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signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
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Albania 2016 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  
2016 Communication on EU Enlargement Policy

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**COMMISSION STAFF WORKING DOCUMENT**

**Albania 2016 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**

**2016 Communication on EU Enlargement Policy**

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## 1. INTRODUCTION<sup>1</sup>

### 1.1. Context

In June 2014, the European Council granted Albania candidate status. The Stabilisation and Association Agreement (SAA) has been in force since April 2009 and Albania has implemented smoothly its obligations. Regular political and economic dialogue between the EU and Albania has continued through the relevant structures under the SAA. The government engaged in EU-related reforms and continued to make progress in meeting the objectives set out in the five key priorities for the opening of accession negotiations.

### 1.2. Summary of the report

As regards the **political criteria**, overcoming previous polarisation, the Parliament of Albania has adopted by unanimity constitutional amendments to launch a deep and comprehensive justice system reform and the exclusion of criminal offenders from public offices. In view of the next general elections to be held in 2017, Albania is expected to adopt in due time amendments to the electoral code and related reforms. These should address in particular the lack of impartiality and professionalism of the electoral administration. Adoption of the law establishing the national council for civil society provided the framework for more structured consultations with civil society organisations.

Albania is moderately prepared in what concerns the reform of its public administration. The implementation of more transparent recruitment procedures of civil servants, as well as the implementation of the public administration reform and public financial management reform strategies have continued. Further progress is key to consolidate achievements towards a more efficient, depoliticised, and professional public administration.

Albania's judicial system has some level of preparation. Constitutional amendments related to the organisation and functioning of the justice system were adopted. This paves the way for a comprehensive and thorough justice reform. Work on related implementing legislation also advanced: a law on the re-evaluation (vetting) of judges, prosecutors and legal advisors, as well as a set of key laws providing for the institutional reorganisation of the judicial structures were adopted. In addition, around 40 other legislative texts are at various stages of preparation. Further progress is needed to adopt and implement this legislation. Administration of justice continued to be slow and inefficient; corruption remained prevalent across the sector.

Albania has some level of preparation in the fight against corruption. A law on whistle-blower protection was adopted. Prosecutors and police gained increased access to national electronic public registries, with a view to exchanging sensitive information and increasing the efficiency of investigations. Further progress is needed to establish a solid track record of investigations, prosecutions and convictions. More efforts are needed to tackle corruption at high level. Proactive investigations, systematic risk assessments and inter-institutional

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<sup>1</sup> This report covers the period from October 2015 to September 2016. It is based on input from a variety of sources, including contributions from the government of Albania, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. As a rule, legislation or measures which are under preparation or awaiting parliamentary approval have not been taken into account.

cooperation need to be improved. Corruption remains prevalent in many areas and continues to be a serious problem.

The country has reached some level of preparation in the fight against organised crime. Some progress was made, in particular on identifying and destroying cannabis plantations. The police was modernised and international police cooperation intensified, especially with Europol. However, cooperation between police and prosecution needs to be further strengthened to dismantle criminal networks more effectively. The number of final convictions in organised crimes cases is still low, marking only a slight increase in recent years. Financial investigations related to organised criminal groups are not used systematically and effectively. The track record of freezing and confiscating illegally acquired assets remains very low.

The legal framework for the protection of human rights is broadly in line with European standards. Albania has ratified most international human rights conventions. However, enforcement of human rights protection mechanisms remains to be strengthened. As regards freedom of expression, Albania has some level of preparation / is moderately prepared. The overall environment is conducive to the freedom of expression, but better implementation of the legislation is needed. The independence of the regulatory authority and public broadcaster must be further strengthened, and transparency of state advertising in the media remains to be enhanced. Albania has taken measures to address the restitution of or compensation for property confiscated during the communist era. A new law providing for the setting up of a national mechanism for compensation is now in place. The process of property registration also needs to advance. Living conditions for Roma and Egyptians<sup>2</sup> need to be improved. Additional efforts are needed to develop a track record of anti-discrimination cases. Institutional mechanisms to protect the rights of the child and to tackle gender-based violence remain poor. The legislation on juvenile justice remains to be brought in line with international standards.

Albania has continued to have a constructive and proactive role in regional cooperation and maintains good neighbourly relations in line with its commitments under the Stabilisation and Association Agreement.

As regards the **economic criteria**, Albania is moderately prepared in developing a functioning market economy. Some progress was made in improving the budget balance, fighting informality and reforming the electricity sector. Economic growth accelerated and the labour market situation improved, but unemployment is still high. Public debt is high and has not yet started decreasing, while the recurrent underexecution of government spending on investments persists. The financial sector is stable. However, the banking sector is still burdened with non-performing loans and credit is growing slowly. Business-relevant regulations are cumbersome and shortcomings in the rule of law continue to deter investments. The ongoing justice reform is expected to have a material impact on the business environment.

Albania has some level of preparation concerning its capacity to cope with competitive pressure and market forces within the Union. Some progress was made particularly as regards improving higher and vocational education. However, the quality of education needs to be raised at all levels to better equip people with skills and knowledge in line with labour market

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<sup>2</sup> All these groups are considered under the wider "Roma" umbrella term under the EU Framework for National Roma Integration Strategies.

needs. Efforts have started for prioritising infrastructure investments, but gaps in transport, energy and digital infrastructure still hinder competitiveness and constrain trade. International trade is below potential and it is sectorally concentrated making the economy more vulnerable. Capacity for research, development and innovation remains low.

Albania continued aligning its legislation to EU requirements in a number of areas, enhancing its **ability to take on the obligations of membership**. In many areas, the country is moderately prepared, such as in financial control, or has some level of preparation, including in the areas of public procurement and statistics. Albania will need to continue its efforts as regards the overall preparations for adopting and implementing the EU *acquis*. It should continue work on the development of the transport and energy networks, 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.

The number of unfounded asylum applications lodged by Albanian nationals to EU Member States and Schengen associated countries has remained high. Albania should take immediate and determined action, including in the framework of the post-visa liberalisation monitoring mechanism, to effectively address this phenomenon.

## **2. POLITICAL CRITERIA**

### **2.1. Democracy**

#### **Elections**

Some progress was made over the past year with the establishment of an ad hoc parliamentary committee on electoral reform. This reform is expected to address outstanding recommendations of the OSCE's Office for Democratic Institutions and Human Rights (OSCE/ODIHR). It is important that the reform is finalised sufficiently ahead of the next round of general elections.

An ad hoc parliamentary committee was established in December to address shortcomings in the electoral system and address outstanding OSCE/ODIHR recommendations from the 2013 parliamentary elections and 2015 local elections. Shortcomings include lack of impartiality and politicisation of the electoral administration, transparency of campaign finances and electoral dispute resolution. The ad hoc committee is co-chaired by a representative from the ruling majority and the main opposition party and has members from all parliamentary groups. Assisted by party-appointed experts, the committee was tasked with drafting amendments to the electoral code using an inclusive approach. Its mandate was therefore extended in June. The committee has started to involve other relevant institutions, extra-parliamentary parties and civil society. It is important that the electoral reform is adopted sufficiently ahead of the next round of parliamentary elections to be held in 2017.

#### **Parliament**

Some progress in the functioning of parliament continued over the reporting period with the consensual adoption of constitutional amendments on justice reform and on the exclusion of criminal offenders from public office. Contacts with constituents were improved, as were the transparency and inclusivity of parliamentary activities. Cross-party work on key reforms continued, although on a number of occasions political dialogue was polarised.

In December, cross-party consensus led to the adoption of constitutional amendments and a law on the integrity of elected and appointed officials, banning criminal offenders from holding and running for public office. Amendments passed in February and by-laws in March ensured that implementation could be launched within legal deadlines. Initial effects resulted in voluntary resignations and dismissals at local level.

Both the majority and the opposition engaged in intense preparatory activities for justice and electoral reforms. The ad hoc committee for justice reform carried out an inclusive, transparent, expert-driven process, producing a comprehensive set of constitutional amendments and accompanying laws. Difficulties in achieving cross-party compromise caused delays in finalising the reform package. The amendments to the constitution were approved by a unanimous vote in July. Work continues for the adoption of a series of related legislative acts. The mandate of the ad hoc committee for justice reform was extended until the end of 2016. The ad hoc committee on electoral reform was established in December and its mandate has also been prolonged to the end of 2016. Parliament adopted 14 laws requiring a qualified majority, including amendments to the criminal code and the labour code. Of all laws adopted during the reporting period, around one third received the support of the opposition (in the previous reporting period only 16 out of 173 received cross-party support).

However, political polarisation remained high, hindering both political dialogue and technical processes. Partial, short-lived opposition boycotts occurred on a number of occasions. Parliamentary ethics do not meet regulatory provisions and public expectations. The code of ethics, which has been in parliamentary procedure since early 2016, is pending approval.

In March and April, the parliament filed requests to review whether three members of parliament (MPs) from the ruling majority had complied with the constitutional rules governing their mandate. The mandate of one MP was lifted as a result of a Constitutional Court ruling. The Constitutional Court has yet to issue decisions on the other two MPs. One MP from a smaller party lost his mandate after being imprisoned, while another MP from the majority resigned in October in response to accusations of having a criminal background. Two MPs await High Court rulings.

Two members of the Central Election Commission were elected in December and one member of the Financial Supervisory Authority Board was appointed in January. Four members of the Audiovisual Media Authority and one member of the Supervisory Council of the Bank of Albania were elected in July. The parliament rejected five presidential decrees returning laws for parliamentary review (law on international agreements, the audio-visual media law, the law on property, the law on higher education and the law on tourism).

Parliamentary rules of procedure are yet to reflect the law on the role of parliament in the EU integration process, adopted in March 2015. The capacity of the National Council for European Integration was boosted with the addition of a dedicated support unit. The Council is yet to fully assume its role as a forum for broad involvement and consultation on EU integration issues. Parliament's overall capacity to monitor the implementation and compliance of new legislation with the *acquis* remained limited. Despite some efforts, coordination with the executive branch needs to be further improved.

The mandates of two parliamentary inquiry committees were extended in February, April and June, and two new ones were established in April. Three of these inquiry committees were initiated and are led by the opposition. The work of inquiry committees remained highly conflictual and lacked results. Other oversight mechanisms remained underused. Parliament conducted a more structured process of review of annual reports of independent institutions and adopted 16 resolutions. However, a comprehensive follow-up and monitoring system of recommendations by parliament and independent institutions has yet to be developed.

Constituency offices were opened in five regions (Fier, Kukës, Shkodër, Gjirokastrë, Korçë) and equipped with parliamentary staff. The office in Korçë functions on a cross-party basis. Coverage of all 12 regions has yet to be ensured.

Transparency and inclusiveness in parliament's work continued to follow an upward trend. A new parliamentary website launched in March significantly improved access to parliamentary documents. However, more transparency is needed at committee level. Parliamentary committees continued consultations with relevant stakeholders, but improvements are required on early notification and follow-up. A law on the establishment of the National Council on Civil Society was adopted in November.

Expert capacity was strengthened in February and increased budgetary allocations for training were adopted, but research and analytical capacity remained limited.

## Governance

The government continued to work on the reform agenda, which mainly focused on addressing the five key priorities for the opening of accession negotiations and stabilising the economy. Some progress was made on policy coordination and at local government level, with the adoption of the new law on the organisation and functioning of local governance. However, substantial efforts are needed to increase the administrative capacity of local government units to carry out their expanded competencies and provide them with the necessary financial resources.

The government remained committed to EU integration and pursued the reform agenda, which included addressing the five key priorities for the opening of accession negotiations; strengthening the rule of law; and tackling the informal economy.

In May, the government approved the 2015-2020 national strategy for development and integration, setting the strategic milestones for the five years ahead. A board on European Integration, composed of the Ministers in charge of the five key priorities, was established in November to upgrade coordination in view of future opening of accession negotiations.

There is still a need for closer cooperation and coordination at all levels of government with parliamentary and civil society platforms dealing with EU integration matters. Policy coordination improved with the establishment of integrated policy management groups in pilot sectors. However, more efforts are needed to improve the capacity of the management groups, their technical secretariats and the Department of Development, Financing and Foreign Aid, which is the main coordinating body.

There have been no **Constitutional Court** rulings since October 2015 on the functioning of state institutions. Several ministries are implementing transparency programmes and the government set up a transparency website. However, further efforts are needed to communicate more effectively the benefits of key reforms, in particular those with major social impact and those related to the EU integration process. The need for more transparency and accountability applies also to independent institutions.

The ruling coalition remained stable. The government cabinet saw three changes of ministers, but there were no political reshuffles.

On **local government**, implementation of the territorial reform continued, although financial and administrative consolidation of the newly created municipalities was slow. Full application of the law on civil servants at local government remains to be ensured. Adequate resources are needed to implement training plans for the staff in the new municipalities.

The **decentralisation** process was supported by the establishment of an inter-institutional coordination group under the integrated policy management group for good governance. The decentralisation strategy's medium-term financial sustainability has yet to be ensured.

The new law on the organisation and functioning of local governance entered into force in January. The law decentralises a high number of new competences to municipalities. The establishment of a consultative council between the central and local governments is pending. One stop shops for public services were piloted in five municipalities.

On fiscal decentralisation, the proportion of resources allocated to local government units increased from 2.2 % of GDP in 2015 to 3.2 % in 2016, which is the largest budget ever allocated to local government in Albania. However, considering the powers transferred to local level, the 2016 budget does not represent a net increase in municipalities' resources.

Adoption of a new law on local finances and local taxes is needed, based on the principles of predictability and transparency of funds allocation, providing a financial equalisation mechanism and favouring local revenues, tax collection and access to loans and credits. Transparency in local government finances improved with the publishing of local government budgets online. A citizens' budget for the local government budget has yet to be produced.

On **territorial planning**, an electronic one stop shop system for applying for building permits was introduced as of September and is expected to increase the transparency of the decision-making process in the institutions involved. The capacity of local government units to prepare local development plans remained limited and their adoption was slow. The 2016 state budget funds earmarked to support the drafting of local development plans are sufficient only for 26 out of the 61 municipalities.

Since his appointment in 2011, the **Ombudsman** has actively promoted the rights of vulnerable groups, including by submitting special reports and recommendations. However, the work of the Ombudsman's Office continued to be limited by a lack of funding and personnel and its central and local offices need to be upgraded so that staff can carry out their work satisfactorily. In 2016, the budget allocation of the Ombudsman's Office increased, allowing for the recruitment of Commissioners on Children's Rights and the Prevention of Torture, but the actual officials are yet to be appointed. Most complaints submitted to the Ombudsman's Office continued to relate to social rights and failure by the state administration to act within the legal deadlines.

### **Civil society**

Some progress was made towards implementing the institutional framework for consultation with civil society following the approval of the law establishing the National Council for Civil Society. The fiscal framework regulating the activity of civil society organisations (CSOs) was still not conducive to their development and needs to be revised.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by the state institutions. Albania's legal and regulatory framework on the right of freedom of association is generally in line with international standards. However, the registration process at the First Instance Court in Tirana remained

cumbersome due to the high financial cost of registration, lengthy procedures and lack of specialised judges dealing with CSOs' legal issues. In April, the law on volunteerism was enacted by parliament, fulfilling one of the nine priorities identified in the government road map towards a more enabling environment for civil society development.

In November, the parliament enacted the law on the establishment and functioning of the National Council for Civil Society (NCCS), with the aim of institutionalising cooperation between the government and civil society. Chaired by the Minister of Social Welfare and Youth, the Council is composed of 13 government and 13 civil society representatives, with the Agency for Support to Civil Society acting as a technical secretariat.

The selection process for NCCS civil society representatives was not clearly set out in law and was concluded only in June with international assistance. Information sessions were organised across the country to present the NCCS and how it was set up. Civil society representatives participated in all meetings of the National Council of European Integration, but their role remained passive overall. Effective implementation of the laws on the right to information and public consultations remained a challenge, especially at local level.

Following the entry into force of the new national accounting standards for non-profit organisations in January, the legal and regulatory framework on the tax regime for CSOs needs to be further improved and tax inspectors' capacity strengthened. The current procedure for VAT reimbursement of expenses under Instrument for Pre-accession Assistance (IPA) funded grants is not functional and no such reimbursement has taken place. Public funding remained limited and is not legally regulated at central and local level. The current legislation does not provide for any tax incentives for individual or corporate donations to CSOs.

## 2.2. Public administration reform

Albania is **moderately prepared** with the reform of its public administration. **Some progress** was made on public administration reform, especially with more transparent recruitment procedures for civil servants. Steady implementation of the public administration reform and public financial management reform strategies continued. In the coming year, Albania should in particular:

→ further align the annual budget and the medium-term budget programme with one another and with the ongoing reform strategies and the priorities of the government;

→ strengthen the capacity of human resources managers and selection committee members to further improve the recruitment process; and enable data exchange between the human resources management information system and the treasury;

→ complete alignment of relevant sector legislation with the code of administrative procedures and adopt relevant by-laws to ensure its coherent implementation.

### Policy development and coordination

Albania has the necessary legal and institutional set-up for a good **policy-making system**. However, alignment between the strategic documents and the medium-term budget programme is still insufficient and cost-analysis needs to be further developed. Implementation of all strategies requires continuous monitoring and reporting focused on results. Despite delays, the European integration coordination system was strengthened by increased number of staff in EU integration units of line ministries. Coordination in preparing the National Plan for European Integration has further improved, but needs to be better integrated in the overall policy planning system.

Policy and legislative development is not yet sufficiently **inclusive and evidence-based**. Impact assessment methodology needs to be adopted to ensure better quality of regulatory and fiscal impact assessments and their systematic implementation. Horizontal procedures for *acquis* alignment are in place and the tables of concordance are compulsory, but the impact of alignment is not properly analysed and implementation costs are not always duly forecasted. Institutional capacity for policy coordination, review and monitoring needs to be further strengthened.

**Public consultation** is regulated by law and a website for public consultation was launched in September. The quality of the consultation process still needs to be improved. **Public scrutiny of government work** is still limited. Government reports on strategic documents are submitted to parliament on an annual basis, but reporting often covers only implementation of activities.

### Public financial management

The government published the first monitoring report of the 2014-2020 **public financial management (PFM) reform** strategy in May. Despite some delays, there was progress in most areas, e.g. in arrears clearance; revision of the budget system law, internal control and financial inspection; online access to the treasury system; the financial management information system; the fight against informality campaign; and external audit manuals.

A more robust result indicator matrix for the PFM strategy monitoring has been prepared and awaits adoption. Following a functional review, the structure of the Ministry of Finance was substantially modified, increasing staff from 250 to 293. A new unit was set up in the Ministry of Finance to monitor PFM strategy implementation. At the same time, in August there were 80 open vacancies in the Ministry of Finance, having an impact on its capacity.

The reforms in the next period should focus on implementing the revised organic budget law; improving budget planning and management, prevention of reoccurrence of arrears; compliance with financial management and control standards in ministries; improving public procurement review function and compliance with procurement rules; giving online access to the treasury for more institutions; ensuring better tax collection and voluntary compliance; improving investment planning and management; and filling the remaining posts at the reorganised Ministry of Finance and the customs and tax administrations (see also *chapters 5, 16, 29 and 32*).

Steps were taken to improve **budget transparency**, but they need to be further intensified. A transparency roadmap has been implemented since 2015 and was updated for 2016 to address the findings of the transparency code assessment and the open budget index assessment.

The 2016 budget, the citizens' budget for the 2016 draft budget, and the list of public investments under the medium-term budget programme have been published. The annual government finance statistics for 2014 and 2015 were also published, while the 2015 budget implementation report was published with a delay. However, its structure does not allow for comparison and analysis against the original budget and reporting on state assets is weak. In-year reporting is available, but no separate mid-year report is produced. Citizens' participation in the budget process is still weak.

### Public service and human resources management

The law on Civil Servants provides a clear scope for civil service, but institutions that deliver services directly to citizens are excluded from its scope. This needs to be addressed and common standards for a professional and merit-based administration need to be ensured.

The law establishes procedures for **merit-based recruitment and promotion**. Despite a high number of applicants, approximately 40 % of announced vacancies remained unfilled in 2015. The practical organisation of recruitment procedures needs further improvement e.g. through better planning and training of selection committee members. Further recruitment of senior civil servants through the in-depth training programme at the Albanian School of Public Administration should be put in place in accordance with the law.

The 2014 amendments to the law broadened the grounds for **dismissal** of civil servants. The Department of Public Administration needs to closely monitor application of these amendments to ensure that fair and transparent dismissal procedures are maintained. High turnover of staff at local government level requires appropriate follow-up. In October 2015 an order was issued clarifying the procedure and responsibility for implementation of final court cases related to appeals by civil servants. It needs to be applied effectively to improve the enforcement of final judgements.

The capacity of the Department of Public Administration (DoPA) to lead the **management of human resources** was improved thanks to staff increase to 53 members. However, its coordination, oversight and assistance role should be further strengthened. The human resources management information system is in place, but technical issues are preventing exchange of data with the treasury system. DoPA should ensure finalisation of data entry and develop procedures to ensure regular update and quality of data.

Public institutions demonstrated good cooperation with the Commissioner for Oversight of the Civil Service. The annual report of the Commissioner was discussed in the parliament and was published. Adequate resources need to be allocated to the Commissioner to allow full exercise of its mandate.

The **remuneration system** of public servants is in principle transparent and is based on a job classification system. However, the implementation of the new system based on job evaluation is pending. Introduction of salary bonuses for civil servants working on EU integration shall be duly assessed as it risks compromising the coherence of the overall remuneration system.

**Professional development** is recognised as a right of every civil servant. Training is provided by the Albanian School of Public Administration and the quality and quantity of available courses has improved. The budget, however, is not sufficient to cover the high number of trainees, including at local level. A new performance appraisal system, with general appraisals taking place every six months, has been developed. DoPA needs to monitor its implementation and take the necessary corrective measures in case the new system creates an unnecessary burden on the administration and leads to discretionary dismissal decisions. Increased awareness raising and training of managers is required to ensure its application.

A new law on the **integrity** of persons exercising public functions was adopted in December 2015. In accordance with the law in April the Department of Public Administration collected 24 000 self-declarations. Their verification led to the dismissal of 24 public employees. The perception of corruption remains high and more efforts are needed in this regard.

#### Accountability of administration

The legal framework on organisation of the state administration requires modernisation. **Accountability lines** and reporting between institutions are regulated, but inconsistencies between different types of subordinated bodies persist. Also, the number of bodies that report directly to parliament is too high. Delegation of responsibility is provided for by the code of administrative procedures. The state administration is subject to oversight by independent institutions (see *chapter 32*). The number of unanswered Ombudsman's recommendations and

requests for information remained significant, compromising **citizens' right to good administration**.

Although the **right to access public information** is regulated by law since 2015, the rate of response to citizens' requests remained low. Transparency programmes have been adopted in most institutions, but their quality and implementation should be further improved. The capacity of the Commissioner for the Right to Information and Protection of Personal Data needs to be increased so that the implementation of the law is properly monitored.

The **right to administrative justice** is governed by the law on administrative disputes and the law on administrative courts. The overall capacity of the administrative court system to deal with the backlog of cases needs to be significantly improved. The legislation for protecting the **right of citizens to seek compensation** in cases of wrongdoing by public authorities is in place, but due to limited public awareness, court cases in this area are rare.

#### Service delivery to citizens and businesses

In May the government adopted a **citizen-centred service delivery** reform policy document to improve the quality of public services and enhance citizen feedback. Inter-institutional coordination was improved thanks to the establishment of thematic groups on digitalisation, e-government and service delivery working as part of the integrated policy management group on good governance.

A new law on the Delivery of Front Office Services entered into force in March. The law sets out the standards for public services and is intended to **simplify administrative procedures** together with the new Code of Administrative Procedures, which entered in force in May. However, due to the lack of a lead coordinating institution, work on adopting the necessary implementing legislation, reviewing the special administrative procedures and adjusting the relevant sector legislation has been limited.

#### Strategic framework for public administration reform

The first annual implementation report of the 2015-2020 **public administration reform strategy** was published and provided baselines for the selected performance indicators. The integrated policy management group for public administration reform (PAR), set up in September 2015, still needs to develop into a policy decision forum. Involvement of civil society and the business community in the monitoring process should be improved.

Public administration reform is one of the priorities of the recently adopted National Strategy for Development and Integration, confirming continued **political support** to this area. The Office of the Minister of State for Innovation and Public Administration was increased by four additional staff members. Funding of the PAR strategy is reflected in the medium-term budget programme. However, the estimated financial gap for implementation of the PAR strategy remained at 29 %, causing concern for the **sustainability** of its implementation.

### **2.3. Rule of law**

#### **Functioning of the judiciary**

Albania's judicial system has **some level of preparation**. **Good progress** was made in the past year, notably through the adoption of a set of constitutional amendments that paved the way for comprehensive and thorough justice reform. This work followed an intensive process of public consultation and close cooperation with the European Commission for democracy through law (Venice Commission) at the Council of Europe, which adopted an opinion on the constitutional changes. A law on the re-evaluation of judges, prosecutors and legal advisors was adopted. As part of measures to fight corruption and re-establish public trust in the

judiciary, the law provides for the re-evaluation (vetting) based on 3 criteria: integrity through assets assessment, background assessment (inappropriate links with organised crime) and professional competence. Its application has been suspended by the Constitutional Court, which is reviewing its constitutionality and has requested an *amicus curiae* brief from the Venice Commission.

Moreover, a set of organic laws, identified by the Albanian legislator as priority for the implementation of justice reform, were adopted. These regulate overall organisation of the judiciary, the prosecution office, status of judges and prosecutors, Constitutional Court, creation of specialised institutions for the fight against organized crime and anti-corruption. In addition to this legislative package, preparations for other 40 laws and by-laws relevant for justice reform are ongoing.

There was no progress on meeting other recommendations identified last year, namely the filling of vacancies at the High Court and the administrative courts; the effective use of the unified case management system; and the publication in due time of all court decisions together with their grounds. In order to fulfil the key priority on the reform of the justice system, in the coming year, Albania should in particular:

- advance implementation of the new constitutional provisions, also through the adoption and implementation of related legislation;
- pursue sectoral reform in the framework of the recently adopted cross-cutting justice strategy 2017-2020 and its action plan, ensuring that adequate financial resources are consistently available to achieve the reform objectives;
- establish working vetting bodies and have initial results in the process of re-evaluation of judges and prosecutors.

### Strategic documents

The previous justice system reform strategy expired in 2013. A new strategy providing the framework to implement justice reform until 2020 has been adopted in November 2016. The 2015-2017 medium-term strategy for the Prosecution Office is in place.

### Management bodies

Under the constitutional reform, the current governing body of the judiciary, the High Council of Justice (HCJ), will be replaced by a **High Judicial Council (HJC)**, which will have greater independence from political influence and be less prone to corporatism and corruption.

Currently, the HCJ's role is limited to the appeal and first instance courts, while the HJC's competence will extend to the High Court. The HJC will be composed of 11 full time members, namely six judges appointed by their peers and five lay members elected by parliament among highly-qualified jurists. Two lay members will be selected from the legal professions, two from among law professors and the School of Magistrates, and one member from civil society. The selection of lay candidates will be the responsibility of a sub-committee of the parliamentary committee for legal affairs, subject to the power of the parliament to approve the shortlisted candidates with 3/5 majority or reject such list with 2/3 majority. The President of the Republic will no longer chair or sit in the Council. Instead the chair will be elected from among the HJC lay members. The Minister of Justice will only sit in the Council when strategic or budgetary matters are considered.

As with the HCJ, the HJC will be in charge of the evaluation, appointment, promotion and transfer of judges, as well as the imposition of disciplinary sanctions. However, disciplinary

proceedings will no longer be initiated by the Minister of Justice but instead by a new **High Justice Inspectorate**.

The structure of the current Council of Prosecutors, an advisory body to the General Prosecutor Office (GPO), will also change under the reform and give prosecutors increased independence from the GPO. A **High Prosecutorial Council (HPC)** will be established and have exclusive responsibility for managing the career of prosecutors and for disciplinary matters. The HPC will be composed of 11 members: six prosecutors appointed by their peers and five lay members, selected through the same procedure as HJC lay members. The HPC will propose to parliament the candidate for the position of General Prosecutor.

#### Independence and impartiality

The independence of the judiciary is enshrined in the constitution. In practice, it is undermined by the high politicisation of High Court and Constitutional Court appointments and the excessive margin of discretion enjoyed by the HCJ and the General Prosecutor in managing judges and prosecutors' careers. There are regular reports of political interference in investigations and court cases.

The unified case management system to allocate cases to judges is only partly functional. Non-transparent practices such as assigning cases by drawing lots - occasionally even in the office of the head of court - are still common in some courts. The prosecution service's case management system is not yet fully operational throughout the country, except for case registration purposes. The civil, criminal and administrative procedure codes regulate the **exclusion of judges** from cases, but there is no systematic registration of such cases.

#### Accountability

With a view to increasing the accountability of the judicial system, the constitutional reform grants exclusive inspection powers to the new High Justice Inspectorate, as well as exclusive powers to verify and investigate complaints against judges and prosecutors. Magistrates are currently held accountable through **inspections** by both the Ministry of Justice and the HCJ. Despite the memorandum of understanding between these two bodies, the risk of overlapping inspections remained.

The 2000 **code of ethics** for judges has no concrete impact on their accountability, although professional ethics is one of the subjects covered by the initial training programme of the School of Magistrates. In-service training on ethics for prosecutors is provided, but compliance with the 2014 code of conduct is not part of their annual evaluation. There is insufficient monitoring of judges and prosecutors' observance of ethical standards and integrity. Under the reform, it is foreseen that respect of ethics will be part of the evaluation of judges and prosecutors. A separate code of ethics for lawyers is in place.

