 2019 is expected to become active three months later. There have been exchanges on coordinating social security schemes with Bulgaria, Spain, France and Croatia. A technical cooperation agreement has been set up to continue negotiations for a bilateral agreement on coordination of social security schemes with Italy. Negotiation and implementation of new bilateral agreements on social security, between Albania and EU Member States remains 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. The postal services market has been opened up to competition since 2017.

Albania is moderately prepared in the right of establishment and freedom to provide services. Indeed, Albania demonstrated good progress in the alignment with the general framework set out in the EC Services Directive. There was some progress during the reporting period, especially in the area of provision of services in the legal sector. In the coming year, the country should in particular:

- 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;
- continue the test phase for a future fully operational Point of Single Contact;
- 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 barriers to the freedom of establishment or the free movement of services, the legislation on mining, taxation and social policy is broadly aligned with the Services Directive. However, the legislation on the veterinary sector still requires amendments for the

licensing of private veterinary clinics and hospitals. During the reporting period, some progress was achieved in the legal sector with the approval of the Law on the legal profession. The legislation in this area is partially aligned with the EU *acquis*, but restrictions exist in particular for public notaries and private bailiffs. The screening process is ongoing for other sectors.

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 windows throughout the country, as well as the electronic service window on the e-Albania portal. Albania needs to ensure a fully operational Point of Single Contact.

On postal services, legislation is fully aligned with EU postal *acquis*, apart from 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 11 other postal service providers in the market. The Electronic and Postal Communication Authority (AKEP) is the independent national regulator for the postal market. A new postal strategy for 2019-2024 is in a preparatory phase.

In mutual recognition of professional qualifications, no progress was made during the reporting period in the alignment of the professional qualifications framework with the EU *acquis* in the area. The Albanian authorities should strengthen institutional capacity for the mutual recognition of professional qualifications.

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 policy document "payment and settlement systems" and the preparation of the Strategy on Retail Payment System.

In the coming year, Albania should in particular:

- swiftly implement 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 implement the action plan on acquisition of land by foreigners, which is a commitment in the SAA that is outstanding since 2016.

On capital movements and payments, the Law on Strategic Investments provides special protection to foreign investments. No progress has been made on the adoption of the unified Law on Investments. Acquisition of real estate by foreigners remains subject to restrictions: they are not allowed to acquire agricultural land, forests, meadows and pastures. Albania is late in delivering on its commitment under the 2006 Stabilisation and Association Agreement (SAA) to amend the regime for the acquisition of property by EU citizens/entities, which is a step due since 2016. Provisions regulating the acquisition of real estate by foreigners remain unchanged and uncertainties over real estate ownership rights continue 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 Regulation on the payment system and instruments. The legal and regulatory framework for electronic payments in Albania is the same for national and cross-border payments. In May 2018, the Bank of Albania Supervisory Council adopted the revision of the oversight policy document for payment and settlement systems with the objective to align the classification criteria of the payment systems according to the EU definition. The National Payment System Committee opened up its participation to representatives from non-bank financial institutions and from the payment system operators and presented the Strategy on Albania's National Retail Payments Strategy for 2018-2023.

As regards the fight against money laundering, the mutual evaluation report of Albania discussed at Moneyval in July triggered Albania's referral to the International Cooperation Review Group. This development puts Albania at risk of being listed by the Financial Action Task Force of February 2020 among the jurisdictions with strategic deficiencies in their regime of anti-money laundering/countering terrorist financing. Albania should address Moneyval's recommendations by September 2019. The Committee for Coordination on the Fight against Money Laundering, chaired by the Prime Minister, adopted an Action Plan in September 2018, which attributed responsibilities to all relevant ministries and services. In implementation, new amendments to the Anti Money Laundering Law are being prepared which will also aim at aligning with the latest EU *acquis*. Albania is working on amending three legal acts related to the National Business Centre; assets' confiscation; and tax procedures. The National Business Centre is working on an assessment of best practices on establishment of beneficial ownership register.

The General Directorate for the Prevention of Money Laundering (the Albanian Financial Intelligence Unit or FIU) is now fully staffed with 39 staff.

The number of suspicious transaction reports the FIU collected for the period January 2018-February 2019 increased to 1,659 compared to 1,384 for 2017. The FIU referred 396 cases to law enforcement authorities.

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 has some level of preparation in public procurement. Some progress was made in the past year, in particular by enhancing the capacity of the Public Procurement Agency. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle. The Commission's recommendations from 2018 were not fully implemented and remain valid.

In the coming year, Albania should in particular:

- ensure further alignment with the 2014 directives on EU public procurement, including in the area of utilities and concessions, as well as with the EU Defence Procurement Directive;
- ensure adequate administrative capacity in contracting authorities and the supreme audit institution;
- adopt a public procurement strategy in line with the overarching public financial management strategy.

Institutional set-up and legal alignment

The legal framework on public procurement is largely in line with: (i) 2004 EU directives on

'classic' and utilities procurement; and (ii) relevant administrative and budget provisions. The Law on public procurement specifies the principles of transparency, equal treatment and non-discrimination. However, further alignment is needed with the 2014 EU public procurement directives, which replaced the 2004 ones in the EU. The Law on concessions and public-private partnerships is partly aligned with the Directive on the award of concession contracts. All legal and financial instruments used in the area of public procurement and concessions, including inter-governmental agreements concluded with third countries for the implementation of joint projects, should comply with the principles of transparency, competition, equal treatment and non-discrimination. Legislation in the field of defence procurement remains to be aligned with the relevant EU Directive.

The mid-term review of the public financial management strategy was completed in March 2019. The revised public investment management guidelines approved in March 2018 require full and effective implementation. A strategic framework for public procurement is being prepared but remains to be adopted, according to the public financial management strategy.

The Public Procurement Agency (PPA) is the central public procurement entity mandated to monitor compliance public procurement rules. It provides information, support and guidance to contracting authorities. In 2018, the PPA increased staffing from 29 to 44 posts, 15 of which are vacant.

Implementation and enforcement capacity

The planning and preparation of public procurement procedures generally comply with transparency and efficiency principles, and public procurement forecasts are routinely published. Following new instructions and close monitoring, the number of negotiated procedures without prior publication decreased in 2018 to 531 from 2,234. In terms of volume these procedures represented 4.1% of all the awarded procedures. The use of framework agreements expanded from 61 in 2017 to 627 in 2018. For categories of common use goods and services the centralised procurement body in the Ministry of Interior was turned into an agency in February 2018, thus providing intermediary functions following the new EU directives.

Albania has a central electronic public procurement portal for the publication of tender and contract notices as well as other important information and guidance. The use of the portal is mandatory, including for low-value procurement. Since January 2018, standard tendering documents for each type of procedure and contract are published on the PPA website, and the procurement forecast register is prepared and submitted online.

By the end of 2018, the concessions registry contains information on 218 public-private partnerships (PPPs), six of which signed in 2018. Although required by law, value-for-money analysis is still not systematically carried out before approval of all PPPs. Furthermore, there is no regular reporting on PPPs. The technical skills and capacity to design and assess concessions and PPP projects need to be further developed.

The PPA has recently strengthened its monitoring role, and applies a monitoring system to assess procurement performance and procurement compliance. The monitoring system is based on a variety of performance indicators. There is still a need for: (i) further support to 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 procedures effectively. Compliance is still generally weak, especially in procedures that are more complex. The PPA has already issued instructions on the declaration of conflicts of interest by procurement officials. In addition to these instructions, the PPA adopted and published a

regulation on prevention of conflict of interest situations during the exercise of the public functions in the PPA. The State Audit Institution reports a substantial number of irregularities in public procurement with an estimated financial loss to the state budget of around EUR 3.7 million in 2018 compared to EUR 12 million in 2017 and, EUR 25.6 million in 2016.

During the reporting period, the Commission received a number of complaints alleging the breach of rules on public procurement laid down in the SAA. No such a breach has been established in checks done so far. Albania is expected to continue providing relevant information in the context of the various technical engagements.

Efficient remedies system

The right to legal remedy is set out in the Constitution and the Law on public procurement in a way that is mostly in line with the Remedies Directive. Provisions on the ineffectiveness of contracts, alternative punishments and *ex ante* voluntary transparency notices are still not covered by Albanian law. The remedy system is easily accessible to economic operators without discrimination. However, the complainant must pay a 0.5% fee of the budget of the procurement procedure which is refunded once the complaint is accepted and granted. For refused complaints the fee is transferred to the state budget.

Following amendments to the Law on public procurement adopted in 2017, which strengthened the independence of the Public Procurement Commission (PPC), all PPC members were appointed in June 2018. The PPC carries out administrative reviews of public tenders. Most of PPC decisions are corrective. They can be challenged in the Administrative Court.

Most initial complaints lodged with the contracting authority that awarded the contract are dismissed, thus forcing the complainants to appeal to the PPC. Processing of complaints within the legal time limit remains a challenge. Setting up an electronic database for PPC judgments 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 the complexity and increasing number of appeals still needs to be greatly increased. Specialised training courses on topics related to public procurement are recommended.

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 towards alignment with the *acquis* in the corporate accounting area through the adoption of a new accounting law.

In the coming year, Albania should in particular:

- ensure full transparency of company financial statements in the business register;
- ensure implementation of the new Law on accounting and financial statements.

Overall, some *acquis* alignment has been achieved in a range of company law areas, including takeovers and cross-border mergers, albeit none during the reporting period. The National Business Centre is responsible for company registration, allowing free online registration and online access to data. The quality of financial reporting remains to be improved.

In the area of corporate accounting, the newly adopted Law on accounting and financial statements aims at partial alignment with the EU Accounting Directive and defines new thresholds for company size, sets requirements for preparing the activity management report including medium sized companies and exempts small entities from the obligation for detailed disclosures. Furthermore, large and public-interest economic entities active in the extractive or logging industries shall prepare and make public an annual report on payments made to public institutions. The Law also strengthens the competence of the National Accounting Council to monitor the enforcement of financial reporting and accounting standards.

On auditing, the Public Oversight Board (POB), established as an independent regulatory authority with its own financing resources, is the competent authority that ensures quality assurance. Regulations were adopted on exam testing and evaluation of statutory auditors and certified accountants (May 2018), and on defining the procedures and methodology for the quality assurance of the statutory audit of public-interest entities (PIE) and non-PIEs (October 2018). The Council of Ministers adopted secondary legislation on the definition of PIEs in January 2019 to allow for full implementation of the provision under the Law on statutory audit. International Standards on Auditing are applied. Further efforts are required to align with the most recent *acquis* on statutory audit, and to strengthen the capacity of audit oversight structures and the professional independence and objectivity of auditors.

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. Some progress was made during the reporting period, in particular, with the legislative alignment with the EU *acquis* in the area of industrial property rights as well as in improving the functioning of collective management agencies. 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.

In the area of copyright and neighbouring rights, the National Copyright Council adopted two decisions during the reporting period to further align the legal framework with the *acquis* in the area of methodology on remuneration tariffs in the collective management system. Collective management agencies (CMOs) revised their statutory acts to enhance transparency, accountability and better distribution to the right holders. Furthermore, to increase the contributory base and the usability of tariffs collected by CMOs, the SUADA one-stop-shop was created during the reporting period.

The two main entities responsible for intellectual property are the General Directorate of Industrial Property in charge of registering, administrating and promoting IP objects and the Copyright Directorate. In 2018, a new specialised decision-making collegial body was established, the National Copyright Council, consisting of five members appointed by the Minister of Culture. It is responsible for certifying the methodology for the tariffs.

On industrial property rights, the government adopted secondary legislation in May 2018 on trademarks and the legal protection of designs. The aim of this legislation was to complete the alignment of the legal framework with the EU *acquis* in these areas. Another government decision that was adopted during the reporting period aims at further aligning legislation on patents for inventions and utility models with the EU *acquis*.

In 2018, the number of applications to register trademarks rose by 24.4% compared to 2017 and applications for patents and utility models increased by 11.7%. As regards enforcement, during the reporting period, the General Directorate of Industrial Property participated in 27 court proceedings.

In 2018, the copyright division of SIMS carried out 401 inspections in total. These inspections resulted in 105 administrative measures, made up of 98 fines and seven warnings. For the same period, the industrial property division of SIMS carried out 336 inspections in total. These inspections resulted in 76 administrative measures (71 were warnings and five were fines).

Furthermore, during the reporting period the customs administration suspended the release of the 8 334 products suspected of infringing an intellectual property right. However, there are still concerns about the high number of counterfeit products in the country.

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 on legislative alignment with the *acquis*. However, significant efforts are needed to further improve legislative alignment with the *acquis* and enforcement of State aid rules. In line with 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

The legislative framework is broadly in line with the *acquis* and the Stabilisation and Association Agreement. The Law on protection of competition is largely aligned with the Treaty on the Functioning of the European Union's (TFEU) Article 101 on restrictive agreements and Article 102 on abuses of dominant position. The Law on protection of competition 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 2018, the Albanian Competition Authority (ACA) approved guidelines on

restrictions directly related and necessary to concentrations, implementing the related Commission Notice of 2005. In addition, among others, the ACA has recently adopted guidelines relating to the telecommunications sector in accordance with EU competition rules.

On the institutional framework, the ACA is responsible for implementing the Law on protection of competition. Formally, the ACA is an operationally independent authority reporting to Parliament, which appoints its chair and the four board members. The ACA can adopt secondary legislation, impose fines and remedies, prohibit mergers, or authorise them with or without conditions. It can conduct sector enquiries and, at its own initiative, issue opinions and recommendations on draft laws that may affect competition. A leniency programme for companies providing information on cartel cases is in place. Parties may appeal the ACA's decisions before the courts. The ACA has undergone structural reorganizations, as approved by the Albanian Parliament, in 2017 and 2018.

Regarding administrative capacity, the ACA has an appropriate number of staff. The staff's level of expertise has been strengthened through trainings. On enforcement, the ACA adopted 57 decisions during the reporting period. These included six decisions on abuse of dominant position and 22 decisions on concentration control. In addition, ACA adopted three decisions on the assessment of draft sectoral legislation affecting competition. The total amount of fees imposed amounted to 6.5 million lek. The ACA should continue to strengthen the enforcement of competition rules.

