



Council of the  
European Union

160957/EU XXVII. GP  
Eingelangt am 09/11/23

**Brussels, 9 November 2023**  
**(OR. en)**

**15098/23**

**ELARG 75**

## COVER NOTE

|                  |   |
|------------------|---|
| From:            | Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director   |
| date of receipt: | 9 November 2023   |
| To:              | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union   |
| No. Cion doc.:   | SWD(2023) 690 final   |
| Subject:         | COMMISSION STAFF WORKING DOCUMENT<br>Albania 2023 Report<br>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<br>2023 Communication on EU Enlargement policy |

Delegations will find attached document SWD(2023) 690 final.

Encl.: SWD(2023) 690 final

Brussels, 8.11.2023  
SWD(2023) 690 final

**COMMISSION STAFF WORKING DOCUMENT**

**Albania 2023 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**

**2023 Communication on EU Enlargement policy**

{COM(2023) 690 final} - {SWD(2023) 691 final} - {SWD(2023) 692 final} -  
{SWD(2023) 693 final} - {SWD(2023) 694 final} - {SWD(2023) 695 final} -  
{SWD(2023) 696 final} - {SWD(2023) 697 final} - {SWD(2023) 698 final} -  
{SWD(2023) 699 final}

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## 1. INTRODUCTION

### 1.1. CONTEXT

The first Inter-Governmental Conference on accession negotiations with Albania took place on 19 July 2022. The first step in the accession negotiations process, the analytical examination of the EU *acquis* or the ‘screening’, was launched on the same date and has progressed smoothly. Albania has continued to implement the Stabilisation and Association Agreement and the meetings of the joint bodies under the agreement have taken place at regular intervals.

The EU accession negotiation process with Albania is conducted in line with the revised enlargement methodology, and the requirements set out in the Negotiating Framework, which put an even stronger focus on the fundamentals of the accession process.

The Albanian authorities’ political commitment to the strategic goal of EU integration and their ambition to move forward in the accession negotiations based on continuing progress on reforms have been consistently stated as the country’s key priority. This commitment has been maintained despite the challenge of addressing the economic and social consequences of the triple shock of the 2019 earthquake, the COVID-19 pandemic and Russia’s war of aggression against Ukraine. The ongoing accession negotiation process now needs to translate into an acceleration of EU-related reforms.

Albania has maintained its record of full alignment with the EU’s common foreign and security policy during the reporting period. As a non-permanent member since January 2022, Albania has been actively engaged in the UN Security Council as a co-penholder of resolutions condemning Russia’s war of aggression against Ukraine, aligning with the EU position when co-sponsoring and voting on UN resolutions on Russia’s invasion of Ukraine and its humanitarian impact, and also when voting on the suspension of Russia from the Human Rights Council. Albania’s stance is a strong signal of its strategic choice of EU accession and of its role as a reliable partner.

### 1.2. SUMMARY OF THE REPORT<sup>1</sup>

As regards **political criteria**, regular local elections on 14 May 2023 were conducted in a generally calm manner. Observers assessed them as well-administered, competitive and with the participation of key political actors. Concerns relate to the misuse of state resources, claims of pressure on public sector workers and voters, and allegations of vote buying. A low turnout of only 38.2% was registered. The political scene continued to be marked by political polarisation, against the background of persistent deep divisions within the largest opposition party. Parliamentary oversight of the executive remained limited. In March 2023, amendments were adopted with a large majority that strengthen the consultative role of Parliament in the accession negotiations process. Delays and politicisation of the appointments of the Ombudsperson and of the new Anti-Discrimination Commissioner weaken these independent institutions. Under the coordination of the chief negotiator and the newly reformed EU negotiation structures, Albanian institutions have mobilised significant

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<sup>1</sup> This report covers the period from June 2022 to June 2023. 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. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

resources to engage actively in the screening process and to prepare for the next steps of the accession negotiations. While putting EU-related reforms at the centre of its legislative and policy planning, the government needs to refrain from measures that are not in line with EU standards. The government also needs to engage in stronger public communication on the EU accession process. While civil society is generally free, shortcomings negatively impact the ability of civil society organisations to contribute to policy processes. The role of civil society, including in the EU accession negotiation process, needs to be strengthened.

Albania remains moderately prepared in the area of **public administration**. The new strategies on public administration reform and public financial management reform have yet to be prepared and adopted. The reorganisation of roles and responsibilities within the Office of the Prime Minister is still ongoing. Provisions on merit-based recruitment in the Civil Service Law are not consistently applied, especially at senior management level. Significant efforts were made on the digitisation of public services, but it remains crucial to ensure equitable access to services for citizens with limited digital skills or limited access to IT equipment. Increased attention is also required on digital security and protection of personal data, especially following the cyberattacks in 2022 and a number of data leaks.

Albania has a moderate level of preparation on the **functioning of the judiciary**. The implementation of the justice reform continued, resulting in good progress overall. The appointments to the Constitutional Court have been completed with all nine judges now in office, of whom eight with full nine-year mandate. The Specialised Structure against Corruption and Organised Crime (SPAK) achieved further results, and a new Chief Special Prosecutor was elected in December 2022 after a sound process. The efficiency of the judicial system and access to justice continued to be affected by the long timescale of proceedings, increased workload and high backlog of cases, which remains particularly high in appeal and first instance courts. Progress was made in addressing judicial vacancies through the swearing-in of 40 new magistrates in October 2023. The temporary evaluation of all judges and prosecutors (**the vetting process**) has continued to advance at a satisfactory pace. By 6 October, 57% of the vetting dossiers processed had resulted in dismissals, resignations or termination of mandate. In June 2023, the Special Court of First Instance against Corruption and Organised Crime sentenced the former Head of the Constitutional Court to 6 months in prison for false declaration and concealment during the vetting process. Albania must ensure that criminal procedures are systematically initiated against judges and prosecutors whose vetting process revealed criminal elements. The case management system and the judicial training system need improvement to further increase efficiency and professionalism across the sector. Positive actions have been taken towards increasing the relevance of the continuous training programme in the reporting period. Some progress was made on the case management system, particularly with the establishment of the interoperability working group and the adoption of the interoperability framework setting the basis for the roll-out of the system.

Albania has some level of preparation in the **fight against corruption**. Despite some progress and continued efforts in fighting corruption, it remains an area of serious concern. SPAK bodies have conducted investigations in a number of high-level cases, ordering several arrests and convictions in a number of high level cases. Overall, corruption is prevalent in many areas of public and business life and preventive measures continue to have a limited impact, particularly in vulnerable sectors. Increasing the number of final convictions at a high-level remains an important priority to further tackle the culture of impunity. Further efforts are needed to ensure due judicial follow-up in vetting cases where there are indications of criminal offences. The institutional capacity of the Anti-Corruption

Directorate-General in the Ministry of Justice needs to be further strengthened and the composition of the Ethics Commission needs to be revised. The sectors most vulnerable to corruption require targeted risk assessments and dedicated actions.

Albania has some level of preparation in the **fight against organised crime**, with a continued good level of cooperation with EU Members States and EU agencies. More efforts need to be made in the fight against illicit drugs, including through an increase in the capacities of the law enforcement authorities. Following the adoption of a law on cannabis production for medical and industrial purposes, Albania needs to ensure that mechanisms are in place to effectively prevent cannabis from being diverted to unintended use. Progress that has been achieved with the seizure and confiscation of assets linked to organised crime must continue. Efforts also need to continue to ensure an increase in the number of prosecutions and final convictions, especially in high-level cases, and to establish the asset recovery office. Countering cybercrime, money laundering and preventing and combatting trafficking in human beings remain areas in which additional results are needed. All forms of child sexual abuse online should be criminalised and prosecuted. Progress was made on the implementation of the Moneyval recommendations, and of the Financial Action Task Force (FATF) Action Plan. Albania remained on the FATF list of jurisdictions under increased monitoring due to its draft Voluntary Tax Compliance (VTC) law (including a criminal amnesty). Following the draft law's withdrawal, in June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October 2023. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards. The track record on money-laundering and high-level corruption cases remains insufficient, and financial investigations need to be further developed.

On **fundamental rights**, efforts at implementation of the legal and policy framework need to be intensified. Progress was made on the use of alternatives to detention. There was some progress on the rights of persons with disabilities, as concerns biopsychosocial assessment. The process of first registration of property and other transitional processes need to advance in full transparency, including by tackling corruption. On the protection of national minorities, the adoption of the remaining implementing legislation did not advance. Furthermore, Albania needs to put in place strong legal and institutional safeguards to prevent further breaches of personal data.

Albania is in between some and moderate level of preparation in the area of **freedom of expression**. Limited progress was made. The intersection of business and political interests, the lack of transparency of sources of finance, the concentration of media ownership, intimidation and precarious working conditions continued to hamper media independence, pluralism and the quality of journalism. The atmosphere of verbal and physical attacks, smear campaigns and intimidation lawsuits against journalists has not improved.

The application of gender-responsive budgeting continued to improve. Since January 2022, the Albanian government has implemented a range of measures aimed at supporting families, women and girls, and vulnerable groups, as a response to the crisis caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine. The economic assistance to victims of domestic violence has been increased significantly. The implementation of the law on gender equality and of the national strategy for gender needs to be further intensified.

The legal framework on **migration** is largely aligned with the EU *acquis* but needs updating in line with developments on the EU side. Albania has contributed to the management of the mixed migration flows towards the EU by cooperating to implement the EU Action Plan on the Western Balkans. It concluded a revised Frontex Status Agreement in September. In



2022, there was a 34% reduction in the number of irregular migrants entering Albania compared with 2021. No progress was made in referrals and access to asylum procedures and shortcomings in the return procedures remain. Albania should take concrete steps to address the needs of unaccompanied minors and align its visa policy with that of the EU. Although the number of asylum applications lodged by Albanian nationals in EU Member States and Schengen-associated countries remains lower than the pre-pandemic level, it increased again in 2022. Continuous and sustained efforts are still needed to address this phenomenon.

On the economic criteria, Albania has between a moderately and good level of preparation on **developing a functioning market economy** and made some progress in addressing last year's recommendations. The economy showed resilience and GDP growth remained strong in 2022, despite the economic fallout from Russia's war of aggression against Ukraine. Albania is at level of preparation **to cope with competitive pressure and market forces within the EU** and made some progress on structural reforms in the energy market, transport infrastructure, the digitalisation of the economy and education outcomes, though significant gaps with regional and European levels remain.

On **public procurement**, Albania is moderately prepared and has made some progress, in particular through an increased use of the most economically advantageous tender award criteria. On **statistics**, Albania is moderately prepared, and made some progress in further aligning with standards of the European System of National and Regional Accounts (ESA 2010) and in steps to strengthen the role of the Institute of Statistics. Albania is moderately prepared in the area of **financial control** where some progress was made, in particular with the updates to the legal framework on internal control and internal audit and the implementation of the policy document on the strengthening of public internal financial control, and continued to target internal audits on arrears.

Albania is moderately prepared in most areas of the **internal market**, namely free movement of goods, services and capital, financial services, and competition policy. The same applies to company law and intellectual property law. Some progress was made on intellectual property rights and on free movement of family members of EU citizens as well as on financial services. However, no progress was made on competition policy, where the State aid Commission still lacks operational independence. Preparations are at an early stage on consumer and health protection, where the country made limited progress. Some progress was also made on free movement of capital, which led to the country's removal from the FATF list of jurisdictions under increased monitoring.

Albania has achieved a moderate level of preparation in many areas linked to **competitiveness and inclusive growth**, namely taxation, enterprise and industrial policy, social policy and employment, education and culture and the customs union. The same holds true for the digital transformation and media, where the country made good progress, including by joining the Digital Europe programme in June 2023. Albania has some level of preparation in the fields of science and research. The country reached a moderate to good level of preparation in economic and monetary policy, as the governance and monetary policy of the Bank of Albania were appropriate and effective in dealing with the crisis caused by Russia's war of aggression against Ukraine; more efforts are required regarding its independence. With limited progress made on the customs union, more efforts are also required in pursuing the fight against smuggling, corruption and imports of counterfeit products.