Judges and prosecutors are obliged to **declare their assets** on an annual basis. Despite referrals from the High Inspectorate for Declaration and Audit of Assets and Prevention of Conflict of Interest (HIDAACI) over judges' failure to properly declare their assets, no disciplinary measures have been taken to date. The judiciary is perceived as being highly corrupt.

#### Professionalism and competence

The careers of judges, namely their **recruitment, appointment, transfer, promotion and dismissal**, are the responsibility of the HCJ. Professionalism and integrity are not sufficiently reflected in existing criteria for judges' appointments. The framework for evaluating judges remained weak and judges' careers are not fully transparent and not always based on merit and other objective criteria.

High Court and Constitutional Court members are appointed by the President of the Republic with the backing of a simple parliamentary majority. This has led to politicisation and recurrent standoffs in the appointments process, with frequent rejection by parliament of presidential nominees. Three High Court vacancies remained unfilled. Under the reform, the High Court will be transformed into a cassation court whose members will be appointed by the President upon proposal of the HJC.

In order to tackle politicisation of appointments to the Constitutional Court, the reform provides for the establishment of a **Justice Appointments Council**, which will be responsible for verifying the fulfilment of legal requirements, as well as the professional and moral criteria applicable to the candidates for seats in the Constitutional Court and for the new post of High Justice Inspector.

Under the reform, the appointment of the General Prosecutor will be made upon proposal of the HPC and require the backing of a 3/5 majority of parliament; further, the General Prosecutor's mandate will be reduced from 9 to 7 years without the right of reappointment. The General Prosecutor is currently appointed by the President with the consent of a simple majority of parliament, which undermined the independence and accountability of the prosecutorial system.

As part of measures to fight corruption and re-establish public trust in the judiciary, the reform provides for the re-evaluation (vetting) of all currently serving judges, prosecutors and legal advisers. Implementation of the relevant law has been suspended by the Constitutional Court, which is reviewing its constitutionality.

#### Quality of justice

Initial and in-service judicial **training** is provided by the School of Magistrates. It is partly donor-supported, despite an increase in the School's budget in 2016. Training on the EU *acquis* is limited. Since June, Albania is an observer in the European Judicial Training Network. The National School of Lawyers has been operational since 2013 and trained 660 candidates in the 2015-16 academic year, but does not provide in-service training for lawyers.

Annual reports of courts' activities are published by the Ministry of Justice. All courts are expected to produce one, but not all are available. Some courts do not have a website.

The **budget** for the overall justice sector in 2016 is 14 % higher than in 2015 at EUR 91.7 million, which represents 0.85 % of GDP and 2.83 % of the state budget. It covers the Ministry of Justice, the prosecution, the courts, the School of Magistrates, the HCJ and the Constitutional Court.

Albania has 408 professional judges (14 per 100 000 inhabitants), 336 prosecutors (11.6 per 100 000 inhabitants) and 946 judicial administrative staff (2.31 employees per judge). There are also 1 880 practising lawyers (65 per 100 000 inhabitants). The planning and distribution of administrative and financial resources within the judiciary needs to be improved.

The budgetary allocations for court infrastructure have increased but a number of premises are still inadequate. Additional courtrooms are needed. Hearings continue to be held in judges' offices, contributing to a lack of transparency and an increased risk of corrupt practices.

A State Archive of the justice system was established in April to store and process information on court cases. The Archive is not yet operational. A case-law database exists, but publication of judicial decisions remains inconsistent and there are no effective research tools. The High Court handed down five rulings unifying case-law. The system for notifying parties and witnesses is inadequate. More frequent recourse has been made to an alternative dispute resolution mechanism under the law on **mediation**.

## Efficiency

The efficiency of the court system remained a concern, due to insufficient financial and human resources, inadequate planning and a lack of sound legal provisions regulating the internal organisation of the courts. **Backlogs** remained high, in particular in administrative courts, appeal courts and at the High Court. The reform aims to diminish the workload of the High Court by narrowing the scope of its competences. The High Court will be transformed into a cassation court tasked with providing legal interpretation and unifying case-law rulings. Its current competence to handle criminal charges against the highest state officials will be transferred to a special first instance and appeal court also responsible for the adjudication of the criminal offences of corruption and organised crime.

There is an overall lack of capacity to produce reliable statistical data. Only a few first instance courts use the standards of Article 6 of the European Convention on Human Rights to measure **clearance rates** and **length of proceedings** when preparing the yearly court performance reports. Although clearance rates have improved in some first instance courts, they remain highly problematic in administrative courts, appeal courts and the High Court. The overall length of proceedings is a cause of concern and is primarily related to a lack of capacity and the inadequacy of the relevant provisions of the codes of procedure. There is no effective, unified internal monitoring mechanism applied in all courts. Enforcement of judicial decisions is a cause of concern, in particular on property-related cases.

## **Fight against corruption**

**Some level of preparation** has been reached in the fight against corruption. **Some progress** was made in the past year, notably through the adoption of the law on whistle-blower protection, the law on the creation of a specialised and independent anti-corruption body, and increased access to national electronic public registries for prosecutors and police. However, corruption remains prevalent in many areas and continues to be a serious problem. There was some progress on meeting two of last year's recommendations, namely making further progress with a view to establishing a solid track record of investigations, prosecutions and convictions, and stepping up efforts to ensure direct access to databases for prosecutors and police. No progress was made in amending legislation on interceptions and surveillance, time limits for investigations and admissibility of evidence before court. The independence and effectiveness of institutions in charge of the fight against corruption continued to be limited by political pressure and weak administrative capacity. In the coming year, Albania should in particular:

- demonstrate further progress on establishing a solid track record of investigations, prosecutions and convictions in the fight against corruption at all levels, including asset recovery; ensure sound investigation and prosecution of cases referred to prosecutors by the High Inspectorate for the Declaration of Audits and Assets and Conflict of Interest and the High State Audit (HIDAACI);
- amend legislation on interceptions and surveillance, time limits for investigations and admissibility of evidence before courts to make investigations in corruption cases more efficient, in line with European standards and best practices;
- amend the legal framework on political party finances to establish an effective and accountable audit system;
- further enhance access to national electronic public registries for prosecutors and police; expand the case management system in prosecution offices and ensure it is used efficiently.

## Track record

Since 2010 there has been a positive trend in the number of **investigations, prosecutions and convictions** in the fight against corruption involving junior or middle-ranking officials, even though the track record remains low overall, especially regarding corruption cases involving high-level officials.

Poor inter-institutional cooperation and exchange of information continued to hamper proactive investigation and effective prosecution of corruption. **Financial investigations** resulting in the confiscation of assets were very low. Penalties imposed in corruption cases tend to be overly lenient. **Political influence** on the institutions of the criminal justice system and corruption in the judiciary continued to be major causes for concern. Corruption and allegations of infiltration of the state by organised crime need to be further tackled.

**Asset declarations** of officials are published. The number of asset declaration checks and indictments for falsification, concealment or non-declaration of assets has increased substantially since 2014. There are very few cases of **conflict of interest** violations, due to gaps in the legislation and lack of capacity to carry out proactive checks. There is no independent and accountable system in place to audit **party financing and electoral campaign financing**. In the public administration, control and inspection mechanisms remained weak and mainly targeted low-ranking public servants.

The successful implementation of the law on **access to information** is hampered by the limited capacity of the Commissioner for Access to Information and Data Protection Office.

#### Institutional framework

The National Coordinator against Corruption (who is also the Minister of State for Local Issues) is responsible for the design, coordination and monitoring of anti-corruption policies. The independence and accountability of HIDAACI need to be strengthened to reduce the still high risk of political influence. The internal controls framework has yet to be streamlined to achieve better inter-institutional coordination and effectiveness. The scope of audits conducted by the High State Audit auditors and internal auditors overlap, while their findings often differ significantly. The role of the Council of Ministers' Unit for Internal Administrative Control and Anti-corruption has yet to be further clarified. Financial inspection needs to be stepped up to fight high-risk fraud, corruption and mismanagement of public funds. The capacity of all the bodies mentioned above needs to be substantially strengthened.

Further efforts are needed to improve transparency of public administration; step up implementation of institutions' transparency programmes; and ensure the disclosure of information of public interest in a timely and efficient manner. There is no code of ethics for MPs and MPs' asset declarations are not published automatically. Training for public officials on good governance and anti-corruption is provided by the School of Public Administration. Complaints of corruption can be filled in on the online portal launched by the government in 2015. Corruption statistics are collected by an inter-institutional working group that includes the Ministry of Justice, the State police, the General Prosecutor's Office, the High Court of Justice, and the High Inspectorate for Declaration and Audit of Assets and Prevention of Conflict of Interest. There is no system of sectoral risk assessments implemented either at policy or law enforcement level. Corruption-proof methods in legislation drafting are not yet applied.

The foreseen establishment of an anti-corruption body should streamline powers in the criminal justice framework and ensure specialisation to fight corruption across the law enforcement sector. HIDAACI, police and prosecutors still lack direct access to a number of registers and databases, hampering their capacity to build cases. Inter-institutional cooperation

and exchange of information remained insufficient, as did human, technical and financial resources in law enforcement bodies. Training of law enforcement authorities and magistrates to deal with complex corruption, financial and economic crime cases has yet to be increased.

Since the adoption of the law on the right to information in September 2014, 198 coordinators on the right to information have been appointed and 108 public institutions have approved and published transparency programmes.

#### Legal framework

Albania has ratified all relevant international conventions, but their implementation in practice remains uneven. Laws on the exclusion of criminal offenders from public posts and for the protection of whistle-blowers were adopted. The criminal procedure code is being revised in the framework of the justice reform, with a view to enhancing the efficiency of investigations. The country is party to the UN Convention against Corruption and has criminalised the refusal and concealment of assets and the falsification and non-declaration of assets of public officials.

#### Strategic framework

The national anti-corruption strategy (2015-2020) and action plan (2015-2017) were adopted in March 2015 after consultations with a wide range of stakeholders. A monitoring and reporting framework is in place and was implemented in 2015. The performance assessment framework and impact indicators have yet to be improved.

#### **Fight against organised crime**

The country has reached **some level of preparation** in the fight against organised crime. Overall, **some progress** was made, in particular on identifying and destroying cannabis plots. However, police and prosecution fail to identify criminal gangs behind drug cultivation and trafficking, and efficient judicial follow-up in criminal proceedings is seldom secured. There was little progress on fulfilling the recommendations identified last year. The police was modernised and international police cooperation intensified, especially with Europol. However, cooperation between police and prosecution needs to be further strengthened so that they can dismantle criminal networks more effectively. The number of final convictions in organised crimes cases is still limited, marking only a slight increase in recent years. Financial investigations targeting suspected members of organised criminal groups are not systematically and effectively used. The track record of freezing and confiscating illegally acquired assets remains very low. In the coming year, Albania should in particular:

- demonstrate further progress on establishing a solid track record of proactive investigations, prosecutions and final convictions against organised crime groups, including confiscation of criminal assets and successfully dismantling criminal networks;
- align relevant laws with European standards and best practices, in particular the anti-mafia law, the criminal procedure code and legislation on interceptions and surveillance, time limits for investigations and admissibility of evidence;
- decentralise specialised police forces, allocate adequate resources to the fight against organised crime and implement an effective human resources policy, including merit-based recruitments, promotions and transfers within police and prosecutors' offices.

#### Track record

There was little progress in effectively **dismantling criminal networks**. The number of final convictions for organised crime offences (criminal organisations and structured criminal

groups) remained still very low and has only marginally increased in recent times. A relatively high percentage of organised crime cases registered by the Serious Crime Prosecution Office are transferred to local prosecutors' offices or dismissed based on lack of evidence and / or poor quality of referrals. Quality of decisions on dismissals should be improved, as well as the quality of referrals. Moreover, the Serious Crime Prosecution Office should coordinate further investigations with the investigating police officers and collect sufficient evidence necessary to open a case.

There is an upward trend in investigating cases involving the laundering of proceeds of crime. However, the number of final convictions for **money laundering** remains limited. The financial investigation capacity of the Albanian state police needs to be further improved.

Final convictions for **human trafficking** have increased over the past years but remain overall very low. **Financial investigations** are not systematically and effectively used to target criminal groups. Precautionary freezing of assets is rarely applied during the initial phase of an investigation. Proceeds of crime often disappear, resulting in a poor track record of **confiscated assets** at the time of the final conviction. Less than 50 % of organised crime cases lead to confiscation of assets. Leaks to the press, violations of the secrecy of investigations and endangerment of the safety of police officers and prosecutors are still frequent.

#### Institutional and operational capacity

There are 9 894 police officers, 232.8 per 100 000 inhabitants. The new police organisational structure in place since December improved its overall capacity. The **specialised units** on financial and economic crime, money laundering and investigation of criminal assets were strengthened, as well as the central Crime Analysis and Intelligence Directorate. However, there is still a lack of staff specialised in financial and fiscal matters. The high rates of staff turnover continue to weaken the police institutional and operational capacity. The general level of equipment and logistics has improved, but is still inadequate, particularly in IT.

**Cooperation between prosecution and police** in detecting and investigating complex criminal cases remains weak. There is no comprehensive approach to investigations and prosecutions. Police and prosecutors also lack direct access to several private and public national databases. Bureaucratic and lengthy procedures are required to obtain even basic information during investigations, causing significant delays.

Albania has an operational cooperation agreement with Europol and since 2009 a liaison officer at Europol headquarters. Albania is involved in operational projects and the exchange of information through the SIENA secure information exchange network application. However, Albania receives far more requests than it sends (959 received and 32 sent in 2015). As such, Albania remains a reactive rather than a proactive partner in international police cooperation. Similar trends were also noted as regards cooperation with Interpol. Albania should make full use of its operational agreement with Europol.

The police's capacity to collect and process crime **statistics** improved. Since February 2015, the police receives electronically daily notifications about criminal offences committed countrywide. The capacity of the Forensics Directorate has also been enhanced. However, the budget for the DNA unit is still insufficient to cover the costs of DNA collection, limiting the DNA profiling capacity.

#### Legal framework

The legal framework is not fully aligned with the *acquis*. The relevant legislation should be amended to address a number of weaknesses in the investigation phase. The law on the

confiscation of criminal assets is only partially aligned with the *acquis*. Alignment is still required on third party confiscation, extended confiscation and precautionary freezing of assets. Amendments to the anti-mafia law on assets seizure and confiscation are yet to be adopted. The law on electronic communication also needs to be amended to oblige network and public communication service operators to provide the police and prosecutors with swift access to their databases.

### Strategic framework

The 2015-2020 public order strategy and its 2015-2017 action plan cover important areas such as intelligence-led policing, proactive investigations, criminal asset investigations, inter-institutional and international cooperation, and exchange of information. The state police continued to assess main organised crime threats following Europol methodology, with the preparation of annual national serious and organised crime threat assessments (SOCTAs). However, the usage of Europol's strategic intelligence products remained limited.

The provisions in the criminal code on cybercrime are in line with the requirements of the Council of Europe Convention on cybercrime (the Budapest Convention).

### **Fight against terrorism**

Albania has been affected by the phenomenon of foreign terrorist fighters. A number of unauthorised mosques, allegedly linked to extremists groups, are present in Albania and present risks of radicalisation. This phenomenon requires a targeted approach by the intelligence, law enforcement authorities, and judicial institutions. While international cooperation has greatly improved at both operational and strategic level, prevention mechanisms involving civil society and religious communities need to be improved.

## **2.4. Human rights and the protection of minorities**

### **Overall situation**

The legal framework for the protection of human rights is broadly in line with European standards and Albania has ratified most international human rights conventions. However, enforcement of human rights remains to be strengthened. Shortcomings particularly affect the following areas:

- Despite the efforts made, enforcement of property rights has yet to be ensured and the processes of property registration, restitution and compensation need to be completed.
- Living conditions for Roma and Egyptians need to be improved. Social exclusion and discrimination need to be tackled through better policy implementation and better inter-institutional cooperation. Additional efforts are needed to develop a track record of anti-discrimination cases.
- Institutional mechanisms to protect the rights of the child and to tackle gender-based and domestic violence remain poor. The legislation on juvenile justice has yet to be brought in line with international standards. Services for victims of domestic violence need to improve in quality, quantity, accessibility and geographical coverage.

A detailed analysis of freedom of expression follows below. For a detailed analysis of developments on other human rights and the protection of minorities, see *chapter 23* —

*Judiciary and fundamental rights.* For developments on trade union rights, non-discrimination and equal opportunities, see also *chapter 19 — Social policy and employment.*

## **Freedom of expression**

The country has **some level of preparation** / is **moderately prepared** in the area of freedom of expression. However, there was **no progress** in this area over the past year. Last years' recommendation to enhance transparency of government advertising in the media was not addressed. The overall environment is generally conducive to the exercise of freedom of expression, but implementation remains a challenge even in areas where there is a sound legal basis. In the coming year, the country should in particular:

→ introduce legislation in line with best international practice on state advertising to enhance transparency;

→ bring ownership limitations for national operators in line with the relevant international standards;

→ further strengthen the independence of the regulatory authority and the public broadcaster.

### Intimidation of journalists

**Physical assaults** on journalists remain very rare. Two cases of physical assaults against journalists were reported and followed up by the prosecution in 2016. The national authorities and media organisations reacted promptly and condemned these acts.

### Legislative environment

Overall, the constitution and other relevant laws are in line with international human rights law, guaranteeing individual liberties including the right to privacy, freedom of expression and sanctions against incitement of hatred. **Defamation** remains a criminal offence, although prison sentences are not allowed. However, journalists are at risk of potentially large fines and damages. The rules on **hate speech** are in line with international standards. There were three cases of hate speech registered by police and prosecution in the reporting period. Five complaints on hate speech were submitted to the Commissioner for the protection against Discrimination on the grounds of sexual orientation.

The law on **access to information** is in line with international standards.

### Implementation of legislation/institutions

In July, the parliament elected four **Audiovisual Media Authority** (AMA) members. However, the method of electing members is not free of political influence and does not ensure the regulator's independence. AMA's decision-making was affected by the lack of quorum for several months due to the absence of its opposition-nominated members, who questioned the legitimacy of the board. This long-term staff shortage limited AMA's ability to fulfil its mandate and made it difficult for the regulator to take key decisions, particularly on the licensing of commercial digital operators, which resulted in it being taken to court.

### Public service broadcaster

The regulation governing the **public service broadcaster** RTSH is in line with EU standards. However, there are concerns that the new method for electing the general director through a simple majority vote after three rounds, as provided for in the amended law, would limit its ability to guarantee the appointment of a politically consensual figure. Financing is mostly independent of the government. RTSH's fee collection system has been relatively stable.

### Economic factors

**Media ownership** is formally transparent and accessible through the National Registration Centre. However, the functioning of the media market remains opaque, with a number of media outlets surviving in a relatively small market with limited resources. Transparency of **government funds** channelled to the media for **advertising** or other purposes needs to improve. Legislation on state advertising in line with international best practices should be introduced. The media continued to be used as a tool to promote political and private interests.

#### Internet

The criminal code applies different definitions for offline and online hate speech, the latter not requiring incitement to violence. The rather broad definition of online hate speech carries the risk of unduly infringing the rights of online media if they are held liable for readers' comments. Self-regulation for the online media sector needs to be encouraged.

#### Social dialogue / social conditions

Journalism in Albania is a precarious profession with low wages and little job security. Poor implementation of the labour code remained a major concern and most journalists work without contracts or have contracts which can be terminated arbitrarily. Delays in paying salaries and missing years of social contribution payments are a widespread phenomenon, often leading to self-censorship.

There is a Union of Albanian Journalists, but it has limited influence. A significant number of journalists are not organised or represented in any form, reflecting the country's lack of tradition of trade union organisations. Professional and ethical standards in journalism need to be strengthened.

### **2.5. Regional issues and international obligations**

Albania still 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. Albania needs to align with the EU position.

On **regional cooperation and good neighbourly relations**, Albania continued to play a constructive and proactive role in several regional initiatives such as the South East Europe Cooperation Process, the Adriatic-Ionian Initiative, the EU Strategy for the Adriatic and Ionian Region, the Central European Initiative, the Western Balkans Six and the Regional Initiative for Migration and Asylum.

Albania is a committed supporter of the '**Western Balkans 6 process**' and has engaged fully in the Western Balkans Six initiative, particularly the **connectivity agenda**. In March, Albania hosted a Western Balkans Six meeting where countries of the region reviewed the state of play of regional connectivity projects and the implementation of the soft measures on transport and energy identified at the Vienna Conference ahead of the Paris Summit. The meeting also proposed a comprehensive cooperation agenda for the refugee crisis, putting the emphasis on further enhancing the EU-Western Balkans partnership on migration. Work started on establishing the Western Balkans Fund and regional Youth Cooperation Office, both of which will have their headquarters in Tirana.

Albania continued to be a constructive partner in the region, further developing **bilateral relations** with other enlargement countries and neighbouring EU Member States. Albania

signed a convention with Montenegro on regional cooperation, under Article 13 of the SAA, while negotiations with Serbia are yet to be concluded.

Relations with *Bosnia and Herzegovina* remained good, with no pending bilateral issues. Albania's President visited Sarajevo in February, advocating the recognition of Kosovo.\*

Albania continued its very good relations with *Kosovo* and kept advocating for Kosovo's full membership of international and regional organisations. In June, seven agreements and memoranda of cooperation were signed in the third joint governments' meeting in the fields of customs and taxation, energy, public administration, transport and the environment. Albania supports the ongoing EU-facilitated dialogue between Kosovo and Serbia.

Relations with *the former Yugoslav Republic of Macedonia* were good and information exchanges intensified after the neighbouring country was hit by the flow of refugees, in order to identify a possible deviation of the route through Albania.

Relations with *Montenegro* were stable, with Albania strongly supporting Montenegro's NATO membership bid.

Relations with *Serbia* continued to normalise, with the government continuously demonstrating political commitment to maintaining constructive dialogue. Bilateral ties were also strengthened under the Western Balkans 6 process and the common connectivity agenda. The Serbian and Albanian foreign ministers took part in two trilateral meetings with their Italian counterpart, first in Rome and more recently in Tirana. The Albanian and Serbian Prime Ministers opened together a business forum in Niš in October 2016.

Albania continued to have good relations with *Turkey*, with a strategic partnership regulating bilateral relations. The two countries have good cooperation over security and the fight against terrorism.

Relations with *Greece* remained overall positive, with frequent high-level visits. Cooperation over migration management was recently stepped up, including at operational level, in response to the migration crisis, with trilateral meetings held between Greece, Italy and Albania. On the occasion of the 25<sup>th</sup> anniversary of Greece and Albania's Friendship Treaty and the visit of Greek Foreign Minister to Tirana, the two countries discussed the establishment of a joint mechanism to address outstanding bilateral issues.

Relations with *Italy* remained very good. In the context of the migration crisis, the two countries stepped up information exchanges and signed a memorandum of understanding to boost Albania's capacity to patrol its border, thus strengthening the fight against terrorism and human trafficking. Economic cooperation with Italy also intensified. In April, a 'Facility for feasibility studies and final level-projecting in infrastructure sector' project was signed by the two countries.

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\* 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.

### 3. ECONOMIC CRITERIA

Key economic figures	2014	2015
Gross domestic product (GDP) per capita (% of EU28 in PPS)	30	30
GDP growth (%)	1.8	2.8
Unemployment rate (female; male) (%)	17.5 (19.2; 15.2)	17.1 (17.1; 17.1)
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (female; male) (%)	68.6	71.3
Current account balance (% of GDP)	-12.9	-11.3
Net foreign direct investment (FDI) (% of GDP)	8.1	8

Source: Eurostat

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

The monitoring of these economic criteria should be seen in the context of the central importance of economic governance in the enlargement process. Each enlargement country prepares an Economic Reform Programme (ERP) annually, which sets out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level in May each year.

#### 3.1. The existence of a functioning market economy

Albania is **moderately prepared** in developing a functioning market economy. **Some progress** was made in improving the budget balance, fighting informality and reforming the electricity sector. The comprehensive judicial reform started and needs to be fully implemented to significantly improve the business environment. Economic growth gained momentum and unemployment decreased but is still high. Public debt also remained high and has yet to start falling. The underexecution of the investment budget continued. Non-performing loans in the banking sector still constrained credit growth. Business-relevant regulations remained cumbersome and shortcomings in the rule of law continued to hamper enterprises and deter investments.

In line with the ERP policy guidance and in order to support long-term growth, in the coming years, Albania should pay particular attention to:

→ pursuing efforts to improve tax revenue mobilisation to lower the public debt level whilst creating space for growth-enhancing spending;

→ strengthening financial sector stability by implementing the non-performing loans action plan and developing a medium-term strategy to promote the use of the local currency;

→ increasing the coverage of active labour market policies and improving the activation of

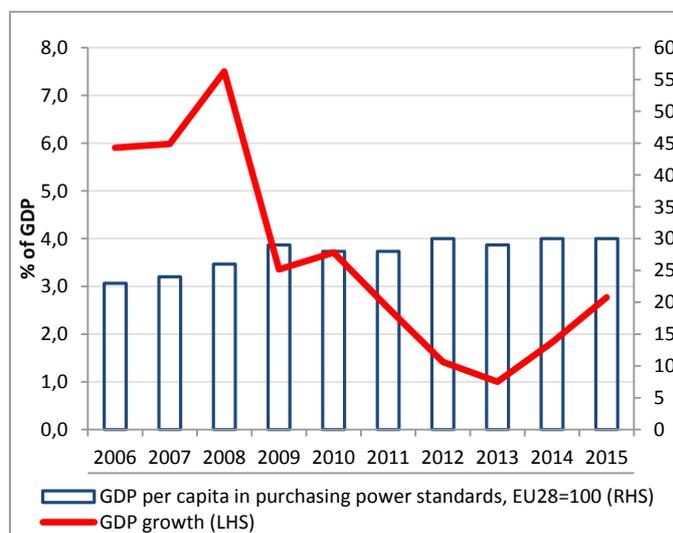
unemployed and inactive persons, especially young people, women and the long-term unemployed.

### Economic governance

**Albania remained committed to strengthen macroeconomic stability and implement market-oriented reforms.** Addressing the high level of public debt remained in the focus of macroeconomic policies. Reforms crucial to improving the business environment advanced but require further efforts to be completed. The ERP policy guidance from 12 May 2015 was only partially implemented but progress was made in most fields. Stability and growth are bolstered by the country's compliance with the conditions of the 3-year programme with the International Monetary Fund (IMF), agreed in February 2014.

## Macroeconomic stability

Figure 1 Albania GDP growth



**Albania's economic recovery gained strength on the back of rising investment.** Economic growth bottomed out in 2013 but has been on an increasing trend since then, supported by government policies, increased consumer and business confidence and falling interest rates. Although external conditions were challenging, real GDP growth was 2.8 % in 2015 and accelerated further in the first quarter of 2016. It was driven by a strong revival in investment, which overturned a 3-year contraction, and a positive contribution from foreign trade.

Despite strengthened economic activity, per capita GDP in purchasing power standards stood at only 30 % of the EU-28 average in 2015, practically unchanged since 2009.

**The current account deficit remained high, but its financing has been healthy.** Albania has historically run a substantial trade deficit caused by a narrow production and export base, and partly funded by remittances from Albanians living abroad. In 2015, the current account deficit narrowed to 11.3 % of GDP from 12.9 % recorded a year earlier. The trade balance improved thanks to the good performance of tourism, which offset decreasing earnings from goods exports, especially of oil. The value of imports also fell. At 5.8 % of GDP, remittances remained much below their level from before the global financial crisis. Foreign Direct Investment (FDI) inflows, which have been relatively high since 2007, amounted to 8.5 % of GDP in 2015 and continued to finance the bulk of the current account deficit. Foreign exchange reserves rose substantially in 2015, driven by FDI inflows and increased government borrowing on international markets. The reserves covered 6.6 months of imports at year-end, providing an adequate safeguard against adverse shocks.

**Inflation continued to be below the official target, prompting further monetary easing.** Average annual inflation has remained below the central bank's 3 % target since 2012, reaching 1.9 % in 2015. It decelerated further in the first eight months of 2016 to just 1 %, reflecting low prices for imported products and weak domestic inflationary pressures due to still below-potential economic output. The central bank reacted by continuing to cut the key interest rate to a record low of 1.25 % in May 2016 and signalling its intention to keep the interest rate low for an extended period.

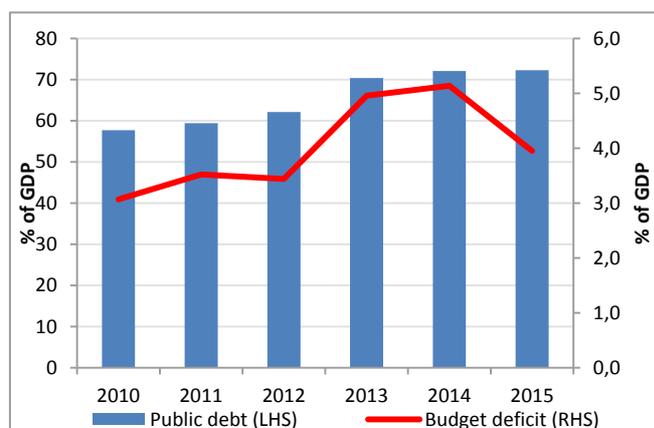
Loan interest rates also decreased, but bank lending was hampered by risk-averse banks reluctant to extend credit amid a still high level of non-performing loans (NPLs). The freely floating exchange rate of the lek has remained remarkably stable against the euro in the last 5 years.