State aid

The legislative framework is broadly in line with the *acquis* and with the Stabilisation and Association Agreement. Amended in 2016, the Law on State aid largely reflects Articles 107 and 108 of the TFEU. Legislation was adopted on the conditions and procedures for granting State aid. This legislation aims to partially align Albania's legislation with the 2014 General Block Exemption Regulation. Further alignment with implementing EU legislation on State aid control is still needed.

On institutional framework, the State Aid Commission (SAC) is responsible for implementing the Law on State aid. The Ministry of Finance and Economy, which is an aid-granting institution, continues to determine its organisational set-up. This means that the SAC cannot be considered an operationally independent authority, as required by the SAA. The Law on State aid provides that new aid measures must be notified to the SAC and found to be compatible by it before they can be put in place. The SAC can order the recovery of illegal and incompatible aid, even if no recovery has been ordered so far. Its decisions can be appealed in court.

The enforcement capacity of the SAC's secretariat raises serious concerns, as 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 record of enforcement of State aid control is very low. During the reporting period, the SAC assessed 10 State aid schemes, of which four were ex-officio cases. No negative decisions were taken. It is important that State aid rules are reflected in the public financial management strategy. It is also important to increase the SAC's advisory role for line ministries and for regional and local authorities. The implementation of the State aid rules should be further monitored in large projects between Albania and other countries. Advocacy among aid grantors must be stepped up to achieve prior notification of aid measures to the SAC.

Liberalisation

The legal framework provided by the Law on State aid is applicable to all legal or natural persons that perform an economic activity. There has been no investigation of State aid for

public undertakings or undertakings with special or exclusive rights. Albania needs to demonstrate more visibly its enforcement of the rules on financing services of general economic interest.

5. Chapter 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 the Solvency II Directive, as recommended in the 2018 report.

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

As regards banks and financial conglomerates, the Bank of Albania (BoA) has continued to further align the banking regulation and supervisory manual with Basel II and Basel III. In 2018, a Resolution Fund has been established and is operational. Regulations on resolution plans and on the cooperation between the Supervision Department and Resolution Department in the BoA were adopted. A Cooperation Agreement between the BoA and the Single Resolution Board has been signed. Guidelines and regulations aiming at further alignment with the relevant EU *acquis* on capital adequacy, licensing and activity, risk management, reporting by savings and loan associations, and transparency for banking and financial product services are in place. Albania has a system of identification of systemically important banks in place that is similar to EU practice. The BoA is working on the introduction of the Liquidity Coverage Ratio in the liquidity risk management regulatory framework in line with Basel III requirements. The non-performing loan ratio continued to decrease from 13.4% in January 2018 to 11.3% in January 2019, mainly due to write-offs and some loan restructuring. Full implementation of the Non-performing Loans Resolution Strategy requires further actions with regards to improvements in credit registry, as well as the full implementation of the bankruptcy law. The efficiency of the collateral execution system is currently the subject of court proceedings. The joint guidance issued in September by Ministers in charge of finances and justice on fees for bailiff services is challenged by the Chamber of Bailiff Offices.

In the area of insurance and occupational pensions, amendments to the Law on Compulsory Insurance in the transport sector still need to be adopted. The secondary legislation to further align with the Solvency I and Solvency II Directives is in place and the implementation of the Strategy on consumers and investors' confidence in the supervised markets continued. In April 2018, the Albanian Financial Supervisory Authority adopted the 2018-2022 strategy on the development of AFSA and the markets under its supervision.

In the area of financial market infrastructure the Albanian Stock Exchange, a private entity, operates only in the field of government securities 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 and is operated by the Bank of Albania. The expiry period for privatisation vouchers was extended until December 2020.

As regards the securities markets and investment services, the issuance of bonds by companies has been authorised for private offerings to institutional investors, their shareholders or individuals. 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 universal availability of modern services.

Albania is moderately prepared in the field of information society and audio-visual media. Some progress was made on the digital agenda strategy and e-government services. No progress was achieved in the finalisation of the digital switchover, which remains to be finalised, along with the revision of the national broadband plan with clear objectives and targets, as well as in implementing the European emergency number 112, as already recommended in the 2018 report.

In the coming year, Albania should in particular:

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

On electronic communications and information and communications technologies (ICT), little 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 only in the region of Tirana and further efforts are required to extend it to the whole country. A new organisational structure for the Authority for Postal and Electronic Research has been approved with an increase of staff from 73 to 85 employees (74 are already employed). Fixed internet broadband penetration is low, with approximately 38% of households being connected. There is a huge gap in fixed internet-broadband penetration between urban and rural areas. Rural areas account for 40% of the population but only 1% out of this is connected to the internet. The mobile penetration rate reached 68% compared to 72% at the end of 2017. In 2018 the number of active users of mobile broadband was about 1.8 million, which results in an annual decrease of about 10.9%. The volume of data usage during 2018 has increased by 30% compared with 2017.

In the area of information society services, the cross-sectoral strategy on Albania's digital agenda for 2015-2020 and the plan for broadband development are being implemented. A new action plan for information society services for 2018-2020 needs to be approved. Revision of the national broadband plan is scheduled to be completed by the end of 2019. Authorities took part in the preparations of the Regional Roaming Agreement and signed the agreement in April 2019. The Law on cyber security was adopted in February 2017 and is partly aligned with the Directive on security of network and information systems. The Decision of Council of Ministers "On approval of the list of critical information infrastructures" was approved in 2018 together with the necessary secondary legislation. As part of the European Commission's mapping of 'digital innovation hubs', out of 3 eligible hubs that were registered, 2 are still operational while 1 has been deactivated due to institutional restructuring. The national cybersecurity strategy still needs to be adopted.

In order to monitor progress made by Albania towards the compliance with the European Union rules for 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, the country 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 with a new deadline set by Audio-visual Media Authority (AMA) of September 2019. The infrastructure to access digital broadcasting is mostly in place already. However, the AMA has postponed the deadline for the digital switchover in the major districts of Tirana and Durres due to the scarcity of DVB-T2 digital decoders in the market and the associated public discontent. These events indicated shortcomings in the AMA's management of the process and lack of public awareness about the digital switchover. The so-called digital dividend (high quality radio spectrum that was formerly used by analogue broadcasters) DD 1 is now freed from analogue broadcasters. However, digital broadcasters still occupy the frequency. AMA must ensure that the digital dividend is *de facto* freed from other uses. This will enable the government to put on sale the freed frequencies to broadband services and thus generate income. During the reporting period, the AMA's financial and human capacities were reinforced.

5.11. Chapter 11 Agriculture and rural development

The common agricultural policy 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 good progress on establishing the structures for the Instrument for Pre-accession Assistance for Rural Development programme (IPARD II). As a result, the Commission has fully entrusted these structures with budget implementation tasks for three measures in October 2018. There was good progress in reforming the advisory system.

In the coming year, the Albanian authorities should in particular:

- develop the Integrated Administration and Control System (IACS), including the improvement of farm and animal registers, and adopt an implementation plan for Farm Accountancy Data Network (FADN) registers, with the aim of providing consistent, systematic and validated data;
- ensure administrative capacity required for the entrustment of the remaining measures under IPARD II programme and full absorption of IPARD II programme funding;
- complete the legal framework for organic products and protected designations of origin, geographical indications and traditional specialities guaranteed, as well as on vineyards and wine, and ensure the institutional and administrative capacity for its implementation.

As regards horizontal issues, the Agricultural and Rural Development Agency (ARDA) is the structure implementing the national support schemes in agriculture and rural development, also entrusted with budget implementation tasks under the IPARD II programme (2016-2020). Continuous building of capacity of national authorities, including ARDA, will be required to receive entrustment for implementation of new measures under the IPARD programme. Strong cooperation among responsible national authorities should be ensured. Preparing the entrustment for implementation of the measure on Technical Assistance is overdue and should be prioritised as it can provide significant benefits to the authorities for the implementation of IPARD II programme.

There has been no progress related to the building of a Land Parcel Identification System (LPIS). Given progress made in the restitution of land, the Albanian authorities should start the process as soon as possible. The Integrated Administration and Control System (IACS) has yet to be fully implemented, but certain elements of it – such as a farmer register and an animal register – have been developed. There is no Farm Accountancy Data Network (FADN) in place and preparatory work on setting it up has not started. The Albanian authorities should start preparations, e.g. to adopt an implementation plan with a concrete timeline.

Overall, direct payments in 2018 increased in comparison to 2017. The existing direct payments are coupled to production and not linked to cross-compliance rules; however, the majority of support is linked to investments. The farm advisory service at regional level is currently reorganised in four main regions. Five technology transfer centres, specialised in different agricultural products will remain under the authority of the Ministry of Agriculture and Rural Development. The reform of the advisory system should be completed, based on a clear strategy.

Regarding sector-specific common market organisation schemes, market measures, production quotas or export refunds, in 2018 the country started the revision of its laws on vineyards and wines.

On rural development, the amendments to the Inter-sectorial Strategy for the Agriculture and Rural Development known as "100 villages programme" provides support to agro-tourism businesses. Significant progress has been recorded on IPARD II programme with full budget implementation entrustment for three measures in October 2018. The call related to the measures (investments in agricultural holdings, processing, and diversification of agricultural activities) was launched at the end of November 2018 and finished on 30 January 2019. 188, 65, and 64 applications have been received, respectively. One of the principal objectives for the national authorities will be to avoid de-commitment of IPARD II programme funding at the end of 2019.

As regards quality policy, the law on quality schemes for agricultural products and foodstuffs was adopted in February 2019. It establishes quality schemes and responsible bodies for the recognition and protection of denominations of origin, geographical indications and traditional specialities guaranteed for agricultural products and foodstuffs.

On organic farming, alignment with the EU *acquis* remains low. The Commission for Organic Production (COP) is responsible for approving and supervising the control bodies for the certification of organic products. The Sector for Policies of Agricultural and Livestock Production provides certification, is responsible for developing legislation, registering organic operators and operating the database containing information on organic production. During 2018, support to organic farming has included certified farms and farms transitioning to organic production. The number of beneficiaries and the amount of support under this scheme has increased.

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 quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

Albania has some level of preparation in this area. Albania has made some progress in implementing relevant policies in the food safety and veterinary sectors. As regards recommendations from the 2018 report, Albania is still expected to advance alignment with the latest EU *acquis* on official controls, animal health and plant health. Restructuring of the veterinary sector shall also be completed, along with building the necessary technical and

administrative capacity in the field of food safety and phytosanitary services to cope with the requirements of the *acquis*.

In the coming year, Albania should in particular:

- maintain the vaccination programmes until rabies is eradicated;
- upgrade the system of controls of residues and contaminants in live animals and animal products;
- enforce food safety rules through improved official controls, including import conditions and controls.

On general food safety, for the third consecutive year, the National Food Authority carried out official controls under a risk-based plan approved at the beginning of 2017. The standard operating procedures needed to ensure compliance with the legislation have not yet been endorsed, including those on internal audits. No progress has been made on risk assessment. The official controls have been intensified and relevant measures have been applied including warnings, fines, seizure and disposal of non-consumable food, and activity suspension. However, control staff is not adequately trained on the assessment and implementation of Hazard Analysis and Critical Control Points (HACCP). The National Food Authority has promptly reacted upon notifications from the Rapid Alert System for Food and Feed (RASFF) taking the appropriate measures to control the problem. Conversely, Albania dutifully provided notifications to the system when warranted.

As regards veterinary policy, the Ministry of Agriculture and Rural Development has approved relevant disease control strategies for anthrax, brucellosis, bovine tuberculosis and lumpy skin disease in 2018. Programmes for the monitoring of brucellosis and tuberculosis in cattle have been implemented in herds having more than 10 heads. Vaccination against rabies and anthrax has been carried out satisfactorily, while vaccination for brucellosis in small ruminants has faced reluctance from farmers to pay for the identification of animals. The vaccination programme for lumpy skin disease is ongoing and no new case was reported. The information on animal identification and registration system has been improved with regard to cattle but the system on small ruminants remains inaccurate.

The reporting of slaughtered animals during 2018 has improved compared to 2017 but the number of reported animals remains much lower than the real amount.

The government has started the re-organisation of the regional veterinary service in four main regions. The reform of veterinary service is not yet complete, with tasks and responsibilities not established on a clear chain of command and line of communication. The service remains understaffed, fragmented and unable to cover other issues related to veterinary policy, animal waste management, farm biosecurity or fishery products. Currently, there is no distinct veterinary service, but veterinary staff consisting of 3 people (out of 7 planned in the organigram) divided in two sectors under the Directorate of Deregulations, Permits, Licences and Monitoring. Programming related to veterinary services is covered by the sector of programmes on food safety and veterinary under the Directorate of Programming in Agriculture, Rural Development and Food Safety

With regard to the placing on the market of food, feed and animal by-products, a regulation regarding the labelling of food and information to consumer has been approved. The annual programmes for monitoring residues of undesired substances covering veterinary medicines, bio-toxins and heavy metals have been updated and adjusted in line with technical and financial resources. The planning of the monitoring for pesticide residues in food released

on the market is not yet systematic. Deficiencies in the controls of residues and contaminants in live animals and animal products were noted.

Concerning food safety rules, the preparation of secondary legislation has continued on the exemption of small food operators from applying HACCP, sampling and analysis of certain contaminants in food, implementation rules on planning of official controls, or monitoring of raw milk.

Positive changes made during 2018 on microbiological monitoring of raw milk have further improved. A larger number of samples are now taken directly at the farm.

Besides general rules included in the Food Law, no progress has been made on preparing the required legislation on specific rules for feed.

On phytosanitary policy, following the 2016 Law on Plant Protection, pieces of secondary legislation regarding registration, procedures and criteria for assessing plant protection products and rules on trading, transport, keeping and storage of plant protection products have been approved, along with a number of Ministerial orders related to active substances in plant protection products.

There was no progress on preparing legislation on genetically modified organisms, and no structure has been appointed for this role.

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 towards updating the vessel register and landing statistics. Albania has yet to implement part of the 2018 report's recommendations including to ensure efficient and effective implementation of the fishery sector strategy, as well as to improve inspection and control capacity to fight illegal fishing.