As regards the **green agenda and sustainable connectivity**, Albania has some level of preparation in the areas of transport, trans-European networks, environment and climate change, and it has a moderate to good level on energy. Progress is noted on the reform of the



day-ahead and intra-day electricity markets, on renewable energy auctions and in developing transport and regional energy networks. Further efforts are needed on renewable energy and on energy efficiency. Albania ratified its participation in the Union Civil Protection Mechanism and is active in it. On the environment and climate, further efforts are needed on water and waste management, environmental law enforcement and nature protection. This cluster and the reforms concerned have significant links to Albania's economic reform programme, the Commission's economic and investment plan and the green agenda for the Western Balkans. Albania needs to address strategic investment planning, and the implementation and monitoring capacity of infrastructure projects.

Albania has some level of preparation in most areas linked to **resources, agriculture and regional policy and cohesion**, namely agriculture and rural development, veterinary and phytosanitary policy, and financial and budgetary provisions. There is a moderate level of preparation in fisheries and aquaculture as well as on regional policy. Some progress was observed in most areas covered, notably with adoption of the Law on wine and regarding administrative capacities for the instrument for pre-accession assistance for rural development programme (IPARD III). Further efforts are needed in regional policy particularly on administrative capacity and coordination between central, local and municipal levels and on financial and budgetary provisions.

Albania has a good level of preparation as regards **external relations, foreign security and defence**. On external relations, Albania made some progress, further aligning its legislation with the EU *acquis* on preventing trade in certain goods that could be used for capital punishment and torture. As regards the EU common foreign and security policy, Albania maintained full alignment with all relevant EU decisions and declarations during the reporting period. As a non-permanent member of the UN Security Council since January 2022, Albania continues to be actively engaged in promoting and defending the rules-based international order as well as Women, Peace and Security.

### **1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS**

Following the Inter-Governmental Conference on accession negotiations with Albania that took place on 19 July 2022, the Commission immediately launched the **screening** process, which is progressing smoothly. All sessions on Cluster 1 (Fundamentals), Cluster 2 (Internal Market), Cluster 3 (Competitiveness and Inclusive Growth) and Cluster 4 (Green Agenda and Sustainable Connectivity) have taken place. Explanatory sessions on Cluster 5 (Resources, Agriculture and Cohesion) and Cluster 6 (External Relations) have been completed and bilateral sessions on these are ongoing. The remaining screening meetings are scheduled until November 2023.

## **2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS**

### **2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM**

#### **2.1.1 Democracy**

The reporting period was marked by the start of the EU accession negotiations process, including the beginning of the screening. The political scene continued to be marked by political polarisation, against the background of persistent deep divisions within the largest opposition party. This has continued to negatively affect the Parliament's key functions of holding the executive accountable through effective scrutiny and of serving as a forum for constructive political debate, as well as its responsibility to elect in a timely manner the heads of key independent institutions such as the Ombudsperson.

The Parliament nonetheless succeeded in adopting, with a large cross-party majority, legislative amendments to strengthen its role in the EU integration process. This was a welcome development. On 14 May 2023, Albania held local elections with the participation of the country's key political actors, in contrast to the largely boycotted 2019 elections.

## Elections

Local elections were conducted in a generally calm manner, including on the day of the vote. According to the findings and conclusions of the election observation mission of the OSCE's Office for Democratic Institutions and Human Rights (OSCE/ODIHR), the local elections were well-administered, competitive and held with the participation of the country's key political forces. There are concerns about the misuse of public resources at both national and local levels, claims of pressure on voters and public sector workers, and allegations of vote buying. All of these need to be duly investigated. Despite the establishment of the ad hoc committee on electoral reform in February 2022, no progress was made neither on the adoption of any text nor in addressing the outstanding recommendations of the OSCE/ODIHR and the Venice Commission. This requires constructive and inclusive political dialogue from all sides.

Albania held regular local elections on 14 May 2023 in all of its municipalities. Elections were assessed by observers as well-administered, competitive and with the participation of key political forces, as also noted by the OSCE/ODIHR. The election day was generally peaceful. Vote counting was assessed to be mostly positive, though inconsistencies were noted. The Central Election Commission created a digital platform for the disclosure of the political parties' campaign financing.

Some 40 electoral subjects registered, fielding a total of 144 mayoral candidates, of which only 15 were women, and 23 763 municipal councillor candidates. Legal provisions require that half of the candidates for municipal councils should be women, however this was fully respected in only 10% of municipalities. Electronic voting and counting was implemented in three municipalities, representing 401 out of 5 212 polling stations. As in the previous elections, voters were identified by biometric signature in all polling stations, with technical glitches reported in some 10% of these. These elections registered a low turnout of 38.2%. The participation of young people was particularly low: among 122 545 first-time voters, only 16 628 (13%) cast a vote. A large proportion of the electorate resides outside Albania and are unable to vote from their place of residence, given that the electoral code does not provide for voting from outside the country in local elections.

During the election campaign contestants could campaign freely, but issues of importance for local communities barely featured in the campaigns. The election observation mission deployed by the OSCE/ODIHR pointed out concerns about the misuse of state resources, claims of pressure on public sector workers and voters, and allegations of vote buying. According to the findings of the election observation mission, a level playing field between candidates was not guaranteed due to a narrow and formalistic interpretation of the electoral code's provisions.

Although diverse, the media environment is characterised by systemic problems, including concentration of media ownership and the control exerted by intertwined business and political interests, which impacts on media freedom. This environment, combined with rules on media coverage of elections, favours the main parties. On misuse of state resources, the OSCE/ODIHR referred to the government's decisions, adopted in the weeks before the elections, to provide a bonus to pensioners and to increase the salaries of various categories of public sector employees, and to the fact that on several occasions the leadership of the

central government said that future support to municipalities would depend on the election results.

On 15 June, the Electoral College ruled that the election of the mayor in the municipality of Rogozhine should take place again, following irregularities in one polling station set up in the town's prison. By-elections were held in Kukes on 24 September, following the dismissal of the mayor.

Parliament's ad hoc committee on electoral reform, set up in February 2022, has not produced any results. The term of the committee was extended in September 2023. Despite the efforts of the Central Election Commission to advance the implementation of out-of-country voting, the required legislative changes are still pending. In December 2022, the Constitutional Court ordered Parliament to close the legal gap within one year. Electoral reform, addressing OSCE/ODIHR and Venice Commission recommendations, should not be further delayed.

## Parliament

Parliamentary activity continued to be affected by political polarisation, against the background of persistent deep divisions within the largest opposition party. Parliament nonetheless succeeded in adopting with a large cross-party majority legislative amendments to strengthen its role in the EU integration process, which was a welcome development.

Parliamentary debates and proceedings continued to be negatively affected by harsh political rhetoric, personal attacks and disruptive behaviour in the plenary hall. Disputes between the majority and the opposition, in particular over the Prime Minister's refusal to attend most interpellations requested by the opposition, caused a temporary disruption in the normal functioning of Parliament. The Ethics Secretariat imposed several disciplinary measures, resulting in the unprecedented expulsion of 23 opposition MPs within a month. Higher ethical standards in Assembly proceedings are needed to foster a more constructive political dialogue between the opposition and the majority.

During the reporting period, seven MPs were replaced, five from the Democratic Party and two from the ruling Socialists, due to them running as mayoral candidates in the local elections. Reorganisation of Parliament's standing committees and other bodies was not carried out, because of the conflict within the opposition and attempts to control its caucus.

Parliamentary activity was suspended during the electoral campaign for the 2023 local elections. This suspension was not warranted by the law.

Parliament's **oversight** of the executive remained limited. MPs filed three requests for interpellations and one motion with debate with the Prime Minister. The Prime Minister attended one in person. Other interpellations were held with members of the Council of Ministers. Parliamentary oversight of the work of independent institutions remains limited to considering their annual reports and to a digital tool to monitor the follow-up of the recommendations of these institutions.

During the reporting period, the opposition asked for two committees of inquiry to be set up, but the majority rejected both requests, in spite of the fact that the opposition's right to initiate such committees is guaranteed by the Constitution. The majority's argument in both cases was that a revision of the law on committees of inquiry is under consideration. The current law, however, remains in force.

In March 2023, amendments were adopted with a large majority to the 2015 Law on Parliament's role in EU integration, strengthening the consultative role of Parliament in the

accession negotiations process. During the reporting period, the National Council of European Integration met on a regular basis to take stock of Albania's EU integration process.

Parliamentary proceedings continued to be live-streamed on social media. In an effort to increase transparency, the Parliament created a new website, which is still incomplete and only partly accessible. A working group on transparency standards was set up in 2021 and consultations have taken place with civil society and the media. However, these standards under the principle of open government still need to be consulted upon, agreed, and adopted. Parliamentary documentation, such as legal acts and minutes of plenary sessions and committee meetings, should be published in a more timely and user-friendly manner, clearly indicating the amendments made during each step of the legislative procedure. Public consultation with civil society and interest groups remained formal.

The Assembly faced considerable difficulties in fulfilling its duty to elect the Ombudsperson. A year after the post became vacant, Parliament made another call for candidates in March 2023 and interview candidate in July. Parliament is still to elect a new Anti-Discrimination Commissioner. Delays and the politicisation of these appointment processes weaken these independent institutions.

## **Governance**

Following the first Inter-Governmental Conference that opened the EU accession negotiations with Albania in July 2022, the government has renewed its overall political commitment to the country's EU path. Under the coordination of the chief negotiator and the newly reformed EU negotiation structures, Albanian institutions have mobilised significant resources to engage actively in the screening process, which is proceeding smoothly, and to prepare for the next steps in the accession negotiations.

The opening of accession negotiations needs to translate into an acceleration of specific EU-related reforms. While putting EU-related reforms at the centre of its legislative and policy planning, the government needs to refrain from measures that are not in line with EU standards. The government also needs to engage in stronger public communication on the EU accession process. Following the first Inter-Governmental Conference on accession negotiations in July 2022, the government appointed a new Chief Negotiator, at Minister of State level, and with increased resources. The resulting administrative reorganisation took place during the reporting period. Under the new set up, the Chief Negotiator is responsible for the overall steer, strategic planning and coordination of EU-related matters, together with the State Agency for Strategic Programming and Assistance Coordination, whose Director-General coordinates the National Instrument for Pre-Accession Assistance, and the Ministry for Europe and Foreign Affairs.

Significant progress was made in ensuring coordination on EU integration and EU assistance between State Agency for Strategic Programming and Assistance Coordination (SASPC,) line ministries, and the Central Finance and Contracts Unit and local government units. This now needs to be further consolidated. Improved cooperation, as well as recruitment and training of technical stakeholders in the responsible national bodies, would help ensure the successful implementation of the Instrument for Pre-Accession Assistance programmes, including the Western Balkans Investment Framework, Cross Border Cooperation and IPARD.

Under the coordination of the Chief Negotiator, Albanian institutions have participated in the screening process organised by the Commission, which is proceeding smoothly.

Building on the experience of the screening process, Albania will need to continue to strengthen its EU negotiating structures and coordination between subordinated bodies and line ministries, while further developing expertise on the EU *acquis* across the public administration.

In early 2023, the government adopted the new national plan for European integration for 2023-2025, and the 2022-2030 national strategy for development and European integration, which defines the vision, priorities and sectoral strategic objectives for the upcoming period (see section 2.1.2. *Public Administration Reform*).

In September 2023, a government reshuffle took place leading to the replacement of seven ministers.

The **territorial administrative reform** remains to be further consolidated as part of the wider decentralisation agenda. The annual monitoring report for 2022 on the implementation of the decentralisation and local governance strategy was published in June 2023. A systematic and timely monitoring of this process, and of the mechanisms to carry it out, needs to be ensured.

The new 2023-2030 cross-cutting strategy on decentralisation and local governance, which aims to consolidate the decentralisation process, was adopted in April 2023. The drafting process was based on a series of consultations that included 61 municipalities, central institutions, local government associations, civil society, the private sector, academia, researchers and development partners, which helped to capture and address the priority needs.