**High public debt poses macroeconomic risks and requires sustained fiscal consolidation to which the authorities remain committed.**

Public debt relative to GDP has been rising since 2011 and now exceeds 70 %, which is high compared with regional peers and Albania's capacity to generate revenue to pay off the debt. Most of the domestic debt is short-term and must be frequently refinanced. This refinancing relies mainly on a few domestic banks. In 2015, Albania successfully borrowed from international markets, enabling the government to pay off some domestic debt and extend the average maturity of the debt stock. However, as Albania borrowed in foreign currency, the country's exposure to exchange rate risk increased.

**ERP policy guidance:** 'Pursue fiscal adjustment by ensuring that revenue and expenditure targets and, by extension, the deficit target, are met. Evaluate and quantify fiscal risks stemming from all active public-private partnership and concession contracts and from local government arrears.'

**Figure 2 Albania fiscal developments**



Under its ongoing programme with the IMF, Albania undertook to strengthen debt sustainability and clear its substantial stock of arrears to businesses. Progress was made on both fronts. The identified stock of arrears was repaid ahead of schedule in 2014-2015. The budget deficit was lower than planned in 2014 and met the 4 % of GDP target in 2015.

Tax revenue in 2015 came in much lower than planned, reflecting

overoptimistic assumptions and external shocks such as the oil price fall. Expenditure also underperformed, highlighting significant and recurrent shortcomings in the management of public investments. In an effort to tackle this issue, the Ministry of Finance, which oversees overall budget execution, was assigned responsibility for this portfolio at the beginning of 2016. Economic growth and efforts to improve tax compliance led to a marked increase in tax receipts in the first seven months of 2016. Expenditure remained significantly below budget. Public debt relative to GDP is expected to start falling this year.

**Several steps have been taken to improve fiscal governance and address fiscal risks.**

Ambitious public finance management reforms are under way with EU budget support, albeit with delays. A fiscal rule was adopted in June 2016. The rule mandates a long-term debt ceiling of 45 % of GDP and budget balances that ensure a falling debt ratio until the target is reached. However, there is neither a deadline for the target to be reached nor an independent body to monitor compliance. Fiscal reforms were adopted to address the persistent optimism bias in economic forecasts; make medium-term budget plans more binding; and increase transparency over public-private partnerships. Albania amended the terms under which it compensates former property owners expropriated

**ERP policy guidance:** 'Underpin fiscal consolidation by improving the fiscal framework; in particular, (i) strengthen medium-term budget plans by empowering the parliament to approve binding three-year ceilings at programme level and by clearly showing in the Medium Term Budget Programme which funds are effectively committed and which are new expenditure under the ceiling; (ii) move decisively towards adopting a fiscal rule which ensures debt sustainability, counter-cyclicality and transparency.'

under Communism to make the scheme more sustainable financially. However, the constitutionality of the new arrangement has been challenged.

**The macroeconomic policy mix has been appropriate.** Reducing the budget deficit is necessary to strengthen the sustainability of public debt. Keeping the key interest rate low is appropriate as it helps to raise weak inflation and economic activity. Lower domestic borrowing by the government also allows the private sector to borrow more to finance investments and consumption.

### The functioning of product markets

#### *Business environment*

**Procedures for market entry were further streamlined and business registrations soared, but the new bankruptcy law has yet to be adopted.** A single service window for business registration and licensing became operational in April 2016, also offering online services. The number of newly registered businesses more than doubled in 2015, reflecting multi-pronged government action against widespread informality. The upward trend continued during the first quarter of 2016. However, firms' access to formal finance, especially in the start-up phase, remained a challenge. A new bankruptcy law to streamline burdensome market exit procedures, avoid abuse and facilitate collateral recovery has been in the pipeline for several years but has not yet been approved.

**Businesses continued to face a cumbersome regulatory environment.** Efforts were made to facilitate doing business and improve government communication with enterprises, but they have yet to produce tangible results on the ground. A draft law to streamline complex and inconsistent tax procedures has been prepared but has not yet been adopted. The partial moratorium on building permits, imposed in the wake of the local administration reform, was lifted, and construction activity returned to growth.

**Deficiencies in the rule of law continued to hamper the business environment, but the justice reform advanced.**

The informal economy is estimated to account for more than a third of GDP, leading to tax revenue losses, a lack of labour protection and unfair competition among firms. Inefficient contract enforcement, uncertain property rights and the prevalence of corruption are major concerns repeatedly expressed by businesses. The wide-ranging judicial reform, which aims to tackle these interlinked problems, made significant progress with the unanimous parliamentary approval of constitutional amendments in July. Its successful implementation requires further legislative action and institution-building. Better governance, a more predictable and consistent enforcement of rules and a more efficient delivery of public services would substantially enhance the business environment.

<b>ERP policy guidance:</b> ‘Strengthen administrative capacities to ensure smooth legal land registration, the full functioning of the cadastre in general and especially the e-cadastre until 2019. Implement the e-procedure for building permits in order to cut red tape and encourage investments.’
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#### *State influence on product markets*

**State presence in the economy remained limited and the electricity sector is to be weaned off public support.** The share of public revenue and spending in GDP remained relatively low. Total reported State aid stood at 0.4 % of GDP in 2015 but enforcement of State aid rules remained underdeveloped. The electricity sector reform led to a substantial

decrease in distribution losses and some improvement in bill collection rates, strengthening the financial situation of state-owned enterprises in the sector. Albania expressed its intention to eliminate by 2020 all power sector subsidies, including public guarantees and policy net lending.

### *Privatisation and restructuring*

**Albania is advanced in market liberalisation and privatisation.** The private sector remained dominant in the economy, providing more than 80 % of jobs. The State's involvement in the economy remained limited and was concentrated in a few sectors such as energy. The 2015 power sector law provides for a specific timeframe for further market liberalisation, starting from June. Albania renegotiated the terms of the concessionary agreement for the management of Tirana airport, removing its monopoly on international flights. In April, Albania privatised the fully state-owned insurance company INSIG. Privatisation plans for the oil company Albpetrol were put on hold as falling oil prices have reduced investor interest.

### The functioning of the financial market

#### *Financial stability*

**The banking system continues to be stable but is exposed to risks.** Banks overall maintained adequate buffers to absorb shocks as capital adequacy and liquidity ratios largely exceeded regulatory requirements. Banking sector profitability improved in 2015 but fell in the first half of 2016. Banks are not reliant on foreign-based parent banks for funding because the ratio of loans to domestic deposits is only 53 %. Loan euroisation remained high: foreign currency loans to unhedged borrowers still make up around a third of the total loan stock, making their repayment vulnerable to a sharp depreciation of the lek. Government securities represent almost a quarter of bank assets, exposing banks to sovereign risk as well.

#### *Access to finance*

**There is scope for banks to expand lending and better support the economic recovery.** The banking sector, dominated by foreign banks, holds over 90 % of all financial system assets. With loans to businesses and households amounting to 35 % of GDP, there is much scope for increased bank lending. However, credit growth has been sluggish in recent years despite the gradual fall in interest rates as a result of both a low demand for and a tighter supply of bank loans. Banks' willingness to lend was affected by the high proportion of NPLs, which was still 21.2 % in July. The government and the central bank agreed on a comprehensive NPL action plan in September 2015 that involves legislative and regulatory measures and is expected to speed up NPL resolution and credit recovery.

**The size of the non-banking financial sector increased but remained small.** It comprises the insurance and private pension

<p><b>ERP policy guidance:</b> 'Continue to address risks to financial stability and the real economy by following-up on the NPL action plan which has been adopted and developing a medium-term strategy to promote the use of the local currency in the financial system, including all relevant stakeholders. Throughout this process, the central bank's monetary policy stance may remain accommodative insofar as the path of fiscal consolidation remains favourable, but risks related to further policy easing should be carefully assessed.'</p>
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businesses plus investment funds; total assets represent 6.6 % of GDP. The capital market is rudimentary and the stock exchange remained closed. There is great scope for expanding equity finance.

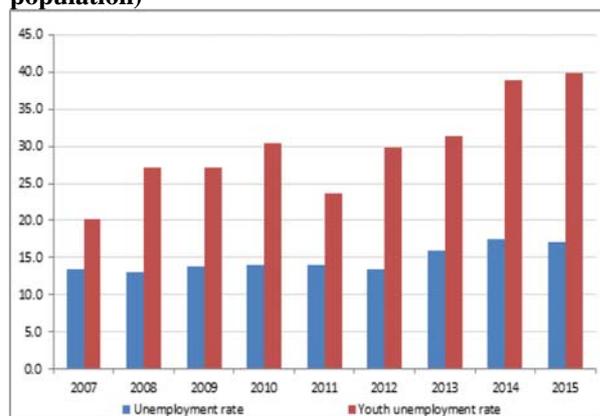
### The functioning of the labour market

#### **Strengthening economic activity improved labour market conditions but unemployment, especially of young people, remained high.**

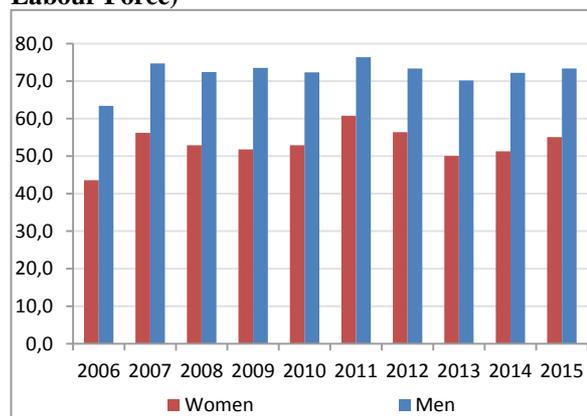
The economic recovery created jobs and the employment rate rose to 52.9 % in 2015 from a low of 49.9 % in 2013 (15-64 years). Over 40 % of the workforce is employed in agriculture, mostly in low-skilled jobs, and informal employment remains widespread. Labour force participation also increased, to 64.2 %, possibly reflecting improved employment prospects and a decreasing trend in remittances. Active labour market policies expanded from a low base but they still covered only around 4 % of the unemployed.

**ERP policy guidance:** ‘Increase the coverage of active labour market policies and improve the activation of unemployed and inactive persons, especially youth, women and long-term unemployed. Step up current efforts to achieve a comprehensive approach to reducing undeclared work.’

**Figure 3 Unemployment in Albania (% of Active population)**



**Figure 4 Participation rates in Albania (% of Labour Force)**



There is a large and persistent difference in the labour force participation of women and men with the rate for women around 18 percentage points lower than for men, highlighting large structural problems in the labour market. The unemployment rate (15-64 years) fell from 17.9 % in 2014 to 15.9 % in mid-2016. The unemployment rate for young people (15-29 years) also declined but remained very high at 29.9 %, highlighting substantial skill mismatches. A relatively high minimum wage might also act as a disincentive for hiring low-skilled and young people.

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

Albania has **some level of preparation** in terms of capacity to cope with competitive pressure and market forces within the Union. **Some progress** was made particularly as regards improving higher and vocational education as well as prioritising infrastructure investments. However, the quality of education needs to be raised at all levels to better equip people with

skills in line with labour market needs. Gaps in transport, energy and digital infrastructure still hinder Albania's competitiveness and constrain trade, which remains below potential and sectorally concentrated. Albania's capacity for research, development and innovation remains low.

In line with the ERP recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to:

→ improving the quality of the education system;

→ further liberalising the energy market in accordance with the Energy Community Treaty, in particular by unbundling transmission and distribution activities in order to improve energy security and allow the market entry of independent operators;

→ facilitating trade through simplifying procedures and removing non-tariff barriers.

### Education and innovation

**Albania still has considerable gaps to close between education outcomes and labour market needs.** Public spending on education remained low at less than 3 % of GDP. The quality of basic education is low as illustrated in the low ranking of Albanian students in the OECD's PISA<sup>3</sup> tests. Pre-primary (3-6 years) enrolment rates are very low at 33 %, undermining efforts to create a level playing field for the beginning of primary school.

High youth unemployment and high unemployment even among well-educated people are signs of the need for improved quality and relevance of the education received. A large share of enterprises reported lack of appropriately skilled workers.

The new law on higher education was adopted and preparations for accrediting higher education institutions started as well as the implementation of the new decentralised selection procedure for university admission. Gradual progress was made in establishing VET multifunctional centres and work continued on the national qualification framework.

**Albania's capacity for technological absorption and research, development and innovation (RDI) is low.** Key obstacles include low expenditure on research and development (about 0.4 % of GDP); weak links between the scientific and private sectors; as well as fragmentation of the national research and innovation system. As a result of this weak innovation policy infrastructure, almost all sectors of the economy mainly provide low-technology, labour-intensive and low-cost products and services. Increased funding and a more focused RDI strategy in a number of specific sectors, particularly in energy, agro-food and sustainable tourism, would support the country's capacity to attract investment in RDI.

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<sup>3</sup> OECD's Programme for International Student Assessment

## Physical capital and quality of infrastructure

**The decline in investment was reversed in 2015 but further measures are needed to sustain capital expenditure.**

Investment as a share of GDP decreased from 33.9 % in 2008 to 24.6 % in 2014 and fell also in nominal terms in 2012-2014. However, in 2015 rising energy-sector FDI inflows led to double-digit real growth in investment. Domestic saving is too low to match the substantial investment needs of the Albanian economy, which remains reliant on FDI inflows to enhance competitiveness and productive capacities. The lack of a functioning cadastre and clarity of land ownership is a significant impediment to investment. Some progress was made on strengthening the investment policy framework, notably by adopting implementing regulations of the law on strategic investments and by reorganising the investment promotion agency. Public investment made up more than 5 % of GDP in past years, but was often affected by ad hoc spending cuts.

**ERP policy guidance:** ‘Fully implement the obligations under the Energy Community Treaty including, in particular, the full unbundling of transmission and distribution activities in the electricity and gas sectors in order to improve energy security and allow market entry of independent operators.’

**Albania's transport and energy infrastructure is still not sufficiently developed.** Better connections to neighbouring countries and the EU transport network would reduce transportation costs and facilitate trade. Investment in the core transport network has been prioritised by the creation of a single sector project pipeline which includes national priority projects. However, Albania has not yet implemented the connectivity reform measures agreed under the Berlin process.

Inadequate electricity supply remained a key structural challenge increasing costs to businesses. Progress was made on electricity sector reform: the financial viability of state-owned utility companies was strengthened and infrastructure improved, particularly with the completion of the transmission interconnection between Albania and Kosovo. The construction of the TAP major gas pipeline started. There are plans to use public-private partnerships to improve infrastructure, but such projects will need to be transparent and fiscally sound.

**The digitalisation of the economy is low but advancing.** Penetration of fixed broadband internet is only 9 %, while mobile broadband reached 46 % of the population by end-2015. E-government is more advanced with a portal (e-Albania) offering the possibility for online applications for initial business registration, submission of annual financial statements, consulting of business records, etc. Online banking and e-commerce are rising and have a large potential for further expansion.

## Sectoral and enterprise structure

**The Albanian economy is dominated by services, but agriculture still retains an important role.** In 2015, services accounted for slightly over half of gross value added, followed by agriculture with a share of 22.1 %. Industry's share has gradually increased since 2007, to 14.6 % of the economy, mainly as a result of rising crude oil production. The manufacturing sector is relatively small (6.3 % of gross value added) and mainly produces low value added and labour-intensive products such as textiles and footwear. Construction's

share of the economy greatly diminished over recent years as private credit and investment weakened but in 2015 it registered a first slight increase since 2007, rising to 10.8 %.

The sectoral concentration of goods exports remained high in 2015, with 78 % of the total accounted for by a limited number of products: textiles and footwear (37 %); minerals, fuel and electricity (26.5 %); and construction materials and metals (14.5 %). This lack of diversification contributes to the large external deficit and exposes the economy to industry-specific shocks, as highlighted by the oil price fall's impact on Albania's exports.

**SMEs play a significant role in the economy.** They provide 80 % of employment and two-thirds of value added in the non-agricultural private sector. Micro-businesses in particular make up a high proportion of the number of companies and account for 43 % of jobs. Various state- and donor-funded schemes support SMEs' competitiveness but further steps need to be taken to strengthen their innovation capacity and improve their access to finance, such as developing the venture capital market.

Economic integration with the EU and price competitiveness

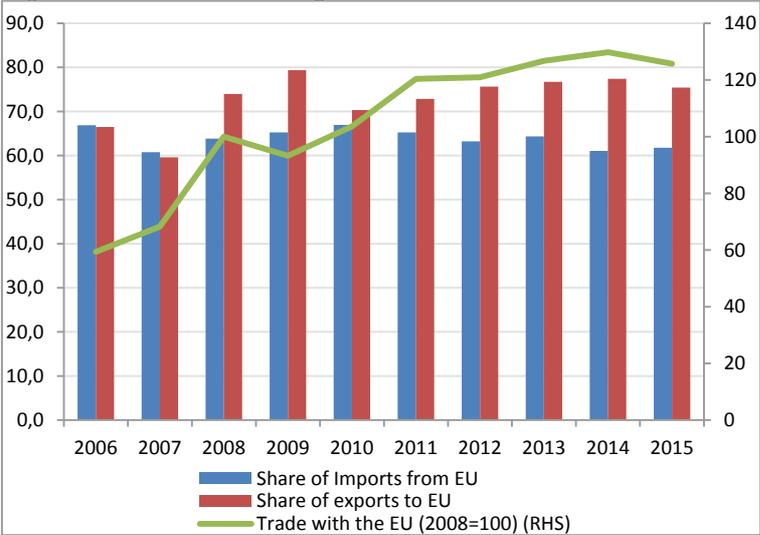
**The EU is Albania's dominant trading partner, but overall trade remains below potential.** With total imports and exports amounting to only 71.7 % of GDP, Albania has considerable scope for increasing trade. A better integration into global supply chains would help boost productivity and create more and better jobs.

The EU accounted for 75 % of Albania's goods exports and 61.3 % of its goods imports in 2015. Italy is the main destination for Albanian exports, absorbing around half of Albanian goods sold abroad and providing 30 % of its goods imports.

Trade links with Central European Free Trade Agreement (CEFTA) countries are also relatively significant, mainly on account of exchanges with Kosovo. Taken together, Albania's six CEFTA partners accounted for some 14 % of Albanian goods exports and 8 % of its goods imports in 2015. These shares are largely unchanged since 2008, pointing to a large untapped potential for future growth if intra-regional connectivity improves. The existence of certain

technical barriers to trade still inhibits further trade growth.

**Figure 5 Albania trade integration with the EU**



The EU remains the main source of FDI into Albania with a share of around 65 % of the total FDI stock.

In terms of price and cost competitiveness, the real effective exchange rate appreciated by 3.7 % in the 12 months preceding June, while unit labour costs remained lower than in most regional peers.

## 4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

### 4.1. 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 has been **some progress** over the past year, mainly in aligning with the New and Global Approach *acquis* and increased capacity for accreditation. However, further efforts are needed to ensure legislative alignment and strengthen the enforcement capacity of institutions operating in this area, particularly the newly established Market Surveillance Inspectorate. In the coming year, the country should in particular:

→ align its legislation with the horizontal *acquis*, notably on metrology, standardisation, accreditation and market surveillance;

→ ensure the Market Surveillance Inspectorate is made fully operational.

#### General principles

Regarding **general principles**, regulations are in place on the **production, distribution and marketing of industrial products** related to the price of products, import licences or permits for imported goods, and the obligation to have storage facilities in specific areas. The national legislation does not prohibit labelling in foreign languages but requires labelling and instructions of use for consumers to be in Albanian. Alignment with the *acquis* under chapter 1 is envisaged in the 2016-2020 national plan for European integration, and the consumer protection and market surveillance strategy 2020 which includes quality infrastructure. However, there is no specific strategy on the free movement of goods.

#### Non-harmonised area

An action plan on the self-screening of national technical regulations for **compliance with articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) is under preparation. The General Directorate of Standardisation (GDS) is the national notification authority and enquiry point under the World Trade Organisation Agreement on Technical Barriers to Trade (WTO/TBT) for draft standards, draft technical regulations and draft conformity assessment procedures. There is no alert system for **notifications**, but all WTO/TBT notifications are published on the GDS's website.

#### Harmonised area: quality infrastructure

The legal basis is partly aligned with the *acquis* and administrative structures are in place for technical regulations, standardisation, conformity assessment, metrology, accreditation and market surveillance. The relevant structures are subordinate bodies under the ministry in charge of trade issues. The structure of the Market Surveillance Inspectorate has been approved by the government in May 2016 and recruitment has been launched. Mutual cooperation agreements in the area of accreditation, standardisation and conformity assessments are in place with countries in the region and other non-EU countries.

On **standardisation**, the GDS is a full member of the European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC), and an associate member of the International Committee for Electro Technical Standardisation. National standards are regularly updated to align to European standards, but

this is done mainly through the ‘cover page’ translation method where only the cover page is in the national language. The number of standards fully translated into Albanian remains low. In 2015, the GDS adopted 3 122 standards, of which 2 129 were European standards (CEN, CENELEC, and ETSI standards) and 498 international standards (290 standardisation documents and 286 standards amendments). It stepped up cooperation with international partners, including the Czech and Kosovo standardisation structures. However its capacity needs further reinforcement.

The 2014 law on accreditation of **conformity assessment** bodies, which regulates the functioning of the General Directorate of Accreditation (GDA), its accreditation board, technical committees and other procedural issues, is designed to be broadly aligned with the *acquis*. There are 46 accredited conformity assessment bodies: 29 laboratories, 11 inspection bodies, and 6 conformity assessment bodies; 21 bodies are undergoing accreditation. The GDA is a full member of the European Cooperation for Accreditation, an associate member of the International Laboratory Accreditation Cooperation, an accreditation body member of the International Accreditation Forum, and a member of the Multilateral Agreement for Testing Laboratories of the European Cooperation for Accreditation. There is an official **metrology** body, the General Directorate of Metrology (GDM). Technical regulations on measurement instruments were adopted in December, aiming at further alignment with the Measuring Instruments Directive. Since September 2015 the GDM has carried out 4 101 inspections and issued 14 fines for infringements of legislation, though no fines have been collected yet.

On **market surveillance**, the new Market Surveillance Inspectorate, in charge of non-food industrial products, copyrights, industrial property rights and tourism, was established in January and its operations launched in May 2016. Market surveillance structures that operate in line institutions are empowered by the legislation to take measures against non-conformity and risk products in a proportional manner starting with warnings, temporary prohibition to prohibition of the marketing and recall, and relevant penalties.

#### Harmonised area: sectoral legislation

In terms of ‘**New and Global Approach**’ **product legislation**, the government adopted several technical regulations aiming at aligning with the *acquis* on: efficiency requirements for hot water boilers and fluorescent lighting; simple pressure vessels; personal protective equipment; electrical equipment designed for use within certain voltage limits; equipment and protective system for use in potentially explosive environment; electromagnetic compliance; safety of lifts; machinery; noise emissions by outdoor equipment; measurement instruments; pressure equipment and assemblies; and gas equipment.

The national legislation on pricing of medical products is not fully aligned with the *acquis*. On **civil explosives**, legislation aiming at alignment with the *acquis* is in place and economic operators are required to keep records.

In terms of ‘**Old Approach**’ **product legislation**, the law on chemical management was amended in March, with the objective to partly align it with the provisions of the Regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and other related parts of the *acquis*. Albanian legislation foresees the registration of non-EC fertilisers for marketing, six such fertilisers are registered currently. National legislation on **chemical classification, labelling and packaging** is not yet aligned with the United Nations Globally Harmonised System of Classification and Labelling of Chemicals, though preparations for alignment have started. On **drug precursors**, a national list of controlled substances is in compliance with the lists in the relevant EU *acquis* and legislation in place obliges all legal and physical persons to immediately report any suspicious condition.

There is limited alignment in the area of **procedural measures**; technical regulations related to textile fibres and their labelling have been adopted. On 27 April the Council of Ministers adopted the national action plan on prevention and the fight against trafficking of cultural objects but the relevant legislation remains to be aligned with the *acquis*.

#### 4.2. Chapter 2: Freedom of movement for workers

*Citizens of one Member State have the right to work in another Member State and must be*

Albania is at an **early stage** in freedom of movement for workers. There has been **no progress** in this area. In the coming year, Albania should:

→ pursue the negotiation and implementation of new bilateral agreements on social security, notably with EU Member States

*given the same working and social conditions as other workers.*

As regards **access to the labour market**, the law on foreigners was amended in August aiming to ensure equal treatment for EU workers in the national labour market.

On **coordination of social security systems**, bilateral agreements on social security with Belgium, Romania, Hungary, the former Yugoslav Republic of Macedonia, Luxembourg, Czech Republic and Germany were ratified. Bilateral agreements with Austria and Canada are ready to be signed, while preparations are ongoing for negotiations with other countries including Croatia, Montenegro, Italy and Greece.

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

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

Albania is **moderately prepared** in the area of right of establishment and freedom to provide services. There has been **some progress** over the last year on freedom to provide services. In the coming year, the country should in particular:

→ continue to align its legislation with the Services Directive and the Professional Qualifications Directive;

→ strengthen institutional capacity in the field of right of establishment and mutual recognition of professional qualifications.

On **freedom to provide cross-border services**, a new general law on services was adopted in June. The law provides for a transitional period for completing screening of the existing sector legislation and establishing a fully functional single contact point. The National Registration Centre and the National Licensing Centre were replaced by the National Business Centre, which since April functions as a one-stop-shop for registering businesses and issuing licences, authorisations and permits. Screening of the sector legislation in the fields of tax, social services and legal sectors for consistency with the Services Directive was finalised in January. An action plan aimed at ensuring full compliance in all subsectors with the right of establishment and freedom to provide services, and at strengthening related inter-institutional cooperation was adopted by the government.

Most implementing legislation for the law on **postal services** was adopted.

Regarding **mutual recognition of professional qualifications**, the organisation of a special session of the state exam for the regulated profession of physicians was approved by order of the Minister of Education and Sports. A new law on crafts was tabled by the government in January and is pending enactment by parliament. For the first time, the law provides for a model of the dual system of vocational education and training.

#### 4.4. 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.*

Overall, Albania is **moderately prepared** in the area of free movement of capital. There was **some progress** in the area of payment systems through the amendment of regulations by the Bank of Albania. In the coming year, Albania should in particular:

→ implement legislation effectively and strengthen its capacity to fight money laundering and counter financing of terrorism;

→ implement the action plan on acquisition of property by foreigners.

Regarding **capital movements and payments**, a working plan on amending legislation on acquisition of property by foreigners has yet to be implemented.

There was some progress in the area of **payment systems**. In November the Bank of Albania issued a regulation on licensing, regulating and overseeing private operators of payment systems and clearing houses for payments with the aim of aligning it with the European Central Bank standards. Some amendments to the regulation on licensing of activities of non-bank financial institutions operating in money transfer operations were adopted in March. Cooperation between the Bank of Albania and the Albania Financial Supervisory Authority has been strengthened regarding oversight of security settlement systems and central counterparties. The National Payment System Committee held its first meeting in October and adopted its strategy and objectives.

On the **fight against money laundering**, the number of suspicious transaction reports rose to 1 319 in 2015, an increase of 7 % from 2014. The number of convictions also rose in 2015, to 37 final convictions, from 20 the year before. However, both police and prosecution still have no access to the Financial Intelligence Unit database. The General Directorate of the Fight Against Money Laundering continued to conduct on-site inspections, with a focus on notary services which handle real-estate transactions.

#### 4.5. Chapter 5: Public procurement

*EU rules ensure that the 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. Efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle. **No progress** was made in the past year with further aligning with the *acquis*, in particular on strengthening the public procurement review system. In the coming year, Albania should in particular:

→ take steps to align the public procurement review system with the standards on independence set in the relevant *acquis*;

- take measures to address the recommendations of recent studies in order to strengthen compliance with procurement rules and efficiency of procurement procedures, increase transparency and strengthen monitoring;
- further harmonise with EU public procurement rules, including in the area of concessions and defence procurement, and set up the concessions/public private partnerships registry.

### Institutional set-up and legal alignment

The **legal framework** on public procurement is largely in line with the EU directives on classical and utilities procurement, and relevant administrative and budget provisions. Full harmonisation with the directives in the water, energy, transport and postal services sectors as well as in defence and security has yet to be achieved.

The law on concessions and public private partnerships is partly aligned with the Directive on the award of concession contracts. The option of granting 10 % bonuses for unsolicited proposals and the exemption of road infrastructure of national importance from the scope of the law remain to be aligned with the *acquis*. June amendments to the organic budget law enhanced the Ministry of Finance's oversight and scrutiny of all concessions and public private partnership (PPP) projects.

Under the public finance management **strategy**, the recommendations of studies on public investment management and public procurement remain to be addressed. The **Public Procurement Agency** (PPA) increased the number of posts to 29, of which 3 are vacant. The concessions treatment unit in the Ministry of Economy and Trade has 12 employees.

### Implementation and enforcement capacity

The size of the **public procurement market** in relation to GDP increased to 3.48 % in 2015 from 3.2 % in 2014. The planning and preparation of public procurement procedures generally respect transparency and efficiency principles and public procurement forecasts are published. The number of negotiated procedures without prior publication further increased during 2015 to 2 706, 67 % of which were carried out in the first quarter of the year. In terms of volume these procedures represented 11 % of the total budget of awarded procedures. However, these also include extensions of existing contracts by up to 20 % value which will now be reported separately. Thirty-four framework agreement notices were published and 139 contracts signed in 2015. For certain types of procurement a centralised procurement body is operational in the Ministry of Interior. The e-procurement system is mandatory, including for low-value procurement. A central public procurement portal is in place and all tender documents are available in e-form.