In the coming year, Albania should in particular:

- take steps to ensure the appropriate management of fisheries resources; in particular, pursue further implementation of the recommendations and action plans of the General Fisheries Commission for the Mediterranean (GFCM), notably on the emergency measures for small pelagic stocks in the Adriatic Sea, as well as the Regional Plan of Action for small-scale fisheries;
- ensure reliable data collection and landing statistics, including from small fisheries, to better adjust the fishing fleet's capacity to the available fishing resources;
- reactivate the vessel monitoring system (VMS) and strengthen inspection and control to deter illegal, unreported and unregulated fishing.

Regarding the resource and fleet management, the vessel register is regularly updated. Pursuant to the regulatory framework regarding the defining of management measures for the sustainable exploitation of marine fishery resources, an ordinance on the harvesting of bivalve molluscs was approved in June 2018.

Inspection and control capacity has not improved. The Department for Fisheries Services and Aquaculture lacks sufficient and qualified staff to ensure a 24/7 service to fight illegal fishing in marine waters and inland waters.

Fisheries statistics for vessels over 12 m is collected from logbooks delivered to inspectors. Albania has not recruited the monitors and observers foreseen by the law. However, by 2019, assisted by the AdriaMed Regional Project (Scientific Cooperation to Support Responsible Fisheries in the Adriatic Sea) of the Food and Agriculture Organisation of the United Nations (FAO) and the General Fisheries Commission for Mediterranean (GFCM), the fishery service will start collecting data on discards giving also a help in the protection of vulnerable species.

The fisheries service has not been reorganised in line with the recommendations of the Albanian government's sector strategy of 2016. Since March 2017, the vessel monitoring system (VMS) has not been functioning making it difficult for the fishery inspection service to detect violations. Albania still needs to update and upgrade the server and install the new Mobile Transceiver Unit (MTU). Consequently, inspections and controls were mostly been applied to small fisheries operating in coastal or inland waters.

Following approval of the Law on Aquaculture in 2016, the licensing of new aquaculture farms will be allowed during 2019 when the plan of allocated zones for aquaculture is prepared and approved. A register of fish farms is updated regularly.

Data collection and scientific advice on managing fish stocks is still supported by the AdriaMed Project. Legislations on the collection, management and use of data in the fisheries sector and support for scientific advice regarding the common fisheries policy still needs to be adopted.

Albania needs to align its structural actions, market policy and any state aid measures within the scope of this chapter with the relevant *acquis*.

As regards international agreements, Albania, as a contracting party, consistently participated in the activities of the General Fisheries Commission for the Mediterranean (GFCM) and is implementing its recommendations, including on small pelagic stocks in the Adriatic Sea. In addition, Albania fulfilled the requirements in the recommendations of the International Commission for the Conservation of Atlantic Tunas.

On fisheries governance, Albania signed the Ministerial Declaration regarding the Regional Plan of Action for Small-Scale Fisheries in the Mediterranean and the Black Sea on 26 September 2018. It is a signatory party of the Ministerial Declaration MedFish4Ever, implementing the actions agreed therein.

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 partially addressed. Efforts to comply 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:

→ adopt and 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.

On the general transport *acquis*, the national transport strategy and action plan for 2016-2020 for all transport modes was adopted in November 2016. The strategy includes a sustainable transport plan, which aims to ensure a sustainable transport network and improve energy efficiency. In October 2017, an inter-institutional working group was set up for monitoring the implementation of the strategy. The first monitoring report was presented to the public in June 2018. The second review of the national transport plan (ANTP3) is expected to be adopted during the second quarter of 2019. Albania needs to make further efforts to align its transport policy with the public-service obligations and the *acquis* on public-service contracts. Albania signed the Transport Community Treaty in July 2017 at the Western Balkans 6 Summit in Trieste and ratified it in February 2018.

Administrative capacity throughout the transport sector needs to be strengthened, particularly in rail transport. The new Railway Code was adopted in December 2016 and entered into force in January 2018. Independent bodies to investigate railway accidents and waterborne accidents have not yet been set up. Funding for maintaining road and railway infrastructure is insufficient, resulting in its continued deterioration. Further efforts are needed to support the rail maintenance plans for 2018-2022.

Albania has made steady progress in aligning its national legislation on road transport with the *acquis*. The country's legislation is aligned with the *acquis* on transport of dangerous goods, licensing for road hauliers and access to the road transport market. 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. Greater efforts are also needed to align Albania's legislation on commercial-vehicle inspections, traffic-management systems, and road safety (including road-safety education and road-safety enforcement). Albania must continue its efforts to align with the transport safety *acquis* and develop its enforcement capacity. In 2017, Albania partially aligned its legislation on the qualification of road transport operators with the EU's *acquis*. After the adoption of guidelines and certification for inspectors, road safety inspections (RSI) and road safety audits (RSA) are now obligatory. Pilot road-safety inspections and roads safety audits are now being implemented along the 'core' road network, and they should be extended to the entire network. Implementation of the legislation on roadside checks of commercial vehicles is at an initial phase. Albania also needs to improve the existing national system for continuous road-crash data collection, in line with recommendations given by technical assistance (Connecta TA). The legislation on intelligent transport systems (ITS) is partially aligned with the EU *acquis*. Albania should follow-up on the recommendations of the regional study of November 2018 on a 'Strategic Framework' for implementation of ITS in TEN-T networks in WB6 and continue with the preparation, adoption and implementation of the national strategy for ITS.

The new Railway Code aims to regulate rail transport by separating train operations from infrastructure management, in line with the EU *acquis*. It only partially transposes the recast Directive on a single European railway area and EU safety and interoperability rules. As a result, the unbundling of train operations from infrastructure management has not yet been achieved. Implementing legislation is being prepared for the establishment of relevant structures and agencies, in particular the Railway Regulatory Authority. There are 2 private railway operators licensed for freight transport, but only 1 is operating. Further efforts are needed to draw up the strategic framework for implementing the ITS on the core rail network.

On maritime transport, further efforts are needed to follow up on the country's membership application to the Paris Memorandum of Understanding on Port State Control. Efforts to improve flag-state control of Albanian flagged vessels and port state control must be strengthened to reduce the detention rate of vessels under the Albanian flag. Further efforts are also needed to draw up a strategic framework to implement ITS on the core maritime network. Legislation on EU vessel-traffic monitoring and information systems has not been aligned yet.

There were no new developments in inland waterway transport. This mode of transport is limited to two lakes shared with neighbouring countries and regulated by bilateral agreements.

On aviation, Albania should be adequately prepared for the assessment visit requested under the European Common Aviation Area Agreement. This agreement, ensures proper transposition and implementation of the relevant EU *acquis*, notably in the areas of aviation safety, security and economic regulation. On air-traffic management, Albania has not yet complied with the 'single European Sky' requirements for the first transitional phase under the 'European Common Aviation sky' Area Agreement, as the functional use of airspace has not been implemented yet. Albania should also focus its efforts on the second transitional phase.

Even though the national transport strategy includes some priority actions for the development of combined transport, there is still no legislation regulating combined transport. 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 gas sector and on interconnection lines. The new national energy strategy 2018-2030 has been adopted. However, the country has delayed electricity market reforms and should accelerate implementation of the connectivity reform measures, especially by removing legal and contractual obstacles to the integration of energy markets.

In the coming year, Albania should in particular:

- 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 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*, set up an energy efficiency fund and draft and adopt secondary legislation implementing the Energy Performance of Buildings Directive.

On security of supply, Albania is at a moderate stage of preparation. Albania's oil-stock legislation is not in line with the *acquis*. There was no progress in creating a central stockholding body for oil. There is an inter-institutional working group for analysing and developing a plan for re-designing the emergency stockholding system. This working group 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 the 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 interconnected with the neighbouring systems of Greece and Montenegro since 2014, when the European Network of Transmission System Operators (ENTSO-E) approved synchronous operation of the Albanian electricity transmission system with the continental European system. Electricity distribution losses in the Albanian power grid in 2018 were high at 24.4%, although they were lower than in 2017 when they stood at 27.5%.

On the internal energy market, Albania has adopted legislation on gas and electricity in line with the EU's third energy package. In March 2017, the Albanian Energy Regulator Entity (ERE) approved the certification of OST SA as the transmission system operator, following a positive opinion from the Energy Community Secretariat. The ENTSO-E assembly therefore admitted OST SA as a full member of the network. However, ERE also imposed conditions on OST SA in the final certification decisions. These conditions concerned the transfer of investment tasks to the new public body owner of the TSO. These conditions have not yet been met, and the deadline for meeting them has been postponed for three years.

Some progress has been achieved in the legal unbundling of the distribution-system operator OSHEE SA from its supply activity. This was achieved by the establishment of three new companies, but effective legal unbundling is pending due to delayed transfer of human resources to the new companies. Functional unbundling has been postponed by ERE decision till December 2020. In January 2018, the Energy Community Secretariat initiated an infringement procedure for non-compliance with Albania's obligations on OSHEE's unbundling.

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 most customers connected to 35kV are allowed to be supplied by last resort, and all connected to lower voltage level – by universal service supplier. The electricity market remains closed by a regulated contract between state-owned generation and supply companies. This contract must be terminated urgently.

ERE's legal framework is to a prevailing extent in line with the *acquis* except for a few but central missing competences, namely 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 penalty level ERE is entitled to 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.

The Vlora thermal power plant (built with financing from the European Bank for Reconstruction and Development of EUR 40 million, EIB financing of EUR 40 million, and World Bank financing of EUR 20.5 million) has never been put into operation since its completion in 2011. This is due to a failure in the plant's cooling system that has not been repaired. The conversion of the Vlora power plant from oil use to gas use once it is connected to the trans-Adriatic pipeline is encouraged. This would stabilise the generation of electricity during droughts in the southern part of Albania.

On hydrocarbons, Albania has not aligned its legislation with the Hydrocarbons Licensing Directive, but there has been some progress with its secondary legislation. The Directive on safety of offshore oil and gas installations has not been transposed. In February 2018, the Albanian government adopted the 'gas master plan', which assesses investment needs until

2040. In May 2018, Albgaz SA, the combined gas operator in Albania, was admitted as an observer at the European Network of Transmission System Operators for Gas. Albgaz should continue with permanent capacity building to be prepared for operation of future gas infrastructure.

The main interconnection line, the trans-Adriatic pipeline, is progressing on schedule. (*see Chapter 21 – Trans-European networks*)

The regulatory framework for renewable energy is at an early stage. The revised national renewable-energy action plan for 2018-2020 envisages that 38% of gross final energy consumption will come from renewable energy sources, in line with the commitments made to reach 38% renewable energy target in 2020. With the adoption of the Law promoting renewable energy in 2017, Albania increased its compliance with the *acquis*. This Law introduced schemes to support renewable-energy producers above 2 MW (for solar power) and 3 MW (for wind power) through a competitive procedure. The procedure is based on the support scheme ‘contracts for difference’ to be paid on top of the market price of electricity. The Law incorporates a net metering scheme for photovoltaic (PV) or wind energy with a capacity of up to 500 kW. However, urgent efforts are needed to increase the share of renewable energy sources other than hydropower.

Albania depends almost exclusively on hydropower for its electricity generation (98% of its electricity generation comes from hydropower), making it vulnerable to unfavourable hydrological conditions in the summer. In addition, electricity from hydropower is not sufficient to meet its needs. Albania is a net importer of electricity and ensuring the security of its power supply is a challenge. Several investments in renewable energy (local and foreign) have been made through concession contracts to build and operate hydroelectric power plants. However, around 20% of the more-than-500 concession contracts are located 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 assessments (SEAs) and environmental impact assessments (EIAs) carried out on energy projects. Investments into hydropower should be compliant with relevant EU environmental *acquis*. Hydropower plants in protected areas and sensitive locations should pass all necessary legal procedures (i.e. they should be subject to public consultations (Aarhus Convention), respect the 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 is not yet staffed and operational. The agency reports to the minister responsible for energy. A working group has been set up within the Ministry of Energy and Infrastructure to prepare the establishment of the energy efficiency fund. However, full compliance with the Energy Community *acquis* has still not been achieved so the Energy Community’s Ministerial Council adopted a decision stating that Albania was in breach of its obligations. Albania still needs to start amending the Energy Efficiency Law to align with the Energy Efficiency Directive (EED). Albania finally submitted the first annual report under the EED in March 2018 (after a nine-month delay). The second annual report due in June 2018 was finally submitted in March 2019. A law on energy performance in buildings entered into force in 2016. Albania still needs to adopt the necessary legislation to achieve full compliance with the *acquis* in this area.

There has been moderate progress in nuclear energy, nuclear safety and radiation protection. Albania has no nuclear power plant on its territory, nor is it planning to build one.

There is a National Nuclear Agency whose mission is to put in place a system to calculate energy demand for the next 20-30 years. Albania has adopted some guidelines and orders on policy and strategic steps for safely managing radioactive waste. It has also ratified a number of international conventions. Albania is not a member of the European Community Urgent Radiological Information Exchange. It has partly aligned with the *acquis* on controlling radon and is preparing a national plan on the issue. The Radiation Protection Commission operates as Albania's nuclear regulatory authority, with the Radiation Protection Office (with 10 employees) as the executive body.

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 strengthening the General Directorate of Taxation (GDT) and the establishment of the fiscal cadastre for buildings. Revenue performance in 2018 was above 2017 levels (+4.6%) but below target (-1.9%), largely due to underperformance of VAT and excises.

In the coming year, the country should in particular:

- simplify the taxation system, encouraging enhanced tax compliance;
- ensure that by end 2019 it joins the Inclusive Framework of OECD BEPS (base erosion and profit shifting);
- address systematically the recurrence of delays in VAT refunds and avoid large backlogs.

Regarding indirect taxation, the standard *value added tax* (VAT) rate is 20%. However, there are an increasing number of exemptions and lower rates of 6% and 10%.