Parliament's ad hoc committee on the country's territorial and administrative divisions, which met between February and October 2022, did not lead to legislative or policy decisions, due to a lack of political agreement between the ruling majority and the opposition.

Despite some efforts to address legal and institutional gaps, conflicting and overlapping legal provisions and policies - which regulate the various sectors involving the exercise of functions by the local government units (LGUs) - and the division of responsibilities between local, regional and central government remain areas of concern. There is still a need to streamline the legal framework on the functions of LGUs and further consolidate the implementation of new functions.

Local government units still lack sufficient financial resources and administrative capacity to perform all their devolved responsibilities in a fully satisfactory manner and to exercise their greater policymaking powers effectively. The LGUs' fiscal autonomy remains at risk, as most of their budget depends on national transfers. The delivery of quality public services at local level remains limited.

Progress has been made to reduce the salary gap between the central and local government levels. However, in order this effort must continue for small LGUs, in order to attract and retain qualified staff, ensuring equalisation based on the principle of equal pay for equal positions.

On gender equality, 18 municipalities signed the European Charter for Equality of Women and Men in Local Life, and 5 municipalities have developed and approved local gender action plans. Despite these positive developments, efforts are required to systematically reflect women's needs, rights and entitlements in the legal and policy frameworks at local level. Women representation in local governments continues facing challenges that hinder their meaningful participation.

On transparency, some improvement has been noted: for example, the Consultative Council



has adopted an integrity index methodology and 21 LGUs have developed and approved local integrity plans. Further efforts are needed to expand integrity plans to all LGUs and to ensure that the existing integrity plans are fully implemented and adequately monitored.

The Consultative Council continues to operate as the main forum for institutional dialogue and coordination between central and local governments. Further efforts are needed to engage LGUs and the associations of local government in the early phases of legislative initiatives, and to intensify cooperation and coordination between local and central government. Appropriate levels of representation needs to be ensured.

The network of EU integration local coordinators has strengthened the LGUs' involvement in the EU accession process. The engagement of elected bodies of local governments and municipal administration in the EU integration process needs to be strengthened, especially in the context of the EU accession negotiations.

### **Civil society**

The role of civil society, including in the EU accession negotiation process, should be further strengthened. The structures in place for consulting civil society need to be reinforced and become fully operational. There has been no progress in implementing the roadmap on an enabling environment for civil society. The amendments made to the 2014 VAT Law that allow for tax exemptions instead of tax refunds have not been implemented yet.

An empowered civil society is a key component of any democratic system and Albania's legal and regulatory framework on the right to freedom of assembly and association is in line with international standards. Preparations began in 2022 to set up the national electronic register of non-profit organisations, in line with the 2021 law. It is envisaged that the electronic register will be operational at the end of 2023 (*see also Chapter 24 on FATF recommendations*). In the meantime, civil society organisations (CSOs) continue to register at Tirana District Court as per the old law of 2001 and its lengthy registration process.

There has been no progress in the implementation of the roadmap on an enabling environment for civil society, which remains very dependent on donor support. Additional efforts and resources are required to advance its implementation and to improve the roadmap's reporting and monitoring mechanisms. The revision of the Law on voluntarism is still pending.

The legal framework on public consultation is generally in line with European standards. The Parliament's platform still needs to achieve full operability and consultations on draft legislation should be carried out regularly. In addition, the scope of the Law on public consultation still needs to be extended to cover implementing legislation (*see also the Section on public administration reform*).

The role of civil society in the EU accession negotiation process needs to be strengthened to ensure the meaningful participation and consultation of CSOs in policy-making processes. The structures in place to consult civil society at governmental level need to be strengthened and become fully operational. The Partnership Platform on European Integration, set up in 2019, is partly operational.

The ability of the National Council for Civil Society to voice the priorities of CSOs in policy-making processes remains weak. An update of the Law on the National Council is still pending. The public funding of the Agency for the Support of Civil Society remains insufficient to sustain CSOs' activities, in particular in social services.

Limited progress continued in the field of VAT refund, with implementation of the

instructions on VAT reimbursement for CSO beneficiaries of EU funding and other donor grants. However, the process remains lengthy and cumbersome. In 2022, amendments were made to the 2014 VAT Law to allow tax exemptions for CSOs, however implementation has not started yet. Albania still does not have tax incentives in place for individual donations and only marginal tax incentives for corporate donations.

Better coordination and meaningful representation of interest groups should be ensured at all levels as the landscape remains fragmented, dependent on donors and concentrated in the main cities, although grassroots initiatives are active on some community-based issues.

### 2.1.2. Public administration reform

Albania remains **moderately prepared** in the area of public administration reform. It made **limited progress** in delivering on last year's recommendations.

A new national strategy for development and European integration for 2023-2030 was adopted in February 2023. Preparations for the new strategies on public administration reform (PAR) and public financial management (PFM) have started but they still have to be adopted. The new 2022-2026 digital agenda was adopted in June 2022. The new 2023-2030 decentralisation strategy was adopted in April 2023. Implementation of the ongoing 2015-2022 PAR and 2014-2022 PFM strategies continued. The centre of government entities under the Prime Minister's Office have evolved, but the new structure still needs to settle in. A more consistent legislative framework with clear criteria for the creation of subordinated entities still needs to be created. Provisions on merit-based recruitment in the civil service law are not consistently implemented, especially for senior level positions. A salary reform was initiated in 2023 but the reform does not yet fully address the complexity of the salary structure or the limited role of performance. Progress on the implementation of the automated payroll system stalled. Significant efforts were made on digitisation of service delivery through the e-Albania platform. This was accompanied by a closure of front office contact centres in 2022, which raised concerns over access to services to vulnerable and digitally less-apt citizens. A restitution of some contact centres is under consideration, together with other ongoing efforts to improve the user experience of the portal online. Further efforts are needed to ensure equitable access to services for people with limited digital skills or limited access to IT equipment. Increased attention is required to digital security and protection of personal data. The Commission's 2022 recommendations remain mostly valid. In the coming year, Albania should, in particular:

- put in place a legislative framework that properly regulates the typology and criteria for establishing subordinated bodies and clarifies lines of accountability;
- adopt and start implementing the new public administration and public financial management strategies, and review the effectiveness of the current monitoring structures;
- consistently and effectively implement the provisions on merit-based recruitment, promotion and dismissal in the civil service law at all levels, especially at senior level; continue the reform of the salary system for civil servants and re-initiate the automation of the payroll system.

#### Strategic framework for public administration reform

Good governance is addressed in the newly adopted national strategy for development and European integration for 2023-2030. The government maintained regular monitoring of the implementation of the 2015-2022 **PAR strategy** and the 2014-2022 **PFM strategy**. Preparations of new PAR and PFM strategies for 2023-2030 have started. The new 2022-



2026 digital agenda was adopted in June 2022. The new 2023-2030 strategy on decentralisation and local governance was adopted in April 2023.

The Minister of State for Services and Standards was appointed as the overall coordinator for good governance in June 2022, ensuring a clear political mandate for the coordination of reforms. This post was abolished in the September 2023 during the government reshuffle. There is not yet clarity on the new structure to be put in place. An Integrated Policy Management Group (IPMG) for PAR is in place, but not very active. A new government decree from July 2023 should streamline the IPMG structure. Some of the technical groups under it are more actively used for coordination of PAR initiatives. The **financial sustainability** of reforms needs to be improved through better reviewing of overall financial resources as, currently, the implementation of reforms depends heavily on funding from external donors.

#### Policy development and coordination

The legal basis and the institutional set-up for consistent **policy making** are partially in place. An extensive **policy coordination structure** exists through the Strategic Planning Committee (SPC), chaired by the Prime Minister, and the Integrated Policy Management Group. The SPC has met regularly and steered the policymaking process. The IPMG's activity has varied between sectors and should be improved. The SPC and IPMG structures are now operating in cooperation and under the facilitation work of the Agency for Strategic Programming and Aid Coordination – SASPAC set up in mid-2021.

A new national strategy for development and European integration was adopted in February 2023, with some delay, and will now cover the period up to 2030. It serves as an overarching reference document for the integrated planning system. In addition, the new 2023-2025 national plan on European integration was adopted in March 2023.

An integrated planning system - including links to budgeting - is in place, but its application has been uneven. The use of the developed support systems on planning and external fund management has been very limited. The support system for budget planning has been more actively used, including for the preparation of the mid-term budget planning. Consistency between policy planning and budgeting needs to be further improved by making full use of the systems that have been developed, including after a review of their functionality.

SASPAC is now staffed and assumed its mandate to manage policy and project coordination between the Government of Albania and donors, including independent fiscal institutions. Further efforts are needed to strengthen the administrative capacity of line ministries and the Prime Minister's Office and to increase the accountability of management (*see Chapter 32 – Financial Control*). The rulebook of the Prime Minister's Office still needs to be adopted.

Administrative capacity for **inclusive and evidence-based policymaking and legislative development** needs to be further strengthened. Progress was reported on increasing the use of regulatory impact assessments, with practical training for the entities involved but further efforts are necessary to improve their quality. On **public consultation**, a regulatory framework is in place. The electronic web portal is operational and has been updated. However, the proportion of legal acts that undergo online public consultations remains very low. Implementing legislation is yet to be subjected to public consultations. In 2022, 48 acts were subject to consultation, out of a total of 866 adopted acts. The quality control of consultations needs to be strengthened and proper follow-up ensured, and further efforts are needed to encourage stakeholders, in particular civil society, to participate.

**Public scrutiny of government work** needs to be further improved. Parliamentary oversight of the government's performance, including subordinated agencies, needs to be strengthened. Regulatory and institutional monitoring, and the reporting framework for government performance, are still fragmented. The harmonisation of reporting practices would be facilitated by using the Integrated Planning System Information System. Communication to citizens about ongoing reform efforts needs to be improved.

#### Public financial management

The 2014-2022 PFM strategy expired in December 2022 and a new strategy is in preparation, with adoption expected still in 2023. The new strategy should be developed through an inclusive process. The Ministry of Finance and Economy (MoFE) which is the leading institution for the PFM reforms regularly reports on the implementation of the PFM strategy.

The **Law on organic budget** has been systematically implemented in line with the budget calendar for 2022. In recent years, including in 2022, budget revisions have been made primarily through normative acts, often lacking transparency, and confirmed *ex post* by Parliament. Uncertain economic conditions have justified this to some extent, but a return to more regular budget revision procedures seems appropriate. An independent oversight body with a mandate to assess the fiscal risks and monitor the compliance with the existing fiscal rules remains to be established. The quality of the medium-term budget programme has improved, but efforts should continue to consistently improve revenue estimates and strengthen sector ceilings to support policy implementation by the line ministries. Initial efforts on gender-responsive budgeting should be maintained and expanded.

**Budget transparency** remains satisfactory overall with the publication of all key budget documents. However, further improvement in the quality and format of the documents is still needed including publishing of audit reports online in a timely manner.

#### Public service and human resources management

Progress on **merit-based recruitment, promotion and dismissal** needs to be consolidated by applying consistent standards across the public administration and across all levels.

Greater legal compliance is needed in recruitment procedures. Recruitment from a pool of talent is the standard approach, and has well-established procedures, but it is not fully applied yet. The merit principle needs to be complied with for both senior and entry-level positions. The administration manages to fill most vacant posts, with 830 out of 855 vacant positions open for external recruitment filled in 2022. From January to September 2023, 303 positions were filled out of the 585 vacant posts announced. Across the public administration, job descriptions are not yet fully in line with the categories set out in the civil service law. Of the 830 recruited staff in 2022, 66% were women and 34% - men. Of the 303 recruited staff from January to September 2023, 66% were women and 34% - men.

In 2022, there were 19 **dismissals** from the civil service, a significantly lower number than in previous years (346 in 2021, 619 in 2020) and the authorities have declared that these dismissals were in compliance with the civil service law. The government reports that the rate of execution of final court decisions on dismissals and reinstatements improved from 79.5% in 2021 to 81.5% in 2022. The long time it takes to enforce reinstatement decisions has a significant cost for the government, so the focus should remain on improving reactivity.

The **human resources management** information system continues to be filled with the necessary data, although at a slow pace. It does not yet cover the entire public sector, it is not completely up-to-date and it still needs to be extended to the local level.