Around 170 PPPs have been signed so far, constituting 6.1 % of GDP. Although required by law, value for money analysis has not been systematically carried out before approval of the PPPs. There is no regular report on PPPs, including projected receipts and payments over contracts' lifetime. Overall, the technical skills and capacity to design and assess concession and PPP projects needs to be further improved.

The PPA has strengthened its **monitoring** function and has launched the preparation of a procurement performance and compliance monitoring system based on performance indicators. Further support to contracting authorities is needed, as well as the strengthening of the e-procurement system, monitoring of contract implementation and analysis of public procurement market trends. The PPP/concessions registry remains to be set up.

The contracting authorities' **capacity to manage public procurement procedures** needs to be improved substantially. Compliance is generally weak, especially in more complex procedures. The State Audit Institution reported in 2015 a substantial number of violations. In 2015, the PPA ran a 9-day training module for public procurement officers, but more training opportunities are needed, including training on the roles of evaluation commission members or on conflicts of interest in order to mitigate risks in public procurement. The State Audit Institution estimated the financial loss to the state budget from irregularities in public procurement at EUR 18.8 million in 2015, representing 2 % of the total estimated economic damage, an almost threefold increase from EUR 4.8 million in 2014.

#### Efficient remedies system

The **right to legal remedy** is set out in the constitution and the public procurement law and is mostly in line with the Remedies Directive. Provisions including ineffectiveness of contracts, alternative punishments and *ex ante* voluntary transparency notice, are not yet covered.

The Public Procurement Commission (PPC) carries out administrative reviews of public tenders and the majority of PPC decisions are corrective and can be challenged in the Administrative Court. PPC has 5 members and 16 professional and administrative staff members. The recruitment of three more employees has been approved. The institutional independence of the PPC, as a body subordinated to the government, is still not fully guaranteed in line with the *acquis*.

In 2015, the PPC handled 1 124 complaints, up from 834 in 2014 and corresponding to 24.27 % of the public procurements published. Some 1 111 of the complaints were related to public procurement, 10 to auctions and 3 to concessions. Some 564 complaints were considered unsubstantiated and 560 accepted. Majority of complaints relate to small value request for proposals type procedures and some 60 % of the cases relate to security services. Some 49 PPC decisions were challenged in the Administrative Court, with 41 upheld. Processing of complaints within the legal time limit is a challenge. Setting up of an electronic database for PPC judgements 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 complex and increasing number of appeals has yet be substantially strengthened. Jointly organised specialised training courses on topics related to public procurement are recommended.

#### **4.6. 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*

Albania is **moderately prepared** in the field of company law. **Some progress** was made through measures taken to strengthen the capacity and independence of the Public Audit Oversight Board, a key recommendation in the 2015 report, and also by establishing online business registration. In the coming year, the country should in particular:

→ pursue work towards alignment with EU legislation on financial reporting and ensure full transparency of company financial statements in the business register.

*audit.*

In the area of **company law**, the law on the National Business Centre was adopted in November. The centre started operating in April, issuing licences, authorisations and permits as well as registering businesses in the commercial register, which was approved in October. The register is recognised as a state database. The online application service became operational in October and online registration is available through an electronic portal.

On **corporate accounting**, the national accounting standards for NGOs were approved in September and became mandatory in January. The consolidated version of the international accounting standards 2015 in the Albanian language was published online in April on the website of the National Accounting Council. Companies must file a single set of financial statements only (i.e. the duly approved version) in the national business register but submission of financial statements to entities other than the tax administration is not regulated. Public access to companies' financial statements has improved with the establishment of the commercial register; however, the register is yet to be updated regularly.

In relation to statutory **audit**, in April the parliament adopted amendments to the statutory audit law aimed at strengthening the independence and capacity of the Public Audit Oversight Board. The amendments establish the board as a permanent structure with its own financial resources.

#### 4.7. Chapter 7: Intellectual property law

*The EU has harmonised rules for the legal protection of intellectual property rights (IPRs), as well as rules for the legal protection 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** regarding intellectual property rights. **Some progress** was made in the past year with the adoption of the new copyright law and the new intellectual property strategy, as well as the establishment of the Market Surveillance Inspectorate. In the coming year, Albania should in particular:

→ ensure effective implementation of the new copyright law;

→ improve the functioning of collective management agencies and the payment of royalties to rights holders.

In the area of **copyright and neighbouring rights**, in May, parliament enacted the new copyright law with the aim of fully aligning the law with seven EU directives and partly aligning it with two others.

On **industrial property rights**, new amendments to the 2008 law on industrial property were prepared and are in the consultation phase. The 2016-2020 intellectual property rights strategy was adopted on 20 July.

On **enforcement**, the General Directorate of Patents and Trademarks signed cooperation agreements with the World Intellectual Property Organisation, the European Patent Office, and the EU Intellectual Property Office. Its cooperation with relevant state institutions was strengthened, while its administrative capacity was increased with the addition of 24 employees and six experts. As a result of the General Directorate's awareness-raising activities, since September 2015 the number of applications to register trademarks rose by 24.8 % compared to the same period in 2014-2015. The General Directorate participated in 24

court cases. Criminal proceedings for violation of industrial property rights were launched against 97 entities, 114 people were prosecuted and 23 offenders convicted.

The newly established Market Surveillance Inspectorate is competent to inspect, control and enforce copyright and related rights. Amendments to the Criminal Code and the Code of Criminal Procedure on IPR-related infringements are still pending. There is a pressing need to train judges in this area and clarify the competence of the courts in relation to IPR cases. The number of counterfeit products in the country remains high.

#### 4.8. Chapter 8: Competition policy

*EU rules protect free competition. They include anti-trust rules against restrictive agreements between companies and abuse of dominant position. EU rules also prevent governments from granting State aid which distorts competition.*

Albania has **some level of preparation**/ is **moderately prepared** in competition policy. There was **some progress** on legislative alignment in all areas. However, significant efforts are needed to improve legislative alignment and enforcement in the area of State aid.

In the coming year, the country should in particular:

→ increase the operational independence of the State Aid Commission and strengthen the capacity of the State Aid Unit;

→ improve its enforcement record in the area of State aid control.

##### Antitrust and merger

The **legislative framework** is broadly in line with the *acquis* and the provisions of the Stabilisation and Association Agreement. The law on protection of competition is largely aligned with Article 101 on restrictive agreements and Article 102 on abuses of dominant position of the TFEU. It also provides for *ex ante* control of mergers, in line with the EU Merger Regulation. Secondary legislation providing further substantive rules and guidance on how competition rules should be applied is broadly in line with the relevant EU regulations and Commission guidelines.

As regards the **institutional framework**, the Albanian Competition Authority (ACA) is responsible for implementing the law on protection of competition. Formally, it is an operationally independent authority reporting to parliament. Its chair and four board members are appointed by parliament. The ACA has adequate investigative powers, similar to those of the European Commission. It has the power to adopt secondary legislation. The ACA can impose fines and remedies if competition rules are breached and may authorise mergers, with or without conditions, or prohibit them. It can conduct sector enquiries and issue on its own initiative 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 ACA's decisions before the courts.

Regarding **enforcement capacity**, the ACA has 36 staff members, including the five commissioners. This is adequate, but the level of expertise needs strengthening. On **implementation**, the number of ACA decisions slightly increased over 2013-2015, up to six decisions on prohibited agreements and three on abuses of dominance were adopted in 2015. Over that period, effective enforcement remained modest. All decisions on mergers were positive. The ACA took only four decisions imposing fine in 2013 and 2014, and none in 2015. The level of fines is low (a total of EUR 45 000 over the period 2013-2015). The

leniency programme, in force since 2009, has not yet been used. Delays in court procedures resulting from the limited number of specialised judges remain a concern.

### State aid

The **legislative framework** is broadly in line with the *acquis* and with the provisions of the SAA. The law on state aid largely reflects articles 107 and 108 of the TFEU as regards the definition of compatible and incompatible state aid, as well as procedures. The law amended in March entered into force in April and was further aligned with the *acquis*, notably on aid to services of general economic interest, *de minimis* aid and other categories of horizontal aid. Further alignment with the secondary EU legislation on State aid control is still needed.

As regards the **institutional framework**, the State Aid Commission (SAC) is responsible for implementing the law on state aid. The State Aid Unit, under the internal market department of the Ministry of Economic Development, Trade, Tourism and Entrepreneurship, serves as the technical secretariat to the SAC. The SAC is composed of four civil servants and chaired by the minister in charge of economic issues for a four-year mandate. 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 before they can be put in place. The SAC can order the recovery of unlawfully granted, incompatible aid. Its decisions can be appealed in court.

With only two experts in the State Aid Unit, the **enforcement capacity** of the SAC and the State Aid Unit is insufficient and needs to be strengthened. The effectiveness of the **implementation** of the law on state aid remains to be demonstrated. The SAC has adopted few decisions: nine in 2015 (three of which were based on own initiative investigations), and seven in 2014 (two were own initiative). There have been no cases of negative or conditional decisions, or of decisions ordering recovery of unlawful aid. Albania's inventory of existing aid schemes dates back to 2008. Albania states that all schemes in the inventory have been aligned with the *acquis*. The training plan to improve awareness of State aid rules at local government level is yet to become operational. Advocacy must be stepped up to ensure *ex ante* notification of aid measures to the SAC.

### Liberalisation

The law on protection of competition and the law on State aid are applicable to public undertakings and undertakings with special or exclusive rights, except when their application obstructs the performance of the particular tasks of services of general economic interest that are assigned to them.

In 2015, the ACA conducted *ex post* assessments of special and exclusive rights, taking into account the protection of free and effective competition in the market. As a result of the review and evaluation of all concession contracts, the ACA reported that the consultation procedure before granting concessions set out by the competition law was generally not respected. In October 2015, the ACA issued a decision stipulating the need to obtain its preliminary assessment in cases of granting exclusive or special rights through concession contracts. As regards the rules on financing services of general economic interest, their enforcement needs to be further demonstrated.

## **4.9. Chapter 9: Financial services**

*EU rules aim to ensure fair competition between and the stability of financial institutions, namely banking, insurance, supplementary pensions, investment services and securities*

*markets. They include rules on the authorisation, operation and supervision of these institutions.*

Albania is **moderately prepared** in the area of financial services. There was **some progress** in this field. Regulations related to credit risk management and amendments to capital adequacy ratio were adopted; the Financial Supervisory Authority board structure was completed. In the coming year, Albania should:

→ step up preparations for implementing Basel III;

→ make further progress with adopting and implementing the law on compulsory insurance in the transport sector.

On **banks and financial conglomerates**, the capital adequacy ratio regulation was amended to allow for the extension, until the end of 2016, of the macro-prudential measures for improving the lending climate. As part of the national action plan on non-performing loans, the writing-off procedures and the regulatory treatment of foreclosed property on banks' balance sheets were amended. The level of non-performing loans remains high at above 20 % of total loans, while the implementation of a comprehensive action plan in the field advances. In September, Albania was included in the European Banking Authority's recommendations on equivalence of confidentiality regime.

In the **non-banking sector**, the Financial Supervisory Authority (FSA) board decided to increase the number of its employees from 59 to 97 by 2019.

In the area of **insurance and occupational pensions**, the FSA adopted regulations on reinsurance activity and other relevant rules and procedures on management, monitoring and reporting to FSA. It adopted the code of ethics of actuaries. The privatisation of the state-owned insurance company INSIG was finalised.

As regards **financial market infrastructure**, there was no progress with re-opening the Tirana stock exchange. Legislation to ensure a functioning stock exchange is in place, but the accounting legislation is not yet compliant with all relevant international standards (see chapter 6: Company law).

On **securities markets and investment services**, amendments to the law on collective investment undertakings were adopted. There is a lack of investment culture on securities and alternative investment products in Albania.

#### **4.10. Chapter 10: Information society and media**

*The EU supports the good 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 in the past year on creating an information society, while there was no progress in audio-visual policy. The capacity of the Agency for Electronic and Postal Communications (AKEP) and of the National Agency for Information Society was further improved and implementation of Albania's digital agenda and the national plan for broadband development continued. The country failed to implement the digital switchover and legal guarantees on media pluralism ownership regressed. In the coming year, Albania should in particular:

→ finalise the delayed digital broadcasting switchover process;

- subsequently carry out the authorisation process allowing the use of the digital dividend spectrum for broadband services;
- finalise and adopt RTSH's internal statute as a matter of urgency.

On **electronic communications and information and communications technologies**, the regulator AKEP made further progress in implementing the frequency use plan, among other things by allocating further available frequencies on the bands to operators. AKEP's administrative capacity has been increased through additional financial and human resources. Since February, the European emergency number 112 is operational in the area of Tirana and is progressively being rolled out to the rest of the country. Concerns over the financial and institutional sustainability of 112 remain to be tackled.

Mobile usage remains high with subscription penetration at 120 % at the end of 2015. The use of fixed telephony services continued the downward trend of recent years. Access to fixed broadband services grew to 9 % of total coverage in the population. Significant reform efforts have been undertaken to implement the Directive 2014/61 on measures to reduce costs for broadband deployment.

In the area of the **information society**, implementation of Albania's 2015-2020 digital agenda and the national plan for broadband development continued. A 2015-2017 policy paper on cyber security was approved in December, aiming to complete the related legal framework. A new law on electronic identification and trust services was adopted in October. Amendments to the law on e-commerce suggest further alignment with the *acquis*. The number of e-government services provided through the *e-Albania.al* portal increased, as well as the number of users and electronic payments carried out. The administrative capacity of the National Agency for Information Society was strengthened with 20 employees.

In the field of **audio-visual policy**, following commercial operators' request for review, the Constitutional Court abolished the ownership limitations in the audio-visual media regulation (see also *section 2.4*). There has been slow progress in implementing the digital switchover strategy. An administrative court ruled that the Audio-visual Media Authority's (AMA) granting of digital licences to commercial operators was illegal. These developments raise doubts over media pluralism in the current media landscape. AMA's decision-making has been affected by a lack of quorum for several months due to the absence of its opposition-nominated members. AMA launched a public information campaign on the digital switchover process. The public service broadcaster RTSH has made progress in building the digital networks. The process needs to be sped up to ensure the hosting of RTSH programmes and those of local operators on these networks. The RTSH fee collection system is relatively stable, accounting for almost half of its budget. The new formula for electing the director of RTSH provided by the amended law caused controversy over its ability to guarantee a politically consensual figure. Substantial efforts are needed to transform the RTSH into a sustainable, independent and accountable public broadcaster. RTSH should finalise and adopt its internal statute as a matter of urgency.

#### **4.11. 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.*

Preparations are at an **early stage** in agriculture and rural development. There was **good progress** in strengthening the capacity of the Agricultural and Rural Development Agency,

National Authorising Officer Support Office and National Fund in preparation for entrusting them with budget implementation tasks for the Instrument for Pre-accession Assistance for Rural Development (IPARD). The IPARD package for entrustment of budget implementation tasks was finalised and submitted to the EC on 20/09/2016 and is currently under assessment.

In the coming year, Albania should in particular:

→ start implementation of IPARD;

→ intensify the efforts to set up an operational farm register and consolidate the animal register (as integral parts of the future integrated administration and control system).

As regards **general agricultural issues**, the government has increased the level of national direct support and national investment schemes in agriculture and agro-processing, totalling EUR 14.7 million in 2016.<sup>4</sup> Agricultural statistics tasks have been transferred to the Ministry of Agriculture, Rural Development and Water Administration, but the results from the 2012 agricultural census still have not been published. Overall, administrative capacities need to be strengthened in the areas of: coordination of EU integration work in the sector, including both project coordination and management, and legal analysis and approximation work; policy analysis and overall economic analysis, monitoring and evaluation; and advisory services.

In the area of **common market organisation**, the implementing legislation for the new law on olive oil has been adopted. Standards related to the marketing of agricultural products are under preparation.

On **rural development**, the sectoral agreement on managing and implementing EU financial assistance under IPARD was ratified in March. The IPARD II Monitoring Committee was established and held its first meeting in May. The capacity for decentralised IPARD management in the Agricultural and Rural Development Agency, the National Authorising Officer Support Office and the National Fund has been strengthened in line with the requirements for entrusting them with budget implementation tasks. The remaining vacancies in the IPARD structures are expected to be filled in due course. The land consolidation strategy has been adopted. The administrative capacity in the Ministry of Agriculture, Rural Development and Water Administration needs to be strengthened.

Regarding **quality policy**, the Ministry of Agriculture, Rural Development and Water Administration has been working on the legislation on geographic indicators and draft legislation on quality schemes for the amended law on industrial property rights.

Concerning **organic farming**, the provision of subsidies through direct schemes and training on organic production continued. The law on organic farming was adopted in October 2016.

#### 4.12. Chapter 12: Food safety, veterinary and phytosanitary policy

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

Albania has **some level of preparation** in food safety, veterinary and phytosanitary policy. **Some progress** was made in the past year. In the coming year, Albania should in particular:

<sup>4</sup> The coupling of the national schemes with the production does not comply yet with the principle of decoupled direct payments under the CAP.

- train staff and improve coordination among relevant institutions with a view to strengthening capacity to align with EU legislation in this field;
- adopt the strategy for restructuring the sector;
- implement food safety rules, including official controls, import conditions and controls, requirements for traceability of food and feed, and maximum pesticide residue levels.

On **general food safety**, the internal administrative rules of the National Food Authority were approved by the management board, but its operational procedures have not yet been endorsed. A risk-based annual inspection plan for 2016 was approved in January. The capacity to manage situations following Rapid Alert System for Food and Feed notifications has been established. No progress was made on risk assessment. The Scientific Committee and Panels have not convened, due also to budgetary shortages. Cooperation with other institutions involved in risk management remains weak.

As regards **veterinary policy**, two additional mass vaccinations against rabies in red foxes and vaccination of replacement animals against brucellosis in small ruminants were carried out with satisfactory results. Efforts have been made to reform the veterinary service in line with the new territorial-administrative organisation and to make it more effective. However, pace of reform is slow with and the service remains fragmented and understaffed. Animal identification and registration has continued, but animal databases and disease reporting suffer from insufficient or inaccurate field data. Animal waste management remains a critical problem due to the high risks of spreading diseases.

With regard to the **placing on the market of food, feed and animal by-products**, the inspection plan for 2016, based also on information generated by the food establishments database (AKUnet), was approved. Annual programmes for monitoring residues of undesired substances such as veterinary medicines, biotoxins and heavy metals in small ruminants, swine, eggs, milk, honey and fish were approved. However, the capacity to monitor pesticide residues in products of plant origin is not yet established.

Concerning **food safety rules**, work has started on transposing the **EU Regulation on the provision of food information to consumers by 2017**. No improvements have been made to microbiological monitoring of raw milk, which is still not carried out in line with the required methodology. In 2015, the number of taken samples was much lower than in 2014.

No steps have been taken to update and consolidate the legislation on **specific rules for feed**.

On **phytosanitary policy**, a new law on plant protection has been adopted in October 2016. Staff dealing with phytosanitary issues is now under the Food Safety Directorate.

There is no progress on preparing legislation on **genetically modified organisms**.

#### 4.13. Chapter 13: Fisheries

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

Preparations in this field are at an **early stage**. There was **no progress** in the past year. In the coming year, Albania should in particular:

→ align legislation and procedures with EU rules on fisheries markets; implement the sector strategy;

→ strengthen its institutional and administrative capacity to ensure appropriate management of fish resources and enforcement of regulations.

**Resource and fleet management** continue to suffer from a lack of clearly defined tasks and responsibilities, institutional coordination and capacity. The vessel register is not updated regularly. Fish landing statistics remain inaccurate. The law on aquaculture has been adopted in October 2016.

Inspection and control capacity is insufficient. The Department for Fisheries Services and Aquaculture lacks sufficient qualified staff to control and eliminate illegal fishing practices. The number of inspectors has dropped from 24 in 2013 to 18 in 2015. There have been some efforts with regard to inspections that are carried out in coordination with other bodies such as the Coast Guard and State Police. However, such joint operations take place on an ad hoc basis through the Inter-Institutional Maritime Operational Centre rather than on the basis of a risk-based inspection strategy. No long-term solution has been provided to ensure continuous functioning of the Vessel Monitoring System, which is not fully operational throughout the year and cannot track all vessels.

On state aid, direct government support for aquaculture continued in 2016. Subsidies were provided of up to 25 % of operating expenditures (such as fingerlings and feed), up to 70 % of the interest rate or co-financing 50 % of the investment costs.

As regards **international agreements**, Albania has initiated procedures for signing the agreement on port state measures to prevent, deter and eliminate illegal, unreported and unregulated fishing.

#### 4.14. Chapter 14: Transport policy

*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. It has achieved **good progress** in the past year by adopting legislation, preparing strategic documents and building capacity. However, more work is needed to strengthen administrative capacity for rail and maritime modes of transport. In addition to addressing these shortcomings, in the coming year, Albania should continue to advance in particular:

→ adoption of the new railway code and implementing legislation on railway sector reform;

→ full preparation for the assessment on implementation of the European Common Aviation Area (first transitional phase).

As regards the **general transport acquis**, the national transport strategy for 2016-2020 and its action plan for all modes were prepared but remain to be adopted. The strategy includes a 'sustainable transport plan for Albania', which aims to improve energy saving in transport and ensure a sustainable transport network. The second review of the national transport plan will be initiated in 2017. Further approximation is required regarding the *acquis* on public services obligations, including public service contracts. Albania has not yet transposed the legislation on summer-time arrangements. The administrative capacity throughout the transport sector needs to be improved, particularly for maritime and rail modes. The new railway code has not yet been adopted. Albania set up a National Investigation Body of Air Accidents/Incidents in

2010. Independent railway and waterborne accident investigation bodies are yet to be established. The resources allocated for maintaining the road and railway infrastructure are insufficient, resulting in further deterioration of transport services.

On **road transport**, Albania has made steady progress in approximating its national legislation with the *acquis*. In 2015, the country aligned its legislation 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, needs to adopt and implement rules on sanctions and strengthen the capacity of inspection officers to implement the law. Greater approximation efforts are needed on commercial vehicle inspections, traffic management systems and road safety. Albania has to pursue its efforts to align with the safety *acquis* and develop enforcement capacity. The implementation of the legislation on roadside checks of commercial vehicles is at initial phase. The legislation on intelligent transport systems is partially aligned with the *acquis*.

Regarding **rail transport**, the new railway code aims to regulate railway transport by separating train operations from infrastructure management, in line with the EU *acquis*. The railway code transposes the recast Directive on a Single European Railway Area and EU safety and interoperability as of late 2015. As a result, the unbundling of train operations from infrastructure management, the process of setting up an independent safety authority and a regulatory authority have not started yet. The government let a concession on about 50 km of line to a private railway undertaking, which includes the maintenance and renewal of the infrastructure and the capacity allocation to other railway undertakings.

In **maritime transport**, Albania should continue its efforts to follow up on its membership application to the Paris Memorandum of Understanding on port state control. Efforts to improve flag state control of vessels under Albanian flag and port state control need to continue in order to further reduce the detention rate of Albanian vessels. Legislation on a Community vessel traffic monitoring and information system has not yet been transposed due to lack of funding. Albania has ratified the Maritime Labour Convention in 2015. Albania was one of the first States to ratify the 2002 Protocol to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea. Thus, the Protocol applies to Albania and all carriage of passengers by sea from or to Albanian ports, as well as on Albanian-flagged vessels, since its entry into force in 2014, as it does in all of the EU Member States.

There are no developments in **inland waterway transport**. This transport is limited to two lakes which are shared with neighbouring countries and regulated by bilateral agreements.

On **aviation**, given the progress made in implementing the first transitional phase of the European Common Aviation Area Agreement, Albania should be prepared for the final assessment visit following completion of issues in economic regulations and air traffic management. On air traffic management, Albania has completed the single European sky commitments for the first transitional period. It should now focus its efforts on phase II.

There is no national legislation on **combined transport**. The opportunities for developing it need to be further enhanced, including under the new national transport strategy.

#### **4.15. Chapter 15: Energy**

*EU energy policy covers competition and State aid, equal access to resources, the internal energy market, 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 interconnection lines, but the country has made only marginal progress on the soft measures agreed for the Berlin process. Actions recommended in the previous report on the economic sustainability of the electricity sector and on implementation of the power sector legislation remain outstanding. In addition, in the coming year, the country should in particular:

→ adopt the national energy efficiency action plans and primary and secondary legislation implementing the energy performance of buildings Directive;

→ certify the unbundling of energy companies;

→ establish a power exchange in 2017 and start coupling with neighbouring markets.

On **security of supply**, Albania is at an early stage of preparation. It has not yet adopted its national energy strategy which should cover the development of the energy sector until 2030. Albania's oil stocks legislation from 2004 (amended in 2007) is not compliant with the EU Directive on this issue but states that the number of days of oil stocks is 90 days of average sales. There is no progress on establishing a central stockholding body. Albania's electricity system is interconnected with the neighbouring systems of Greece and Montenegro since 2014, when the European Network of Transmission System Operators approved synchronous operation of the Albanian electricity transmission system with the continental European system. The 400 kV interconnection line between Albania and Kosovo was finalised in June but is not yet used. This line is strategic for balancing the power market of the two countries and reducing hydrological risk in Albania. The construction of the 400 kV line between Albania and the former Yugoslav Republic of Macedonia was approved in June by the Council of Ministers but tendering procedure is still pending. The Vlora thermal power plant is still not operational. However, Albania has signed two memoranda of understanding with EON (Germany) and AXPO (Switzerland) for gas supplies.

In the **internal energy market**, Albania has adopted framework legislation on gas and electricity in line with the EU's Third Energy Package. However, with secondary implementing legislation not in place and the unbundling of the state-owned transmission companies not yet finalised or not even begun for distribution companies, compliance with the requirements of the internal energy market is yet to be ensured. As regards gas, the unbundling of Albpetrol is at an early stage. So far the company is still not compliant with the requirements even of the second internal energy market package, let alone the third.

With regard to the distribution system operators, unbundling has not yet begun. Since the entry into force of the power sector law in April 2015, the Energy Regulatory Entity has approved several licences. Electricity prices are still regulated but should be gradually liberalised once the primary legislation is implemented. The freedom for all customers to switch suppliers is stipulated by the law but is still not possible. The electricity market remains foreclosed by a regulated contract between the state-owned generation and supply companies which needs to be phased-out urgently. The new Market Model adopted by the Cabinet of Ministers in July 2016 paves the way for the establishment of an organized market.

The Energy Regulatory Entity must develop into an independent institution with sufficient capacity and expertise for the many challenges. The shortcomings in transposing the Third Energy Package with regard to the regulator's competences need to be addressed.

On **hydrocarbons**, Albania has not aligned its legislation with the Hydrocarbons Licensing Directive, but there has been some progress with secondary legislation transposing certain provisions of this Directive. The Directive on Safety of Offshore Oil and Gas installations has

not been transposed. In July the government presented the "Gas Master Plan for Albania" which assesses the needs for investments for developing the gas distribution network until 2040. The main gas interconnection line, the Trans-Adriatic pipeline (TAP) is progressing to schedule. Construction began after the TAP S.A. received certification in April 2016 on the basis of the independent transmission operator model, part of the EU's Third Energy Package. The construction of the Ionian Adriatic pipeline has not progressed.

The regulatory framework for **renewable energy** is still at an early stage. In January the government endorsed its 2015-2020 national action plan for renewable energy sources (RES), which enabled the closure of the related infringement procedure under the Energy Community Treaty. By 2020, Albania aims to generate 38 % of overall consumption from RES. The draft law on renewable energy has not been adopted nor has a decision on support schemes, while provisions on the capacity of the grid in the draft law on renewable energy are still disputed between the various interested parties. In both the Ministry and the Regulatory Authority there is no progress with increasing capacity to manage RES. There is an interest in the further development of hydropower. Such development should be in conformity with the relevant EU legislation on environment and the assessment of potential new projects should take into account the impact on areas of high nature interest. Support schemes are applied only to hydropower and not to other RES. Implementation of sustainability criteria for biofuels and bio-liquids have been envisaged by a separated law, still to be finalised.

The national **energy efficiency** action plan is under preparation, supported by the regional energy efficiency programme for the Western Balkans and in line with the Energy Efficiency Directive. The new energy efficiency law adopted in November 2015 is not fully in line with the *acquis* as it still requires implementing regulations and the establishment of associated bodies (Energy Efficiency Agency and the Energy Efficiency Fund). Until then the Ministry of Energy and Industry (Directorate for Renewable Energy Sources and Energy Efficiency) is the key body in charge of energy efficiency matters but its capacity remains insufficient. A draft law aimed at alignment with the Energy Performance of Buildings Directive has been prepared but is yet to be enacted. Given that the deadline for transposition expired in 2012, the Energy Community Secretariat has referred an infringement action in May to the Ministerial Council. Moreover, a case from 2013 based on the lack of adoption of the national energy efficiency action plan is still open. There is no progress in enhancing the capacity for energy efficiency and renewable energy development.

There has been no progress in **nuclear energy, nuclear safety and radiation protection**. Albania has no nuclear power plant on its territory, nor is it planning one. There is a National Nuclear Agency with the mission of putting 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 and has ratified a number of international conventions. It is not a member of European Community Urgent Radiological Information Exchange (ECURIE). Albania has partly aligned with the *acquis* on controlling radon and is preparing to set up a national plan on this. The task of Nuclear Regulatory Authority in Albania is carried out by the Radiation Protection Commission, with the Radiation Protection Office (with 10 employees) as executive body.