Excise taxation is partially aligned with the EU *acquis*. Marking of mineral oils is done for some categories. Tobacco excise duties are set to increase in annual steps, from EUR 48 per 1,000 cigarettes as of 1 January 2019 to EUR 52 from 1 January 2021. Favourable excise taxation of some groups of tobacco products of Albanian origin compared to imports persist, which is not in line with obligations of Albania under the SAA. Small producers of alcoholic beverages enjoy reduced tax rates. For personal consumption, amounts up to 100 litres for spirits and up to 200 litres for wine are tax exempted. 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. Albania does not provide deferral of taxation as provided for in the Merger Directive. Albania has committed to join the OECD Inclusive Framework on anti-Base Erosion and Profit Shifting by 2019.

On administrative cooperation and mutual assistance, Albania is yet to sign double taxation agreements with Denmark, Cyprus, Lithuania, Portugal, Slovakia and Finland. It has not yet established a central liaison office to automatically exchange financial account information based on the OECD single Global Standard.

Concerning operational capacity and computerisation, the tax administration has 1,569 posts, but the number of vacancies remained high at 206 in 2018. The annual training programme is needs-based and was approved by the Director-General of Taxation in January 2019.

Albania does not yet have the technical capacity to facilitate the efficient exchange of information, nor does it have the appropriate infrastructure to apply EU IT standards. The electronic tax administration system continues to be operational since January 2015 but the IT department strategy must still adopt its plans to achieve interconnection and interoperability with EU systems.

The legal basis for the fiscal cadastre was approved in 2018 and preparations for putting it in place started. Delays in VAT refunds continue even though the bulk of the backlog concerns three large economic operators. As of January 2019 different thresholds to categorise economic operations apply for income and VAT, resulting in a more complicated system to administer and likely encouraging tax avoidance and evasion.

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. Some progress was made, in particular, in complying with the rules on debt reduction and budget preparation set out in the organic budget law of 2016 and through the adoption of the medium term development Strategy of the Central Bank

As not all recommendations from the 2018 Report were implemented, in the coming year, Albania should take further measures to:

- align with the EU *acquis* the legislation on the Bank of Albania (BoA's) independence and its 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 is to achieve and maintain price stability. The BoA is financially independent and has sufficient instruments, competence and administrative capacity to function effectively and to conduct an efficient monetary policy. The Supervisory Board of Bank of Albania is operational after the replacement of the six members, whose mandates expired in December 2018. Monetary policy is conducted with a standard set of instruments and within a free-floating exchange rate regime. No progress was made on furthering 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 the BoA's accountability to the Parliament.

In the area of economic policy, further alignment with the Directive on Requirements for Budgetary Frameworks is needed. Albania has complied with fiscals since its adoption in 2016. Excessive Deficit Procedure notification tables are sent 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. A government instruction on the procedures for preparation, presentation and reporting of annual financial statements in government units was adopted in March 2018, aiming at improving public sector accounting. With the reform of the public sector accounting system, measures have been identified to move to using the international public sector accounting standards.

The Economic Reform Programme 2019-2021 was submitted on time. Albania needs to strengthen its administrative capacities, including adequate human resources, for designing

and coordinating the economic policy and for monitoring the implementation and impact of structural reforms and regulations 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 in many statistical areas and by adopting the amended Law on Official Statistics. The role of the National Statistical System (INSTAT) was strengthened, however methods of data collection need to be modernised and statistical production processes should be improved.

In the coming year, Albania should in particular:

- reinforce INSTAT's resources by filling the vacant posts;
- implement the amended Law on Official Statistics and expand the scope of official statistics in line with the EU *acquis*;
- improve communication with users and other stakeholders.

Regarding statistical infrastructure, the legal framework is in line with the European Statistics Code of Practice and classifications are in line with EU standards. The amended Law on Official Statistics came into force in May 2018, changing the legal status of INSTAT to that of an independent institution reporting directly to Parliament. It strengthened the role and functions of the national statistical system, improved coordination and changed the role and composition of the Statistical Council. However, the scope of official statistics should be redefined to include all European statistics and to improve access to the additional official statistics. The five-year programme on the official statistics for 2017-2021 should be adapted according to the new statistical law. 19 employees have been recruited in 2018, while 22 vacancies are yet to be filled. INSTAT's budget and staffing continued to be insufficient for fully implementing the EU *acquis* in the field of statistics.

Additional memoranda of understanding were signed during 2018 with data custodians on access to statistics. According to the new law on official statistics, producers of statistics have a stronger mandate to access and use administrative data for statistical production purposes. This law prevails over any other provision that might be an obstacle for administrative data transmission for statistical purposes or to ensure statistical confidentiality. However, there is still a need for modernising methods of data collection and improving statistical production processes, setting targets for timeliness and measuring the response burden.

On macroeconomic statistics, annual and quarterly GDP data is produced based on the production and expenditure approach, in current and constant prices. 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). Excessive deficit procedure notification tables are sent regularly to Eurostat on a best-effort basis, but they are not complete. Further improvements are needed in Government Finance Statistics. INSTAT produces and publishes the Harmonised Index of Consumer Prices.

As regards structural business statistics, data collection and production have further improved. In 2018, INSTAT started transmitting to EUROSTAT short-term statistics indicators. Starting from the first quarter 2018, INSTAT regularly conducts quarterly surveys of Service Producer Price Index. INSTAT has good relationships with respondents, and achieves quite high response rates in both business and household surveys.

On social statistics INSTAT should further improve communication and consultation with users, including major stakeholders, including producers, the media, representative organisations, and the research community. Such groups would provide feedback on products and services, informing users about developments, plans, and information needs. The Labour Force Survey is conducted regularly and micro-data is provided to Eurostat. INSTAT does not produce Job Vacancy Statistics yet. Labour cost statistics are calculated on the basis of a Labour Cost Survey, which is conducted every four years (last in 2017). The data and the quality report are transmitted in timely manner to Eurostat. INSTAT conducted the full third wave of survey of Income and Living Conditions (SILC) in the period between April and July 2018 and data is still not finalised.

Statistics on external migration and asylum are partially aligned with EU legislation. Crime statistics are published quarterly. INSTAT has started the preparatory work regarding the 2020 Population and Housing Census.

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. The Farm Structure Survey has not been finalised. The next census of agriculture holdings is planned for 2022. INSTAT should start the preparation of the strategic document for that census, including a corresponding action plan and the budget.

Environmental and energy statistics are in line with the EU *acquis* to a very limited extent. INSTAT produces the Balance of Electricity twice per year and publishes the General Balance of Energy produced by the National Agency of Natural Resources. Short-term energy statistics are still produced as volume data for electricity only. Detailed data on urban waste statistics are in line with the EU *acquis*. Air emission accounts are partially in compliance with the EU requirements. Environmental-related taxes by economic activity were published on INSTAT's website in July 2018 for the years 2010-2016, while the data for the year 2017 are expected to be published in July 2019.

5.1 . Chapter 1 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 increasing labour market participation and on improving the quality and effectiveness of labour market institutions and services. Albania has continued to restructure its employment governance system, as stipulated in the new law on vocational education and training. The employment rate and labour market participation remain low, and the informal economy is still a significant job provider.

In the coming year, the country should:

- adopt necessary secondary legislation and restructure the employment and VET governance, upon the adoption of the employment promotion law;
- intensify efforts to implement the 2015-2020 social protection strategy, with a special focus on vulnerable groups, strengthening the capacity and resource of local government to assess social care needs in their territory;
- establish clear representativeness criteria for membership in the National Labour Council and adopt them by law.

On labour law, the amended Labour Code is being implemented. Monitoring of the implementation of the Labour Code amendments still requires strengthening of data collection and better instruments for processing disaggregated data. Labour inspectorate capacity and performance need to further be strengthened and the labour inspectorates should develop effective training of inspectors. Child labour remains a concern, with more effective measures needed to prevent it. There is also a need to strengthen the system of monitoring child labour.

Regarding health and safety at work, the 2016-2020 occupational, safety and health policy document and its action plan are under implementation. Between 2013 and 2017, Albania adopted laws transposing 19 EU directives linked to the Framework Directive on Health and Safety at Work. In 2018, Albania concentrated on implementation, but low financial and human capacities are a limitation on the way towards an effective implementation of health and safety at work legislation. Reported accidents at work increased from 107 in 2016-2017 to 222 in 2017-2018, and fatalities at work increased from 13 to 33 in the same timeframe. A total of 265 workers suffered accidents in 2017-2018, of which 153 in 2018. Most of the accidents (around 60%) occurred in the mining (23%), manufacturing (23%) and construction (15%) sectors. Statistical data on health and safety remains to be improved.

Social dialogue remains weak in both the private and public sector. Regarding tripartite social dialogue, the mandate of the National Labour Council was renewed in April 2018. However, clear representativeness criteria are still under discussion and have not yet been set in law. Significant efforts are still needed to transform the National Labour Council into an effective social dialogue forum, aiming at improving collective bargaining. Intensification of bipartite social dialogue, in particular at local and company level is also needed across the country. At regional level, the decision on a tripartite Regional Consultative Council, consisting of representatives of employers' organizations, trade unions and representatives of state structures, expected to be established by the second quarter of 2018, is still to be adopted. Also, the amicable labour disputes resolution system needs further consolidation.

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 there has been improvement in the labour market, there are issues as regards alignment of education (including adult education) to the needs of the labour market. The employment and labour market participation rates continued to grow in 2018 and are high compared to the region. These figures however hide a high underemployment. At the beginning of 2018, job creation has been identified as 1 of 5 major cross-sectoral priorities of the current government. A mid-term review of the national employment and skills strategy (NESS) was completed. The revised action plan of the strategy will cover the period between 2019 and 2022, and has still to be adopted during the first semester 2019. The secondary legislation implementing the Vocational Education and Training (VET) Law has been drafted but is yet to be adopted. No progress was made in extending employment and VET services to rural areas. The revised Albanian Qualification Framework Law was adopted in May 2018, but significant efforts should be made to operationalise it. The Law on employment promotion was adopted in March 2019. The National Agency for Employment and Skills is expected to be set up by June 2019 and secondary legislation still needs to be adopted. Little progress was made in linking the reform of social assistance to the employment and skills development programmes available. (Ex)-beneficiaries of economic assistance received more activation support during 2018 through job mediation and attendance in vocational training courses. Attendance in the latter was newly supported through a specific employment promotion programme approved in 2018. Activation support to this category is still low and not well tailored to the particular needs of the target group.

Public employment services were strengthened and the image and outreach of Labour Offices have improved with the restructuring of 13 additional labour offices throughout the country, during 2018. Further efforts should be made to finalise the reorganisation of the remaining employment offices.

In 2018, there were 74 686 unemployed jobseekers (52.4% women) registered in employment offices and 34,669 (51% women) found a job through labour offices (LOs). The number of vacancies announced in LOs reached 61 391 (over 30% more than the previous year), showing an increased dynamism in the offices.

The unemployment rate remains high, particularly among women, young people, Roma and Egyptians, and people with disabilities. In 2018, the unemployment rate (15-64) fell to 12.8% (12.3% for women, LFS, INSTAT data 2018), 1.3 percentage points below the level for the same period in 2017. The official youth unemployment rate (15-29) is 23.1%. It decreased by 2.8 percentage points as compared to 2017. Long-term unemployment remains a challenge to be addressed through more flexible and tailored policy interventions. During 2018, 1 580 undeclared workers have been identified by the State Labour Inspectorate (out of which 29.6% females) and 855 urgent measures imposed. There were 12 297 inspections carried out in 2018 showing that 26% of employees are declared as paid at the minimum wage. The Institute of Statistics has sufficient resources to contribute to policies with comprehensive and reliable data, but the wage gap methodology still needs to be aligned with Eurostat requirements. Special focus should be placed on urban/rural ratios in all labour-related statistics.

There were no developments on use of the European Social Fund.

On social inclusion and protection, the national strategy on social protection for 2015-2020 is being implemented. Efforts should be increased up to ensure implementation and appropriate allocation of financial resources to support the already adopted Law on social care services, the Law on the rights and protection of the child, and the 2017-2020 national agenda for children's rights. In 2018, Albania adopted the decision "on the functioning of social fund". This decision stipulates that sources of funding for the social care services must be provided from the state budget, municipal budgets, donations and other sources. Still the social fund mechanism remains to become functional at local and central level. Social care services are currently undeveloped, underinvested and lacking in many areas. Local government units are expected to assess needs in their territory and to prepare social care plans, but they lack capacities and resources to deliver on this task. In January 2018, the new economic aid scheme began being implemented all over the country, after being piloted in three main regions: Tirana, Durrës and Elbasan. There is a lack of analysis on whether one of the objectives of the reform, i.e. an improved targeting of those most in need, is being achieved. The Ministry of Health and Social Protection should analyse this based on existing administrative data and where necessary to collect additional data. Some progress has been achieved by using the management information system for disabled beneficiaries, which is still in the pilot phase. However, there is a need to increase the efforts in the creation of social and reintegration services for people with disabilities. The process of transitioning from residential institutional care to community-based care for vulnerable groups is being piloted in Durrës, Shkoder and Saranda. This process has now been extended to all nine public residential institutions for children under 18. Foster care and other forms of alternative care are promoted by the state social services. However, these care services require further financial support and the adequate allocation of human resources from the state.

As regards the cross-sectoral document on social inclusion policy for 2016-2020, little progress has been made in setting up the necessary structures at central level or clarifying

arrangements for implementing the policy. The government should increase its efforts to ensure there is a comprehensive plan for building the capacity of all line ministries and local governments to implement the actions outlined in the document. Poverty data produced by the EU – SILC (statistics on income and living conditions) are not yet published. To address many of Albania's shortcomings identified by international bodies in the field of housing and forced eviction, the Council of Ministers approved a fully-fledged Social Housing Law in 2018. However, there are financial gaps to ensure proper implementation of the law.