On **salary reform**, two new laws and the package of implementing legislation were adopted in May 2023. These increased salaries for holders of political mandates, influencing also salaries in constitutional bodies. It also introduces a number of changes to the salary structure of the civil service, including a higher weighing of seniority and a broader range of salary classes. The resulting salary increases will be introduced in two phases in 2023 and 2024. Earlier in 2022 and 2023, a number of other decisions had been taken which impacted salaries, including increase of public sector salaries in key sectors and increase of the minimum salary. The comprehensive **salary reform** has not been finalised yet and the new measures do not address all outstanding issues. The salary system remains complex and not fully transparent. The most recent reform provides some new limited incentives for career progression but performance incentives are not yet applied. Reform of the remuneration system should be linked to the process of harmonising job descriptions. Automation of the payroll calculation stalled in 2022, ascribed to the inability of the IT system in place to perform this function and the complexity of the current remuneration system. Greater efforts are required to make it possible to calculate the payroll automatically and to link it to the treasury.

The Albanian School of Public Administration (ASPA) continued to adapt its training programmes for **professional development**, with a stronger focus on EU integration. Training was provided to 5 397 people in 2022. Efforts to improve the physical and digital infrastructure of ASPA are still needed.

#### Accountability of the administration

The legal framework for the organisation of the central administration does not provide a comprehensive and consistent foundation for the establishment and accountability of subordinated institutions and autonomous agencies. This has resulted in the ad hoc setting up of some new agencies. The law should set out a clear typology and criteria for creating subordinated bodies and, as well as clarify responsibilities and reporting lines. Workflow and decision-making processes in the public administration should be more transparent. The legal framework for ensuring managerial accountability needs to be improved.

**The citizens' right to good administration** needs to be further strengthened. The rate of implementation of the Ombudsperson's recommendations continues to hover in the 50-60% range. Of the 249 recommendation in 2022, 17% were fully and 36%, partially implemented, leading to a combined score of 53%, (50% in 2021). Of the 30 recommendations issues between January and April 2023, 17% were fully and 17% partially implemented, leading to a combined score of 34%. Parliament should strengthen its cooperation with the Ombudsperson and address the problem of the lack of responsiveness of public administration bodies.

On **transparency and access to information**, the Commissioner for the right to information reports that a high number of institutions (391) have published transparency programmes and an increasing number of government entities have established an electronic register of information requests. The Commissioner received an increased number of complaints (992) about the administration's failure to provide information, often resolved after his intervention. The revision of the Law on access to information should be completed to ensure managerial responsibility for non-compliance with its provisions. Albania ratified the Council of Europe Convention on Access to Official Documents in 2022. The Law on open data and interoperability, aiming at aligning national legislation with EU Directive 2019/1024 on open data and the reuse of public sector information, entered into force in April 2023.

A legislative framework is in place for the **right to administrative justice**. The capacity of the administrative court system and, in particular the appeal courts, to deal with cases is limited, which led to an increased backlog in 2022. Legislation is in place to protect the **right of citizens to seek compensation** and is applied in practice in judicial cases. However, there is no mechanism for the regular monitoring and analysis of administrative and judicial practice in such matters, and the government does not gather data on payments made in public liability cases and the reasons for them. Nevertheless, the enforcement of administrative court decisions by the executive remains problematic, with a low level of voluntary compliance, which results in the need to use bailiffs.

In November 2021, Parliament adopted the Law on co-governance, giving substantial powers on mediation and dealing with grievances to the Agency for Dialogue and Co-governance. The structure of the organisation was accordingly adjusted by a government decision in 2022. The agency reports directly to the Prime Minister. It can conduct inspections on public institutions, based on citizens' complaints, and apply administrative sanctions or propose disciplinary measures or mediation. Complaints are received via the 'Albania we want' platform. A separate platform exists to denounce corruption. A significant number of complaints are received and treated, but some concerns remain on whether the agency's role may discourage the use of more formal and independent appeal and complaint channels.

#### Service delivery to people and businesses

The institutional and legal frameworks to ensure a user-oriented administration are in place. The new 2022-2026 digital agenda was adopted in June 2022. Alignment with the revised European Interoperability Framework is still pending. Alignment with new legislation, such as the Interoperable Europe Act, should be ensured.

During the reporting period, the government continued its push to expand online service delivery, primarily through the e-Albania platform. The number of online services increased to 1 227, estimated to be around 95% of all public services. The government is planning to reorganise the portal to improve its user-friendliness. The number of registered users has increased to 2.8 million though only about 1.5 million of those are active users. On 1 May 2022, the government decided at short notice to close the 'front desks' (ADISA centres), delivering central government services, with a view to moving towards 100% online service delivery. The aim of this measure is to improve the quality of services and reduce corruption. The rapid shift has raised questions about the quality and accessibility of services for people with limited digital skills, limited digital access, or persons with a disability and this issue still needs to be addressed. The government has recently announced its intention to reinstate some form of contact centres. A good number of municipalities have one-stop-shop centres to provide municipal services, which in the past were often combined with an ADISA centre. On accessibility for persons with disabilities, Albania needs to align with Directive 2016/2102 on the accessibility of the websites and mobile applications of public sector bodies.

In 2022, the provision of digital services was temporarily suspended after a number of cyber-attacks on government systems, albeit not on the e-Albania platform itself. A number of data leaks from some public systems have also occurred. Therefore, digital security, as well as data protection provisions, need to be strengthened. The National Agency for Information Society is improving its risk assessment capacity and business continuity infrastructure. On data protection, Albania should upgrade its regulatory framework to align with EU standards.

The Code of administrative procedures provides the legislative framework to **simplify administrative procedures** in line with international standards. The process of legal



harmonisation with the code needs to be completed. In April 2023, the government adopted a new Policy Document on Standards of Public Services, which aims to improve service standards.

## **2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS**

### **2.2.1. Chapter 23: Judiciary and fundamental rights**

*The EU's founding values include the rule of law and respect for human rights. An effective (independent, high quality and efficient) 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 is **in between some and moderate level of preparation** in aligning with the EU *acquis* and European standards in the area of the judiciary and fundamental rights. **Some progress** was made in the reporting period.

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

Albania is **moderately prepared** on the functioning of the judiciary. **Good progress** was made during the reporting period, with the continued implementation of the justice reform. The vetting process for judges and prosecutors has advanced with overall good results, although the pace of proceedings in appeal needs to be stepped up in light of the revised constitutional deadline, with due regard to the quality of the process. By 6 October, 57% of the vetting dossiers processed resulted in dismissals, resignations or termination of mandate. Albanian institutions need to ensure systematic judicial follow-up on vetting cases where criminal offences have been indicated. The efficiency of the judicial system and access to justice continued to be affected by the length of proceedings, the increased workload and the large backlog of cases, which remains significant. Progress was made in addressing judicial vacancies through the appointment of a significant number – 40 – of new magistrates, sworn in office at the High Judicial Council in October 2023. Implementation of the new judicial map has started; however, this process needs to be consistent with the legal framework and principles of access to justice. The Specialised Structure for Anti-Corruption and Organised Crime (SPAK) achieved further results, and conducted investigations in several high-level cases, which include the involvement of two former ministers. A new Chief Special Prosecutor was elected in December 2022 after a sound process. Some positive actions have been taken towards increasing the relevance of the continuous training programme in the reporting period, however further significant progress is needed on last year's recommendation regarding the judicial training system. Progress was made on the case management system, particularly with the establishment of the inter-operability working group and the adoption of the interoperability framework setting the basis for the roll-out of the system.

Recommendations for the coming year:

- further advance the process of re-evaluating judges and prosecutors (vetting) and speed up procedures, in particular on appeal, with due regard to the quality of the process;
- consolidate efforts to improve the efficiency of all courts and prosecution services and reduce the backlog of cases, including by filling open vacancies, improving the functioning of the courts and streamlining/simplification of judicial proceedings, further decisive action to set up a modern integrated case management system and to create a robust implementation and communication plan for the new judicial map that ensures

respect of the right to access justice and of the applicable legal framework, in particular on transfers and promotions;

→ continue to strengthen the capacity and independence of the judicial system and its self-governing institutions, while making quality and efficiency improvements at the School of Magistrates, including by revising the admission examination in line with European standards.

The comprehensive transitional re-evaluation (vetting) of all judges and prosecutors continued to advance at a steady pace. The International Monitoring Operation, deployed under the *aegis* of the European Commission, continued to exercise independent oversight of the process.

By 6 October 2023, the vetting institutions had completed 689 vetting cases at first instance amounting to 84% of the total. Of these, 537 decisions are final. In total, around 805 professionals were due to undergo scrutiny. Overall, 57% of the vetting dossiers processed so far have resulted in dismissal or termination due to the assessee resigning or reaching retirement age. The outcome of decisions of the first instance vetting body, the Independent Qualifications Commission and, where applicable, of the Appeal Chamber, resulted in 257 dismissals (mostly for issues relating to unjustified assets); 278 confirmations in office; 152 decisions to terminate the vetting proceedings; and 2 suspension decisions, with the obligation to undergo training. The International Monitoring Operation has continued to oversee the vetting process and has issued opinions on first-instance assessments, including 33 recommendations for appeal, and 8 dissenting or concurring opinions after the final decisions. The vetting institution of public commissioners has followed all recommendations for appeal. In the same period, the Appeal Chamber processed 208 cases.

In June 2023, the Special Court of First Instance against Corruption and Organized Crime sentenced the former Head of the Constitutional Court to 6 months in prison, commuted to one year of probation, for false declaration and concealment during the vetting process. Trial is ongoing against three former High Court judges, and the Special Court of First Instance against Corruption and Organized Crime has confirmed the request of the Special Prosecutor's Office regarding the confiscation of assets in one of the three cases. The vetting institutions are expected to systematically refer cases to prosecution services where there are indications of criminal offences. So far, 34 cases have been referred to prosecution in cases of termination of the vetting process due to resignation, which represents about 10% of the number of resignations and dismissals. Prosecution services are encouraged to proactively initiate criminal proceedings against judges and prosecutors whose vetting process revealed criminal elements.

It is important that all state institutions and judicial authorities, including the self-governing bodies of the judiciary, respect the independence and exclusive jurisdiction of the vetting bodies, and refrain from acts that could contradict the final vetting decisions.

### Strategic documents

The Ministry of Justice reports regularly on the implementation of the 2021-2025 cross-sector justice strategy and its action plan. All judicial institutions, including the Constitutional Court, have developed plans to align their activities with the cross-sector strategy.

A specific set of indicators is included in the justice strategy and its action plan to make it easier to track its implementation. There is a need to improve the reporting capacities of the relevant units in all institutions, standardise reporting methods, provide more frequent specialised training of staff on analytical skills, and ensure the accuracy of statistical data at

all levels. Albania needs to ensure effective cooperation between justice institutions, the allocation of sufficient resources and the efficient and systemic functioning of the justice sector in the context of implementing the justice strategy and its action plan.

### Specialised bodies

SPAK, comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), continued to be fully operational. The High Prosecutorial Council (HPC) elected a new Chief Special Prosecutor in December 2022 after a sound process. The capacity of the recruitment bodies (SPO, NBI and the Courts for High-Level Corruption and Organised Crime) needs to be further strengthened to ensure efficiency and the sustainability of their workload. The SPO has filled 17 out of its 20 prosecutor posts. One prosecutor was temporarily transferred to SPO from the Prosecutor General Office in March 2023 for the period of one year. The SPO has filled 12 out of its 16 financial investigator posts. Following a second round of recruitment in June 2022, the NBI has 60 investigators. As provided by law, an international commission consisting of two criminal justice experts nominated by the EU and two by the US government, continued to monitor the functioning of the NBI. *See also under Chapter 24 – Justice, Freedom and Security*

Despite some progress, the remaining judge vacancies in the SPAK specialised courts need to be filled up. In the SPAK appeal court, 10 out of 11 judges have been appointed. There were nine judges out of 16 in the first instance court, of which three delegated and not formally appointed.