#### **4.16. 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, in particular on legislative approximation with the *acquis* on value added tax (VAT) and excise. Revenue performance in 2015 exceeded targets, largely resulting from fighting the informal economy. In the coming year, the country should in particular:

→ adopt and implement an updated organisational structure, including clearly defined responsibilities within the tax administration and an independent appeal mechanism;

→ implement the second phase of the action plan against the informal economy to promote voluntary tax compliance.

On **indirect taxation**, amendments to the VAT law were adopted in October 2015 regarding exemptions for machinery and equipment directly linked to investment. The law still contains VAT exemptions (zero rates), which are not in line with the *acquis*. The refund of VAT now occurs broadly within the legal deadlines and low-risk VAT refunds are processed automatically. Excise duties for some domestic beer production were reduced, and reimbursement for imported biofuels excise introduced. Further steps are needed to align excise rates with the *acquis*.

On **direct taxation**, the 2016 budget and fiscal package reduced the tax burden on small businesses.

As regards **administrative cooperation and mutual assistance**, the General Directorate for Taxation (GDT) and that for Customs established a joint risk unit. The GDT receives support from the IMF to implement the compliance risk management strategy, and from the United States for law revisions and debt/VAT collection. Albania participates in the EU's Fiscalis 2020 programme.

Concerning **operational capacity and computerisation**, a new IT risk analysis model became operational in October 2015 which helps better target tax audits. The new M-TAX system allows tax inspectors to access and record information in real time. The first phase of the fight against informality, completed in March, resulted in the registration of more than 30 000 business and 70 000 employees. Some 116 cases of tax fraud and tax evasion were reported to the prosecution between September 2015 and July 2016. Revenue collection surpassed the 2015 targets, and increased further in the first half of 2016.

#### 4.17. 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 by introducing a basic fiscal rule and strengthening medium-term budget planning. In the coming year, Albania should make further efforts to improve economic policymaking, in particular by:

→ implementing the amended organic budget law's new provisions on debt reduction, the oversight of public-private partnerships and election-year budget execution;

→ ensuring better internal coordination and consultation with external stakeholders when formulating structural reform priorities.

On **monetary policy**, the law on the Bank of Albania is yet to be aligned with the *acquis*, in particular on the independence of the Supervisory Council's members and the bank's accountability.

On **economic policy**, further alignment with the Directive on Requirements for Budgetary Frameworks is needed. Albania continued to partly implement the European System of Accounts 2010 standards (ESA 2010) in annual GDP data; however, significant further efforts are needed to align fiscal statistics with ESA requirements. Revenue forecasts turned out to be overoptimistic for 2015 but strengthened bottom-up revenue planning contributed to tax receipts meeting the target in the first seven months of 2016. Amendments to the organic budget law were adopted in June, aimed at eliminating the optimism bias in macroeconomic forecasts, strengthening the medium-term budget planning and introducing a basic fiscal rule which relies on a long-term debt target. However, this rule lacks a correction mechanism and a target deadline, as well as an independent body monitoring compliance.

Economic policy formulation needs to be improved through better inter-institutional coordination and consultation with stakeholders as well as greater technical and analytical capacity for better identifying policy reforms. The 2016-2018 economic reform programme was submitted on time. It included a detailed and consistent macroeconomic and fiscal framework and identified appropriate reform measures to boost competitiveness and inclusive growth. However, the policy guidance adopted in May 2015 was only partially implemented until mid-2016.

#### 4.18. 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 has **some level of preparation/is moderately prepared** in statistics. **Some progress** was made in applying ESA 2010 and producing business statistics, but further efforts are needed to improve the quality of data and ensure the alignment of agriculture, tourism, transport and social statistics. In addition to addressing the shortcomings outlined above, in the coming year Albania should in particular:

→ strengthen the position of INSTAT in the public administration through adjustments in the salary structures and civil servants job positions;

→ improve the professional independence of INSTAT through changes in the statistical law, among others, guaranteeing the professional independence of INSTAT in recruitment and staffing.

Regarding **statistical infrastructure**, the legal framework is in parts in line with the European statistics Code of Practice and classifications are in line with EU standards. The law on official statistics needs to be revised regarding the recruitment procedure for INSTAT Director General, defined in the civil servants law as a member of high-level corps of civil servants. The 2017–21 statistical programme is under preparation and is yet to be accompanied by a detailed action plan, detailing the human and financial resources needed for its implementation. A memorandum of understanding was signed with the Ministry of Agriculture, Rural Development and Water Administration, while the one with the General Taxation Directory was updated. INSTAT's coordinating role in the national statistical system needs to be improved and strengthened. INSTAT needs to conclude agreements with data custodians on the procedures for access to administrative data, and influence the future

development of administrative registers to facilitate statistical use. INSTAT has improved the range and the quality of the statistics it publishes.

In **macro-economic statistics**, the annual and quarterly GDP data are regularly produced based on the production and expenditure approach, in current and constant prices. The European System of Accounts (ESA) 2010 is partially implemented. In December 2015, INSTAT published for the first time GDP data based on the new Nomenclature of Economic Activities (NACE Rev. 2). In February 2016, INSTAT released supply/use tables in current prices and derived input and output tables for 2012, according to NACE Rev. 2 and the Nomenclature of Products by Activity (CPA 2008) and work is ongoing on 2013 data.

As regards structural **business statistics**, data collection and production has improved. In 2015, INSTAT carried out for the first time a regular survey on innovation and another one on information and communication technologies in enterprises. In the field of trade statistics, INSTAT investigated for the first time the economic characteristics of traders (TEC) in 2015. In price statistics, a revised basket for the consumer price index has been introduced. INSTAT has started to calculate a Harmonised Index of Consumer Prices, but is not fully in line with EU standards. In the field of short-term statistics, building permits and construction cost indices are published. Transport statistics are collected as part of the short-term and business surveys, but these contain only partial data and are not transmitted to Eurostat. There is no survey on domestic tourism and efforts are needed to improve the business register.

**Social statistics** are produced in general. A pilot survey on income and living conditions (600 households with a 95 % response rate) was conducted in 2015 and a regular annual survey is being prepared to be launched in 2016, based on a sample of 9 200 households. The household budget survey is conducted as annual survey since 2014 and first results were disseminated in September 2015. In 2015, the sample size for the labour force survey (LFS) was increased from 5 000 to 9 000 in order to produce representative regional data and a new way of conducting interviews with tablets was introduced to allow for quicker monitoring and feedback to the interviewers. Micro data related to the LFS shall be sent to Eurostat. The Tax Authority has provided a database with information for all employed persons in Albania, including salary data to INSTAT. This improves the coverage of administrative labour market statistics, which hitherto covered only the public sector. The results of the 2012 labour cost survey were published and data transmitted to Eurostat, micro-data included. INSTAT is yet to develop a labour cost index. Further efforts will be needed to produce health, education, crime and migration statistics in line with the *acquis*.

**Agricultural statistics** are partially aligned with the EU *acquis*. Milk and dairy statistics are being collected by INSTAT based on monthly and annual surveys, in line with EU standards and final data of agricultural census conducted in October 2012 have not been published yet. The Farm Structure Survey has not been implemented.

**Environment and energy statistics** are in line with the EU *acquis* to a very limited extent. Energy balances improved. Short-term statistics are produced as volume data for electricity only. Data on air emissions are produced, but only partially in line with the EU standards. Environment-related tax data by economic activity are partially in line with the EU standards and being developed in the framework of the environmental accounts. Data on environmental expenditure is not yet being produced due to lack of information.

#### **4.19. Chapter 19: Social policy and employment**

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

Albania has **some level of preparation** in social policy and employment. **Some progress** was made, notably through the adoption of amendments to the labour code and the law on economic aid, the social protection strategy and the 2016-2020 occupational, safety and health policy document and its action plan. Implementation of the national jobs and skills strategy has started. 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 in particular:

- effectively implement the 2015-2020 social protection strategy, including through further progress in the social care reform;
- develop a strategic approach to tackle informality and undeclared work;
- improve labour market statistics and develop social statistics in line with EU surveys.

On **labour law**, the amended Labour Code entered into force in June. The new law aims to transpose various EU directives covering non-discrimination at work, parental rights, right to information, employer-employee relations and teleworking. It also increases the minimum working age from 14 to 15, in line with International Labour Organisation conventions. However, the provision on forced labour remains vague and the law does not provide for sanctions in case of breaches. In June, the crafts law was enacted by parliament.

As regards **health and safety at work**, the 2016-2020 occupational, safety and health policy document and its action plan were adopted. Nineteen directives on occupational safety and health were transposed, but their implementation faces some constraints in terms of labour inspectorate capacity and performance. Reported accidents increased from 121 in 2014 to 125 in 2015 but fatalities decreased from 33 to 28. The majority of reported accidents occurred in the mines and quarries sector (33). Statistical data on health and safety needs to be improved both in quality data collection.

Regarding **social dialogue**, the National Labour Council continues to meet regularly. However, significant efforts are needed to transform it into an effective social dialogue forum, improve collective bargaining and intensify bipartite social dialogue, in particular at local and enterprise level.

On **employment policy**, implementation of the 2014-2020 national jobs and skills strategy is ongoing, and a mechanism for its monitoring is in place. A first annual report was issued, according to which most progress was achieved in the area of employment policies and services, whereas the progress was limited in the area of social inclusion and territorial cohesion, as well as regards the governance system of the labour market. The unemployment rate estimated by the labour force survey decreased slightly from 17.5 % in 2014 to 17.1 % in 2015 but remains high, particularly among women, young people and persons with disabilities. Unemployment rates for men fell from 19.2 % in 2014 to 17.1 % in 2015, while the female unemployment rate increased from 15.2 % to 17.1 %. Long-term unemployment increased slightly, from 11.2 % in 2014 to 11.3 % in 2015 with a decrease among men (11.7 % in 2014 to 11.2 % in 2015), and an increase for women (from 10.7 % to 11.3 %). Labour statistics are broadly in line the *acquis* but need to be further improved. Agriculture, forestry and fisheries remain the main job providers, with 41.3 % in 2015 (against 42.7 % in 2014). A strategic approach needs to be developed to tackle labour market challenges such as youth unemployment and informality. The law on employment promotion programmes was finalised, but remains to be adopted by the Council of Ministers.

There were no developments on the **European Social Fund**.

As regards **social inclusion and protection**, the new national strategy on social protection and a 2015-2020 policy document on social inclusion were adopted. Both policy documents define policy objectives for reducing poverty, monitoring cross-sector inclusion policies, enacting reforms in the area of non-discrimination and establishing a social care system. In May, parliament enacted the new law on economic aid. This provides for a new country-wide electronic register of all families in the economic aid programme, a bonus for all school-attending children vaccinated and those attending school in the programme and the full amount of the economic aid. Most social care services remain donor-driven and lack adequate budgets. Employment rates for Roma and Egyptians are very low, and with many being active in the informal sector. The 2016-2025 National Housing Strategy was adopted. Child labour remains a major concern, including in hazardous environments. More effective measures need to be undertaken in order to prevent child labour.

On **non-discrimination in employment and social policy**, the number of cases handled by the Commissioner for Protection against Discrimination related to employment increased; however, more outreach and a more proactive approach are required. The Labour Code was amended in December to introduce prohibition of discrimination on ground of gender and sexual orientation in the workplace and to reverse the burden of proof to the employer.

As regards **equality between women and men in employment and social policy**, in December the parliament enacted amendments to the Labour Code, introducing regulation on annual leave, parental leave, unpaid leave, right to work part time, and the right to have reduced working hours after the birth of a child. The increase in both unemployment and long-term unemployment rates for women in 2015 show no progress was made in improving their representation in the labour market and reducing the gender gap in employment; significant efforts are needed in this respect. The 2015 World Economic Forum Gender Gap Index report ranked Albania 70<sup>th</sup> out of 145 countries. Albania was ranked fifth on wage equality for similar work, but 69<sup>th</sup> for women's economic participation. Women are overrepresented as contributing family earners and the agricultural sector employs more than 54 % of all active women. As a result, women's dependency on men who are regarded as 'heads of the household' is perpetuated, and the proportion of women in rural areas benefiting from paid maternity leave, at 19 %, is significantly lower than the 59 % rate for those in urban areas. Since 2015, legislation grants maternity leave for women and paternity leave for men, although gender-based stereotypical preconceptions persist about childcare and household work being a woman's responsibility. The absence of state services for child care in rural areas increases women's unpaid household work.

#### **4.20. Chapter 20: Enterprise and industrial policy**

*EU industrial policy strengthens competitiveness, facilitates structural change and encourages an enterprise-friendly environment that encourages small and medium-sized enterprises.*

Albania is **moderately prepared** in this area. **Some progress** was made, particularly by establishing a National Business Centre and aligning policies with the EU Small Business Act principles. In the coming year, the country should in particular:

→ further strengthen the capacity of the Albanian Investment Development Agency in providing services to investors and promoting funding opportunities for small and medium-sized enterprises, including the COSME programme;

→ further improve policy consultation with businesses.

In the area of **enterprise and industrial policy principles**, Albania continued to implement the 2014-2020 business and investment development strategy in order to facilitate the business environment. According to the 2016 Small Business Act policy findings, since 2012 Albania has made progress on several parameters, such as standardisation, technical regulation and simplifying business procedures. The National Business Centre became operational in April 2016, providing a single business registration and licensing window and offering online registration services. Challenges ahead include entrepreneurial learning and women's entrepreneurship, innovation and the greening of small and medium-sized enterprises (SMEs). Business continues to face difficulties due to court delays, frequent changes of tax legislation, cumbersome market exit procedures, informality and corruption. The regulatory impact assessment procedures are yet to be formalised. Amendments to the laws on chambers of commerce and industry have been submitted to parliament for adoption. They provide, among other things, for reintroducing mandatory membership fees. This has generated complaints by business associations.

**Access to finance** remains a key constraint for Albanian SMEs, while some funding was provided by several national funds, the Italian Cooperation SME credit line programme and the European Fund for Southeast Europe. A fund for supporting micro and small enterprises that operate in the touristic/historical areas was established in June. No financing was provided through the government's innovation and women entrepreneurs funds. Concerning EU initiatives to support SMEs, efforts to promote the COSME competitiveness programme have started but further substantial measures are needed to raise awareness among business stakeholders about the funding opportunities available. Albania's participation in the European Development and Innovation Fund remains on hold pending the signature of the implementation agreement.

On **sectoral policies**, the regulation on the organisation and functioning of the National Tourism Agency was amended in April to task it with implementing the National tourism strategy, including promotion and marketing. However, neither the tourism strategy, nor the one on industrial products and non-food industry has been adopted yet. Uncertainties over property ownership, lack of formalisation and standardisation in services and poor access to basic infrastructure, energy and waste management remain among the main obstacles to tourism development. Secondary legislation on strategic investment and economic development zones was adopted in December, identifying priority sectors of investment, projects of strategic potential and strategic investment evaluation procedures. Two strategic investments were approved in July while, no economic zone is operational yet. In the area of mining an action plan 2016-2018 on development of mining activity as well as regulations on safety protection and issuing of permits were adopted.

#### 4.21. Chapter 21: Trans-European networks

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

Albania has achieved **some level of preparation** in the area of trans-European networks. **Some progress** was made also in this reporting period in developing road infrastructure and interconnecting energy networks. In the coming year, Albania should in particular:

→ pursue the development of the transport and energy networks in line with the infrastructure investment priorities for the core network, agreed under the regional connectivity agenda;

→ step up efforts to implement connectivity reform measures agreed at the Vienna Summit in 2015, especially on transport infrastructure maintenance and road safety.

On **transport networks**, Albania continued to participate actively in the South East Europe Transport Observatory and the Western Balkans 6 process focusing on improving connectivity within the Western Balkans as well as with the EU. Transport and energy connectivity projects have been planned and prepared through the single priority project pipeline established for the country.

Road network improvement continued with the completion of the Rrogozhine bypass and of the last remaining section of the Levan-Tepelena road. Work on constructing the Fier bypass on the North-South corridor and the Tirana-Elbasan on the road corridor VIII is delayed.

Work activities under the 5-year road maintenance programme started in September 2015; further financial resources should be allocated for its implementation. There was no progress on the railway network and the section from Librazhd to Pogradec remains closed due to maintenance issues. There is no 5-year plan for railway maintenance. As regards port infrastructure, works to improve the infrastructure in the port of Vlora are progressing.

Concerning **energy networks**, the Albanian segment of the 400 kV interconnection line with Kosovo is under construction. The TAP is progressing as scheduled. A tender was issued for construction of the interconnection line with the former Yugoslav Republic of Macedonia.

#### 4.22. Chapter 22: Regional policy and coordination of structural instruments

*Regional policy is the EU's main investment policy for achieving 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 still **moderately prepared** in the area of regional policy. **Some progress** was made with the completion of the entrustment process for the 2014 IPA national programme, although preparations for indirect management under this programme started late. In the coming year, the country should in particular:

→ strengthen administrative capacity, especially the National Authorising Officer's Support Office and the Audit Authority;

→ accelerate the preparation of project documentation to avoid delays in the use of EU funds, as observed in the IPA 2014 programme;

→ 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**, further efforts are needed to ensure multiannual sector programming in line with the sectoral approach under the IPA framework for 2014-2020 and the national medium term budget plan. The efforts needed include putting in place appropriate co-financing capacity for EU projects at national and local level.

On the **institutional framework**, the European Commission agreed to the entrustment of budget implementation tasks for the 2014 annual action programme under IPA II, subject to a number of conditions. In December, the Albanian authorities submitted the package for the

2015 entrustment exercise, and in June the entrustment package for the management of IPA funds in agriculture and rural development (*see also chapter 11 — Agriculture*).

Further action is needed to strengthen the **administrative capacity** of the Central Financial and Contracting Unit and the Audit Authority and in particular the capacity of the National Authorising Officer's Support Office to fully assume its supervisory functions in the indirect management system.

On **programming**, coordination between the Ministry of European Integration, the Ministry of Finance, the Prime Minister's Office and line ministries needs to be improved to develop and implement realistic and budgeted sectoral development policies and programmes in line with the medium-term budget plan. The 2015-2020 national strategy for development and integration remains to be adopted. The national project pipeline of investments, including those for regional development, is yet to be fully aligned with the medium-term budget plan and the nationwide public investment planning and management.

On **monitoring and evaluation**, three of the four pilot integrated policy management groups set up to support the government's Strategic Planning Committee and other high-level inter-ministerial committees in charge of key policy decisions are fully functional. The integrated policy management group on competitiveness is not yet fully functional. The administrative capacity of the integrated policy management group secretariats, including in terms of monitoring, needs to be built up and staff continuity ensured. The number of integrated policy management groups should be expanded in 2016 and new sectors identified. The involvement of development partners, local governments and civil society organisations in sectoral dialogue should be improved.

In **financial management, control and audit**, both the Central Financial and Contracting Unit in the Ministry of Finance and the Audit Authority underwent a change at the top management level, with new heads being nominated. The Audit Authority's financial and administrative autonomy is still not guaranteed.

#### 4.23. Chapter 23: Judiciary and fundamental rights

*The EU's founding values include the rule of law and respect for human rights. A proper functioning judicial system and an effective fight against corruption are of paramount importance, as is the respect for fundamental rights in law and in practice.*

Albania has **some level of preparation** in this area. **Some progress** was achieved. Constitutional amendments adopted in July launched a comprehensive justice reform process. This tackles existing shortcomings in the sector, including weaknesses linked to independence and accountability of judges and prosecutors, lack of efficiency and professionalism. Corruption remains prevalent in many areas and continues to be a serious problem. As regards enforcement of human rights, additional efforts are needed in relation to gender equality, protection of children and other vulnerable groups, and property rights. In the coming year, Albania should in particular:

→ advance implementation of justice reform including the re-evaluation of all judges, prosecutors and legal advisers;

→ address shortcomings affecting the case management system, by developing a single and effective system, which guarantees a random, transparent and balanced allocation of cases to judges;

→ make further progress on establishing a solid track record of investigations, prosecutions and convictions in the fight against corruption at all levels, including asset recovery;

→ improve institutional mechanisms for child protection, protection of victims of domestic violence and gender equality; improve efforts to bring existing legislation on juvenile justice in line with international standards; step up efforts to establish solid anti-discrimination case-law and find a sustainable long-term housing solution for vulnerable Roma and Egyptians;

→ make significant progress towards completing the process of property registration, restitution and compensation. *(See also the specific recommendations on the judicial system, the fight against corruption and freedom of expression in preceding sections 2.3 and 2.4.)*

## **Functioning of the judiciary**

### Strategic documents

A cross-cutting **justice strategy** 2017-2020 and its action plan have been adopted in November 2016.

### Management bodies

Concerns remained over the transparency of the decision-making process at the High Council of Justice (HCJ). Issues persist with the lack or delayed publication of decisions and/or their reasoning. The budget of the HCJ decreased slightly compared to last year. Two competitions for prosecutors were run based on the regulation on the functioning of the Council of Prosecutors as amended in 2014 and the manual on promotions of 2015. Nine candidates were appointed as prosecutors.

### Independence and impartiality

The judicial system remains seriously affected by politicisation, corruption and weak inter-institutional cooperation. The justice reform process launched with the adoption of constitutional amendments in July laid the foundations for comprehensive reorganisation of the sector. The justice reform aims to increase the independence, impartiality and transparency of the country's judicial bodies, including the Constitutional Court, the High Court, the governing bodies of the judiciary and the General Prosecutor's Office. The constitutional amendments were drafted in close consultation with the Venice Commission. In its March opinion, the Venice Commission considered the draft amendments to be compatible with European standards and sound proposals for the institutional redesign of the Albanian judicial system. Around 40 legislative texts, including amendments to codes, are under preparation.

Three vacancies are still to be filled at the High Court.

### Accountability

Hearings continued to be held quite frequently in judges' offices, favouring potential undue influence and corruption. The inspection services of the HCJ and of the Ministry of Justice have carried out several inspections, in line with their memorandum of understanding. Since September 2015, disciplinary proceedings against six judges have resulted in one dismissal from office and the transfer of one judge to another court; an appeal against the dismissal from office is pending at the High Court. The cases against three other judges were dismissed and one case is pending subject to the outcome of an ongoing criminal investigation. Lack of transparency in handling disciplinary proceedings and the efficiency of inspections are of

particular concern. The website set up last year by the HCJ to file and monitor complaints against judges is not yet operational.

Since September 2015, the General Prosecutor's Office (GPO) took measures against two prosecutors, acting on a proposal by the Council of the Prosecutors. The imposed sanctions were reprimands. Two requests to open disciplinary proceedings are pending. Regarding criminal proceedings, one prosecutor was sentenced to imprisonment for a corruption offence and a trial is pending against another. The lack of transparency in the GPO's handling of appointments, requests for disciplinary proceedings and decisions on dismissals needs to be addressed. The GPO's overall lack of accountability is also a matter of serious concern.

Prosecutors' assets declarations are currently being audited by HIDAACI. Since September 2015, no judge has been suspended for failure to declare assets. Following a conviction for corruption, the HCJ dismissed one judge in January. The justice reform addresses most of the recommendations made by the Group of States against Corruption (GRECO) in its fourth-round evaluation report on corruption prevention in respect of judges and prosecutors. Corruption in the judiciary remained an issue of serious concern. With the adoption in August of the relevant law, all judges, prosecutors and legal advisors will undergo a re-evaluation process. This is for the time being on hold, since the Constitutional Court is reviewing the constitutionality of the law and has suspended its application.

#### Professionalism and competence

The assessment of judges' performance is lagging behind. The evaluation for the 2007-09 period has been recently finalised and the 2010-12 evaluation has only just started. The evaluation of courts' chief judges, HCJ inspectors and the HCJ chief inspector is ongoing. Prosecutors and judicial police officers' performance in 2014 is currently being assessed.

The status of court staff and legal advisers in administrative courts will be clarified under the reform. Procedures for the recruitment of administrative court judges are under review to address the limited number of applications. Vacancies in the administrative courts increased from seven to nine. The process of appointing the nine judges who have graduated in 2015 from the School of Magistrates was conducted in June through a new lottery procedure.

#### Quality of justice

Budget planning capacity needs to be improved and adequate budgetary resources for the justice system ensured, in particular for the implementation of the reform. The School of Magistrates lacks sufficient human resources and adequate infrastructure: despite a budget increase of 15 % in 2016, it remains dependent on foreign financial support. Training of judicial administrative staff needs to be stepped up. The School of Magistrates increased its in-service training on the EU *acquis*.

An audio recording system has been installed in all first instance and appeal courts with the exception of the Gjirokastër Administrative District Court. The effective use of the system remains to be assessed. Technical shortcomings affecting the ICMIS electronic court case management system need to be addressed without delay and a long-term solution found so that a single and effective system ensuring random, transparent and balanced allocation of cases to judges can be set up in all courts. Budget allocations to courts for IT purposes continued to be insufficient.

The case management system for the prosecution service has been fully implemented in 20 prosecution offices, but is not fully operational in the first instance prosecutors' offices in Tirana, Durrës and the office attached to the first instance Serious Crime Court in Tirana. Appropriate working and security conditions for judges and prosecutors are not ensured.

Online access to jurisprudence is yet to be ensured and there is no searchable database. When published, court rulings often lack the appropriate grounds and publication deadlines are not always met. Judges' drafting skills need to be improved. Guidelines on anonymisation in the publication of court decisions have been drafted but need to be implemented.

Since September 2015, 62 new mediator licences have been issued, bringing the total number of licensed mediators to 467 against 367 in 2015. In practice, only 63 mediators are actively working on cases and the mediation provided remains very limited, even though it increased from the previous year.

Enforcement of judicial decisions needs to be significantly improved. The bailiff service is underperforming and action taken by private bailiffs is generally too dependent on the financial capacity of their clients. The ALBIS public and private bailiff case management systems should be integrated and made fully functional, and the necessary budget allocation ensured for the integrated system's maintenance.

### Efficiency

The excessive length of court proceedings remained a concern and was mainly due to delays in appeal courts, including the High Court and the Administrative Court of Appeal. New provisions are required in the codes of procedure to streamline appeal procedures and provide for mechanisms to filter appeals, particularly to the High Court.

Six new judges were appointed at the Administrative Court of Appeal, but there are nine vacancies at the district administrative courts and unfilled court vacancies are widespread. A far more effective method of filling vacancies and replacing judges temporarily off duty is needed, particularly at administrative courts.

In 2016, the High Court handled around 4 400 applications, an increase on the previous year, but the Court is still handling cases from 2012. The clearance rate improved in the large first instance courts, albeit unevenly; it remained below 100 % in all courts. The process of producing and collecting court statistical data is unreliable and manual data processing should be phased out. Backlogs remained significant, especially in all higher courts (the High Court has around 16 777 pending cases). The reform envisages a new territorial distribution of courts and judges. The notification of court proceedings to parties is highly deficient and needs to be changed to take into account the lack of a reliable address system.

### **Fight against corruption**

#### Track record

There is a positive trend in the track record of **investigations, prosecutions and convictions** in corruption cases. The overall number of convictions at appeal level involving junior or middle-ranking officials increased from 103 in 2014 to 286 in 2015. In the first half of 2016, there were 154 convictions at appeal level, compared to 132 convictions in the same period of the previous year.

Regarding convictions of high-level state officials, one judge and one lawyer were convicted in 2015 at appeal level, and one case where a judge is involved was sent to court and is pending. In 2016, a former Minister was sentenced to prison and one prosecutor was convicted at first instance, and one case involving a prosecutor was sent to court.

In 2015, HIDAACI submitted 75 criminal referrals to prosecutors, compared to 74 the year before, and imposed 550 administrative sanctions. Out of these 75 referrals, 26 cases involved high state officials (compared to 21 in 2014). In 2015, three persons were convicted at appeal court level for issues related to assets declarations. In the first half of 2016, HIDAACI

referred 20 cases to the prosecution service. Eleven of these cases involving Heads of Communes were sent to court, out of which seven were found guilty at first instance. Prevention of conflict of interest requires an improved legal framework and more proactive checks in high-risk areas such as public procurement.

In 2015, the High State Audit (HSA) referred 51 cases to prosecutors concerning 156 officials over misuse of the state budget (in 2014 there were 41 cases concerning 149 officials). The rate of implementation of the HSA's recommendations by public institutions remained low.

The Office of the National Coordinator against Corruption (NCAC) installed a corruption cases monitoring system. Little progress was made to set up an integrated electronic case management system. The budget for maintaining and implementing this system in courts and prosecutors' offices needs to be secured.

The use of audit and inspections on the basis of risk assessment in the tax and customs services increased, but needs to be further stepped up. Efforts are ongoing to address corruption in the tax and customs administration, which remained a concern.

On **internal control mechanisms**, the number of inspections carried out by the Internal Control and Anti-Corruption Unit of the Ministry of Interior increased.

On **access to information**, the Commissioner for the Right to Information and Data Protection received 274 complaints and issued 47 decisions in 2015. The staff of the Commissioner's office needs to be increased. A system was established to record the overall number of requests made to public institutions.

#### Institutional framework

On **prevention measures**, capacities of the anti-corruption network in line ministries, at local level and in the Office of the National Coordinator against Corruption needs strengthening.