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

As regards equality between women and men in employment and social policy, according to INSTAT data the gender gap in employment stood at 14.3 percentage points and did not show any sign of improvement over the recent years. The 2018 World Economic Forum's gender gap index report showed Albania improved compared to its 2017 (rising from 38 to 34 out of 149 countries). However, the country does not have enough kindergarten and early childhood education and care facilities to enable parents, especially women, to work. The changes to the Labour Code introduced more measures to support work-life balance for working parents but there is no monitoring of the implementation of these changes. According to INSTAT the 2018 report, 42% of women in the labour force are employed in paid positions while 23.0% of them engage in unpaid work in the family business. For employed men, these figures are 37.0% and 12.0% respectively. 36% of men in the labour force are self-employed, compared to 23.0% of women. In rural areas, in 2016 women were more likely to be contributing family members than men. In the third quarter of 2017, agriculture employed 35% of employed males and 42% of employed females. 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 by introducing incentives to stimulate investment in the tourism sector and implementing an innovation support program.

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.

The 2014-2020 business and investment development strategy sets the strategic framework for Albania's enterprise and industrial policy. Albania continues implementing the South-East Europe 2020 regional initiative. The business and investment development strategy covering business development, including SMEs and increased skills, developing innovation, promoting sustainable growth, and creating the conditions for attracting foreign investment, needs to be revised to reflect future country priorities beyond 2020. 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 is behind schedule. The national Strategy on Innovation and Technology adopted in 2017 still needs to be implemented. A donor-funded innovation programme has started in February 2019, aiming to support innovation and start-ups with EUR 7.5 million budget.

Albania follows the implementation of the Small Business Act. Despite some improvement in the business environment, SMEs continue to identify their main challenges as: the informal economy (notably in the tourism sector), lack of transparency in public procurement especially related to Public Private Partnerships (PPPs), need for stable state institutions, unclear ownership of property titles, and issues regarding the enforcement of the rule of law. Concerning the combating of informal economy, measures to expand the taxpayer bases implemented in 2018 and to enforce implementation, contribute to creating a level-playing field for economic operators. Privatisation of State assets continued during 2018, partly through privatisation vouchers. A Law on the Establishment and Operation of Economic Zones exists but no development can be reported regarding their establishment. A technology industrial park, not subject to the law, is under development since July 2017 in Rushbull, Durres.

In the area of enterprise and industry policy instruments, the Albanian Investment Development Agency offers funding instruments to stimulate entrepreneurship in tourism, handicrafts and innovation and to support toll manufacturing under inward processing regime and competitiveness. However, the implementation is not proceeding successfully or is limited. Access to finance remains a serious challenge for businesses. 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.

Albania participates in the EU’s COSME programme for SMEs and the Enterprise Europe Network through a consortium led by the Investment Development Agency. The second European Enterprise Network (EEN) project was completed by the end of 2018 and in 2019 the same consortium started the third EEN project. 53 companies have registered their profiles in the European Enterprise Network database and only five partnership agreements have been signed. Level of absorption of information and participation under COSME financial instrument remains low and no contract has been signed yet.

Regarding sector policies, a fiscal incentive package was adopted in 2018 for 4-5 star hotels and will remain in place in 2019. Incentives were introduced to the agro-processing industry. A strategic policy paper for non-food industry and a strategy on tourism and its action plan, remain in the drafting phase and are expected to be adopted in 2019. The adoption of the Tourism Strategy faces delays.

5.21. Chapter 21 Trans-European networks

The EU promotes trans-European networks (TEN) 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. Some progress was made on its gas interconnection with the implementation of the trans-Adriatic pipeline project.

In the coming year, Albania should in particular:

- continue development of 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 Regulation (EU) 347/2013 on 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 progress in setting up the country's strategic framework for transport networks. Albania intends to harmonise its legal and institutional framework with the EU TEN-T Regulation and the Transport Community Treaty, which it signed in June 2017 and ratified in February 2018. Albania participates actively in the South-east Europe Transport Observatory (which was replaced by the Transport Community Treaty in January 2019) and Western Balkans 6 (WB6) processes, focusing on improving connectivity within the WB6 and with the EU. The national transport strategy and action plan for 2016-2020 envisages an extension of the TEN-T Comprehensive and Core Networks to Albania and an alignment with TEN-T guidelines and EU standards and regulations. There was progress in drafting the second review of the Albanian national transport plan (ANTP3), which was completed in January 2019. It is expected to be adopted in the second quarter of 2019.

Albania has made progress in repairing its road infrastructure in the core network. Albania is progressing with the preparation of road and rail infrastructure projects, especially along the Adriatic-Ionian corridor and corridor VIII. Upgrading of the railway from Durres to Tirana is planned to start by mid of 2019. Albania needs to ensure that its transport network projects are implemented in line with the TEN-T regulatory framework. Future infrastructure investments need to be implemented in compliance with EU standards on public procurement, state aid, and EIAs. Projects should be 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 fix 'blackspots' along sections of roads with high accident rates. Adoption of the multiannual maintenance plans for the entire core network (rail and road) 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. Further efforts are needed to (i) align the country with the Directive on intelligent transport systems, (ii) develop the national strategy for intelligent transport systems (ITS); and (iii) prepare for implementation of that strategy.

On energy networks, the national energy strategy 2018-2030 was adopted in 2018. The gas master plan was adopted by the government in February 2018. Further efforts need to be made to adopt the SEA and project identification plan related to the gas master plan. Adoption of this SEA and plan will help the development of TEN-E projects. Progress was made on improving the infrastructure for power transmission. The trans-Adriatic pipeline is progressing on schedule, with 84.1% of the project completed by the end of 2018. The pipeline is expected to be operational in 2020. Major gas interconnector projects are provided for under the gas master plan.

However, Albania failed to transpose and implement the Regulation (EU) 347/2013 on guidelines for trans-European energy infrastructure by 1 January 2017, and in November 2018

the Ministerial Council of the Energy Community adopted a decision establishing a breach of Albania's obligations under the Energy Community Treaty.

Albania has functional power interconnection lines with Greece and Montenegro. It also has a technically functional power interconnection line with Kosovo. The 400 kV interconnection line between Albania and Kosovo was completed in June 2016, but it has not been possible to use it so far. The inability to use this interconnection is a huge financial drain for Albania and Kosovo. OST SA and KOST SA, the Albanian and Kosovo transmission system operators, have officially requested the assistance of the Energy Community Secretariat and the European Commission to start the operation of the line.

The construction of the 400 kV line between Elbasan in Albania and Bitola in North Macedonia was approved in June 2016 by the government. The tendering procedure for project preparation and implementation was launched in April 2018. This procedure is still ongoing. The line is projected to cost EUR 70 million. The project is scheduled for completion in 2021.

Albania also participates in the EU's macro-regional strategy for the Adriatic and Ionian region (EUSAIR), for which the improvement of connectivity (transport and energy networks) is a main 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 bear responsibility 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.

On the legislative framework, the national strategy for development and integration and several sectoral reform strategies have been adopted and are being implemented. A national medium-term budget plan has been drafted. Adequate co-financing capacity for EU programmes at national and local level has yet to be established.

Regarding the institutional framework, the sector coordination and monitoring mechanisms with integrated policy management groups and sector steering committees have been formally reconfirmed by Order of the Prime Minister. The government's Strategic Planning Committee has been reactivated. Further efforts are needed to make the structures operational. Coordination on EU integration and EU assistance needs to be ensured between national

administrations such as the Ministry for Europe and Foreign Affairs, the Ministry of Finance and Economy, the Prime Minister's Office and line ministries.

On administrative capacity, the staff of the Audit Authority (including new recruits) has received further training. Further capacity-building measures are in the process of being undertaken for the CFCU, notably in order to speed up the public procurement process, and for the management structure. A proper retention strategy needs to be developed for all indirect management structures. The administrative capacity for sector reform coordination and monitoring through the integrated policy management groups and sector steering committees need 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.

Further efforts are still needed to upgrade the administrative capacity for multiannual sector programming in line with the sectoral approach under the IPA framework for 2014-2020. Albanian authorities provided input to the revised indicative strategy paper for IPA. 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, there is some progress toward formally setting up the Sector Monitoring Committees (for IPA II). These committees ensure the proper monitoring of EU pre-accession assistance and should meet regularly. The legal basis for these committees was laid down via a decision of the Prime Minister adopted in October 2018. The process for establishing the Sector Monitoring Committees should now be swiftly finalised.

On financial management, control and audit, the Audit Authority has started demonstrating its ability to produce valuable findings, which need to be followed up by indirect management bodies. The Audit Authority is in the process of improving its contradictory procedure. The self-assessment of the National Authorising Officer's Support Office on management and control systems needs to be improved.

Regarding regional policy, the key implementing agencies are the Regional Development Agencies (RDAs), the Agency for Regional Economic Development (ARED), the Albanian Development Fund (ADF), and the National Agency for Regional Development (NARD). A decision of the Council of Ministers of July 2018 has transferred the functions of NARD, ARED, and RDAs to the ADF. The latter is expected to be the only implementing agency for regional development, at national and regional level. It is also expected to take overall responsibilities and fulfil functions of managing authority for regional development. The decision has however not yet been implemented.

A draft law on regional development and cohesion policy has been designed by Albanian authorities after consultation with relevant public institutions and non-governmental stakeholders. Although announced to be adopted by the Parliament in July 2018, the draft law has still not been submitted for adoption.

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 implementation of the national strategy for scientific research, technology and innovation for 2017-2022 and the launching of the

mapping phase of the Smart Specialisation Strategy. However, last year recommendations have not been fully addressed.

In the coming year, the country should in particular:

- increase investment in research, in line with its own commitments and European research area priorities;
- adopt the smart specialisation strategy;
- ensure higher participation in Horizon 2020.

On research and innovation policy, the 2017-2022 national strategy for scientific research, technology and innovation is being implemented. A decision on the methodology for assessing research activity in higher education institutions was adopted in March 2018. Some progress was made on the creation of the national research database, which will be managed by the National Agency of Scientific Research and Innovation (NASRI). Now that the Albanian National Research and Education Network is connected to GEANT, national efforts should be made in the fields of open access and open data.

In January 2017, the government approved the 2017-2021 action plan to support the development of innovative policies. This action plan aims to promote better links between academia, industry and government, but no progress was made on implementing the plan in 2018. A new draft on law scientific research in the Republic of Albania has been finalised. It is scheduled to be presented in the Parliament in 2019 together with the new draft law on the Academy of Science.

In response to students requests, in December 2018 the Council of Ministers approved some decisions on reductions in fees, monitoring of the performance of lecturers, transparency in the financial administration of universities, access to online virtual libraries, digital archives of lecturers' publications and representation issues.

Investments in research and other measures to strengthen research and innovation capacity at national level need to be stepped up. Albania does not currently have neither a clear methodology to establish clear funding for research and science, nor does it have a national roadmap for research infrastructure. Despite the fact that the aim to increase investments for Scientific Research, Technology and Innovation up to 1% of GDP by 2022 is written down in the strategy, the share of public spending for scientific research in 2018 only reaches 0.06% of GDP. Albania has no national roadmap for research infrastructure, whose mapping is expected to be completed by July 2019. In September 2017, the development of a smart specialisation strategy (S3) started under the lead of the Ministry of Education, Sports and Youth, in cooperation with the European Commission. However, the strategy still needs to be adopted. A road map for the S3 process has been drafted and the mapping process is being prepared with a TAIEX support. The mapping phase of the strategy is expected to be completed during 2019. As regards EU framework programmes, Albania participates in Horizon 2020 as an associated country. Albania is by far the least successful performer of all countries associated to Horizon 2020, with a success rate of 7.8% overall so far (compared to the average success rate of 15.3%) despite a high application rate. Private sector participation in the programme remains particularly low.

On integration into the European research area, Albania should be more active in all six priority areas of the European research area, and should improve its networking with European partners to engage in international cooperative research.

On Innovation Union, the government adopted decisions to set up four programmes managed by the Albanian Investment Development Agency for 2018: the Creative Economy

Fund, the Start-up Fund, the Competitiveness Fund and the Innovation Fund. The objective should be to participate in the European Innovation Scoreboard.

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 in this area, especially by improving the online application for recognition of diplomas, the curricular framework for pre-school education and standards of development and learning for children aged 3 to 6 years, and monitoring the framework for assessment of pre-school education. Some progress was also registered overall in the education and training system with the adoption of the revised Albanian Qualification Framework Law in May 2018. No progress was achieved in adopting the secondary legislation of VET Law and the strategy on culture for 2019-2023.

In the coming year, Albania should in particular:

- implement the pre-university education strategy and the higher education reform, with a focus on ensuring inclusive and quality education at all levels both in urban and rural areas;
- finalise the secondary legislation for the implementation of VET Law;
- adopt and implement the national strategy on culture for 2019-2023 to preserve Albania's cultural heritage.

On education and training, where the level of public expenditure remains at 3.1% of GDP, progress was made with the implementation of curricular and legislative frameworks. For the implementation of the new curricula for early childhood education, around 1,300 teachers and kindergarten directors were trained. The level of enrolment in early childhood education was 80.3% in 2018. Adult (25-64) participation in formal or non-formal education and training is extremely low (in 2017 - 0.9% - according to the labour force survey's methodology, and 9.2% - according to the adult education survey's methodology) compared to the EU average (10.9% in 2017, respectively 45.1% in 2016, using the same methodologies).

Although their enrolment rates remain very low overall, the participation of Roma and Egyptians in early childhood education increased by 5% in elementary schools, by 25% in middle school, 27% in high school and in pre university education by 22%. Nevertheless, the gap in access to education between Roma/Egyptian children and non-Roma children living in the same areas remains very large. The measures planned to facilitate access to universities, quota system and university fee waiver, are in general not implemented.

Following the curricular reform for grades 1 to 9, teachers received basic training before the introduction of a new curriculum for each grade. However, the new curricula require skills current teachers did not learn at university and further training, adequate mentoring and ongoing support are missing. Such support should be set up to ensure an effective implementation of the curricular reform. The review of the content and structure of curricula for initial teacher training in higher education institutions has started, and their introduction is expected in the academic year 2019-2020.

Due to resource and capacity limitations quality in education is an issue across the country. Schools in rural, mountainous and isolated areas face additional problems, one of which is

that they cannot attract qualified teachers. In general, the education budget should be increased and its use should be more transparent, including for private higher-education institutions.