### Management bodies

The self-governing institutions of the judiciary have continued to fully exercise their functions. All vacancies for non-magistrate members of the High Prosecutorial Council (HPC) have now been filled. The High Judicial Council (HJC) and HPC are due to renew at least half of their membership, including both magistrates and lay members, by December 2023. This renewal will result in new chairpersons for both Councils. It is essential that the process to select the members of the HJC and HPC guarantees fair and effective competition and independence, in particular by taking measures to ensure a competitive number of applicants notably in appointments by bodies that appoint lay members and by Parliament.

The HJC advanced with the appointments of judges to vacant positions but it needs to finalise the promotion of judges to the High Court and ensure that all 19 judges are in place. The HJC continued to approve a significant amount of implementing legislation regulating the activities of the judicial system and courts. Evaluations remained below the projected targets. However, they remain key to ensuring the effective functioning of the judiciary and efficiency of the judicial system. The HJC needs to increase the pace of evaluations and the HPC needs to urgently start carrying them out. The HJC and HPC need to put in place clear rules of procedure for the evaluation, promotion and transfer of judges and prosecutors. The HPC needs to urgently start carrying out evaluations of prosecutors, in line with its annual plan, and adopt the necessary implementing legislation to do this. So far, no evaluations have been completed by the HPC, which is a matter of concern. The HPC and the General Prosecution Office (GPO) should further improve cooperation to ensure effective management of district prosecution services and in reporting on how the system is functioning. The budgets and human resources of the HJC and HPC have gradually increased. There are recurrent complaints from the media and civil society about transparency and outreach. It is necessary to improve the regulatory framework and the well-established practice for media communications and access to information, based on the principle of transparency.



The Justice Appointment Council continued to operate throughout 2022 and a new Council was selected in December 2022.

The capacity, independence and efficiency of the self-governing bodies of the judiciary needs to be further strengthened, including by ensuring the quality of their decisions, transparency of their work and effective public communication.

### Independence and impartiality

The 2016 justice reform set out a satisfactory legal and institutional framework to guarantee the independence and impartiality of magistrates. However, concerns continued to be raised about alleged attempts to interfere with and exert pressure on the judicial system. The training of magistrates should further focus on integrity and judgecraft. Targeted action to reduce undue influence and increase public trust in the judiciary should be further considered.

Legal provisions are in place to guarantee independent procedures to appoint, promote, evaluate and dismiss judges and prosecutors, and to ensure the possibility to appeal all related decisions. The remuneration of judges and prosecutors reaches the highest levels for public sector salaries in the country. In December 2022, the Constitutional Court delivered a decision on the regulatory framework for the salaries of magistrates. This decision has been implemented in full respect of the principle of the financial independence of magistrates. The transparency and correct implementation of the legal provisions on promoting and transferring prosecutors and judges should be ensured by the Councils, including through implementing legislation.

The roll-out of a modern integrated case management system has been long pending, and it remains necessary to improve the efficiency and transparency of the justice system. The limited number of judges at several courts coupled, with the lack of an integrated case management system, leads to a worrying result in that the random allocation of cases is not widely applied. The random allocation of cases in the prosecution services is not applied and is an area of serious concern. The IT centre for the justice system has only one member of staff on duty, which is insufficient to ensure strong leadership and high standards. Progress was made on the case management system, particularly with the establishment of the interoperability working group in June 2023 and the adoption of the interoperability framework setting the basis for the roll-out of the system .

It is a criminal offence to exert undue influence over a judge or a prosecutor. There have been no official reports from judges or prosecutors of such attempts. Concerns remain about internal and external attempts to exert undue interference over the judicial system, political pressure and intimidation. No sanction has been taken against public officials or politicians waging accusations against magistrates. However, the self-governing institutions have publicly reacted to such accusations, classifying them as undue influence and pressure.

### Accountability

The High Justice Inspector (HJI) continued to be operational, initiating and conducting disciplinary investigations against magistrates. Nearly half of the planned inspectors (12 out of 26) are in office. The recruitment of additional inspectors and improvement of HJI's capacity remain necessary. The HJI adopted a revised methodology to reduce the backlog of 1 606 cases that it inherited, of which 1 072 have yet to be processed. The HJI has not accumulated a backlog of new cases since it was set up. It is still necessary to During the reporting period, the HJI received 789 complaints. It processed 534 complaints and started 28 disciplinary investigations, of which for six magistrates it has requested disciplinary measures by the Councils. In most cases where the HJI requested dismissals, the councils decided on a

more lenient measure.

The HJI has proposed three disciplinary measures for judges to the HJC, of which two are still ongoing and one has been followed, but with a change to the proposed measure. The HJI has proposed three disciplinary measures for prosecutors to the HPC, of which one is ongoing and two are suspended.

The HPC should quickly begin the evaluation of all prosecutors, given the lack of progress in the reporting period.

Cooperation between the institutions governing the justice system should be further strengthened. The regular general meeting between the HPC and the HJC took place only once during the reporting period. Coordination on a regular basis is needed.

Strategic communication by the institutions of the judiciary on key policies is still weak. Greater transparency is needed on the concrete steps to implement the judicial map. Frequent communication is also needed on key policies adopted by both councils, including reader-friendly information on the procedure to promote judges and prosecutors, regular thematic evaluations and other analytical reports.

#### Professionalism and competence

The system for recruiting, selecting, appointing, transferring and dismissing judges and prosecutors is managed exclusively by the self-governing institutions of the judiciary. The continued implementation of judicial reform reduced political influence throughout the appointment process, thus contributing to ensure a more merit-based career system. The last vacancy in the Constitutional Court was filled in December 2022. The evaluation process, including the ranking of candidates, needs to be more transparent and allow for more competition, in line with the Venice Commission recommendations.

The High Court continued to reduce its backlog of cases, however this remains very high, and more efforts, including additional judges and legal advisers, are necessary to help reduce it further.

#### Quality of justice

Some positive actions have been taken towards increasing the relevance of the continuous training programme in the reporting period. The overall quality of the initial and continuous training at the School of Magistrates (SoM) requires further improvement. Further to the efforts made in previous years, an increase in the number and quality of cohorts of students and graduates is still necessary as a matter of priority, to address judicial vacancies and the efficiency challenges of the judicial system. However, for the 2022-2023 academic year, the intake of new students slightly decreased compared with the previous term. Of the 96 places available in the SoM, only 66 students were admitted for 2023-2024. In addition, the SoM needs to continue improving the quality of new recruits and graduates, including through a comprehensive revision of the entry examination in line with European standards. A comprehensive analytical projection of the short and long-term needs of the judicial system, including a number of magistrates is still missing. This should take into account the backlog in cases, implementation of the judicial map and the results of vetting. The SoM needs to intensify its efforts to improve the quality of academic staff and to ensure a competitive and transparent recruitment process. The methodology of continuous training needs to be improved and should be based on a regular needs assessment. The SoM should publish an analysis of the satisfaction surveys on continuous training and adopt a methodology to conduct regular needs assessments. Initial training should be substantially revised to be more consistent with the objective of specialisation and to put a greater focus on practical training,

especially on legal writing and reasoning. Training should also include a specific curriculum on EU law. The total budget allocated to training initiatives at the SoM in 2022 amounted to EUR 2.7 million, compared with EUR 2.9 million in the previous year. As an observer of the European Judicial Training Network (EJTN), the SoM should be more proactive in profiting from the network's activities and expertise.

The quality of final court decisions need to be further improved. The HJC and the High Court have taken some steps towards the dissemination and unification of judicial practice, which however requires further consolidation. Access to full reasoned decisions and their timely publication remains very limited.

Albania had 11.4 judges per 100 000 inhabitants (318 judges) and less than 8 prosecutors per 100 000 inhabitants (202 full time prosecutors) in 2022 according to the European Commission for the Efficiency of Justice (CEPEJ). The EU average in 2021 was 24.1 judges and 10.8 prosecutors per 100 000 inhabitants. The number of judges in Albania increased in 2022 compared with the previous year's ratio, following several new appointments; and there was a slight drop in the number of prosecutors compared with the previous reporting period. The 2021 budgetary allocation for the judicial system was about EUR 70 million. This amounts to over EUR 14.5 per inhabitant. The budget for the courts saw a significant increase, however the courts' infrastructure remains poor overall and future budget allocations need to address with greater determination the pressing needs of the judicial institutions.

### Efficiency

The unfilled open vacancies, the length of proceedings, the low clearance rate and the high number of unresolved cases continue to affect the efficiency of the judicial system.

The majority of courts in Albania function with reduced personnel, due to judicial vacancies, on average at less than half of their normal capacity. Progress was made in addressing judicial vacancies, through the appointment of 40 new magistrates who were sworn in office at the High Judicial Council in October 2023 and will immediately take up their duties at first instance courts throughout the country. Albania began to implement the judicial map, which aims to help optimise human and financial resources, increase specialisation, increase the courts' efficiency and mitigate the impact of the vetting process. The implementation of the judicial map should ensure the respect of the right to access to justice and of the applicable legal framework, in particular on transfers and promotions. A robust implementation plan for the judicial map is still missing and needs to be urgently put in place. Periodic assessments, effective communication and an adequate budget need to be ensured.

The average number of cases per judge remains high, which is of concern, especially at appeal level. Attempts to stabilise the backlog have not yet produced results. There has been a 31% increase in cases awaiting adjudication countrywide. The average length of a case at appeal level was 893 days in 2022. At the Tirana Appeal Court, the average length of a criminal case was 5 820 days.

The courts with the largest backlog are the High Court, the Appeal Court and the Administrative Court of Appeal. In 2022, the backlog in the Administrative Court of Appeal increased by 15%, with 21 166 cases pending, compared with 2021, although the clearance rate improved. The backlog in the appeal courts of general jurisdiction is 28 140 cases, i.e. up 24% from the previous reporting period. All the other efficiency indicators for cases at appeal level have worsened compared with the previous reporting period, which is a worrying trend. The High Court has the biggest backlog, of over 31 827 cases but has managed to reduce it by 12% compared with the previous year. The highest number of pending cases at the High

Court are civil cases, while of the number of new cases registered in the Court fell by 27% compared with last year.

The accumulated backlog has a significant impact on the clearance rate and capacity of judges to process cases in due time. The HJC and HPC should decide on an appropriate methodology and take the necessary steps to reduce the backlog at all levels and to ensure a reasonable time for the hearing, reasoning and publication of final court decisions. The absence of defence lawyers is the most frequent reason for the adjournment of hearings. Together with filling up of vacancies as well as other administrative and procedural matters, this issue should be addressed to improve judicial efficiency.

Further efforts are needed to improve the collection and reporting of judicial statistical data. It is urgent to set up a new integrated case management system through determined policy, planning and budgetary efforts, and ensure its interoperability across the entire justice system, in line with CEPEJ methodology. Progress was made with the establishment of the interoperability working group and the adoption of the interoperability framework setting the basis for the rollout of the system .

Alternative dispute resolution is not used, and the courts did not refer any cases in 2022. It is necessary to improve citizens' awareness of alternative dispute resolution, the services of the mediation chamber and the legal provisions on court referral to the mediation chamber needed as a matter of priority to reduce the case backlog and increase access to justice.

There are 18 cases pending before the Council of Europe Committee of Ministers for supervision of the execution of final judgments of the European Court of Human Rights.

### **Fight against corruption**

Albania has **some level of preparation** in the fight against corruption. Despite **some progress** and continued efforts in fighting corruption, including a number of high level convictions and financial investigations at high level, it remains an area of serious concern. Overall, corruption is prevalent in many areas of public and business life and measures to prevent it continue to have a limited impact, particularly in vulnerable sectors. The Specialised Structure for Anti-Corruption and Organised Crime (SPAK) conducted criminal proceedings and financial investigations in several high-level cases. Criminal convictions were pronounced by the SPAK Courts in high-profile cases, notably in case of a former Minister of Environment and of a member of Parliament as part of an investigation into the concession contracts on urban waste treatment (the incinerators' affair). Increasing the number of final convictions in high-level cases remains an important priority to further tackle the culture of impunity. The vetting of judges and prosecutors continues to bring results in the fight against corruption within the judiciary, however further efforts are needed to ensure due judicial follow-up in vetting cases where there are indications of criminal offences. The institutional capacity of the Anti-corruption Directorate-General in the Ministry of Justice needs to be further strengthened. The composition of the Ethics Commission needs to be revised, as the presence of a member of the government is ground for serious concern. The sectors that are most vulnerable to corruption require targeted risk assessments and dedicated actions. The 2022 recommendations were only partially implemented, thus they remain valid.