The number of HIDAACI inspectors was increased from 12 to 20 in December. HIDAACI's role in detecting conflicts of interest and checking asset declarations was strengthened through the adoption of the whistle blower protection law, as well as through the role given to it with the adoption of the constitutional amendments and the law on the re-evaluation process, which foresees that judges, prosecutors and legal advisors are submitted to a vetting process. HIDAACI's administrative, technical and financial capacity needs to be further strengthened so that it can cope with asset declaration checks and assume the new powers given to it under the whistle blower protection law.

The role of the HSA in the overall anti-corruption framework has yet to be strengthened. Cases involving abuse of office or public tenders referred to prosecutors have led to very few investigations and no convictions.

On **political party financing**, the Central Election Commission is not sufficiently independent and accountable to be able to audit party finances. Clear rules for overseeing party finances are lacking and checks of political parties' financial statements are a mere formality. Gaps in the legal and institutional framework have yet to be addressed. The legislation does not provide for monitoring and reporting on expenditure during election campaigns or public disclosure of preliminary election campaign finances before election day.

New training curricula for public officials on good governance and anti-corruption were introduced at the School of Public Administration. An overall integrity risk management system has yet to be established.

The government continued to implement the awareness campaign launched in 2015 and the unified procedures for corruption complaints. The reporting mechanism has proven to be a

positive initiative. However, the handling of citizens' complaints remained difficult at local level due to limited human resources.

The education sector remains a high-risk area for corruption. The names and rankings of teachers who passed the national exam and those newly recruited have yet to be published online to ensure the full transparency of the recruitment procedure.

Engagement of civil society in raising public intolerance to corruption, monitoring and denouncing corruption and overseeing anti-corruption bodies' performance remained weak.

On the **law enforcement** side, the constitutional reform adopted in July and the relevant organic legislation adopted in October provide for the creation of a specialised and independent anti-corruption investigative chain, composed of the National Bureau of Investigation, special prosecution office and court.

Access by police and prosecutors to public databases improved (see also *chapter 24 — Fight against organised crime*). The General Prosecutor's Office increased the number of staff at its anti-corruption unit. However, concerns remained over high staff turnover and insufficient inter-institutional cooperation. Financial, human and technical resources of law enforcement authorities need to be strengthened.

Proactive and effective investigations need to be increased to develop a solid track record of investigations, prosecutions and final convictions in corruption cases. Amendments are still to be made to the legislation on interceptions and surveillance, time limits for investigations and admissibility of evidence before courts.

Seizure and confiscation of criminal assets should be systematically ordered to detect and cut financial flows of criminal networks. Financial and money laundering investigations and prosecutions suffer from the lack of a comprehensive database that police can access to conduct in-depth analyses of suspicious transactions. Analysis to identify corruption risk sectors is not conducted systematically.

Cooperation between police, prosecutors and the HSA and procurement services to fight corruption in procurement should be strengthened. The police remained vulnerable to corruption, despite a substantial increase in internal investigations.

#### Legal framework

The law on whistle-blower protection was adopted in June. The law on the integrity of persons elected or appointed to exercise public functions was adopted in December, putting in place the legal framework to promote integrity in the public service. The law on the special prosecution office and court to fight corruption was approved in October 2016.

Amendments to the criminal procedure code introducing an improved framework for effective investigations and a clear definition of 'high state official' remain to be adopted.

The 2016 GRECO review found that Albania only partially aligned legislation with the fourth evaluation round recommendations on corruption prevention in respect of members of parliament, judges and prosecutors.

#### Strategic framework

The implementation of the 2015-2020 strategy against corruption and its 2015-2017 action plan is monitored by the anti-corruption thematic group within the inter-institutional integrated policy management group for good governance and public administration. This thematic group is chaired by the National Coordinator against Corruption and composed of line ministries and relevant independent institutions, including representatives of the

anti-corruption contact points. Each implementing institution has to report on its progress on implementing the action plan.

The first annual monitoring report on the implementation of the action plan in 2015 was finalised in April finding that a large majority of the actions had been implemented. However, this first exercise demonstrated that the level of accountability and responsibility of the anti-corruption network remained weak. While the action plan includes specific indicators and budgeting for most activities, there is still a financial gap. In addition, a sound performance assessment framework has yet to be put in place. The lack of human and financial resources for implementing the measures and reporting on progress remained a concern.

### **Fundamental rights**

Albania continued to comply with **international human rights instruments**. It has ratified most international human rights and humanitarian conventions. However, it needs to take further action to ensure their full implementation.

Albania continued to ensure good cooperation with the **European Court of Human Rights (ECtHR)**. Since September 2015, the Court has found at least one violation of the European Convention on Human Rights (ECHR) in nine judgments, relating mainly to the right to a fair trial and protection of property. A total of 166 new applications were allocated to a decision-making body, bringing the number of pending applications to 486. In March, the ECtHR started reviewing the case related to the events of 21 January 2011.

On the **promotion and enforcement of human rights**, the Ombudsman continued to actively promote the rights of vulnerable groups. In 2015, out of 349 recommendations addressed, 160 recommendations were accepted, 68 remained without reply and 54 were refused, while the rest were under review. The work of the Ombudsman's Office continued to be limited by lack of funding and personnel, and the resources of its central and local offices need to be enhanced to ensure that they can function satisfactorily. In 2016, its budget allocation was slightly increased, allowing for the recruitment of Commissioners on Children's Rights and on the Prevention of Torture. However, the two commissioners are yet to be appointed, either due to an insufficient number of candidates or their failure to meet the legal requirements.

Most complaints submitted to the Ombudsman's Office continued to relate to social rights, mainly healthcare, pension issues, employment, education and housing and the failure of the state administration to act within the legal deadlines provided by law.

As regards **right to life**, the March 2015 parliament resolution and recommendations on blood feuds still require follow up. The Coordination Council has to be reactivated.

On **prevention of torture and ill-treatment**, the national preventive mechanism conducted 130 inspections and monitoring visits in 2015. The resulting 67 recommendations were acknowledged and most of them were addressed. In 2015, the national preventive mechanism and the Ombudsman's Office handled 42 complaints about disproportionate use of force and violence by police officers and prison guards, of which 10 were found to have valid grounds. These cases are still under investigation.

As regards the **prison system**, the release of 968 prisoners following the January 2016 amnesty law considerably reduced the number of inmates. However, overcrowding remains an issue and risks amounting to inhuman and degrading treatment. The General Directorate of Prisons drafted a policy paper on reducing overcrowding. This, together with the opening of two new detention facilities in Fier and in Berat and the renovation of a prison in Tirana, should contribute to decreasing overpopulation. The confidentiality of inmates' conversations with visitors, and adequate health and hygiene standards remain to be secured. Serious

concerns remained over the lack of a medical institute and appropriate healthcare services for detainees with mental illnesses. Mentally ill detainees continued to be kept in inadequate conditions in the Kruja prison hospital.

The use of alternatives to custody increased by 48 %, from 4 003 cases in 2014 to 5 927 in 2015. Use of electronic monitoring also increased, from eight cases in 2013 to 15 cases in 2015. The number of probation service staff still remains to be increased. The memorandum of cooperation between the Ministry of Justice and the Ministry of Social Welfare and Youth over setting up vocational courses in prisons as part of pre-release programmes is yet to be implemented in practice. Existing penitentiary legislation needs to be effectively implemented and brought into line with European standards. Corruption in the prison system remains a serious concern.

**On protection of personal data**, the office of the Commissioner for the Right to Information and Data Protection continues to be understaffed. The total number of complaints submitted to the Commissioner for the Right to Information and Data Protection increased to 477 in the reporting period, against 232 complaints in the same period the preceding year. The free phone number and online mechanism for citizens' complaints continued to be functional. The number of awareness campaigns increased, while the number of training sessions for the staff of the Commissioner's Office should be further augmented.

The Commissioner's remit and workload increased due to new legal provisions tasking it with monitoring implementation of the law on the right to information. However, this extended mandate has not been matched by an increase in capacity and budget. No steps were taken to enhance the Commissioner's independence, especially on appointments and dismissals. The publication of court decisions does not always respect data protection principles.

**Freedom of thought, conscience and religion** was generally upheld. A government initiative to include religious education and history as a compulsory course in schools, aimed at preventing radicalisation and supporting inter-religious dialogue, faced criticism from academia and civil society. No measures were taken to implement the initiative. The Albanian Autocephalous Orthodox Church raised concerns over the implementation of the agreement with the government on restitution of properties seized during the communist regime.

As regards **freedom of expression**, two cases of physical assaults against journalists were reported and followed up by the prosecution in 2016. Media outlets reported some cases of alleged intimidation against journalists, although it has yet to be confirmed whether these were triggered by journalistic work or private and business interests.

The implementation of the law on audiovisual media has been slow overall, mainly due to the lack of quorum within the Audiovisual Media Authority (AMA) board and the delays in filling AMA vacancies. The vacancies of the board were filled in July. AMA started a public information campaign on the digitalisation process and is working with the public broadcaster on the terms of the digitalisation services it will offer. However, it failed to grant digital licences to commercial operators within the deadline. AMA was restructured and the staff increased. AMA also approved a Code of Ethics and the Code of conduct for its members, and set up its Council of Ethics.

A government proposal in November to re-criminalise libel and defamation was withdrawn after harsh criticism by human rights organisations and the media community. There were no cases of defamation lawsuits by politicians against journalists. However, further action is needed to ensure effective implementation of the amendments on defamation and guidelines on setting damages at a reasonable level. The main means to achieve this is through training for the judiciary. Further efforts are also needed to implement the rules on public complaints

against media, as set out in the law on audiovisual media, and to establish bodies and initiatives that address reader/viewer complaints effectively. In July, the steering council of the public broadcaster (RTSH) constituted its Council of Viewers and Listeners.

Following the constitution of RTSH's steering council in April, a deadlock in the voting process led to a delay in appointment of the general director and consequently to a failure by RTSH to adopt its statute, elect new management structures and adopt other guidelines. A new director was appointed in May following amendments to the law on audiovisual media introducing a new election method.

The funding of the public broadcaster is relatively stable thanks to collection of the licence fee. RTSH is yet to approve its internal statute, with a particular focus on responsibility at all management levels, with due defence of editorial independence. The public broadcaster should also finalise its institutional strategy and editorial guidelines.

In May, at the request of major audiovisual media companies, the Constitutional Court abolished the ownership limitations in the audiovisual media regulations, thus annulling the legal mechanism that sought to guarantee pluralism of media ownership. In order to ensure transparency of media financing Albania should introduce legal provisions on state advertising that meet best international standards. The media continued to be used as a tool to promote political and private interests.

Amendments seeking to establish rules under the e-commerce regulation on comments on websites remain to be adopted. Self-regulation in online media needs to be introduced in order to curb user-generated hate speech. Online hate speech should be defined in terms that are similar to the offline hate speech definitions (i.e. as speech inciting violence) so that the definition does not vary depending on the type of technology used.

**Freedom of assembly and association** was respected. Overall, protests and political demonstrations were held without major incidents.

On **property rights**, a new law on compensation for property confiscated during the communist era was adopted in December. It provides for the setting up of a national mechanism for compensation, together with a compensation formula and the financial means to enforce the process. The law entered into force in February. However, its constitutionality has been challenged in the Constitutional Court following appeals over lack of transparency, legal certainty and equality of treatment, and the risk of the law's effectiveness being undermined by the absence of a comprehensive cadastre. Upon request by the Constitutional Court, Venice Commission adopted an *amicus curiae* brief, assessing consistency of the law with European norms. The Venice Commission highlighted that compliance would depend on the effective implementation of the law and its execution by the authorities.

On the enforcement of decisions of the ECtHR, financial compensation is ongoing but outstanding payments remained, including of default interest. The 2012-2020 strategy on property rights needs to be updated to reflect the new legal provisions and provide for coordination between the restitution, compensation and legalisation processes. A national coordinator for property rights should be appointed. The ongoing process of property registration and mapping, including the property digitalisation process, has to be finalised and overlaps in land ownership must be phased out.

On **non-discrimination**, the Commissioner for Protection against Discrimination (CPD) handled a slightly decreased number of cases, while it increased the amount of actions it brought of its own initiative. Its participation in judicial processes doubled compared to 2014. In the reporting period, the CPD issued 11 sanctions.

On hate crimes, the state police appointed a dedicated focal point. However, the number of reported cases remained insignificant and no judicial prosecution has yet been initiated. Data collection on hate crime continued to be lacking. The CPD dealt with hate speech cases targeting the LGBTI community and in two cases decided to fine the perpetrators. The CPD continued to organise awareness campaigns and training activities. Anti-discrimination case-law needs to be further developed and its implementation improved.

On **equality between women and men**, a national strategy on gender equality was prepared, but is yet to be adopted. A number of laws continued to contain gender-discriminatory provisions. Concerns remain over discrimination against and lack of appropriate legislation or measures for the protection of women and girls belonging to disadvantaged and marginalized groups. Further work is needed to ensure women's unhindered access to the justice system, raise awareness about existing laws, and to ensure the execution of court orders to enforce women's rights. In the past year, the government increased its efforts to make gender equality central to planning and budgeting for national development and EU integration, introducing gender-responsive budgeting in nine ministries and initiating it in seven municipalities. Application of gender mainstreaming in the medium-term budget programme at municipal level is yet to be reflected in the corresponding national legislation. Gender equality focal points have not been established at national or local level.

While enforcement of gender equality policies generally progressed, challenges over implementation remained. Domestic violence remained a serious concern. In 2015, 3 886 cases of domestic violence and other crimes in families were reported by the police, with 2 148 resulting in protection orders. In 1 300 cases of domestic violence, criminal proceedings were initiated and sent for prosecution. 74 % of domestic violence victims were women, which illustrates the gender dimension of violence.

The online system for reporting gender-based violence still only operates in 29 out of 61 municipalities. There is a need for better coordination between equality bodies and relevant actors at all levels, including the national referral mechanism, in order to maximise results in the fight against gender-based violence. Services for victims of domestic violence should improve in quality, quantity, accessibility and geographical coverage.

On **the rights of the child**, a revision of the current law on the protection of children's rights was initiated. In October, a comprehensive mapping of the child protection system was finalised. As a follow-up, a policy document outlining the government's vision for the future integrated system was published in December.

The joint directive adopted by four ministries in early 2015 has increasingly been applied to ensure cooperation between central and sub-national bodies on cases requiring protection measures. A comprehensive national agenda for child safety online is being prepared.

During 2015, 243 children living or working on the street and their families were taken under protection, as well as an additional 102 children in the first half of 2016. Services offered to the families included counselling, enrolment of children in schools, kindergartens and nurseries, applications for financial assistance, and medical care.

There is a need to improve data collection and reporting mechanisms in child protection, and to improve cross-sector and inter-institutional coordination and cooperation mechanisms.

The territorial reform had a disruptive impact on the functioning of child protection units due to high rates of staff turnover, in particular of staff trained in child protection, and the reduced ratio of child protection workers per capita, in particular in rural areas. It is of utmost importance that child protection services are improved.

The emigration of unaccompanied minors from Albania to EU Member States remained a matter of serious concern. An inter-institutional working group was set up in October to revise related legislation with a view to dealing with this phenomenon. Between September 2015 and March 2016, 18 cases were referred to the prosecutor for mistreatment of minors.

More efforts are needed to bring existing legislation on juvenile justice into line with international standards and move away from the punitive approach for juveniles in conflict with the law. A number of laws are being revised under the justice reform to bring juvenile justice into line with UN standards. A specific juvenile justice code and a children's justice strategy are being drafted. In 2015, 130 fewer children were sent to pre-trial detention than in 2014 and the average detention time was reduced. However, appropriate planning, budgeting and community-based re-education and reintegration programmes for children in conflict with the law are still lacking. Certain categories of children, such as those from ethnic minorities, children with disabilities, girls and children living in rural areas, face particular challenges in accessing judicial protection.

On the **rights of persons with disabilities**, framework legislation is in place and is partially compliant with the UN Convention on the Rights of Persons with Disabilities (CRPD). A number of articles, in particular Article 12 of the CPRD, were not yet transposed into the national legislation. A government decision to remove environmental and infrastructural barriers in providing public services was adopted in December. The action plan 2016-2020 on persons with disabilities was adopted in June. However, municipalities and most line ministries are yet to appoint an official in charge of disability issues, as provided for by law.

Overall, people with disabilities continued to face difficulties in accessing education, employment, healthcare, social services and decision-making, including obstacles preventing them from freely exercising the right to vote. Monitoring of the implementation of disability-related measures is impeded by a lack of available data. Despite some efforts, the number of adjunct teachers in schools to assist children with disabilities is insufficient.

On the rights of **lesbian, gay, bisexual, transgender and intersex (LGBTI) persons**, a 2016-2020 action plan on rights of LGBTI persons was adopted in May. Sexual orientation and gender identity are now protected grounds from discrimination in the labour code.

The shelter for LGBTI people, which is almost entirely donor-supported, continued to provide services to members of the community in need. In February, a cooperation agreement was signed between the Ministry of Social Welfare and the shelter. A fundraising event was held in May to collect the resources needed to continue the functioning of the shelter. Also in May, a number of events were organised around the international day against homophobia, transphobia and biphobia. Public awareness and social acceptance remained low, particularly in rural areas. Amendments to the family code to introduce the concept of cohabitation of same-sex couples have not yet been adopted.

Issues of **Labour and trade union rights** are covered in chapter 19.

On **procedural rights**, more should be done to ensure the right to information, access to legal aid and advice and specific safeguards for suspects, accused persons and victims of crime. Some basic procedural safeguards for children are in place, but more efforts are needed to increase the level of protection provided by the existing legislation. Even though basic procedural rights for victims and their families are provided for in the law, further efforts are necessary to ensure proper implementation, which protects victims and their families in the context of criminal proceedings, including providing free legal aid. There are no legal provisions in place which ensure victims' right to access support services, including procedural, emotional and psychological support, in accordance with victims' and family

members' needs. On access to justice, the State Commission for Legal Aid has not yet developed effective mechanisms for outreach and access to its services, including at regional level. The vast majority of cases involving vulnerable groups are still handled by civil society organisations, with donor support. A reform of the legal aid system is envisaged under the ongoing justice system reform.

As regards respect for and protection of **minorities**, some steps were taken to improve the legal framework. The Ministry of Foreign Affairs established a working group to draft a comprehensive law for the protection of minorities. A broad consultation process took place involving independent institutions, minorities' associations, civil society and international organisations. The working group should now swiftly complete its work and finalize the drafting process of the law that should aim to ensure equal access to rights for persons from all minorities. Albania has still not adopted the European Charter for regional and minority languages. The role and the capacity of the State Committee on Minorities remained limited and need to be reinforced. Overall, inter-ethnic relations remained good.

**Roma** and Egyptians continued to face very difficult conditions and frequent discrimination, particularly on access to education, employment, housing, health and civil registration. The 2016-20 action plan for their integration was adopted in December. The national budget will finance 55 % of the actions, while the remaining part is to be provided by donors. The third EU-Albania seminar on the inclusion of Roma and Egyptian communities, held in April, resulted in operational conclusions, which set the main priorities for the next two years.

Living conditions remained poor, with a substantial part of Roma households lacking access to piped water. The 2016-2025 national housing strategy was adopted. It aims to improve the institutional, legal and regulatory framework for middle and low income households, including Roma. Roma children living or working on the street remained a concern despite efforts to reduce this phenomenon by taking street children and their families under protection. Child marriage remained a worrying practice, involving around 2.9 % of Roma children in the 15-18 age group. Civil registration improved, but further efforts are needed, particularly to ease the transfer of registration between municipalities and of children born abroad. Lack of registration often prevents access to social support.

The inclusion of Roma children in the education system continued improving, but remains the lowest in the region. School segregation is a matter of serious concern. The electronic data collection system *Romalb* is partially functional and in-service training is necessary to ensure that it is used by all local government units.

As a result of the dialogue held by the Tirana municipality with the 72 families affected by the planned eviction in the Bregu i Lumit area, the eviction was stopped and efforts were made to find alternative housing solutions. This was a clear progress in the handling of evictions compared to the previous case at the Tirana artificial lake, where some 44 families were evicted in October 2015 without proper dialogue with the families concerned. Albania has yet to develop guidelines on evictions in line with international standards and train local and national institutions on procedures to be followed before, during and after evictions.

#### **4.24. Chapter 24: Justice, freedom and security**

*The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation.*

Albania has **some level of preparation** to implement the *acquis* and European standards in this area. **Some progress** was achieved. Steps were taken to improve the institutional capacity on border management, asylum and the fight against terrorism. The Counter-terrorism Directorate increased its capacity. Organisational changes in law enforcement agencies were introduced and key legislation adopted, especially on the new organisation of the police. However, the police does not yet have direct access to key public registries. Little progress was made on fulfilling the recommendations identified last year. The use of intelligence-led joint investigations remained limited. The number of unfounded asylum applications lodged by Albanian nationals in the EU remained at a sustained level and requires concrete action. In the coming year, Albania should in particular:

→ make greater use of intelligence-led and financial investigations on money laundering and drug trafficking, and increase confiscations of criminal assets;

→ further increase the operational and logistical capacities of the Counter-terrorism Directorate, especially as regards special investigations and operations such as surveillance and interceptions;

→ demonstrate further progress on establishing a solid track record of investigations, prosecutions and convictions in the fight against organised crime;

→ take immediate and determined action, including via the post-visa liberalisation monitoring mechanism, to effectively address unfounded asylum applications in the EU and further improve its capacity to deal with mixed migration flows.

*(See also the specific recommendations on the fight against organised crime in section 2.3.)*

## **Legal and irregular migration**

### Institutional set-up and legal alignment

The **legal framework** is broadly in line with the *acquis*. In March, Albania adopted the law on the identification and registration of Albanian citizens living abroad. Amendments to the law on aliens (covering legal/irregular migration) were approved by parliament in July.

The absence since 2010 of a cross-sector national **strategy** on migration remains an issue of concern. Measures taken to mainstream migration issues in several national sector strategies, including social protection and inclusion, employment, business and development, integrated border management and the fight against human trafficking, produced limited results.

The implementation period of the strategy on the reintegration of returned Albanian citizens came to an end in 2015. Work on a new strategy has not started yet. A specific section on migration was included instead in the 2015-2020 national strategy on development and integration approved in May.

The 2012-2014 extended migration profile was adopted in December. The Ministry of Interior implements and coordinates the migration policy in cooperation with the Ministry of Social Welfare and Youth and the Ministry of Foreign Affairs.

### Implementation and enforcement capacity

The overall **staffing** of the Directorate-General for Borders and Migration is limited (1 653 employees), in particular against the background of the migration crisis affecting the entire region. Albania needs to ensure appropriate training of its border police staff in compliance with the EU border guard basic training standards, such as the European Border and Coast Guard Agency (Frontex) common core curriculum.

Albania has one reception centre for **irregular migrants** in Karrec with a total capacity of 150 beds. The centre is equipped to accommodate men, women and families in three departments. There is no facility for unaccompanied minors. The centre's poor maintenance has led to it deteriorating and immediate renovation is required. In 2015, 294 people were detained in Karrec, while in the first half of 2016 there were 363 people detained.

Albania needs to increase its capacity to host irregular migrants, in particular near its border with Greece. In 2015, 2 009 irregular migrants were intercepted, mainly entering the country from Greece. The vast majority of these occurred during the first half of 2015 (1 971). The second half of the year marked a sudden drop after the former Yugoslav Republic of Macedonia introduced legislative changes providing refugees/migrants with freedom of movement during 72 hours. Despite the arrest of a few smugglers, there is no evidence so far of organised smuggling networks active in Albania.

The number of effectively **returned** people to their country of origin remained low. Only two people agreed to voluntary return in the past 12 months. Most of the irregular migrants were returned to the country from which they entered Albania (mainly Greece) with a voluntary leave order.

The **readmission agreement** with the EU is implemented in a satisfactory manner. However, the country needs to finalise the negotiations on its readmission agreement with Russia and the implementation protocols with Greece and Spain. Albania also needs to conclude readmission agreements with a number of countries of origin of irregular migration including Morocco, Afghanistan, Iraq and Iran.

Further efforts are needed to ensure that the policy framework on emigration for employment purposes is coherent and implementation is not weakened by contradictory legal provisions.

## **Asylum**

### Institutional set-up and legal alignment

Albania is party to the Geneva Convention and adopted in 2014 a new asylum law, which brought its **legal framework** generally in line with the *acquis*. However, since several EU directives were further updated, some issues remain to be addressed over procedural safeguards and guarantees. In particular, Albania needs to avoid detention of vulnerable people and minors; ensure the right to legal assistance to asylum seekers; and ensure access to information about asylum rights and procedures for apprehended third country nationals.

Albania needs to strengthen its reception capacity for asylum seekers, particularly closer to the border with Greece. In March, the government approved a list of safe third countries, which includes all EU and NATO Member States.

The country has the necessary **institutions and procedures** in place to handle asylum claims. The Directorate for Asylum is the first instance body in the Ministry of Interior, which is also responsible for overall policy coordination in this field. Appeals can be lodged in principle with the National Commission for Refugees and Asylum. However the Commission has not been fully set up thus far, despite its establishment was approved in March.

A final judicial appeal can be lodged with the High Court. In September 2015, Albania prepared a contingency plan for a possible mass influx of migrants and asylum seekers, including an operational plan covering preparedness and response activities as well as related needs and gaps analysis. The contingency plan was updated in April; however, it was not open to public consultation and has not been formally adopted yet.

### Implementation and enforcement capacity

The Directorate for Asylum is now adequately staffed (six people). As regards the **asylum procedure**, the capacity to assess individual asylum claims remained weak. More training is needed in this regard, particularly on countries of origin, and cases involving vulnerable people and people who have entered the country in an irregular manner.

Weak referral mechanisms and limited availability of interpreters are a matter of concern. Training of interpreters is needed on refugee law issues and interviewing techniques. Efforts to facilitate social and economic integration of refugees need to be backed up by a credible budget. Data management also needs to be strengthened. Although biometric data are collected by the border and migration police and registered in a registry, the Directorate for Asylum does not have access to this database, limiting its capacity to manage the cases effectively. No cases of *refoulement* at the borders were reported.

In 2015, 586 people applied for asylum, of which 480 were from the People's Mujahedeen of Iran (PMOI) and 106 from other nationalities. The Directorate for Asylum issued 39 positive decisions, three on complementary protection and two negative decisions. At the end of 2015, 830 asylum seekers were awaiting status determination. The recognition rate for those who undergo a full asylum procedure is over 50 %, all nationalities combined. From January to August 2016, 1 443 people applied for asylum, of which 1 355 were from the PMOI. So far, Albania is still a transit country. With the exception of the well-organised resettlement of PMOI Iranian exiles and former residents of the Camp Hurriya temporary transit location in Iraq, the vast majority of asylum applicants disappear in the course of the asylum procedure.

There is one **reception centre** in Babrru with a capacity of 80 beds, which could be expanded to a maximum of 100 beds. There is no suitable accommodation for unaccompanied minors. Lack of appropriate reception capacity in Tirana and in particular along the country's southern border is a source of concern. Albania cooperates with the European Asylum Support Office (EASO), but this cooperation is not based on a formal agreement. In 2015 staff of the Ministry of Interior participated in three training sessions organised by EASO.

### **Visa policy**

Albania has yet to align its legislation with the EU 'positive' and 'negative' lists. During summer months, Albania lifts its visa regime for several countries on the EU negative list. The visa-free travel regime between Albania and the EU continued unhindered. However, the flow of manifestly unfounded asylum applications to EU member states and Schengen associated countries remains at a sustained level, with an average of above 2 400 applications per month in the first eight months of 2016. In 2015, Albanian nationals lodged 68 750 asylum requests in EU Member States and Schengen associated countries, an increase of 297 % on 2014. From January to August 2016, there were almost 20 000 asylum requests. Albanian nationals were the biggest group of asylum seekers from visa-free Western Balkan countries (54 %) and the highest number of illegal stayers and illegal border crossings. Albania tightened its border control procedures, but awareness raising was limited to sporadic public appearances by government officials.

The fall in the number of asylum applications lodged by Albanian nationals in EU Member States and Schengen associated countries since September 2015 was mainly due to measures by the most affected countries, and less due to proactive measures taken by Albania. Albania needs to considerably strengthen its efforts to address this negative phenomenon, and take immediate and determined action via the post-visa liberalisation monitoring mechanism. The country needs in particular to improve its information exchange with countries of destination, and start analysing data on returnees so that it can map the most affected geographical areas in the country and prioritise awareness raising and socioeconomic support accordingly. All efforts need to continue systematically and with adequate allocation of resources.

Unaccompanied minors from Albania remained a matter of concern. Albania needs to engage in awareness raising among government stakeholders to ensure that unaccompanied minors are identified and protected.

## **Schengen and external borders**

### Institutional set-up and legal alignment

The law on border control, which entered into force in August, and associated 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 Directorate General for Borders and Migration is a specialised civilian body within the Ministry of Interior. It has one risk analysis unit at central level and local risk analysis units in all seven regional offices. It includes seven regional offices and local stations, including a mobile unit. Its **staff**, including 1 566 border guards, receives basic and to some extent specialised training from the Police Academy and through the agreement concluded with Frontex. Albania should continue risk analysis **training** at all levels and ensure sufficient training for border police, in particular by including protection-sensitive migration management in the curriculum of the Police Academy.

The current 2014-2020 **integrated border management strategy** is fully aligned with European standards.

### Implementation and enforcement capacity

The implementation of the **integrated border management** strategy and action plan continued smoothly with a focus on the regulatory and institutional framework; human resources and training; communication and exchange of information; and infrastructure and equipment for border control and surveillance.