The secondary legislation of the new VET Law of February 2017 has not yet been adopted. Qualification standards and framework curricula for most VET programmes are being modernised, even though some Albanian schools lack the teaching skills and equipment to put them into practice. Participation in VET is increasing, mainly through promotion of the VET services. The government plans to expand the responsibilities of the National Agency for VET and Qualifications to include VET teacher training and non-formal training. Albania should also make progress in ensuring that VET is inclusive. It can achieve this through targeted measures for rural women, people with disabilities, Roma and Egyptian minorities, and other populations at risk of exclusion, especially in rural and remote areas.

A strategy on education (including higher education) for the coming years is still to be prepared by the authorities.

The creation of the Teachers for Albania internet portal was one of the major areas of reform in 2018. The portal offers an online platform, where people who wish to become school teachers and pre-school teachers can register their interest and be selected, ensuring transparency in recruitment.

Albania now offers the service of application for diploma recognition (since January 2017) and has reduced the number of requested documents for recognition. The country continues to participate actively in EU programmes, notably the Erasmus+ programme, through which there have been a total of 3 500 mobilities of staff and students from Albania since 2015 and 23 Capacity Building projects in the field of Higher Education involving local beneficiaries are currently being implemented.

Albania participated in the OECD Programme for International Student Assessment (PISA) 2018, with results due to be published in December 2019. Despite constant improvements over the last three testing rounds (2009, 2012 and 2015), Albania continues to perform poorly in PISA tests. Half (50.3%) of the 15-year olds perform poorly in reading and even more (53.3%) perform poorly in mathematics. Preparations are ongoing for Albania's participation in PISA 2021. The country will also participate in the Trends in International Mathematics and Science Study (TIMSS) 2019 and Progress in International Reading Literacy Study (PIRLS) 2021 international assessments.

On the culture sector, the national strategy for culture for 2019-2023 is expected to be adopted in May 2019. The Law on cultural heritage and museums was adopted in May 2018. The aim of the Law is to preserve, protect, evaluate and administer Albania's national cultural heritage, including museums. In addition, the Law sets up rules on the international movement of cultural assets, partially aligned with the EU *acquis*.

Albania adopted the Law on the Protection of National Minorities in October 2017, in line with the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The secondary legislation for the implementation of the Law are still to be adopted. A draft-decision 'On determining the strategies, programmes and action plans to create the necessary conditions for national minorities to preserve and develop their distinct identity in the Republic of Albania' is under preparation by the Ministry of Culture. It will be implemented jointly with the Ministry of Education, Sports and Youth. Albania has continued to participate in the EU Creative Europe programme with good results over the years. Since January 2018, the Ministry of Culture is in charge of managing the 'Europe for citizens

programme'. In 2017, Albania benefited of nine projects under this programme, and last year the Ministry organised two information sessions about the programme.

The Ministry of Education, Sports and Youth is preparing a draft law on youth. This law is expected to enhance the role of youth organizations in decision-making and ensure the efficiency of state institutions working on issues related to young people. During 2018, three youth centres have been established in the cities of Lac, Lushnja and Elbasan but further steps need to be taken to establish the remaining youth centres. Regional Youth Centres will provide information to young people in the mentioned cities. In the Capacity Building Youth action of the Erasmus+ Programme, the interest from Albanian organisations in the 2018 call was high: 26% of the total submitted applications came from Albanian organisations out of which 7 Albanian projects coordinated by Albanian organisations were selected. The Regional Youth Cooperation Office's (RYCO) has its headquarters in Tirana and the country participated actively in their first call for projects.

Albania has developed and implemented a programme called 'Sexuality education for life skills' for 10 to 18-year-old students. Since 2015, about 3,000 public schools teachers have been trained to teach this programme. The programme seeks to go beyond improving sexual health. It also aims to prevent and reduce gender-based and intimate partner violence and discrimination; to increase gender equitable norms, self-efficacy and confidence; and to build stronger and healthier relationships. Albania participated for the first time in the European Week of Sports by organising as large number of sport activities in 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 water management. However, significant efforts are needed on implementation and enforcement, especially in the water sector and on climate change.

In the coming year, Albania should in particular:

- align with key water directives and accelerate the capacity development of the national agencies for Water Resource Management and for Water Supply, Sewerage and Waste Infrastructure;
- 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;
- start implementing the Paris Agreement by adopting a national strategy and legislation on climate change, and by starting to develop integrated National Energy and Climate Plans in line with Energy Community obligation.

Environment

As regards horizontal issues, further progress is needed to achieve full alignment and implementation. The implementation of the Environmental Impact Assessment Directive (EIA) needs to be strengthened, especially in the hydropower and mining sectors. Permits for the construction of several new hydropower plants and tourist resorts in protected areas have been issued, with concerns pertaining to the quality of EIAs and public participation. Albania

has aligned to some extent with the Directive on establishing an infrastructure for spatial information (INSPIRE). More effort is needed to achieve effective public participation and consultation in the decision-making process, particularly at the local level. Further progress is needed to achieve full compliance with the remaining cross-cutting aspects of the directives on environmental liability, environmental crime and environmental inspection. The lack of a secondary legal framework is hampering the establishment of an adequate process and assessment of environmental liability for damage to the environment. Staff replacement has weakened the competences of inspectorates to carry out their functions. Further alignment with the directive on environmental crime still needs to be done.

More efforts are needed to further align the legislation on air quality with the *acquis*. The national strategy for air quality has not been adopted. Despite full alignment with the directive on ambient air quality and cleaner air for Europe, the law on ambient air quality needs to be properly enforced and the current air quality monitoring network and practices to be aligned with EU standards. The environment agency should conduct regular monitoring of industries and installations which potentially emit large quantities of pollutants in the air. Further effort is needed to reduce the sulphur content of certain liquid fuels.

The legal framework for waste management is partially aligned. The draft National Strategy for Integrated Waste Management is in the consultation phase. Further efforts are needed to close the over 199 non-compliant landfills and dumpsites, and to start implementing separate collection of waste streams, increase recycling and reuse, and start composting bio-waste. Only 65% of waste is collected and there is no recycling of demolition waste. Economic instruments to promote recycling and prevent waste generation remain limited. The construction of an incinerator in Elbasan and the starting of procedures for the construction of two more incinerators in Tirana and Fier pose concerns in terms of compliance with EU Directives on Waste, the waste hierarchy principle with incineration as the least preferred waste management option, and with the EU targets for recycling.

On water quality, the level of alignment remains unchanged and partial, with important directives still not aligned. The National Agency for Water Supply, Sewerage and Waste Infrastructure has been given additional competences, but has to increase its capacity. Municipal utilities have to increase performance and sustainability. The existing waste water treatment plants face operation and maintenance issues. There is a strong need to extend the sewage networks and build new treatment plants, notably in urban, coastal and touristic areas. The integrated water resource management strategy has been adopted, and a new agency for water resource management has been created which has to rapidly build its capacities especially for river basin management. River basin management plans elaborated should be adopted promptly. The number of water quality monitoring points slightly increased, but the monitoring and reporting system has to develop further. The National Environment Agency should be urgently strengthened for this purpose.

Alignment with the *acquis* in the field of nature protection, in particular the Habitats and Birds Directives, is well advanced. The law on protected areas was amended in 2018 to emphasise the planning and development of protected areas. The 2016 Strategic Investment law raises concerns for the protection of biodiversity, as it can allow large tourism and industrial investments in protected areas, namely in the Divjaka-Karavasta National Park and in the Vjosa-Narta Protected Landscape, in contradiction with existing national laws and international conventions on biodiversity protection that Albania has ratified. Capacities and financial instruments for National Protected Areas Agency remain very limited, with the law forbidding its financial autonomy.

Enforcement of the laws needs to be guaranteed in case of deforestation and logging, and culprits need to be prosecuted. Investments in hydropower need to comply with national and international nature protection and water management obligations, ensure public participation and consultation, and guarantee high quality EIA reports that include impact assessments on nature and biodiversity.

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 prevention of major accidents involving dangerous chemicals. Permitting is not fully compliant with all legal requirements and there is no independent monitoring of industrial pollution. The limited data on industrial pollution relies on companies' self-monitoring and declaration. The enforcement capacity of the environment inspectorate is very limited.

On chemicals, some positive steps have been taken towards aligning with the EU Regulation on registration, evaluation, authorisation and restriction of chemicals (REACH). However, the adoption of the implementing legislation and the establishment of adequate administrative structures are still needed.

Administrative capacity for preparing strategic noise maps and action plans needs to be strengthened.

No civil protection strategy is in place. The existing civil emergencies law and national plan are outdated and do not take into account recent institutional and organisational changes. The new civil protection law under elaboration is not yet finalised. There is very limited administrative capacity, and the envisaged creation of a civil protection agency has not materialised. Floods remain a major hazard; however no progress has been made on the transposition of the floods directive. The early warning system and hydrometric and meteorological system still need to be regulated. Albania is not yet a participating State of the Union Civil Protection Mechanism and is not linked to the Common Emergency Communication and Information System (CECIS) yet. In view of their future participation in the Union Civil Protection Mechanism, Albania needs to establish relevant Secure Trans European Services for Telematics between Administrations (sTESTA) connections as a precondition to connect to CECIS.

Climate change

Albania has achieved some level of preparation to climate change, but alignment with the EU *acquis* is still limited. Some progress was made by ratifying the Kigali Amendment to the Montreal Protocol. A national strategy on climate change consistent with the EU 2030 framework on climate and energy policies needs to be adopted and a National Energy and Climate Plan in line with Energy Community recommendation has to be developed. No specific administrative structure for handling climate change issues is in place.

Regarding its reporting obligation under the United Nations Framework Convention on Climate Change, Albania is preparing its Fourth National Communication and its First Biennial Update Report.

The law on climate change and accompanying decisions, partly transposing provisions the EU Emissions Trading Directive, still need to be adopted. Further efforts should be made on emission standards for new cars and vans and related consumer information. Similar efforts are needed regarding effort sharing, geological storage of CO₂, and greenhouse gas emissions from land use, land use change, and forestry. Considerable strengthening of administrative capacity, allocation of the necessary financial resources as well as awareness-raising activities are needed.

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 some progress over the last year, notably on non-safety-related issues through further aligning legislation with the EU *acquis*, and strengthening the effectiveness of the Consumer Protection Commission (CPC). There was also progress on last year's recommendation to improve access to services for vulnerable populations, through the adoption of the National Programme for Community Health Care. However, significant progress needs to be made to ensure everyone in Albania has healthcare coverage.

In the coming year, the country should in particular:

- further align its legislation with the *acquis* on substances of human origin and on medicines for human and veterinary use;
- continue to improve access to services for vulnerable populations, including: women; Roma and Egyptian minorities; people with disabilities; and populations in rural or remote areas.

Consumer protection

On horizontal aspects, the capacity of the CPC and of other consumer protection bodies continued to be strengthened through training on EU legislation and on enforcement practices. On product safety, the Market Surveillance Inspectorate needs to be better staffed. National legislation is partly aligned with the EU *acquis*. On non-safety-related issues, during the reporting period amendments to the Law on consumer protection were adopted during the reporting period. These amendments aim at further alignment with the EU *acquis* in the area of consumer rights and alternative dispute resolution. Awareness-raising materials were made available on the CPC's website.

Public health

On horizontal aspects, the 2016-2020 national health strategy, adopted in 2017, seeks to achieve universal healthcare coverage. However, efforts are needed to strengthen the governance of public hospitals and healthcare quality. Albania should ensure that appropriate funding and staffing are allocated to fully implement the strategy at both central and local level.

National legislation on **patients' rights in cross-border healthcare** has yet to be aligned with the EU *acquis*. The Ministry of Health and Social Protection and the National Agency for the Information Society are the authorities responsible for e-health.

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

On blood, tissues, cells and organs, the relevant legislation 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 to the *acquis*, is being full implemented.

Legislation on medicines for human and veterinary use is not aligned with the *acquis*. On health promotion for non-communicable diseases, there is a national cancer control plan. Appropriate structures for cancer screening services were also put in place, especially in the main urban areas, but a cancer registry is yet to be set up. Some developments can be reported in the area of mental health with the establishment of two specialised mental health services that will become fully operational in 2019. 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 increase awareness in school and community centres about the risks of malnutrition. The national legislation on pricing of medical devices is designed to be partly aligned with the *acquis*.

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.

On health inequalities, in January 2018 the Ministry of Health and Social Protection launched the National Programme of Community Health Care, which mainly aims at providing health care for marginalised Roma and Egyptian minorities. Further efforts are necessary to improve access to services for vulnerable populations, including: women; Roma and Egyptian minorities; people with disabilities; and populations in rural or remote areas.

Although sexual and reproductive health services are available, the use of condoms continues to be very low. This exacerbates the increase in the number of diagnosed *sexually* transmitted infections, most significantly among women. Low diagnosis levels among the male population are because men take medical check-ups less frequently and have limited awareness of their reproductive health needs. A national programme on breast and cervical cancer screening is lacking. Protocols for breast cancer and cervical cancer have been drawn up, but still need to be approved and implemented.

5.2 . Chapter 2 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. Some progress was made, in particular by improving online customs procedures, shortening the time for processing of customs declarations and use of risk assessment.

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, the Customs Code is broadly aligned with the *acquis*. The country's system for customs debt and guarantees is harmonised with EU rules. However, the customs declaration 'scanning fees' 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 aiming to implement the Common Transit is still pending. Albania is

implementing its new Authorized Economic Operator program. Awareness raising activities regarding the benefits, procedures and programs are taking place, while capacity development is still needed.

Tariff suspensions and tariff ceilings are not planned at the moment. Binding tariff information and explanatory notes are published by the Albanian Customs Authority (ACA), and anonymised decisions on administrative appeals by the respective court. Rules of non-preferential origin are included in the Customs Code. The Regional Convention on Pan-Euro-Mediterranean preferential rules of origin is applied in Albania.

The Customs Code's rules on valuation are aligned with EU rules. The risk management system is automated. It compares import, export and transit data against active risk profiles. The legislation on customs enforcement of intellectual property rights 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. Differences between the *acquis* and national rules on cash and goods transported in travellers' baggage remain, regarding amounts to be declared and the declaration form. The ACA does not impose sanctions for non-declarations or misdeclarations, but confiscates the cash and passes it on to the police or Attorney General's office for criminal prosecution.