In the coming year, Albania should in particular:

- strengthen the investigation, prosecution, adjudication and final conviction of corruption cases, in particular at high level, and increase the seizure and confiscation or recovery of criminal assets resulting from corruption-related offences;
- further strengthen the capacity of the SPAK, to fully reflect its operational needs,

including by increasing human resources, providing specialised equipment and adopting a strategy that prioritises cases as a way to tackle the continuously increasing backlog of cases;

→ adopt a new anti-corruption strategy to effectively curb corruption, including dedicated action plans and indicators for the sectors most vulnerable to corruption, and address effectively the recommendations of the Council of Europe's Group of States against Corruption (GRECO).

### Track record

Efforts continued to extend the track record of **investigations, prosecutions and convictions** in the fight against corruption.

The specialised law enforcement bodies in charge of investigating, prosecuting and adjudicating complex corruption cases – the SPAK and the Anti-Corruption and Organised Crime Courts – remained operational during the reporting period.

However, greater political will and more structured and consistent efforts, including adequate resources, tools and skills, are still needed to systematically address cases of corruption.

In 2022, 186 people were convicted of public sector corruption and 7 of high-level corruption, while 298 new cases were sent to court for public sector and none for high-level corruption, 18 people were convicted of corruption in the judicial system.

The anti-corruption sector in the state police recorded a total of 1 193 criminal offences and investigated 1 537 suspects in 2022, up from 1 018 criminal offenses and 1 491 prosecuted offenders in 2021.

**Seizures of assets** from corruption-related crimes totalled EUR 38 million in value in 2022, compared with EUR 21 million in 2021. The reported value of confiscations remain much lower and needs to significantly increase.

On **high-profile cases**, criminal convictions were pronounced by the SPAK Courts, notably the conviction of a former Minister of Environment to 10 years in prison and of a Member of Parliament to four years in prison as part of an investigation into the concession contracts on urban waste treatment (the incinerators' affair), reduced to 6.8 and 2.8 years respectively due to shortened trial. A former deputy prime minister was indicted by SPAK for criminal offences, including passive corruption, as part of the investigations on the 'incinerators' case. A former deputy minister of health was arrested in connection to a procurement case. Investigations launched previously on high level officials have continued.

In 2022, the **administrative investigations** conducted by the Anti-corruption Directorate-General led to 20 criminal reports (compared with 12 in 2021), and 43 administrative reports comprising 259 disciplinary measures. A systematic preventive policy should be adopted by the relevant agencies based on the analysis of the record of disciplinary measures and other wrongdoings.

The vetting of members of the judiciary continued to have a positive impact on the fight against corruption. During the reporting period, 12 cases were referred to the prosecution services when the vetting process had been terminated due to resignation, increasing the number of referred cases to 34, which represents about 10% of the total number of resignations and dismissals. Additional efforts are needed to systematically initiate criminal procedures against judges and prosecutors suspected of criminal conduct during vetting by prosecution services, in particular in cases of dismissal.



On **asset declarations by high-level state officials**, in 2022 the High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIDAACI) applied 128 administrative measures, such as fines. It referred 37 cases to law enforcement agencies for further investigation (compared with 15 cases in 2021 and 72 in 2020). The electronic system for the declaration of assets and private interests continued to operate.

In 2022, HIDAACI reviewed 13 **whistleblowing** cases and two requests for protection against retaliation. Additional campaigns are needed to increase citizens' engagement in the fight against corruption.

As regards internal control mechanisms, the state Supreme Audit Institution (SAI) reported estimated direct economic damages to public finances in 2022 of almost EUR 14 million, roughly half on revenue and half on expenditure. The SAI also estimated the negative effect due to irregularities at around EUR 825 million which includes economic, efficiency and effectiveness losses. In 2022, the institution referred four cases involving 16 persons for prosecution, including a former Minister for Health and a former director of the Port Authority in Durres. Two of these cases, and 12 of the persons, were related to abuse of duty in cadastre agencies of Vlore and Sarande. (*see also Chapter 32 – Financial Control*).

On **access to information**, the Commissioner for the Right of Information and Protection of Personal Data approved the new models of the transparency programme and the register of requests and responses and has monitored all central and dependent public authorities, as well as all local self-government units. The electronic register of requests and responses was installed in another 100 public authorities, bringing the total number to 195. A total of 331 public authorities have published the transparency programme on their official websites.

Anti-corruption measures continue to have a limited impact in particularly vulnerable areas. Corruption remains prevalent in the health and property sectors and within the police. Targeted action is urgently needed. Internal checks and inspection mechanisms in the public administration remain weak and ineffective.

### Institutional framework

#### *Prevention of corruption*

The **Anti-Corruption Directorate-General** in the Ministry of Justice is the main body responsible for systematically preventing corruption and raising awareness. It also conducts administrative investigations in institutions. It cooperates with a **network of anti-corruption coordinators** posted to 44 state institutions. The independence, capacities and public visibility of the directorate-general and the network, as well as alignment of its investigative functions with EU practices should be further increased, and their efficiency assessed against public perception and bribery indexes.

The central ministries, all agencies of the Ministry of Justice, and 22 additional municipalities adopted integrity risk assessment and **integrity plans**. Their effective implementation is yet to be ensured.

Within the overall anti-corruption framework, the role of the state Supreme Audit Institution is to provide recommendations to the government to address systematic weaknesses. The e-procurement, e-appeals and e-complaints systems helped to increased transparency in public procurement.

In 2022, the powers of the Agency for Dialogue and Co-governance were extended to include following up citizens' complaints of corruption, including inspections at the relevant authorities. The Agency should further improve its efficiency, in coordination with the Anti-

Corruption Directorate-General and the network of coordinators.

The High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIIDACI) has become a well-established institution. It introduced the online system for assets, while providing training, assigning contact points and establishing cooperation with banks, cadastre and other institutions. Close to 100% of around 4 000 persons concerned entered their declarations in the online system. However, the module for publication of assets was put on hold until it fulfils cyber security requirements. Relevant institutions should cooperate closely to ensure a proper verification of the data declared. Measures continue to have a limited impact, notably in the most affected areas such as infrastructure, property rights, customs, tax, education, health, public procurement and government contracts. These areas require targeted risk assessments, dedicated actions and effective implementation of the measures.

Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle (*see also Chapter 5 – Public Procurement*).

#### *Law enforcement*

The specialised bodies in charge of investigating, prosecuting and adjudicating complex corruption cases – the Anti-Corruption and Organised Crime Courts and the SPAK, comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI) – remained fully operational during the reporting period.

#### Legal framework

Albania is party to all international **anti-corruption conventions**, including the United Nations Convention against Corruption.

In March 2023, **GRECO** concluded that Albania implemented or dealt satisfactorily with only 5 of the 24 recommendations made in the report of the 2020 evaluation round concerning integrity of central government and law enforcement (Fifth Round evaluation), while 13 were partly implemented and 6 were not implemented. More efforts are needed to make improvements in the following areas: (i) the adoption of robust integrity plans in all ministries; (ii) the consistency of the legal and institutional framework on the fight against corruption and the integrity of public officials; (iii) effective implementation of the Ministerial Code of Ethics; (iv) independence of the Ethics Commission; and (v) integrity measures for the members of the Council of Ministers and political advisors. Improvements are also needed in the framework and conduct of public consultations, the monitoring and transparency of contacts with lobbyists and other third parties, and in post-employment restrictions to avoid conflict of interests. There is also a need to strengthen the legal guarantees on the financing of political parties and electoral campaigns.

On the OSCE/ODIHR 2021 recommendations on the investigation and prosecution of cases of vote-buying, by 12 May 2023, 13 election-related reports had been received by SPAK, and 6 pre-trial criminal investigations had been initiated, including on vote-buying. As electoral campaigns are increasingly moving online, special attention should be paid to online and third-party campaigning.

Albania's legislation is partially in line with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

#### Strategic framework

The implementation of the inter-sectoral strategy against corruption is overall on track, although important weaknesses remain. A new strategy for 2023-2030 is in preparation, in



which more attention should be paid to the sectors most vulnerable to corruption which require targeted risk assessments and dedicated actions, sound monitoring mechanisms and sufficient budget for implementation. The new strategy should also aim to encourage ownership and strengthen institutional capacities. The strategy aims to include monitoring indicators. Overall, the impact of corruption prevention structures in the public sector remains limited. Some progress was made in awareness-raising and efforts in this area need to be sustained.

### **Fundamental rights**

Albania's legal framework sets out an overall good basis for the protection of fundamental rights. However, overall efforts at implementation of the legal and policy frameworks need to intensify. In particular, implementing legislation still needs to be adopted. On personal data protection, Albania should take urgent measures to prevent the recurrence of massive breaches of personal data and improve their handling. Progress was made on the use of alternatives to detention and, in particular, the probation service. The application of gender-responsive budgeting continued to improve. Since January 2022, the Albanian government has implemented a range of measures aimed at supporting families, women and girls, and vulnerable groups, as a response to the global crisis caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine. Economic assistance to victims of domestic violence has been increased significantly. The implementation of the law on gender equality and of the national strategy for gender continued and needs to be further intensified. There was some progress on the rights of persons with disabilities, as concerns biopsychosocial assessment. The process of first registration of properties and other transitional processes need to advance in full transparency, including by tackling corruption. The registration and digitisation of cadastral data continued, but at a slow pace. Progress was made with the adoption of implementing legislation for the Law on the cadastre and the Law on the finalisation of transitional ownership processes, however the overall implementation and results need to be significantly advanced. The remaining implementing legislation related to the 2017 framework Law on the protection of persons belonging to national minorities is still to be adopted. On the protection of personal data, Albania needs to put in place strong legal and institutional safeguards to prevent further massive breaches of privacy by private companies and the public administration and adopt the necessary legislation to align with the EU *acquis* on personal data. Since the 2022 recommendations were only partially implemented, in the coming year Albania should, in particular:

- adopt the pending implementing legislation on the rights of persons belonging to minorities pertaining to self-identification and the use of minority languages, and increase the capacities of the state Committee on National Minorities;
- safeguard the right to property, notably by making decisive progress on first registration and compensation, improving the transparency of the state cadastre and the quality of the property register, and ensuring that the right to a fair trial and the right to effective remedy are respected in cases of expropriation and removal of properties;
- improve data protection, in particular by adopting the revised Law on personal data protection in full alignment with the EU *acquis*, by strengthening the independence and capacity of the Information and Data Protection Commissioner, and by awareness raising measures.

Overall, Albania continues to be party to most international **human rights instruments**. Albania has not signed the Optional Protocol to the Convention on the Rights of Persons with Disabilities and the Optional Protocol to the International Convention on Economic, Social

and Cultural Rights. For Albania to fully benefit from its observer status in the European Union Agency for Fundamental Rights (FRA), it needs to develop a comprehensive monitoring and data collection system to assess the level of implementation of human rights legislation, policies and strategies.

Albania continues to ensure good cooperation with the **European Court of Human Rights (ECtHR)**. In June 2023, 389 cases were pending against Albania before the ECHR. The ECHR delivered judgments on ten applications and found breaches of the European Convention on Human Rights in nine out of ten cases (against three in 2022), relating mainly to the right to respect for private and family life, the right to a fair trial, and the right to liberty and security. In the reporting period, there were 101 new applications allocated to a decision body. Currently, there are seven cases under enhanced supervision by the Committee of Ministers.