Two border crossing points with Montenegro and Kosovo are being reconstructed. In July Albania started carrying out exit checks at its border with Kosovo. The 'TETRA' special radio communication network for law enforcement forces is only partially functional. Out of 150 fishing vessels, only 80 are equipped with a blue box. Night vision goggles and thermographic cameras are in use for green border surveillance. More resources need to be devoted to modernising border infrastructure and stepping up surveillance of the green and blue borders.

**Inter-agency cooperation** between border guards and customs worked well, including over mutual access to databases. The Inter-institutional Maritime Operations Centre and the maritime surveillance and communication systems are fully operational. The detection of false or fraudulent documents remained low, in particular at the international airport. A track record of detection, investigation and prosecution of cross-border crime in coordination with all competent law enforcement authorities is gradually being established. The border police's investigative powers need to be strengthened, in particular for the detection of people smuggling and trafficking cases.

**Cooperation with neighbouring countries** continued to be good, particularly at technical level. The country concluded cross border police cooperation agreements with Montenegro, Kosovo and the former Yugoslav Republic of Macedonia, but not yet with Greece. Albania is conducting joint patrols with Kosovo, Montenegro and the former Yugoslav Republic of Macedonia. It established bilateral centres for cross-border police cooperation with Kosovo and the former Yugoslav Republic of Macedonia. The protocol on the establishment and functioning of the trilateral centre in Plav is yet to be adopted. Work is ongoing to set up another centre at the border with Greece. Agreements on joint border control were concluded

with Montenegro for two border crossing points and with Kosovo for three others. The agreement with Frontex needs to be updated. As regards **anti-corruption** measures, 64 disciplinary measures were taken against border police staff in the first half of 2016.

### **Judicial cooperation in civil and criminal matters**

Albania intensified judicial cooperation in civil and criminal matters, including with EU Member States. However, international cooperation needs to be further improved, especially over timely ratification and implementation of multilateral instruments and institutional capacity. Regarding judicial cooperation in criminal matters, Albania should make greater use of existing instruments, particularly the setting up of joint investigation teams under Article 20 of the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters.

Albania addressed Eurojust recommendations on data protection standards; negotiations on a cooperation agreement should start before the end of the year. In 2015 Albania was involved in 12 cases (four in 2014) registered at Eurojust. Italy and Greece registered the highest number of cases involving Albania, which mainly related to drug trafficking.

### **Fight against organised crime**

#### Institutional set-up and legal alignment

In September 2015, the government approved the new state police regulation to ensure the effective implementation of the law on state police that entered into force in March 2015. The regulation is in line with the main recommendations of the European code of police ethics of the Council of Europe. In December, Albania ratified the Council of Europe Convention on Trafficking in Human Organs. Some steps were taken to amend the joint instruction on handling of seized drugs and narcotic substances. Sampling and drying processes and storage are not in line with relevant *acquis* and international standards.

Albania updated and continued to implement the strategy and action plan on the fight against organised crime and trafficking. The 2015-2017 strategy on cyber security was approved by the government in December. The 2014-2017 strategy on the fight against human trafficking and its accompanying action plan were adopted in November. In February, as part of its strategy on the fight against human trafficking, the government adopted the 2015-2017 action plan for the economic and social reintegration of women and girls who are victims / potential victims of trafficking. In March, the Ministry of Interior approved the 2016 action plan on the prevention and fight of cultivation of narcotic plants. Working groups were established at national and local levels to implement the action plan.

#### Implementation and enforcement capacity

The police underwent profound organisational changes to modernise its structures and *modus operandi*. The new police organisational structure was adopted in December in line with the new administrative division of the country. 12 local police directorates, 50 police commissariats and 15 police stations have been foreseen in the reform. The fight against internal corruption continued. The number of disciplinary proceedings in 2015 was 172, compared to 153 in 2014. The police still experiences corruption and political pressure, hindering in-depth investigation of organised crime.

In October 2015, the re-established Security Academy inaugurated its first academic year with the launch of study programmes on public security and crime investigation. The resumption of police higher education after more than a decade is an important step towards developing a professional police force.

Some progress was made in providing police and prosecutors with direct access to national electronic public registries, such as the register of civil status, the register of judicial status (criminal records), the management information system. A memorandum was signed in August between the state police and the General Directorate of Taxes, the automated system for customs data and the register of the Agency on Legalisation, Urbanisation and Integration of Informal Zones/Constructions.

In March, the General Prosecutor's Office signed a memorandum of understanding with the Ministry of Justice to have access to the following registries: the Judicial Bailiff's office, the Notary Registry, the Immovable Property Registration Office and the court integrated case management system. However, for technical reasons, the access to these databases has not yet been ensured.

The police promptly exchanges information with the Directorate General for Money Laundering / the Financial Investigation Unit using the electronic platform developed in 2014. However, the police still lacks access to 24 national public databases and mobile phone companies' and internet service providers' subscribers data. This causes delays and hampers proactive investigations.

In 2015, the Forensics Directorate entered 124 profiles into the combined DNA index system and 1 200 identifications through the automated fingerprint identification system / advance passenger information system.

In December, the Ministry of Interior, the General Prosecutor's Office and the Albanian state police signed a memorandum of understanding to set up a task force in charge of reviewing cases of human trafficking that were dismissed or not initiated.

As regards Albania's track record on criminal offences related to **criminal organisations and structured criminal groups** (articles 333 and 333a of the criminal code), in 2015 there were 18 new criminal proceedings involving various offenders, and six in the first half of 2016. The number of defendants finally convicted slightly increased, though it is still low. In 2015 the Serious Crime Court rendered four final guilty verdicts, and 13 in the first semester of 2016.

The framework for combating **human trafficking** was further developed, and sanctions were made harsher. However, Albania needs to step up efforts in preventing human trafficking, paying particular attention to unaccompanied children and child victims of trafficking, especially among children in street situation. The legal framework needs to be further aligned to the EU *acquis*. Albania is among the top five non-EU countries of citizenship for registered victims of human trafficking. However, the number of related convictions remains rather low. Police reported 69 cases of human trafficking in 2015 (compared to 34 in 2014) and 38 in the first half of 2016. Most of the referrals involved adults, while reportedly child trafficking is on the rise. In 2015, 21 people received final convictions for human trafficking, and only two in the first half of 2016. Identification of minors who are victims of trafficking continued to be low. There is no synergy with other ongoing identification mechanisms, such as the field teams working to identify children in street situation.

The number of final convictions over **cybercrime** remained low, five in 2015 and six in 2014.

On **money laundering**, the number of suspicious transaction reports rose to 1 319 in 2015, a 7 % annual increase on 2014. Eight people were finally convicted for laundering the proceeds of crime in 2015, and four in the first half of 2016. The Court of Appeal for Serious Crimes issued 11 decisions over the seizure of property, covering bank accounts, cars, apartments, restaurants, land and hotels. However, there was no final decision on property confiscation by the Serious Crimes Court in 2015.

**Overall**, the increased number of police operations led to increased detection rates for criminal offences and to more offenders being arrested. However, this is not yet feeding through into the number of final convictions for organised criminal association, which remained negligible.

Fighting organised crime and corruption remains fundamental to countering criminal infiltration in the political, legal and economic systems.

### **Fight against terrorism**

According to the Ministry of Interior and the State Secret Service (SHISH), approximately 120 Albanian citizens have joined war zones in the Middle East. According to the same sources, no Albanian foreign fighter has reportedly left Albania since 2015. In May, the Tirana Serious Crimes Court sentenced three self-proclaimed imams and six collaborators accused of recruiting at least 70 foreign fighters. The government announced plans to include a specific course in schools' curricula on the history of religion in order to prevent radicalisation and support inter-religious dialogue.

#### International set-up and legal alignment

Albania has a comprehensive **legal framework** for the prevention and fight against the financing of terrorism. The country is party to all Council of Europe conventions on counter-terrorism, including seizure and confiscation of the proceeds from crime and financing of terrorism. In June, the government ratified the additional protocol of the Council of Europe Convention on the Prevention of Terrorism. The criminal code and criminal procedure code were amended in 2014 to include a provision allowing for up to 15 years of imprisonment for citizens involved in armed conflicts outside Albanian territory.

The national counter-terrorism **strategy** expired in December 2015. A new strategy is under preparation and is expected to be finalised by end-2016. In November, the government adopted a national strategy and action plan on countering violent extremism (CVE), with a focus on community outreach, policing, education and countering extremist propaganda. Some steps have been taken to implement the strategy and establish a CVE regional centre in Tirana. In August, the government appointed a national CVE coordinator.

The **main institution** in charge of countering terrorism is the Counter-terrorism Directorate of the Albanian state police. The state police's community policing personnel is involved in preventing radicalisation and in the fight against violent extremism. An inter-ministerial committee and its technical secretariat at the Ministry of Interior have been set up to increase coordination among public institutions in the fight against terrorism.

#### Implementation and enforcement capacity

The Albanian state police increased its efforts to prevent radicalisation through community policing and close cooperation with relevant religious communities. The Counter-terrorism Directorate enhanced its capacity through additional training, personnel and equipment. However, its operational and logistical capacities remained limited, especially for special investigations and operations such as surveillance and interceptions.

In 2015, 11 new criminal offences related to terrorism were reported to the Serious Crimes Prosecutor's Office, and three in the first semester of 2016. Four joint international operations were carried out in 2015 with Italy, the United States and Norway, and one new operation in the first semester of 2016 with Bosnia and Herzegovina. No case of financing of terrorism through money laundering was reported by the Financial Investigation Units.

The technical secretariat of the inter-ministerial committee for combating terrorism is not fully functional. The committee's work was hampered by limited inter-institutional exchange of information and poor cooperation with the police. The new counter-terrorism strategy should establish the secretariat as a permanent body and give it the means to support its work as an effective coordination body. Bilateral agreements on cooperation in the fight against terrorism were signed with Kosovo and Slovenia.

### **Cooperation in the fight against drugs**

Cooperation with the European Monitoring Centre for Drugs and Drug Addiction continued. Drug educational programmes were undertaken in schools to prevent drug use among young people. According to specialised UN bodies, profits from the illicit opiate trade continued to constitute considerable financial incentives for organised criminal groups in Albania. Illicit proceeds of narcotics account for a significant proportion of Albania's GDP (2.60 %, compared to 0.07-0.19 % for countries such as France, Germany, Italy and United Kingdom).

Albania intensified the fight against drug cultivation (mainly *cannabis sativa*), which remains a serious challenge. In 2015, the police conducted 240 operations against drug cultivation and trafficking, which resulted in the identification of 4 634 cultivated parcels, the arrest of 402 offenders and the destruction of 797 422 narcotic plants, 246 008 more than in 2014. The positive trend continued in 2016, with remarkable drug seizures and destruction of cannabis plants during the summer. Latest trends show that cultivation of cannabis is also carried out in greenhouses. More efforts are needed to improve the eradication of cannabis plots.

On drugs trafficking, in 2015 36.9 kg of heroin, more than 11 tonnes of marijuana and 27.1 kg of cocaine were seized (against 73.5 kg of heroin, 97 tonnes of marijuana and 10.3 kg of cocaine in 2014). This fall in seizures may be explained by a re-routing of illegal trafficking through other countries, combined with a lack of proper intelligence and subsequently a lower number of interceptions. Following the adoption of the new police organisational structure, the opening of eight new commissariats should ensure a better control over the territory for the purpose of preventing and destroying drug cultivation.

Despite the intensification of the fight against drug cultivation and trafficking, the number of final convictions remained low. Penalties and sentences are not effective deterrents and confiscation of criminal assets is limited. Investigations and prosecutions do not go high enough up the drug supply chain and are not systematically accompanied by parallel financial investigations. In 2015, the police submitted to prosecutors 1 008 cases related to drug production and trafficking (344 less than 2014). Only 359 were sent to court (372 in 2014).

Capacities to handle, store and destroy seized drugs remain very weak. The disposal of seized narcotics needs to be improved. A protocol should be prepared to entrust the Ministry of the Environment with tasks on the handling of narcotics, such as air and soil sampling and monitoring. Drugs should be destroyed immediately or shortly after seizure and only a small amount should be kept for analysis at the Scientific Institute. In addition, a unit trained to deal with illegal laboratories for the synthesis of illicit drugs should be established.

### **Customs cooperation**

The 24-hour digital camera monitoring system continues to be fully operational. The number of cases of "abuse of office" by customs officials increased compared with previous years. As regards cases of corruption, the Directorate of Internal Investigation and Anti-corruption opened 33 cases in 2014, 38 cases in 2015, and already over 40 cases in the first semester of 2016. According to the Ministry of Finance, in 2015, 131 disciplinary measures were taken

against customs officials, including 25 terminations of service. In the first half of 2016 there were 45 such measures, including nine terminations of service.

#### 4.25. 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.*

Preparations are at an **early stage** in the area of science and research. **Some progress** has been made over the last year. In the coming year, the country should in particular:

→ adopt a comprehensive strategy on research and innovation;

→ build capacity and increase investment in research in line with European Research Area priorities.

On **research and innovation policy**, the 2015- 2020 national strategy on science, technology and innovation has yet to be adopted. Investments in research and measures to strengthen research and innovation capacity at national level need to be stepped up. The level of investment in research is very low at about 0.4 % of GDP.<sup>5</sup> Inter-institutional cooperation needs to be strengthened, in particular regarding decisions on innovation measures.

AS regards **framework programmes**, Albania participates in the EU research and innovation 'Horizon 2020' programme as an associated country. During 2015-2016, the number of Albanian applicants increased to 146, from 66 in 2014-2015. However, the number of successful candidates remains comparatively low. Private sector participation in the programme remains very low. The Research, Technology and Innovation Agency underwent restructuration and became the National Agency for Research and Innovation. Currently under the Ministry of Education and Science, the agency has extended responsibilities, including being the coordinator of the national contact points for Horizon 2020 and managing the national database on research, infrastructure and PhD/research publications.

On integration into the **European Research Area**, bilateral memoranda of understanding were signed with Austria, the former Yugoslav Republic of Macedonia and Slovenia.

On the **Innovation Union**, the government adopted decisions establishing the Innovation Fund and a voucher scheme, but they have yet to be implemented.

#### 4.26. Chapter 26: Education and culture

*The EU supports cooperation in education and culture through funding programmes and through the open method of coordination. Member States must also prevent discrimination and facilitate the education of children of EU migrant workers.*

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<sup>5</sup> This figure is still the subject of discussion between INSTAT and other stakeholders since it does not include the business sector's investment in R&D.

Albania is **moderately prepared** in the field of education and culture. **Some progress** has been made in education, especially by adopting the pre-university education strategy and implementing the higher education reform. Further efforts are needed to develop liaison with employers, continuous curriculum development and integrated work-based learning schemes. In the coming year, Albania should in particular:

→ ensure the pre-university education strategy and the law on higher education are implemented effectively, and improve teacher training;

→ adopt the law on vocational education and training (VET), enhance links between skills and labour demand, develop databases and make online resources available for VET providers.

**On education, training and youth**, Albania adopted the pre-university education strategy and started implementing the law on higher education. However, the quality of education needs to be evaluated and improved, especially since emigration by young, skilled people is high while job opportunities are lower. As PISA results indicate, Albania is far below OECD and EU average in terms of basic skills of 15 year olds. More cooperation between education institutions and the business sector is needed to better prepare graduates for the evolving labour market. The new law on VET, related implementing legislation and quality assurance mechanisms are yet to be adopted. The lack of a modernised VET legal framework is a major constraint for implementing a number of measures in the jobs and skills strategy effectively. Private sector involvement in designing and implementing labour market and VET policies remains a critical need. Employment and VET services need to be extended to rural areas and the most vulnerable groups. Education remains a high risk sector for corruption and political influence, especially in higher education.

Enrolment rates for Roma and Egyptian children increased slightly during the academic year 2015/2016. Their enrolment in pre-school education increased by 4.9 %, in elementary schools by 25 %, in middle school and high school by 27 % and in pre-university education by 22 %. However, enrolment rates remain very low overall. (*See also chapter 19 — Social policy and employment*) More needs to be done to deploy adequate human and financial resources to ensure that every child has access to education.

Albania continues to actively participate in the Erasmus+ programme.

Regarding **culture**, a new law on cultural heritage was prepared to improve the protection, evaluation and administration of cultural heritage, including by combating illegal traffic in cultural goods. Albania continued to participate in the EU's Creative Europe programme.

#### **4.27. 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 has **some level of preparation** in the fields of environment and climate change. There was **some progress** in alignment and enforcement. Efforts were made to integrate climate change considerations into other sectoral policies. However, industrial control and monitoring of emissions, water quality and waste management still remain poor. Resources and investments remain limited. In the coming year, the country should in particular:

- improve the legal and policy framework related to both environment and climate change, in particular by adopting the relevant national sectoral strategies;
- strengthen monitoring of the quality of the environment by increasing related administrative and financial capacity, the number of measurement stations, data quality and frequency, transparency and public access to data;
- advance financing of major investments, consolidate the national infrastructure pipeline / investment plan and reflect the priorities in the mid-term budget 2017-2019;
- establish systematic strategic planning on climate change and pursue implementation of the Paris Climate Agreement.

## Environment

As regards **horizontal legislation**, the 2015-2020 cross-cutting environmental strategy has not been approved yet. Albania is at an early stage of building administrative capacity to enforce legislation. Inspection capacity has developed but should be further strengthened. Alignment to the Directive on environmental impact assessments (EIA) is at an early stage. Quality and implementation of EIAs need to be improved, especially in the hydropower and mining sectors. Strategic environmental assessment requirements are not applied in the energy sector and shall be expanded to cover all relevant plans and programmes. Alignment and implementation of the Directive on Environmental Liability are at an early stage. The INSPIRE Directive<sup>6</sup> and the Directive on Environmental Crime are not transposed yet.

Legislative alignment with the *acquis* on **air quality** is relatively advanced. The Council Directive relating to the Sulphur Content of Certain Liquid Fuels has been recently transposed, rectifying breaches due to late transposition. The Directive on National Emission Ceilings for Certain Atmospheric Pollutants has yet to be transposed. A national strategy for air quality was adopted in 2014, but not yet implemented. A national action plan on air quality is being prepared. Monitoring of air quality does not fully meet the standards established by the relevant EU directives. There are no local ambient air quality plans and no activities have been initiated to prevent known breaches of the limit values.

Legislative alignment with the *acquis* on **waste management** is advanced except for the *acquis* on ship recycling, mining and electronic waste. In September 2016, an amendment of the 2011 law on integrated management of waste was adopted. It aims at further aligning with the *acquis* as it allows also for the import of waste, albeit only for recycling purposes. Its implementation requires that Albania develops the necessary infrastructure, institutions and a system for monitoring control and reporting of waste movements. Waste dumping sites are mapped throughout the country, pending their closure and reclaiming. Rules on the control of ship-generated waste from marine transport need to be enforced. Waste segregation is non-existent and waste collection for recycling purposes is largely informal. The institutional capacity to manage waste still remains weak at all levels. Waste disposal remains largely non-compliant with environmental protection standards. Industrial waste management is poor due to lack of investments and weak law enforcement. The national waste management strategy and action plan, approved in 2011 and currently under revision, as well as the regional plans have not been implemented yet. The construction of a regional landfill in the Korça region and a feasibility study for Vlora have started. Albania has approved the construction of two incinerators in Elbasan and Fier.

Legislative alignment with the *acquis* on **water quality** and administrative capacity for water management are weak. The Water Framework and Bathing Water Directives have been

<sup>6</sup> Directive 2007/2/EC of March 2007 establishing an Infrastructure for Spatial Information in the European Community.

largely transposed, and responsibilities partly clarified in the 2015 local government law. However, alignment with the directives on urban waste water treatment, drinking water and groundwater is insufficient and regulations to strengthen implementation are lacking. The strategic framework is partly in place, including the 2011-2017 national strategy on water supply and wastewater treatment plants, which is currently being updated, a master plan on water supply and wastewater treatment plants, and a first pipeline of priority projects under the Western Balkans Investment Framework (2015). Only one river basin management plan exists (for the Mati river) but it is not implemented. However, the elaboration of water river basins management plans for three other rivers (Drin-Buna, Semani and Shkumbin) is ongoing and expected to be completed by 2018.

Policy, strategic and action documents as well as a consolidated national investment plan relevant to integrated water management are lacking, apart from a few programmes. Water quality monitoring is in place under the National Environment Agency, including annual reporting on bathing waters to the EU Environment Agency since 2013. However, drinking water and groundwater quality remains unreported. Bathing water quality is not satisfactory, with about 40 % of coastal water quality stations classified as poor under the revised EU Bathing Water Directive based on 2012-2015 data. The number of operational waste water treatment plants increased from 5 to 7, serving only 13 % of the population. Their capacity needs to be substantially increased, notably in coastal, urban and touristic areas. Mapping of flood hazards and risks was done for the Shkodra region and is expected to start for the Vlora region in 2016.

**On nature protection**, there is only partial alignment with the *acquis*, including the Birds and Habitats Directives. The 2016-2020 strategic policy document on protecting biodiversity was adopted in January. The recognition of five Natura 2000 sites by 2017 is under preparation. Since the previous ban on hunting showed progress in protecting fauna, the ban has been extended for a further 5 years. The ecological impacts of hydropower plants and projects are not properly assessed to ensure compliance with relevant EU nature legislation. Some 44 of 71 hydropower stations are still under construction within protected areas. The National Agency of Protected Areas has developed a database on hydropower constructions. Albania needs also to consider the cumulative impact of investments such as hydropower on the landscape, water resources, fauna and flora. In February, the parliament adopted a 10-year moratorium on forest timber exploitation for business purposes. There was some progress in strengthening inspection capacity. Regulations on timber and on forest law enforcement, governance and trade are yet to be transposed.

**On industrial pollution and risk management**, large-scale investment will be needed to ensure full compliance with the Industrial Emissions Directive. The Large Combustion Plants and the Integrated Pollution Prevention and Control (IPPC) Directives are transposed. There is no progress on monitoring of implementation. The Seveso III Directive has not been transposed. There has been some progress in strengthening inspection capacity, but more efforts are needed to establish a solid inspection system. Compliance with IPPC/industrial emissions remains a concern. No progress has been made on integrated permits and the authorities are still issuing multiple permits for a single technical installation. There is no progress on the quality of permits. A large number of permits have been issued which do not comply with the legal requirements.

As regards **chemicals**, Albania is partially aligned with EU requirements on REACH; export and import of dangerous chemicals; on the regulation on the classification, labelling and packaging of substances and mixtures; persistent organic pollutants; animal experiments; asbestos; biocides; and mercury. The framework law on chemicals management was adopted in March, but several pieces of secondary legislation are pending. A centre for the collection

and treatment of hazardous chemicals was established in October 2015 in Elbasan. Work needs to progress for the adoption of secondary legislation. Environmental protection policies and practices for the use of chemicals in agriculture are yet to be developed. Data on the implementation of chemicals legislation is neither reported nor made public. Albania has ratified the Minamata Convention on Mercury, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Stockholm Convention on Persistent Organic Pollutants.

Alignment with the *acquis* on **environmental noise** is at an early stage. Noise level standards for outdoor use of equipment were adopted in December, but by-laws are yet to be adopted and enforcement capacity is weak. Breaches of noise limits are persistent in several cities. Noise is not covered by spatial planning. There are no specific programmes and statistics on the health effects of noise. Reporting on the implementation of the national noise plan did not progress.

As regard **civil protection**, Albania is not a participating state to the EU Civil Protection Mechanism but will soon start preparations. The rules for cooperation by institutions in civil emergency situations were established in December 2015. The national strategy for disaster risk reduction and civil protection is awaiting adoption. There is some progress with line ministries establishing information and civil emergency management and crisis offices, but no progress at local or regional level. Installations located in river flood plains still receive construction permits despite evidence of recent flooding. Albania is gradually implementing the emergency communication system, in accordance with the single European emergency number 112. The institutional capacity and cooperation between monitoring institutions need to be strengthened to ensure effective responses to emergency situations.

### **Climate change**

The level of alignment and administrative capacity is still limited despite some progress on the policy level and on increasing climate awareness. Work has started on a **national strategy for climate change**, a national action plan for mitigation and a specific law on climate change. The strategy reviews *inter alia* the Intended Nationally Determined Contribution - INDC (2030 and 2050 targets). The Inter-ministerial Working Group on Climate Change coordinated the integration of climate change considerations including INDC targets into other sectoral strategies, especially in the areas of energy, industry, transport and infrastructure. Albania also needs to ensure coherence of the Climate Strategy with the EU 2030 Framework on Climate and Energy Policies. Climate change adaptation also forms part of several horizontal and cross-sectoral strategies in the area of environment and at regional and local level. Albania participates in the Global Network for Adaptation.

Under the **UN Framework Convention on Climate Change**, Albania is currently finalising its 3<sup>rd</sup> National communication report as well as the national adaptation plan, which assesses climate related risks and adaptation scenarios for the coastal region. Albania ratified the 2015 Paris Climate Agreement. An inter-ministerial Working Group on Climate Change established by the Ministry of Environment coordinates the work between line ministries, particularly on energy and transport issues.

In the area of **transparency of climate action**, Albania is currently finalising a decision on Monitoring Mechanism Regulation. As for **emission reductions from transport**, draft sustainable transport plan has been prepared. Further efforts are required to align with the regulations on **ozone depleting substances** and **fluorinated greenhouse gases**, as well as directives on **emissions trading** and **geological storage of CO<sub>2</sub>**.

#### 4.28. Chapter 28: Consumer and health protection

*EU rules protect consumers 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, patients' rights and communicable diseases.*

Preparations are still at **early stage** in the area of consumer and health protection. There was **some progress** over the last year, notably through the approval of the national strategy on consumer protection and market surveillance, and the establishment of the Market Surveillance Inspectorate. In the coming year, the country should in particular:

→ further align legislation with the *acquis* on tobacco control, substances of human origin and medical products;

→ implement the national strategy on consumer protection and market surveillance;

→ ensure that the Market Surveillance Inspectorate is operational.

On horizontal aspects of **consumer protection**, the 2020 national strategy on consumer protection and market surveillance was adopted by the government in September 2015. A decision on the criteria to be fulfilled by court dispute resolution bodies, aimed at transposing the Directive on Alternative Dispute Resolution for Consumers, remains to be adopted. Two awareness campaigns were organised on the rights of e-consumers. The Consumer Protection Unit remains understaffed but has received more training.

In product **safety-related issues**, the Market Surveillance Inspectorate was established in January but is not yet operational.

In **non-safety-related issues**, a standard draft contract between consumers and travel agencies was prepared, which the latter were asked to implement.

As regards cross-cutting aspects of **public health**, according to INSTAT data the completeness of child death registrations is estimated at only 57 %, so significant efforts are needed to improve the quality and coverage of statistics for alignment with the relevant EU guidelines. International cooperation agreements were signed in the field of health and medicine with Croatia and Israel. Further efforts are needed to strengthen the governance of public hospitals and healthcare quality based on EU standards.

On **tobacco control**, the law on health protection against tobacco products has been implemented.

On **communicable diseases**, in March parliament adopted a law on the control of infectious diseases aimed at aligning with the relevant EU *acquis*. People with HIV/AIDS continue to experience difficulties accessing healthcare. A mosquito control strategy and action plan remains to be adopted. Reporting systems on communicable diseases and microbiology laboratories are not integrated with the national electronic health record system. Capacity of microbiology laboratories needs strengthening to ensure effective disease surveillance, outbreak recognition and investigation and support to actions against antimicrobial resistance.

On **blood, tissues, cells and organs**, legislation is not fully aligned to the *acquis* on blood safety.

Legislation on **pharmaceuticals** is not fully in line with the *acquis*. Decisions were adopted on reimbursable drugs and on the rules for controlling the activity of the National Agency of Drugs and Medical Devices.

No developments can be reported in the area of **mental health**.

On **health inequalities**, amendments to the law on compulsory healthcare were adopted to secure free visits to family doctors also for uninsured persons. This measure particularly targets vulnerable groups, including Roma and Egyptian communities, who were also given the possibility to receive health cards by April 2016. The government is supporting a civil society initiative to identify and train Roma health mediators. Further work is needed to combat child malnutrition.

A structure for **cancer screening** services and a cancer registry system remains to be set up. Several breast cancer screening awareness activities were undertaken by mobile units across the country. Guidelines and protocols for cervical cancer screening based on primary healthcare were prepared and are pending approval.

#### 4.29. Chapter 29: Customs union

*All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment, adequate implementing and enforcement capacity, and access to the common computerised customs systems.*

Albania is **moderately prepared** in the area of the customs union. **Some progress** was made on further approximating legislation with the *acquis* and addressing informality. In the coming year, the country should in particular:

- pursue the fight against smuggling and imports of counterfeit products;
- prepare the legal provisions, develop and test a New Computerised Transit System (NCTS) compatible system;
- continue fighting corruption and malpractice in the customs administration.

On **customs legislation**, the 2016 Combined Nomenclature of Goods and regulations to enforce intellectual property rights, aimed at aligning with the EU *acquis* in the area, were adopted in December and entered into force in January. The law on excise duties was amended in December and related regulations adopted in January. These establish fiscal stamps in fiscal warehouses, extend supervision of the production and stocking of raw materials for tobacco products, and increase penalties. Amendments in October 2015 decreased the customs declaration ‘scanning fee’ and corrected cases of double payment. Nevertheless, the law continues to contravene Article 33.1 of the SAA which prohibits customs duties or charges having equivalent effect on trade between the EU and Albania. Preparations for implementing the New Computerised Transit System have started; a gaps and needs assessment based on the Customs blueprints method was conducted.