On administrative and operational capacity, the Business Strategy of the Customs Administration comprises the mission and strategic objectives for the period between 2017 and 2021, including an objective to improve IT systems and platforms. Electronic local customs clearance is functioning, but IT systems are only fully interconnected with the Directorate General of Taxation and the Directorate General of Road Transport, while conditions for direct access are created to police and prosecution. In 2018, online customs procedures improved.

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. Some progress was made in improving the capacity for coordinating and facilitating trade policy and through the ratification of Additional Protocol 5 to the Central European Free Trade Agreement (CEFTA).

In the coming year, Albania should in particular:

- continue to implement the national action plan on trade policy coordination and facilitation;
- adopt the relevant legislation in the field of export control of dual-use goods;
- strengthen the overall administrative capacity of the team in the Ministry of Finance and Economy dealing with trade with the EU and CEFTA);
- implement actions under the multi-annual action plan for the development of a Regional Economic Area, in particular implement CEFTA Protocol 5 on Trade Facilitation, adopt and implement the pending CEFTA Protocol 6 on Trade in Services and negotiate and ensure a swift adoption of CEFTA Protocol 7 on Dispute Settlement.

On the common commercial policy, Albania continued to coordinate its positions and align its policies closely with those of the EU, including within the WTO. It has ratified the WTO Trade Facilitation Agreement and notified its list of commitments, which now need to be

reviewed in order to speed up implementation. In addition, Albania needs to submit the notifications required under Articles 1.4, 10.6.2 and 12.2.2 of the WTO Trade Facilitation Agreement.

There was some progress in the area of *dual-use goods* with the adoption in July 2018 of the law on state control over international transfer of military items and dual-use goods and technologies, aiming at partial alignment with the related EU *acquis*. 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 followed through the February Government Decision. Albania has already adopted its national control list of dual-use goods in line with EU Regulations. Further alignment with the *acquis* on export controls of dual-use goods remains to be completed. A specific sector on Dangerous Goods, Dual Use and Illegal Trafficking is established as part of the anti-trafficking directorate in the General Directorate of Customs. There has been no progress towards Albania's participation in the multilateral export control regimes. Albania has not transposed the legislation related to the EU regulation concerning trade in certain goods, which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

As concerns bilateral agreements with third countries, during the reporting period Albania signed 12 new agreements on economic/trade/technical cooperation. In total, it now has 36 such agreements in place, including 13 with EU Member States. An agreement on economic cooperation between the governments of Albania and Bosnia and Herzegovina was adopted in principle in December 2018. Albania has in place Bilateral Investment Treaties with 45 countries and 6 more are under negotiation with Slovakia, Iran, Canada, Morocco, Lebanon and Iceland. Negotiations for amending the free trade agreement with Turkey continue, focusing on the inclusion of specifications related to trade in services and investments. Expression of interest for establishing a joint committee/economic cooperation agreement have been bilaterally exchanged with Algeria, Egypt, Cuba, India, Norway, Georgia, and Ukraine.

In 2019, Albania holds the chairmanship in office of CEFTA. In addition, it made important commitments at the WB6 summits in Trieste, London and Durres to implement a multiannual action plan for developing a Regional Economic Area (REA) in the Western Balkans. Implementing the action plan will deepen and widen economic integration within the region, based on EU rules and standards. The government of Albania has established a mechanism for implementing and monitoring the REA. In April 2018, Albania adopted and ratified the law on adoption of additional Protocol 5 of the agreement with CEFTA countries.

Administrative and operational capacity needs to be strengthened: following the restructuring of the Ministry of Finance and Economy, organisational units in charge of trade with the EU, CEFTA and WTO were covered by an ad hoc working group composed of 4 experts until the beginning of 2018. A structure on trade issues composed of 2 specialists and 1 chief of sector is under establishment. Currently the tasks are performed by the staff of the Directorate of Economic Policies in the Ministry, covering also the functions of the Technical Secretariat for the National Committee for Trade Policy and Facilitation. A permanent stable structure dealing with trade-related issues should be operational.

Albania has no development policy framework for cooperation/aid or agency for development cooperation with third countries. The 2001 Law on Non-Profit Organisations recognises the potential activities of such organisations in the field of humanitarian aid and entitles them to carry out development and humanitarian aid activities inside and outside Albania.

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. Some progress was made through the ongoing security upgrade of storage facilities for armaments and ammunition. A virtual firearms focal point was set up in the Albanian State Police. Albania continued to participate in military crisis-management missions and to fully align with EU positions.

In the coming year, the country should in particular:

→ finalise the establishment of a firearms focal point in the Albanian State Police, implement the newly adopted strategy on small arms and light weapons, and 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. A political dialogue between the EU and Albania on UN issues took place in October 2018. (For more information on relations with other enlargement countries and EU Member States, see *Political criteria — Regional issues and international obligations*).

Albania's Ministry of Foreign Affairs and 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 it was invited, Albania aligned with all relevant Council decisions and High-Representative declarations on behalf of the EU (100% alignment).

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. As mentioned in the previous reports, Albania needs to align with the EU position.

Albania adopted in February 2019 a new national strategy on small arms and light weapons for the period 2019-2024. It also adopted a corresponding action plan for 2019-2021. Albania signed the 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 by 2024' at a London summit in July 2018.

Albania made further progress in improving the security of storage facilities for armaments and ammunition. The security upgrade of the Albanian State Police's central armament store in Mullet was completed in September. The security upgrade of two evidence rooms in the police directorates in Tirana and Durrës was also completed. Security upgrades of the State Police's tunnel-storage in Mullet and of the Ministry of Defence's ammunition and armament storages in Miraka and Zall-Herr are planned for 2019. Albania made further progress in implementing the action plan for destroying surplus weaponry. Clearance of hotspots contaminated with unexploded ammunition continues.

A virtual firearms focal point was set up in the Albanian State Police in May 2018. Its incorporation into the department's structure is expected in the first half of 2019. Members of the firearms focal point received training, and in November the focal point was equipped with the required software tools for sharing data and analysis on firearms. This will 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 now fully functional.

Albania 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. It 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 maintained a robust presence in a number of NATO missions, including some of strategic importance for the EU (such as NATO's Maritime Group in the Aegean Sea). Albania will hold the chair of the Organisation for Security and Cooperation in Europe 2020 and is a candidate for a non-permanent seat in the United Nations Security Council in 2022/2023.

On security measures, negotiations are continuing on the arrangements for implementing the agreement on security procedures for exchanging and protecting classified information, signed between the EU and Albania in March 2016. Concluding the negotiations will allow the agreement to enter into force. Albania continued to actively participate in military crisis management missions under the common security and defence policy (CSDP), notably EUFOR Althea in Bosnia and Herzegovina and EUTM Mali. The country also offered to contribute to the EU battle groups in 2024.

In November 2018, Albania officially applied to participate in the EU's Hybrid Risk Survey. Its goal in participating was to identify its key vulnerabilities and use EU instruments to get assistance to build capacity, thus strengthening its resilience against hybrid threats. In January 2019, the survey was launched with the Ministry of Foreign Affairs.

5.32. Chapter 32 Financial control

The EU promotes the reform of national governance systems to enhance 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.

Albania is moderately prepared in this area. Some progress was made during the reporting period with the legal adoption of a mechanism for coordination, monitoring and reporting of key reforms on good governance, including on public internal financial control (PIFC), and with the adoption of a risk-based external audit approach. However, Albania has not yet adopted, a comprehensive PIFC policy paper, focusing on managerial accountability and all required legislative changes, remains to be adopted. The proper and effective functioning of internal control is not yet ensured across all budget entities and the timely implementation of internal and external audit recommendations should be improved. Since only partial progress was made with the Commission's 2018 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 ensure coordinated monitoring and reporting of all related reforms;
- ensure effective follow-up to the annual PIFC report by addressing systemic weaknesses;
- ensure more systematic and timely implementation of external audit recommendations.

Public internal financial control

A strategic framework for PIFC is partially in place. A comprehensive policy on internal control with a specific focus on the definition and implementation of managerial accountability needs still to be developed. A number of enabling conditions for PIFC implementation are addressed in the public administration reform strategy and its action plan, while basic internal control and audit reform requirements are addressed in the 2014-2020 public financial management reform strategy and its action plan. In October 2018 the government set up an Integrated Policy Management Group for Good Governance to improve coordination, monitoring and reporting of the public administration, public financial management and PIFC reforms, but the mechanism is yet to become fully operational to ensure an integrated monitoring and reporting system.

Managerial accountability is not yet well embedded in the administrative culture. The financial management and control law defines accountability only in relation to financial management. Decision-making in the institutions is centralised to the minister with very little delegation to senior and middle management. Following the 2017 restructuring, all ministries now have managerial structures broadly aligned with the budget structure. Accountability and reporting lines between agencies and their parent institutions are unclear. The Law on State Administration, Law on civil servants and relevant laws on policy planning and Budget System Law need to be assessed. If necessary, these laws should be amended, to ensure that they provide a consistent basis for implementation of delegated managerial accountability. (*See Public administration reform*).

The legislation on internal control is largely in line with international standards. Although an estimated 95% of Albanian state institutions have internal control procedures in place, implementation is not systematic in all institutions. Risk management is still at an early stage, although about two thirds of institutions have prepared risk registers and corresponding action plans. Local governments have made the least progress in preparing risk registers. Declarations of assurance are systematically signed by senior management, but in the absence of a delegation framework, this remains more of a formal exercise. A centralised budget inspection function exists within the Ministry of Finance.

The legislation on internal audit practice is in line with international standards. In 2018, the number of certified auditors in the public sector increased. Internal audit still focuses mainly on reviewing financial compliance. The timely implementation of internal audit recommendations should improve.

The Central Harmonisation Unit (CHU) provides methodological guidance and monitors implementation on the basis of internal control reviews and by analysing self-assessment reports that it receives from institutions. In 2018, the CHU developed a methodology for internal control quality reviews and started to undertake such reviews. The annual PIFC report is presented to the Council of Ministers and discussed in the Parliament. The government still needs to ensure a more systematic follow-up to the findings of the report.

External audit

Albania's constitutional and legal framework provides for independence of the State Audit Institution (SAI) in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). However full implementation of the legal framework still needs to be ensured.

The large quantity of annual audit reports produced by the SAI impacts its institutional capacity. In recent years the SAI has taken measures to improve the professional

development of its audit staff. The SAI is implementing the 2018-22 strategic development plan and the 2017-19 communication strategy.

The quality of audit work needs to be further improved, as the audit activities do not yet fully comply with the INTOSAI standards. The SAI continues to focus on compliance and regularity audits determining economic damage and violation of rules, rather than on audits that could help prevent such damage in the first place. Financial audits do not yet result in professional and qualified audit opinions, even though in 2018 SAI issued for the first time an opinion on the execution of the 2017 state budget. In June 2018, the SAI adopted a risk-based external audit approach. The number of performance audits increased to 18 in 2018, in comparison to 15 in 2017.

The impact of audit work is limited, and the timely implementation of audit recommendations should be improved. Audit reports are summarised quarterly and published on a regular basis on the SAI website. The 2017 Memorandum of Understanding between SAI and Ministry of Finance on monitoring the follow-up of audit recommendations resulted in the creation of a technical secretariat with representatives of both parties. The first meeting was held in December 2018 to elect its Chairman and to agree upon its regulation and action plan 2019.

Protection of the EU's financial interests

Albania has ensured some level of *acquis* alignment. 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 has not reported any cases via an online Irregularity Management System in 2018. So far, only one case has been reported through the system in 2015. There is no national anti-fraud strategy yet in place. Albania still needs to develop a solid track record in investigations and reporting on irregularities.

Protection of the euro against counterfeiting

Albania has not yet 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 with the European Commission 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.

Albania needs to make further progress on last year's recommendations and should therefore make efforts to:

- align its relevant legislation with the requirements of the European System of National and Regional Accounts (ESA 2010);
- align its legislation with the EU provisions on VAT and customs duties;
- set up solid coordination structures, implementing rules and working procedures to ensure that it will be able to collect, control, manage and report on its own resources in line with the EU *acquis*.

There was some progress on the underlying policy areas affecting indirectly 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. VAT tax base was increased in 2018 by lowering the VAT registration threshold.

Concerning the Gross National Income (GNI) resource, some progress was made on the alignment with ESA 2010 standards, in methodological improvements, faster publication of statistics and increased number of statistical tables reported to Eurostat. Excessive Deficit Procedure tables under the Government Finance Statistics (GFS) methodology were transmitted to Eurostat in April 2018 for the years 2013-2017. National Accounts data, estimates of GDP and Gross National Income (GNI) indicators are submitted to Eurostat through the ESA 2010 transmission program. However, they are only partially based on ESA 2010 standards. Considerable efforts remain necessary to ensure the exhaustiveness of national accounts and GNI calculations.

Preparations for improving the estimation of Non-Observed Economy in Albania started and the first results are expected in 2019. Additional efforts are needed to ensure that effective measures are taken to formalise the grey economy and combat fiscal evasion and customs duty fraud.

On administrative infrastructure, the Ministry of Finance and Economy has overall responsibility for financial and budgetary issues. Albania will need to work on setting up the relevant institutions involved in the own resources system, a coordination body and implementing rules. These are needed to ensure that from accession it will be able to correctly 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 between Albania and the EU came into force in April 2009. Albania presented its application for membership of the European Union on 28 April 2009. The European Council of June 2014 endorsed the decision of the General Affairs Council granting Albania candidate status. In November 2016 in view of the progress in meeting the five key priorities, the Commission recommended opening accession negotiations with Albania subject to credible and tangible progress in the implementation of the justice reform, in particular the re-evaluation of judges and prosecutors (vetting). In April 2018, having positively assessed the additional progress, the Commission then recommended unconditionally that the Council decides that accession negotiations be opened with Albania, at the same time encouraging Albania to maintain and deepen the reform momentum in the key field of the rule of law.