On the **promotion and enforcement of human rights**, the Ombudsperson (People's Advocate) continued to exercise their mandate satisfactorily. Despite a 10% increase in the institution's budget from 2021 to 2022, the human and administrative capacities of the institution still need to be further strengthened. Of the 249 recommendations issued in 2022, only 17% have been fully implemented and 36% partially implemented, while 41% remain unimplemented, rejected, or without response. It is necessary to significantly improve the implementation of the Ombudsperson's recommendations to ensure the effective enforcement of human rights. Parliament's election of a new Ombudsperson, following the end of the five-year term of the incumbent Ombudsperson in June 2022, is significantly delayed. The incumbent remains in an acting capacity until the new Ombudsperson is elected. Blockages and delays in the parliamentary appointment procedure need to be urgently addressed to ensure that appointment procedures fully guarantee the legitimacy of the institution. The Ombudsperson should complete and publish their annual report before presenting it to Parliament and end the practice of presenting the annual report to Parliament before it is published.

The Commissioner for Protection from Discrimination (CPD) continued to carry out their mandate with 73 recommendations issued in 2022, up from 49 in 2021. Only 23.2% of the overall number of recommendations were fully implemented, while 53.5% of recommendations concerned cases subject to court proceedings. Legislative changes are necessary to empower the Commissioner to issue executive orders instead of recommendations. In 2022, 297 cases were handled by the CPD (213 new complains from 2022 and 84 carried over from 2021) of which 143 were in the field of employment, 140 in the field of goods and services and 14 in the field of education.

On the **right to life**, limited progress was made in investigating cases and strengthening the institutional and legislative framework on persons missing since the communist era. Sufficient resources should be allocated to improve capacities to make identifications and to formalise the arrangements for institutional coordination in the area. A single comprehensive and publicly accessible database of missing persons should be created. Continued political will is important to increase the number of cases solved and to raise public awareness of this issue.

On the **prevention of torture and ill-treatment**, the medical and custodial staff in prison hospitals are generally satisfactory. However, poor material conditions still prevail, as well as structural deficiencies, including the lack of communal spaces for group activities and of outdoor yards. A memorandum of understanding with a joint action plan was signed by the Minister for Justice and the Minister for Health and Social Protection to implement the 2021 recommendations of the European Committee for the Prevention of Torture and Inhuman or

Degrading Treatment or Punishment and the judgments of the ECHR on forensic psychiatric patients and prisoners with a mental disorder. Patients with medical conditions from the Kruje and Zaharia detention facilities were transferred to the Lezha prison. The renovation of the Lezha prison continued, however, it is still over-populated and conditions in its forensic psychiatric facility need to be brought up to a satisfactory standard. Efforts are also needed to increase the number of staff and improve their working conditions and skills. No systemic ill-treatment in prisons or by the police has been reported, but the People's Advocate underlines the need to improve the minimum standards for sanitary conditions in prisons and police premises.

The National Preventive Mechanism (NPM) carried out 73 periodic inspections in 2022, which were followed by 90 recommendations (in response to inspections and individual complains). The NPM handled 45 cases (31 complaints and 14 own-initiative cases), of which 25 complaints were related to prisons and treatment of prisoners and were 6 against the state police for alleged use of violence and unfair association. The NPM's 90 recommendations were accompanied by 779 sub-recommendations, of which only 41% have been implemented, 9% partially implemented, 45% not implemented and 5% are still without a response.

The **prison system** and detention centres remain a serious issue of concern. Long-standing issues include political influence, corruption and poor management, as well as a shortage of staff, poor infrastructure, and a lack of healthcare and security. The lack of inspections and employment and reintegration programmes for prisoners are other issues of concern. Continued efforts are needed to increase the number of prison staff, including medical and specialist personnel, and to improve their skills and working conditions.

Across the country, the number of inmates is now below the capacity of the prison system, with 89% of the capacity used. However, 13% (3 out of 22) of the prisons are overcrowded.

The Director-General for Prisons has initiated a review of prison security and the rehabilitation of prisoners in Peqin, Fier and Ali Demi prisons. Special attention should be paid to de-radicalisation in prison and after release. The closure of prisons that do not meet the necessary standards has been announced in the framework of the territorial reform of prisons (the 2023-2028 master plan of the Directorate-General of Prisons), and is expected in the next 2 years.

According to the Directorate-General of Prisons, the electronic entry and exit management system in prisons and detention institutions is ready to be put in operation. It aims to increase security, improve controls and data storage, make the facilities easier to manage. Between January 2022 and February 2023 a total of 2 009 staff were trained on human rights, including on the European Prison Rules.

In 2022, 6 688 people were placed in alternatives to custody by a court decision, which is down 1% from 2021, but an 18% increase compared with 2020. The probation service remains fully operational across the entire country and provides alternatives to imprisonment, including for juvenile offenders. However, the use of electronic monitoring is still suspended (since 2017) because of an unsettled legal dispute.

Legislation on the **protection of personal data** needs to be urgently aligned with the EU General Data Protection Regulation (GDPR) and the EU law enforcement Directive. Public consultations on the draft legislation took place in the summer of 2022. The law needs to ensure the independence of the Office of the Information and Data Protection Commissioner (IDP) and empower it to adopt binding decisions. Moreover, to ensure effective alignment with the EU *acquis* on data protection, the capacities of the IDP will need to be strengthened.

In 2022, the IDP handled 370 complaints and carried out 48 administrative inspections, issuing 48 recommendations and 63 administrative sanctions. In response to massive personal data leaks in 2021, the IDP Commissioner issued a decision in November 2022 that imposed fines on the Directorate-General for Taxes and Directorate-General for Road Transport Services for their respective liability for the breaches. One cross-cutting finding of the IDP from its administrative inspections has been the lack of awareness about data protection in the public administration. Concerns about the handling of personal data by private companies and the public administration continued in 2022. Overall, robust legal and institutional safeguards are needed to prevent breaches of personal data, increase public awareness of the relevant risks and increase the public institutions' awareness of their obligations set out in the law.

Overall, **freedom of thought, conscience and religion** was generally upheld. The state continued to provide the same level of financial support to religious communities. In May 2023, the state allocated approximately EUR 1.05 million to the Catholic, Sunni Muslim, Orthodox, and Bektashi communities for the administrative functioning of the communities and religious education, a similar amount as the previous year. The dependence of some religious groups on financial support from third parties creates vulnerabilities. The restitution of properties belonging to religious groups that were expropriated during the communist era remains an unresolved issue.

The Commissioner for Protection from Discrimination reported three cases of complaints of discrimination based on religious grounds, but ruled that there was no discrimination in any of the cases.

Regarding the fight against antisemitism, Albania is an observer member to the International Holocaust Remembrance Alliance (IHRA) and has adopted the IHRA definition of antisemitism. Concrete efforts have been made regarding Holocaust education.

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## Freedom of expression

The country is **in between some and moderate level of preparation** in the area of freedom of expression. **Limited progress** was made, in particular through the amendment of the Law on audiovisual media, to align with the 2018 EU Directive on audiovisual media services, with a view to participation in the Creative Europe Programme. However, the intersection of business and political interests, lack of transparency of financing sources, concentration of media ownership, intimidation and precarious working conditions continued to hamper media independence, pluralism and the quality of journalism. The atmosphere of verbal and physical attacks, smear campaigns and intimidation lawsuits against journalists has not improved.

Last year's recommendations remain valid. In the coming year, Albania should in particular:

- ensure zero tolerance for intimidation and effective judicial follow up in cases of attacks against journalists, including through full decriminalisation of defamation;
- address the high concentration in media ownership and significantly increase the transparency of media financing, including by revising legal requirements for public advertising, in line with European standards;
- improve the working conditions for journalists, in particular by strengthening the protection of Albanian journalists' employment and social rights and ensuring a consistent application of the labour code.

## Intimidation of journalists

High-level officials and political actors continued to voice anti-media sentiments and use denigrating language against journalists on several occasions. In July 2022, a second journalist was banned for three months from government press conferences for alleged ethical violations.

In November 2022, an investigative journalist was physically attacked in Tirana by unidentified persons. The journalist claimed that the attack was directly related to his reporting on allegations of former public officials' connections to corruption cases. In January 2023, a local journalist and his wife were physically attacked, while the journalist was on duty covering a court case. In March 2023, the building of a private national broadcaster was attacked by heavily armed individuals and, as a result, a security guard lost his life. All high-level state authorities and politicians across the political parties condemned the event; effective judicial follow-up should be ensured. In July 2023, international media watchdog organisations called on a high-level local official to refrain from threatening and harassing a journalist following her reports on a corruption case. A solid track record of prosecution and judicial follow-up has yet to be established to safeguard the safety of journalists.

There was a slight increase in the number of strategic lawsuits against public participation (SLAPPs). Media organisations reported that 19 new criminal court cases were filed against journalists or media workers in 2022, while 11 cases remain unresolved and have been carried over from previous years. Furthermore, 12 civil cases were filed, of which 11 are for allegedly publishing fraudulent or inaccurate information. No custodial penalties have been imposed on journalists during the reporting period. Data is not available on any financial penalties imposed. The systematic monitoring and transparent reporting of the judicial cases involving journalists and media professionals needs to be strengthened. The use of force by law enforcement authorities, in particular on the margins of demonstrations, continues to be a source of concern.

### Legislative environment

The constitutional right to freedom of expression continued to be generally upheld. However, defamation remains a crime punishable by particularly high criminal fines. The provisions of the Criminal Code on insult and defamation need to be repealed or fully aligned with European standards. The civil law provisions on publishing fraudulent or inaccurate information need to be aligned with European standards on freedom of expression and media freedom.

During the reporting period, the Audiovisual Media Authority adopted a revised Audiovisual Broadcasting Code, which defines the principles, rules, requirements and practices of audio and audiovisual broadcasting, following consultation with civil society and media organisations. The Code aims to improve the application of the right to gender equality, to tackle hate speech, and to address disinformation.

In April 2023, following a public consultation with media actors, Parliament adopted limited amendments to the 2013 Audiovisual Media Law intended to transpose key aspects of the 2018 Audiovisual Media Services Directive (*see also Chapter 10 – Digital transformation and media*).

The anti-defamation legal package was removed from Parliament's agenda in November 2022.

There is a need for a comprehensive assessment of the legal and regulatory framework to address major challenges hampering media independence, in particular concentration of



media ownership and transparency of financing sources and economic interests, including public funding. It is essential that any change to the legal framework be in line with European standards, including the Venice Commission opinions, and is subject to extensive consultations with media organisations and civil society.

#### Implementation of legislation/institutions

It remains important to ensure direct and transparent media access to government institutions and their activities and to factual non-partisan public information. The practice of institutions, public officials and political parties of distributing pre-packaged audio, video and text materials to the media, especially in the context of elections, remains an area of concern that needs to be addressed.

International media freedom organisations condemned the decision by a prosecution office to impose blanket bans on information in the media about cyberattacks on Albania's e-governance system, denouncing a potential violation of the media's liberty to publish public interest materials. Albania adopted changes to the law on the right to information, including stronger accountability for breaches of the law. Implementation of the right of access to public information needs to be further strengthened.

In December 2022, the demolition by a government agency of a hotel belonging to a businessman and prominent media owner, claiming violations of construction laws, and without waiting for the outcome of a legal review, caused controversy.

#### Public service broadcaster

In March 2022, Parliament formally launched the process to fill two vacancies on the steering board of the public broadcaster, which is composed of 11 members. One vacancy still has to be filled. Parliament needs to avoid blockages and delays in the procedure to appoint members of the board of the public broadcaster. Appointments need to be carried out in line with procedures that ensure the greatest level of independence, impartiality and legitimacy of the institution.

In June, the Steering Council of the public broadcaster elected by unanimity a new Director-General. The fact that the appointee held the position of Secretary for relations with media and civil society of the ruling Socialist Party until September 2021 has raised some concerns about the future independence of the public broadcaster. By July 2023, tens of media workers had been dismissed by the newly appointed management.

#### Economic factors

High-profile business groups further increased their economic penetration in the media market during the reporting period. Media organisations and activists have continued to raise concerns about the use of media channels to promote owners' economic interests and political agendas and to provide coverage favourable to their political and business sponsors. Concerns have been raised that individuals accused of corruption and money laundering are financing the media as part of their strategies to escape justice. Market and audience concentration and lack of transparency of media funding continue to remain issues of concern as regards media freedom in the country. Media owners' practices to evade taxes have been denounced by media freedom organisations.