As regards **administrative and operational capacity**, electronic local customs clearance has been completed, but the customs’ IT systems are not yet fully interconnected with other government systems. However, since the beginning of this year, the police and prosecution have direct access to customs data. The General Directorate of Customs (GDC) participated actively in the national campaign against informality. Inspections from October 2015 to August 2016 resulted in decisions related to unpaid customs duties worth EUR 22.9 million and administrative fines of EUR 51.1 million. The GDC engaged in international operations in the fight against cigarette smuggling and tobacco products. Customs revenue increased during the first half of 2016. The GDC continued to increase the professional competence of its officials through further training while continuing to root out corruption. In the period September 2015-July 2016, 90 disciplinary measures were taken against customs officials, including 13 terminations of service.

#### 4.30. 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 remains **moderately prepared** in the area of external relations. **Some progress** was made in this field, particularly within the World Trade Organisation (WTO) with its ratification of the Trade Facilitation Agreement. In the coming year, the country should in particular:

- strengthen the capacity of trade policy coordination bodies;
- take further steps in aligning its legislation with the *acquis* on export control of dual use goods and enhancing its administrative and control capacity.

Albania has continued to coordinate its policy with the EU **common commercial policy** and its line in the WTO. In May 2016 it accepted the WTO Trade Facilitation Agreement and also completed its and completed the second WTO Trade Policy Review. Albania established a National Inter-ministerial Working Group on Trade Policy Coordination and Facilitation.

Preparations for alignment with the *acquis* on export credits and dual-use goods are at an early stage. Accession to the Wassenaar Arrangement could facilitate preparations to implement the *acquis* on dual-use goods export control.

In the area of **bilateral agreements with third countries**, Albania concluded bilateral investment treaties with the United Arab Emirates and Kosovo and a memorandum of understanding in the field of tourism cooperation with Lithuania. Negotiations continue on bilateral investment protection agreements with Canada and Iceland and on an economic and technical cooperation agreement with China. Albania also has a free trade agreement with Turkey but is yet to start negotiations on liberalisation of trade in services and investment. It continues to participate actively in Central European Free Trade Agreement activities.

No progress was made in alignment with the *acquis* in the area of **development policy or humanitarian aid. The country needs to join the EU Civil Protection Mechanism.**

#### 4.31. Chapter 31: Foreign, security and defence policy

*Member States must be able to conduct political dialogue in the framework of the 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** in foreign security and defence policy and made **some progress** over the last year. The destruction of surplus conventional ammunition was completed. The online register of weapons and ammunitions under the management of the Albanian State Police is fully operational. On the common foreign and security policy Albania has continued to demonstrate a clear commitment in supporting positions promoted by the EU on peace and security and aligning itself, when invited, with all relevant common positions, EU declarations and Council decisions. An agreement on the exchange and mutual protection of classified information with the EU was signed. Albania continued to participate in civil and military crisis management missions. In the coming year the country should in particular:

- finalise the destruction of the remaining stockpile of small arms and light weapons and

improve the condition of storage facilities.

The regular **political dialogue** between the EU and Albania on foreign security policy issues continued. (For more information on relations with other enlargement countries and EU Member States, *see Political criteria 2.3 — Regional issues and international obligations*).

On the **common foreign and security policy**, Albania has *de facto* maintained full alignment with all relevant EU declarations and Council conclusions. Albania fully aligned itself with **restrictive measures** introduced by the EU.

As regards **non-proliferation**, Albania has made further progress in implementing the action plan for destroying surplus weaponry. The destruction of surplus conventional ammunition was finalised in January. Clearance of hotspots is well on track. Removal of hazardous chemicals and final closure of unneeded depots and renovation of permanent depots remains to be completed. The destruction of 4 500 small arms and light weapons (SALWs) is not finalised yet. The upgrading of armament and storage security is still pending. The online register of weapons and ammunition under the management of the Albanian State Police is fully operational. In June, a National Inter-institutional Commission for SALWs was established, though it is not operational yet. The aim of the commission is to coordinate, monitor and inspect all activities related to the control of weapons in Albania, including registration, tracking, control of import and export, and awareness raising. Work on a strategy for the control of SALWs has also started. The strategy should be adopted by the end of 2016. Albania should bring its legislation related to the import and export of military goods and dual-use goods into line with the EU *acquis*.

Some steps have been taken to implement the national strategy on CVE and the new strategy on counter-terrorism is being drafted. (*As regards the International Criminal Court, see Political criteria 2.3 — Regional issues and international obligations*). Regarding chemical, biological and radio-nuclear threats, efforts on border control and towards creating a solid export control system should be stepped up. The 2007 law on state import-export control of military goods and dual-use goods, and technologies needs to be aligned with the more recent EU *acquis* which takes into consideration pressing security challenges.

Albania has continued to engage actively in **cooperation with international organisations**. It maintained three observers to the OSCE mission in Ukraine.

On **security measures**, the security agreement with the EU on the exchange and mutual protection of classified information was signed in Tirana in March. Albania has continued to participate in civil and military crisis management operations under the **common security and defence policy**, in particular in the EUFOR Althea mission in Bosnia and Herzegovina (with one military officer), and in the EU Training Mission in Mali (with three military officers).

#### 4.32. Chapter 32: Financial control

*Based on international standards, the EU promotes the reform of national governance systems to enhance managerial accountability and sound financial management of income*

*and expenditure. 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 in the past year, especially in amending the public internal financial control (PIFC) legislation in line with the international standards, refocusing the role of the Central Harmonisation Units (CHUs) on more strategic activities and updating external audit manuals in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). However, many institutions do not implement managerial accountability and internal control in line with the PIFC legislation. This also affects proper development of external audit, as the SAI continues to focus primarily on compliance audits and detection of irregularities. In the coming year, Albania should in particular:

→ provide an assessment of those major spending institutions, which still do not have or fully apply internal regulations and procedures on financial management and control and internal audit, and ensure that the government issues instruction and recommendations to these institutions so that their operations comply with the legal requirements;

→ ensure effective follow-up to the annual PIFC assessment addressing the systemic weaknesses especially in the areas of delegation of tasks and performance reporting;

→ increase the number of the pilot financial and compliance/regulatory audits by the SAI in accordance with the updated audit manuals and the INTOSAI auditing standards.

#### Public internal financial control

The **PIFC** reform, set out in the PIFC Policy Paper, is being implemented in line with the 2014-2020 **public financial management reform strategy** and its action plan. In March the government adopted the 2015 annual monitoring report on implementation of the strategy. It shows that internal control reforms are slowly progressing. The PIFC Council, an advisory body to the Ministry of Finance, has yet to become operational.

The number of staff of the **CHUs** for financial management and control and for internal audit increased. The CHUs provide methodological guidance and monitor public sector implementation of internal control, including internal audit, by analysing the self-assessment reports and conducting on-site visits. The 2015 annual report on implementation of PIFC was adopted and submitted to parliament in June. It analyses budget management and financial management control indicators, as well as internal audit effectiveness, providing recommendations endorsed by the government. The CHUs provide guidance and monitor how institutions implement the recommendations. However, the government needs to ensure a more systematic follow-up to the recommendations.

Primary and secondary legislation on **financial management and control** has been amended and is largely in line with the internal control framework of the Committee of Sponsoring Organisations model and the INTOSAI guidelines. Implementation is not systematic by all institutions. Some 104 budget institutions (93 %) have internal control procedures in place. Risk management is still at an early stage, although institutions are increasingly preparing risk registers. Written rules and practices to signal irregularities are lacking, as is confidence in delegating responsibilities from the authorising officers to their subordinates. Internal control, including reporting, is considered purely financial and does not include information on performance. The law on **centralised financial inspection**, which complements internal control, has been amended. The Financial Inspection Directorate in the Ministry of Finance has 4 inspectors who are supported by around 85 inspectors from different institutions on a case-by-case basis. Five inspections were carried out in 2015 and ten in the first half of 2016. Two cases have been referred to the General Prosecutor's Office. Mismanagement of public

funds is mainly related to civil emergencies, arrears payments, civil works, supplies and services contracts. Supervision of state-owned enterprises is limited.

The legislation on **internal audit** is in line with international standards. Manuals, codes of ethics and internal audit charters are in place. Audit activity is based on annual plans. In 2015, 28 of the 103 public internal audit units were not sufficiently staffed. The share of certified auditors in the public sector increased to 90 % in 2015 from 82 % in 2014. The revised national certification scheme has not yet been put in place. In 2015 the main internal audit findings related to weaknesses in the internal control systems and overlapping of internal audit services between superior and subordinate institutions. Although the role of internal auditors is better understood, they are still regularly used for inspection-type work. The number of recommendations is large, 7 459, yet they mainly focus on financial aspects. Increased focus on improving business processes and performance is required.

#### External audit

The SAI's functional, operational and financial independence is set out in the **constitutional and legal framework** in line with the INTOSAI standards. Full implementation of the legal framework will need to be further ensured.

Concerning **institutional capacity**, in 2015, the SAI had 125 auditors out of around 170 employees, compared to 119 in 2014 and 113 in 2013. The SAI focuses on compliance audits determining economic damage and violations of rules, rather than on audits that could help to prevent such damage in the first place. Financial audits do not yet result in professional audit opinions although the SAI is gradually starting to address them.

As outlined in the 2015-2017 strategic development plan, the SAI is committed to improving the **quality of audit work** in line with the INTOSAI standards. Compliance and financial audit manuals have been updated accordingly and their application is ongoing. The SAI adopted its 2016 audit plan according to a risk assessment methodology.

The **impact of audit work** is still limited due to focus on compliance audits and detection of irregularities. In 2015, the SAI completed 158 audits, uncovering irregularities totalling EUR 919.9 million, half of which relate to the audit of the state-owned electricity distribution operator. This represents a substantial increase compared to 2014, when EUR 87.5 million worth irregularities were uncovered. The SAI presented 51 cases to the General Prosecutor's Office concerning 159 officials (of whom 56 were high officials), up from 41 cases concerning 149 officials in 2014. SAI's recommendations include legislative, administrative, organisational and indemnification measures as well as recommendations for penal charges. The Ministry of Finance developed an action plan to follow up on the SAI's findings, but more systematic implementation is needed. Out of the SAI's 2 510 organisational recommendations in 2015, 817 were fully and 335 partially implemented. Half of the administrative and disciplinary measures were complied with. Audit reports are summarised quarterly and published on a regular basis on the SAI website. The SAI 2015 annual audit was submitted to parliament but is yet to be discussed.

#### Protection of the EU's financial interests

As regards **acquis alignment**, the main elements are in place. Based on amendments to the law on financial inspection, the **National Anti-Fraud Coordination Service (AFCOS)** was established in the Ministry of Finance but still has limited operational capacity. An AFCOS network, involving other relevant authorities, has been set up. The irregularity management manual was approved and the cooperation agreements with relevant national institutions were signed in 2016. Its **cooperation with the European Commission** includes irregularity reporting and cooperation during on-the-spot missions. There is no antifraud strategy that

would address the EU's financial interests. The Ministry of Finance has access to the Irregularity Management System since 2015, with one case reported through the system so far. Effective capacity to carry out investigation activities is yet to be ensured and a solid track record on investigations and reporting needs to be further developed.

#### Protection of the euro against counterfeiting

Albania has not yet ratified the 1929 International Convention for the Suppression of Counterfeiting Currency. **Acquis alignment** is partially ensured with the definition of counterfeiting banknotes and coins, as well as the procedures for gathering, storing and withdrawing them from circulation. Albania has an agreement with Europol on cooperation in fighting the counterfeiting of currency and means of payment since 2014. **Technical analysis** of counterfeit money is performed by the national bank's National Analysis Centre, which has three experts. Cooperation at the national and international level is ongoing. A **cooperation agreement** with the European Commission on coins is in place, while an agreement with the European Central Bank on banknotes is pending. Albania participates in the Pericles 2020 programme and the regional Balkan Network for Euro Protection initiative.

### **4.33. Chapter 33: Financial and budgetary provisions**

*Rules for funding the EU budget provide for contributions based mainly on the gross national*

Albania has **some level of preparation** in this area. **Some progress** was made by amending the organic budget law and defining the basic elements of a fiscal rule. Solid coordination structures, administrative capacity and implementing rules are need in due course.

*income of each Member State as well as from VAT and customs duties.*

There have been no major developments on **traditional own resources, value added tax-based resources and gross national income-based resources**. ESA 2010 standards are partially implemented and further efforts are needed to fill the gaps for cross-annual statistics. Considerable efforts are necessary to ensure the exhaustiveness of the national accounts and GNI calculations. Further efforts are still needed to ensure effective measures to formalise the grey economy and fight fiscal evasion and customs duty fraud. (*See also chapters 17-Economic Criteria, 18-Statistics, 16-Taxation, 29-Customs Union and 32-Financial Control*).

On **administrative infrastructure**, Albania will need to work on setting up the relevant institutions, the coordination body and implementing rules to ensure that it will be able, from accession, 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. Following a request by the Council, the Commission submitted its Opinion on Albania's application in November 2010. In December 2010, the Council noted that the opening of accession negotiations would be considered once the Commission has assessed that the country has achieved the necessary degree of compliance with the membership criteria and, in particular, has met the key priorities set out in the Commission's Opinion. In view of the progress made by Albania, the Commission recommended in October 2013 that Albania be granted candidate status, on the understanding that it continues to take action in the fight against organised crime and corruption, and the Commission identified five key priorities for opening accession negotiations. In December, the Council stated that it would decide on whether to grant candidate status in June 2014, in the light of a report by the Commission focusing on Albania's implementation of its judicial reform strategy and on the fight against organised crime and corruption. The Council stressed that sustained implementation of reforms and fulfilment of all key priorities would be necessary for the opening of negotiations. In a report published in June 2014, the Commission confirmed its recommendation that the Council should grant Albania candidate status. The European Council of June 2014 endorsed the decision of the General Affairs Council granting Albania candidate status.

In the past year, 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 SAA Committee and Council met in June and September 2016, respectively. Meetings of subcommittees and of the special group on public administration reform were held. The Stabilisation and Association Parliamentary Committee held meetings in November and May. Overcoming the polarisation on the Albanian side between the ruling majority and the opposition, a joint statement was agreed at the meeting in May. Albania continued to actively engage also in the context of the high level dialogue; the last being held in March 2016 in Tirana.

Albania has continued to make steady progress in addressing all of the five **key priorities** for the opening of accession negotiations, pursuing a set of reforms necessary to advance in the EU integration path. Achievements related to public administration reform continued to be consolidated. As regards the rule of law, constitutional amendments were adopted in July 2016, paving the way for thorough and comprehensive reform of the judicial system. It is essential to build on the progress made and keep the reform momentum. Albania needs to demonstrate progress with a view to establishing a solid track record of investigations, prosecutions and final convictions in organised crime and corruption at all levels. The implementation of effective measures to reinforce the protection of human rights, including of Roma citizens and other vulnerable groups within the society, and anti-discrimination policies, as well as the implementation of property rights remain of the utmost importance. Albania should pursue economic reforms aimed at increasing competitiveness and tackling high unemployment, as well as improve the business environment.

Beyond the framework of the five key priorities, Albania has achieved the adoption of the legislation for the **exclusion of criminal offenders from public offices**. This was a very important legislative development. Implementation is proceeding on track, after the necessary by-laws were adopted in March and all nominated and elected officials had to submit their self-declarations on assets and criminal records. This process is key to send an additional sign of unequivocal commitment to values of integrity and professionalism throughout the public sector. Preparations have also started for **electoral reform**. Politicisation of the electoral administration and issues related to transparency in party financing require utmost attention, amongst other relevant outstanding recommendation by the OSCE-ODIHR.

**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 Frontex. A readmission agreement between the European Union and Albania has been in force since 2006.

The EU provided financial assistance to Albania under the **Instrument for Pre-accession Assistance** (IPA) for the period 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 2013 national programme. Under IPA II, Albania will continue to benefit from pre-accession assistance for 2014-2020 in line with the priorities set out in the indicative strategy paper, with a total indicative allocation of EUR 649.4 million. The Framework Agreement for IPA II entered into force in April. The 2014 action programme for Albania provides approximately EUR 67 million to promote reforms in key sectors such as democracy and governance and rule of law and fundamental rights. It includes a budget support operation for public finance management and a set of actions for support to public administration reform, participation in union programmes and economic and social empowerment of minority groups, as well as an EU integration facility. Albania continues to benefit from support under the IPA multi-country programme. It continues to participate 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 in the following EU programmes, with IPA support: 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).

## ANNEX II – STATISTICAL ANNEX

### STATISTICAL DATA (as of 5.10.2016)

#### Albania

Basic data	Note	2003	2011	2012	2013	2014	2015
Population (thousand)	1)	3 045e	2 907e	2 902e	2 898e	2 895e	2 892e
Total area of the country (km <sup>2</sup> )		28 748	28 748	28 748	28 748	28 748	28 748

National accounts	Note	2003	2011	2012	2013	2014	2015
Gross domestic product (GDP) (million national currency)		677 738	1 300 624	1 332 811	1 350 053	1 394 419p	1 435 751 p
Gross domestic product (GDP) (million euro)		4 929	9 268	9 586	9 625	9 962p	10 274p
GDP (euro per capita)		1 600	3 200	3 300	3 300	3 400	3 600
GDP (in Purchasing Power Standards (PPS) per capita)		:	7 300	7 800	7 700	8 300	8 600
GDP (in Purchasing Power Standards (PPS) per capita), relative to the EU average (EU-28 = 100)		:	28	30	29	30	30
Real GDP growth rate: change on previous year of GDP volume (%)		5.5	2.5	1.4	1.0	1.8p	2.8p
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (constant prices) 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 (2005 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		25.0	21.0	21.7	22.4	22.9p	22.1p
Industry (%)		9.4	13.5	13.3	14.6	14.7p	14.6p
Construction (%)		18.0	14.6	13.1	11.8	10.0p	10.8p
Services (%)		47.6	50.9	51.9	51.2	52.4p	52.5p
Final consumption expenditure, as a share of GDP (%)		91.4	89.3	88.8	91.1	93.0p	:
Gross fixed capital formation, as a share of GDP (%)		35.9	29.4	26.5	26.1	24.6p	:
Changes in inventories, as a share of GDP (%)		:	2.0b	1.8	2.0	2.2p	:
Exports of goods and services, relative to GDP (%)		20.8	34.0	33.4	28.7	28.2p	:
Imports of goods and services, relative to GDP (%)		46.2	56.7	52.0	47.0	47.2p	:
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2003	2011	2012	2013	2014	2015
Industrial production volume index (2010 = 100)		:	111.9	118.7	135.1	139.2	142.4
Number of active enterprises (number)	2)	51 945	109 039	106 837	111 083	112 537	152 288
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		15.3	11.8	12.0	10.9	15.4	:
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) (%)		74.1	81.5	81.7	81.0	79.6	:

Value added by SMEs (in the non-financial business economy) (EUR million)	3)	479	1 596b	2 126	1 961	2 062	:
Total value added (in the non-financial business economy) (EUR million)	3)	886	2 316b	3 077	2 948	3 080	:

<b>Inflation rate and house prices</b>	Note	2003	2011	2012	2013	2014	2015
Consumer price index (CPI), change relative to the previous year (%)	4)	3.3	1.7	2.4	1.9	0.7	2.0
**Annual change in the deflated house price index (2010 = 100)		:	:	:	:	:	:

<b>Balance of payments</b>	Note	2003	2011	2012	2013	2014	2015
Balance of payments: current account total (million euro)	5)	-350	-1 225	-978	-1 049	-1 287	-1 105
Balance of payments current account: trade balance (million euro)	5)	-1 177	-2 242	-1 999	-1 979	-2 216	-2 299
Balance of payments current account: net services (million euro)	5)	-72	135	213	226	323	525
Balance of payments current account: net income (million euro)	5)	132	-25	-72	24	-119	-99
Balance of payments current account: net current transfers (million euro)	5)	767	906	880	680	725	768
of which government transfers (million euro)	5)	53	29	33	17	9	6
**3 year backward moving average of the current account balance relative to GDP (%)	5)	-7.9	-13.3	-11.6	-11.4	-11.3	-11.7
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net inward foreign direct investment (FDI) (million euro)	5)	156.9	608.9	647.8	923.2	811.5	818.4
Foreign direct investment (FDI) abroad (million euro)	5)	0.0	21.4	17.9	21.6	57.7	71.9
of which FDI of the reporting economy in the EU-28 countries (million euro)		:	:	:	:	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)	5)	156.9	630.4	665.8	944.8	869.2	890.4
of which FDI of the EU-28 countries in the reporting economy (million euro)		:	:	:	:	:	:
**Net international investment position, relative to GDP (%)		:	:	:	:	:	:
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	5)	:	-3.9	1.6	-19.6	8.5	0.7

<b>Public finance</b>	Note	2003	2011	2012	2013	2014	2015
***General government deficit / surplus, relative to GDP (%)		-4.9	-3.5	-3.4e	-5.0	-5.2	-4.0
***General government gross debt relative to GDP (%)		58.8	59.4	62.1	70.4	71.8	72.5
Total government revenues, as a percentage of GDP (%)		24.1	25.4	24.8	24.2	26.2	26.3
Total government expenditure, as a percentage of GDP (%)		29.0	28.9	28.2	29.2	31.3	30.3

<b>Financial indicators</b>	Note	2003	2011	2012	2013	2014	2015
Gross foreign debt of the whole economy, relative to GDP (%)		25.1	53.5	57.5	66.1	69.6	73.9
Gross foreign debt of the whole economy, relative to total exports (%)	5)	122.7	157.3	172.3	230.3	246.3	281.5
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		1 033	1 973	2 023	2 109	2 524	2 749
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		2 555	4 611	4 816	4 942	5 161	5 181
Money supply: M3 (M2 plus marketable instruments, million euro)		3 225	7 626	8 080	8 192	8 538	8 717

Total credit by monetary financial institutions to residents (consolidated) (million euro)		381	3 862	3 990	3 906	4 001	3 914
**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 (%)	6)	:	5.07	3.96	3.53	2.55	1.92
Lending interest rate (one year), per annum (%)	7)	12.23	11.17	10.28	9.52	7.66	7.77
Deposit interest rate (one year), per annum (%)	8)	8.31	5.87	5.38	4.17	1.92	1.35
Euro exchange rates: average of period (1 euro = ... national currency)		137.51	140.33	139.04	140.26	139.97	139.74
Trade-weighted effective exchange rate index (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)		818	1 912	1 972	2 015	2 192	2 880

<b>External trade in goods</b>	Note	2003	2011	2012	2013	2014	2015
Value of imports: all goods, all partners (million euro)		1 648	3 867	3 797	3 699	3 941	3 882
Value of exports: all goods, all partners (million euro)		89	1 400	1 531	1 761	1 827	1 728
Trade balance: all goods, all partners (million euro)		-1 559	-2 467	-2 267	-1 938	-2 114	-2 154
Terms of trade (export price index / import price index * 100) (number)		100	78	83	86	86	86
Share of exports to EU-28 countries in value of total exports (%)		77.3	72.8	75.6	76.7	77.4	75.5
Share of imports from EU-28 countries in value of total imports (%)		76.1	65.3	63.2	64.3	61.1	61.8

<b>Demography</b>	Note	2003	2011	2012	2013	2014	2015
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		9.3	:	:	5.3e	5.2e	3.7e
Infant mortality rate deaths of children under one year of age (per thousand live births)		8.4	:	:	7.9	7.9	:
Life expectancy at birth: male (years)		:	:	:	:	76.4e	:
Life expectancy at birth: female (years)		:	:	:	:	80.3e	:

<b>Labour market</b>	Note	2003	2011	2012	2013	2014	2015
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	75.6e	71.9e	67.6e	68.6e	71.3e
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		:	64.9e	62.4e	56.7e	56.6e	59.3e
Male employment rate for persons aged 20–64 (%)		:	72.8e	70.1e	64.8e	65.2e	68.1e
Female employment rate for persons aged 20–64 (%)		:	57.2e	54.9e	49.3e	48.5e	50.7e
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		:	54.7e	56.3e	51.1e	51.2e	53.6e
Employment by main sectors							
Agriculture, forestry and fisheries (%)	9)	:	45.4e	46.1e	44.0e	42.7e	41.3e
Industry (%)	9)	:	10.6e	9.1e	9.7e	11.0e	11.6e
Construction (%)	9)	:	8.2e	8.2e	7.1e	6.4e	6.9e
Services (%)	9)	:	35.7e	36.6e	38.8e	39.4e	40.2
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	:	15.7e	17.8e	17.5e	16.7e
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	:	84.3e	82.2e	82.5e	83.3e
Unemployment rate: proportion of the labour force that is unemployed (%)	10)	15.0	14.0e	13.4e	15.9e	17.5e	17.1e

Male unemployment rate (%)	10)	12.9	13.6e	14.6e	17.8e	19.2e	17.1e
Female unemployment rate (%)	10)	18.2	14.4e	11.7e	13.5e	15.2e	17.1e
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		:	23.6e	29.8e	31.4e	39.0e	39.8e
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		:	10.2e	10.3e	11.5e	11.2e	11.3e
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED 0–2) (%)		:	12.1e	10.5e	13.6e	13.4e	12.0e
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED 5 & 6) (%)		:	10.1e	11.8e	11.7e	13.7e	15.9e

<b>Social cohesion</b>	Note	2003	2011	2012	2013	2014	2015
Average nominal monthly wages and salaries (national currency)		21 325	46 665	50 093	52 150	53 025	54 000
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2000 = 100)		127.8	223.5	238.2	:	234.4	243.6
GINI coefficient		:	:	:	:	:	:
Poverty gap (%)		:	:	3.0	:	:	:
*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 (%)		:	35.2e	31.6e	30.6e	26.0e	21.3e

<b>Standard of living</b>	Note	2003	2011	2012	2013	2014	2015
Number of passenger cars relative to population size (number per thousand population)		57.4	103.5	102.4	117.7	130.6	139.6
Number of mobile phone subscriptions relative to population size (number per thousand population)		361.6e	1 841.8	2 015.0	1 822.5s	1 686.5	1 687.0
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

<b>Infrastructure</b>	Note	2003	2011	2012	2013	2014	2015
Density of railway network (lines in operation per thousand km <sup>2</sup> )		15.0	13.9	13.9	12.0	12.0	13.2s
Length of motorways (kilometres)		3	:	:	:	:	:

<b>Innovation and research</b>	Note	2003	2011	2012	2013	2014	2015
Public expenditure on education relative to GDP (%)		3.0	3.2	3.3	3.3	3.3	:
*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 (%)		:	:	14.3	:	:	:

<b>Environment</b>	Note	2003	2011	2012	2013	2014	2015
*Index of greenhouse gas emissions, CO <sub>2</sub> equivalent (1990 = 100)		99	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)		:	:	:	:	:	:
Electricity generated from renewable sources relative to gross electricity consumption (%)		29	26	31	35	28	33p
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

<b>Energy</b>	Note	2003	2011	2012	2013	2014	2015
Primary production of all energy products (thousand TOE)		1 016	1 494	1 676	2 041	2 021	1 984p
Primary production of crude oil (thousand TOE)		360	895	1 031	1 207	1 368	1 273p

Primary production of hard coal and lignite (thousand TOE)		19	2	2	2	0	0p
Primary production of natural gas (thousand TOE)		12	15	15	16	28	30p
Net imports of all energy products (thousand TOE)		1043	668	320	567	653	420p
Gross inland energy consumption (thousand TOE)		2 058	2 162	2 014	2 346	2 340	2 203p
Electricity generation (thousand GWh)		4.8	4.0	4.7	7.0	4.7	5.9

<b>Agriculture</b>	Note	2003	2011	2012	2013	2014	2015
Agricultural production volume index of goods and services (at producer prices) (previous year = 100)		102.9	105.0	103.9	100.8	101.1	:
Utilised agricultural area (thousand hectares)		1 121	1 201	1 201	1 190	1 178	1 175
Livestock numbers: live bovine animals (thousand heads, end of period)		684	492	498	498	500	504
Livestock numbers: live swine (thousand heads, end of period)		132	163	159	152	172	171
Livestock numbers: live sheep and live goats (thousand heads, end of period)		2 919	2 517	2 619	2 723	2 804	2 850
Production and utilisation of milk on the farm (total whole milk) (thousand tonnes)		1 060	1 101	1 105	1 131	1 133	1 131
Harvested crop production: cereals (including rice) (thousand tonnes)		488	701	697	703	700	696
Harvested crop production: sugar beet (thousand tonnes)		0	0	0	0	0	0
Harvested crop production: vegetables (thousand tonnes)		675	890	914	924	950	1 030

: = 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) 2003 and 2011–12: based on retro projection made by INSTAT.
- 2) 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.
- 3) 2003: based on NACE Rev. 1.1; coverage is Divisions 05 to 93 excluding 65-67, 75-85 and 92. 2011–14: based on NACE Rev. 2; coverage is NACE Rev. 2: Divisions 05 to 96 excluding 64-66, 84 and 94.
- 4) 2003: variation between December of one year compared with December of the previous year.
- 5) 2013–2015 (subject to availability): based on balance of payments manual edition 6 (BPM6).
- 6) Annual average of the overnight rate exchanged in money market.
- 7) Average weighted rate applied on new 12-month loans over the respective month, on 12-month maturity.
- 8) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 9) 2013 and 2014: the sum of the shares in the analysis of employment by activity does not sum to 100% due to cases where persons have not or cannot be classified to a particular activity.
- 10) 2003: administrative data.