In the reporting period, Albania has implemented smoothly its obligations under the Stabilisation and Association Agreement (SAA). Regular political and economic dialogue between the EU and Albania has continued through the relevant structures under the SAA. The ninth meeting of the SAA Committee was held in October 2018 in Tirana. The SAA Council gathered in November 2018 in Brussels. Meetings of subcommittees and of the special group on public administration reform were also regularly held. The Stabilisation and Association Parliamentary Committee gathered in Tirana in February 2018 and in Brussels in November 2018.

Visa liberalisation for citizens of Albania travelling to the Schengen area has been in force since December 2010. As part of the monitoring mechanism in place since visa liberalisation, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The monitoring mechanism also includes an alert mechanism to prevent abuses, coordinated by the European Border and Coast Guard Agency (EBCGA).

A readmission agreement between the EU and Albania has been in force since 2006. On 1 May 2019 the status agreement for operational cooperation with EBCGA has entered into force; this will enable the deployment of EBCG teams on the Albanian territory and ensure a better management of irregular migration. In March 2019, Albania signed a working arrangement with the EMCDDA, which will facilitate information exchange between the EU and Albania, the implementation of capacity building activities, and the development of data collection and reporting related to drugs.

The EU provided financial assistance to Albania under the Instrument for Pre-accession Assistance (IPA I) in 2007-2013 with a total allocation of EUR 594 million. The assistance has been predominantly implemented under direct management by the EU Delegation in Tirana. The indirect management modality has been introduced with a pilot approach for the IPA 2012 and 2013 national programmes. Under IPA II (2014-2020), Albania benefits, in line with the priorities set out in the indicative strategy paper, from pre-accession assistance with a total indicative allocation of EUR 649.4 million. The Framework Agreement for IPA II entered into force in April 2015. The 2014-2017 action programmes for Albania provide EUR 170 million to promote reforms in key sectors such as democracy and governance and rule of law and fundamental rights and provide EUR 113 million to invest in competitiveness and growth. For the 2018 action programme for Albania, EUR 64 million for rule of law and justice reform, and EUR 30 million for environment protection and economic development have been earmarked. They include budget support operations for public finance management, public administration and justice reform, employment and vocational education

and training, home affairs and transport as well as an EU integration facility. Albania benefits from support under the IPA multi-country programme and it participates in five cross-border cooperation programmes with neighbouring Western Balkan countries and Member States, as well as in transnational cooperation programmes under the European Regional Development Fund and the IPA Adriatic cross-border programme. 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.

ANNEX II – STATISTICAL ANNEX

STATISTICAL DATA (as of 21.04.2017)

Albania

Basic data	Note	2006	2013	2014	2015	2016	2017
Population (thousand)		3 003.3	2 897.8	2 892.4	2 885.8	2 875.6	2 876.6
Total area of the country (km ²)		28 750	28 750	28 750	28 750	28 750	28 750

National accounts	Note	2006	2013	2014	2015	2016	2017
Gross domestic product (GDP) (million national currency)		872 735	1 350 053	1 395 305	1 434 307	1 472 479	1 551 281p
Gross domestic product (GDP) (million euro)		7 091	9 625	9 969	10 264	10 720	11 564p
GDP (euro per capita)		2 400	3 300	3 500	3 600	3 700	4 000p
GDP per capita (in purchasing power standards (PPS))		5 400	7 800	8 300	8 800	8 600	9 100p
GDP per capita (in PPS), relative to the EU average (EU-28 = 100)		22	29	30	30	30	30p
Real GDP growth rate: change on previous year of GDP volume (%)		5.9	1.0	1.8	2.2	3.3	3.8p
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-28 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		20.5	22.4	22.9	22.5	22.6	21.8p
Industry (%)		11.2	14.6	14.8	14.6	14.0	12.8p
Construction (%)		18.1	11.8	9.9	10.1	10.2	10.5p
Services (%)		50.2	51.2	52.4	52.8	53.2	54.9p
Final consumption expenditure, as a share of GDP (%)		88.2	91.1b	92.2	91.8	92.2	91.2p
Gross fixed capital formation, as a share of GDP (%)		38.1	26.1b	24.2	24.4	24.4	24.5p
Changes in inventories, as a share of GDP (%)		:	2.0b	1.5	1.4	0.9	0.5p
Exports of goods and services, relative to GDP (%)		25.2	28.9b	28.2	27.3	29.0	31.6p
Imports of goods and services, relative to GDP (%)		49.1	47.0b	47.2	44.5	45.8	46.6p
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

business	Note	2006	2013	2014	2015	2016	2017
Industrial production volume index (2010 = 100)		55.4	176.5	179.1	175.3	143.8	142.9
Number of active enterprises (number)	1)	53 869	78 950	78 920	95 184	98 262	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		18.2	10.9	15.4	:	19.5	15.3

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)	81.1	81.0	80.1	81.7	81.4	:
Value added by SMEs (in the non-financial business economy) (EUR million)	2)	937	1 867	1 949	2 083	2 276	:
Total value added (in the non-financial business economy) (EUR million)	2)	1 493	2 803	2 871	3 124	3 388	:

Inflation rate and house prices

	Note	2006	2013	2014	2015	2016	2017
Consumer price index (CPI), change relative to the previous year (%)		2.4	1.9	1.6	1.9	1.3	2.0
**Annual change in the deflated house price index (2010 = 100)		:	:	:	:	:	:

Balance of payments

	Note	2006	2013	2014	2015	2016	2017
Balance of payments: current account total (million euro)	3)	-471	-891	-1 076	-884	-812	-866
Balance of payments current account: trade balance (million euro)	3)	-1 659	-1 963	-2 216	-2 299	-2 603	-2 824
Balance of payments current account: net services (million euro)	3)	-32	226	323	525	797	1 082
Balance of payments current account: net balance for primary income (million euro)	3)	209	166	91	122	174	29
Balance of payments current account: net balance for secondary income (million euro)	3)	1 011	680	725	768	821	848
Net balance for primary and secondary income: of which government transfers (million euro)	3)	50	17	9	6	48	70

**3 year backward moving average of the current account balance relative to GDP (%)	:		-10.8	-10.1	-9.6	-9.0p	-7.9p
**Five year change in share of world exports of goods and services (%)	:	:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		250.3	923.2	811.5	818.4	936.5	993.8
Foreign direct investment (FDI) abroad (million euro)		8.3	30.0	25.1	34.0	57.9	23.2
of which FDI of the reporting economy in the EU-28 countries (million euro)	:	:	:	:	:	9.9	:
Foreign direct investment (FDI) in the reporting economy (million euro)		258.6	953.2	836.6	852.4	994.4	1 017.0
of which FDI of the EU-28 countries in the reporting economy (million euro)	:	:	259.5	272.7	319.5	242.3	474.3
**Net international investment position, relative to GDP (%)	:	:		-42.9	-43.2	-44.3	-47.1
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		16.1	-18.9	8.0	1.2	0.9	1.0

Public finance	Note	2006	2013	2014	2015	2016	2017
***General government deficit / surplus, relative to GDP (%)		-3.4	-5.0	-5.2	-4.1	-1.8	-2.0
***General government gross debt relative to GDP (%)		53.8	61.7	66.1	68.8	68.6	66.8
Total government revenues, as a percentage of GDP (%)		26.3	24.2	26.3	26.4	27.6	27.7
Total government expenditure, as a percentage of GDP (%)		29.7	29.2	31.5	30.5	29.4	29.7

Financial indicators	Note	2006	2013	2014	2015	2016	2017
Gross external debt of the whole economy, relative to GDP (%)	3)	26.6	66.2	69.5	74.4	73.4p	68.7
Gross external debt of the whole economy, relative to total exports (%)	3)	105.7	228.8	246.3	272.7	253.5	217.6
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		1 969	2 109	2 524	2 749	3 170	3 441
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		3 879	4 942	5 161	5 174	5 365	5 504
Money supply: M3 (M2 plus marketable instruments, million euro)		5 415	8 192	8 538	8 703	9 198	9 438
Total credit by monetary financial institutions to residents (consolidated) (million euro)		:	:	:	:	:	:
**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)	4.37	3.80	2.92	2.26	1.49	1.34
Lending interest rate (one year), per annum (%)	5)	12.93	9.52	7.66	7.77	5.89	5.98
Deposit interest rate (one year), per annum (%)	6)	5.23	4.17	1.92	1.35	0.80	0.75
Euro exchange rates: average of period (1 euro = ... national currency)		123.08	140.26	139.97	139.74	137.36	134.15
Trade-weighted effective exchange rate index, 42 countries (2005 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2005 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		1 368	2 015	2 192	2 880	2 945	2 996

External trade in goods	Note	2006	2013	2014	2015	2016	2017
Value of imports: all goods, all partners (million euro)		2 431	3 699	3 941	3 882	4 169	4 648
Value of exports: all goods, all partners (million euro)		182	1 761	1 827	1 728	1 771	2 026
Trade balance: all goods, all partners (million euro)		-1 803	-1 938	-2 114	-2 154	-2 399	-2 622
Terms of trade (export price index / import price index * 100) (number)		124	119	119	120	116	119
Share of exports to EU-28 countries in value of total exports (%)		66.5	76.7	77.4	75.4	77.9	77.2
Share of imports from EU-28 countries in value of total imports (%)		66.9	64.3	61.1	61.8	63.1	61.7

Demography	Note	2006	2013	2014	2015	2016	2017
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		6.4	5.3	5.2	3.6	3.6	3.0
Infant mortality rate deaths of children under one year of age (per thousand live births)		7.4	7.9	7.9	7.1	8.7	8.0
Life expectancy at birth: male (years)		:	76.0	76.4	76.2e	77.1	77.1
Life expectancy at birth: female (years)		:	80.1	80.1	79.7e	80.1	80.1

Labour market	Note	2006	2013	2014	2015	2016	2017
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	67.6e	68.6e	71.3e	73.3e	73.9
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		:	56.7e	56.6e	59.3e	62.1e	63.9

Male employment rate for persons aged 20–64 (%)		:	64.8e	65.2e	68.1e	69.4e	72.1
Female employment rate for persons aged 20–64 (%)		:	49.3e	48.5e	50.7e	55.0e	55.6
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		:	51.1e	51.2e	53.6e	54.8e	55.5e
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	44.0e	42.7e	41.3e	40.2e	38.2e
Industry (%)		:	9.7e	11.0e	11.6e	12.8e	12.5e
Construction (%)		:	7.1e	6.4e	6.9e	6.5e	6.9e
Services (%)	7)	:	39.2e	39.9e	40.2e	40.5e	42.4e
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	17.8e	17.5e	16.7e	15.6e	16.4e
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	82.2e	82.5e	83.3e	84.4e	83.6e
Unemployment rate: proportion of the labour force that is unemployed (%)	8)	13.8	15.9e	17.5e	17.1e	15.2e	13.7e
Male unemployment rate (%)	8)	11.8	17.8e	19.2e	17.1e	15.9e	14.6e
Female unemployment rate (%)	8)	16.8	13.5e	15.2e	17.1e	14.4e	12.6e
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		:	31.4e	39.0e	39.8e	36.5e	31.9e
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		:	11.5e	11.2e	11.3e	10.1e	8.9e
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		:	13.6e	13.4e	12.0e	11.8e	11.2

Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	:	:	:	13.3e	11.7e
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Social cohesion	Note	2006	2013	2014	2015	2016	2017
Average nominal monthly wages and salaries (national currency)	9)	28 822	52 150	53 025	54 000	54 488	59 812
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2010 = 100)	9)	85.8	111.1	111.2	111.1	110.7	118.8
GINI coefficient		:	:	:	:	:	:
Poverty gap		:	:	:	:	:	:
*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 (%)		:	30.6e	26.0e	21.3e	19.6e	19.6

Standard of living	Note	2006	2013	2014	2015	2016	2017
Number of passenger cars relative to population size (number per thousand population)		75.0	117.7	130.7	139.9	151.6	146.7
Number of mobile phone subscriptions relative to population size (number per thousand population)		640.7e	1 822.9	1 704.1	1 655.7	1 794.4	1 874.8
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

Infrastructure	Note	2006	2013	2014	2015	2016	2017
Density of railway network (lines in operation per thousand km ²)		15.7	12.6	12.6	13.8	12.2	12.2

Length of motorways (kilometres)		:	:	:	:	:	:
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Innovation and research	Note	2006	2013	2014	2015	2016	2017
Public expenditure on education relative to GDP (%)		3.2	3.3	3.3	3.1	3.1p	3.1p
*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 (%)		:	:	23.8	25.0	29.4	30.2

Environment	Note	2006	2013	2014	2015	2016	2017
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		94	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)		296.2	250.3	244.9	223.7	221.6	224.6
Electricity generated from renewable sources relative to gross electricity consumption (%)		90.0	75.0	60.6	80.8	100.5	60.8
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2006	2013	2014	2015	2016	2017
Primary production of all energy products (thousand TOE)		1 219	2 034	2 013	2 073	1 943	1 634
Primary production of crude oil (thousand TOE)		500	1 207	1 368	1 279	1 056	959
Primary production of solid fuels (thousand TOE)		11	1	0	34	2	68
Primary production of gas (thousand TOE)		9	15	25	27	35	37
Net imports of all energy products (thousand TOE)		881	604	682	280	461	920

Gross inland energy consumption (thousand TOE)		2 182	2 365	2 355	2 199	2 250	2 368
Gross electricity generation (GWh)		5 524	6 959	4 724	5 895	7 782	4 526

Agriculture	Note	2006	2013	2014	2015	2016	2017
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		1 120	1 190	1 178	1 175	1 174	1 174
Livestock numbers: live bovine animals (thousand heads, end of period)		634	498	500	504	492	475
Livestock numbers: live swine (thousand heads, end of period)		152	152	172	171	181	180
Livestock numbers: live sheep and live goats (thousand heads, end of period)		2 770	2 723	2 800	2 751	2 913	2 859
Raw milk available on farms (thousand tonnes)		1 102	1 131	1 133	1 131	1 145	1 156
Harvested crop production: cereals (including rice) (thousand tonnes)	10)	508	703	700	696	698	702
Harvested crop production: sugar beet (thousand tonnes)		0	0	0	0	0	0
Harvested crop production: vegetables (thousand tonnes)		688	924	950	1 030	1 129	1 152

: = 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.