In the context of intertwined economic and media interests, there are also reports of media outlets exerting pressure in exchange for positive coverage.

#### Internet

It is estimated that there are around 800 online media outlets operating across Albania, most

of them registered outside the country and a more limited number registered with the Electronic and Postal Communications Authority under the domain .al.

The state generally refrains from filtering and blocking online content. However, media freedom organisations claim that there are no specific legal provisions to enforce and protect net neutrality. Albania is a signatory to the Declaration for the Future of the Internet of April 2022.

Digital media continue to be strongly influenced by political actors, businesses and by third parties in terms of funding and content.

Large information technology platforms remain unregulated and unregistered in Albania, although they account for a big proportion of the online advertising market and are the main distribution platforms for news and video content. Advertising in online and social media during elections is still unregulated. Media freedom organisations have highlighted the lack of regulation to ensure transparency in online advertising during electoral campaigns.

The national strategy for cybersecurity and its 2020-2025 action plan have been adopted. The strategy includes a chapter on the protection of children online as a priority for the country. Five key pillars in this chapter look at tackling specific areas of their protection online, including capacities for the investigation and prosecution of crimes against children committed over the internet, which remain a major problem.

#### Freedom of artistic expression

Freedom of artistic expression is broadly guaranteed.

#### Professional organisations and working conditions

Professional associations of journalists face serious hardships in terms of limited financial and human resources, and of the limited possibility to set up an effective cooperation with the government to promote the interests of independent media.

Limited job security and poor working conditions pose serious risks of self-censorship and a reduced resistance to disinformation.

The limited enjoyment of employment rights remains an issue of concern, especially in local and online media. Many media employees do not have employment contracts, while many journalists do not receive their salaries on time or are dismissed in breach of the provisions of the Labour Code. Some media outlets that have been fined by the tax authorities for underreporting the employees' wages have claimed to be targets of political intimidation. It is important that labour, tax and other legal obligations are respected systematically and without discrimination.

Self-regulation needs to be further strengthened and supported. The Alliance for Ethical Journalism, a group that brings together stakeholders (including online ones) who pledge to comply with the Code of Ethics, has started to develop some activities in this area.

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**Freedom of assembly and association** is guaranteed by the constitution and continued to be generally respected.

**Labour and trade union rights** are covered in *Chapter 19 – Social policy and employment*.

On **property rights**, progress was made with the adoption of implementing legislation on the Law on cadastre and the Law on the finalisation of transitional ownership processes, but significant challenges remain. The state cadastre needs to put effective measures in place to



prevent corruption and, accordingly, to establish high standards of transparency and efficiency in the procedures, develop an efficient integrated land management system and proceed vigorously with the systematic digitalisation and diligent reconciliation of legal titles and cadastral maps. Albania has endorsed the Terezin Declaration in 2009 but does not have any restitution or compensation laws relating specifically to Holocaust era confiscations of private property. More efforts are needed to finalise the transitional ownership processes, the first registrations of properties and rightful compensation for properties illegally expropriated during the communist era. The legalisation, expropriation and demolition of constructions must strictly adhere to the legal framework in place, including the principle of transparency and due judicial process.

In 270 cadastral zones, first registrations were not yet completed and progress was slow, with only 20 zones registered in 2022-2023. Meanwhile, in the registered cadastral zones, 80% of data is believed to be inaccurate. Ownerships are unclear and property boundaries overlap due to repeated and inconsistent interventions and faulty measurements over recent decades.

Many title deeds and cadastral maps are still in paper format and many property transactions continue to be processed based on deeds and maps on worn-out paper with unclear data. In 2022, the state cadastre began to systematically digitise title deeds and has digitised approximately 40% of them by April 2023. The systematic digitisation of maps is set to follow in 2023. However, systematic correction of data and measurements might only start in 2024 or later, a process that will require significant investment and several years to be completed.

Internal procedures for property registrations and transactions continued to fall short of the standards set by clarity and anti-bribery measures. In the work of the Anti-corruption Directorate-General, 85% of all public allegations of corruption received, 60% (160) of all administrative measures and 70% (50) of all employees who were the subject of criminal reports, were related to the state cadastre agency. In this respect, the state cadastre needs to urgently adopt a sound integrity plan and an institutional development strategy, and effectively integrate high standards of transparency and accountability in its internal procedures and IT systems.

Compensation for properties confiscated by the communist regime continued to stall during 2022. So far, only around 800 requests have been satisfied, while the agency for the treatment of properties (ATP) still has to process around 26 000 requests for compensation. In 2023, the government adopted decrees to extend the mandate of the ATP and clarify the calculation of compensation for properties whose type of use had changed, in particular those that changed from agricultural to construction land. The ATP should process all remaining requests without further delay.

Numerous complaints continued to be raised about the actions of the government agencies responsible for expropriating properties in the public interest and demolishing illegal constructions, which is a cause for concern. Civil society organisations and other stakeholders highlighted that the government is applying the law selectively. The authorities should ensure that the principles of legality and transparency, the prohibition of the arbitrary use of executive power, and the right to a fair trial and the right to an effective remedy are duly respected in cases of the expropriation and removal of properties.

Legislative amendments from 2018 established the joint registration of marital property. However, men still formally own most of the private land in the country. To strengthen women's legal rights and interests, the legal notion of 'agricultural family' may need to be reviewed.

On **non-discrimination**, the implementation of the legal and policy framework needs to be further strengthened, including by providing specialised training to judges and prosecutors. In 2022, the Commissioner for Protection from Discrimination (CPD) continued to handle a stable number of cases, mostly in the areas of employment and services. Laws on hate speech are in line with international standards. National policies are needed to guide the fight against the different forms of hatred and discrimination. Better enforcement and greater awareness-raising are needed to eliminate hate speech, particularly in rural and remote areas. In 2022, the CPD handled six cases of hate speech, including on the grounds of race, gender or sexual orientation, and found that hate speech had been used in two cases. In 2023, the CPD handled 3 new cases, of which two are under review. On hate crime, some progress was made in increasing the capacities of law enforcement agencies to respond to this phenomenon. However, further awareness-raising and capacity-building among criminal justice officials about hate crimes is still needed. Moreover, the ODIHR's recommendations on the collection of data and statistics on hate crimes have yet to be fully implemented. Six cases of hate crime were reported to the police.

The 2021-2030 national strategy on **gender equality** and its action plan are more affirmative in addressing the rights of all women and men. It focuses on people who face intersecting forms of discrimination and vulnerability, young people and social reforms, and includes a section on humanitarian emergencies. However, implementation needs to be stepped up. The Gender Equality Mechanism lacks adequate financial and human resources, thereby hampering the implementation of the strategy. Further effort is needed to complete the collection of data envisaged by the strategy to allow adequate monitoring.

The application of gender-responsive budgeting has continued to improve. In 2022, all standard budget instructions contained gender-responsive budgeting as part of the criteria for expenditure and for the first time a gender budget statement was officially attached to the draft budget. Overall, 9% of the 2023-2025 medium-term budget programme specifically supports gender equality outcomes. A total of 47 budget programmes of 11 ministries and two state institutions were gender-responsive. At local level, 12% of public finances are gender-responsive. Parliament has increased its engagement in promoting gender-responsive budgeting and in promoting gender equality more broadly. However, it does not have a functioning sub-committee on gender equality, and the regulatory impact assessment is not carried out regularly, nor does it have a specific provision on gender equality. The standard EU *ex ante* gender impact assessment tool has been adapted to the Albanian context, with a specific focus on mainstreaming gender equality goals into policies related to the EU internal market.

Eighteen municipalities signed the European charter for equality of women and men in local life, and five municipalities (Elbasan, Tirana, Durres, Gjirokastra and Gramsh) have developed and approved local gender action plans. The plans are instrumental for the implementation of the European charter, as well as the national strategy for gender equality.

Since January 2022, the Albanian government has implemented a range of measures aimed at supporting families, women and girls, and vulnerable groups, as a response to the global crisis caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine.

In January-June 2022, 916 victims of domestic violence provided with a protection order have benefited from economic assistance, which has tripled from ALL 3 000 to ALL 9 000.

Provisions on referral mechanisms between different levels of care, training for healthcare providers, youth friendly services, and outreach to vulnerable groups have not been addressed in the Law on reproductive health. The Ministry of Health and Social Protection has made

efforts to monitor and provide training to health personnel on identifying and addressing the issue of gender-biased sex-selective abortion, but efforts should continue to ensure monitoring of the practice. Women living in rural and remote areas, Roma and Egyptian women and LGBTIQ individuals face limited access to primary health care, and to sexual and reproductive healthcare services.

On gender-based violence, the national legal framework needs to be further harmonised with the provisions of the International Labour Organization Convention on Violence and Harassment in the World of Work (Convention No. 190), ratified in February 2022. The current legal framework is not fully aligned with international standards, including the Istanbul Convention, and lacks focus on the reintegration of, and access to services for, victims and survivors of violence.

In 2022, the police identified and treated 5 210 cases of violence and other crimes committed within domestic relationships, a 1.9% decrease from 2021. In total, 72% (3 767) of all victims were women and girls. 2 940 cases of domestic violence were handled with a request for a protection order. According to Article 130/a *Domestic violence*, criminal proceedings were initiated for 1 887 cases and 682 perpetrators were arrested. In 2022, 36 cases of women victims of sexual violence were treated in the Lilium centre, which is fully funded from the state budget. Currently, there are local referral mechanisms for reporting gender-based violence in all 61 municipalities of the country. However, these mechanisms and the rehabilitation and reintegration programmes for vulnerable women need to be reinforced. Social services continue to be donor-driven and often delivered by civil society organisations active in the field. A dedicated state budget and other resources are still needed.

The legal and policy framework on **the rights of the child** increasingly reflects international standards and EU requirements. Coordination mechanisms need to be significantly improved to ensure full implementation of the legal framework in the areas of child trafficking, cybercrime, child marriage, child sexual abuse and the right to healthcare and education. The ratification of the Optional Protocol to the Convention on the Rights of Persons with Disabilities should be beneficial to this end. The 2021-2026 national agenda on the rights of the child (NARC) set out the strategic framework, in line with the national and international commitments in this area. Elimination of all forms of violence and child protection, including online is one of the four strategic goals of the national agenda. The systematic collection of reliable and comparable data disaggregated by age and sex is essential for evidence-based policy-making and for effective protection of children.

The persistence of child marriage, driven by gender inequality, poverty and social exclusion, remains a matter of concern. The lack of official data means it is not possible to provide an accurate picture of the phenomenon, while the laws to protect minors from child marriage are generally ineffective or applied inconsistently. However, since 2021 the government has prioritised addressing child marriage in its budgeted national policy framework, and the 2021-2026 national agenda on the rights of the child contains objectives and measures to combat this practice.

The 2021-2023 national de-institutionalisation plan included an economic reform programme with a financial package to develop alternative childcare services and to close social care institutions. However, family and alternative care laws are often inadequately implemented and are not fully enforced. Additional efforts are needed to further implement and tackle all violations of children's rights.

Violence and sexual violence, including online, remains an area of concern. In 2022, Child Protection Units managed 2 496 cases of children in need of protection (mainly cases of

children at risk or victims of violence, abuse, neglect or exploitation). The number of child protection workers (241 in all 61 municipalities) remains far below the total number needed. Two centres with emergency services for child victims of sexual abuse and other forms of violence have been set up and are operational in Fier and Shkodra. A comprehensive legal framework on the status and responsibilities of social workers needs to be adopted. Further efforts are needed to ensure an adequate and systematic response to all types of violence against children. Albania lacks legislation criminalising travel companies that facilitate opportunities to engage in the sexual exploitation of children. As a member of the Lanzarote Committee, Albania needs to provide cross sector training to professionals for the provision of integrated services for children victims of sexual abuse and other serious forms of violence. The full inclusion of unaccompanied or separated foreign minors in the national child protection system is needed. Child labour prohibition needs to be effectively implementing, and working conditions of young people need continuous monitoring.

Since December 2022, a new support programme is being implemented for unemployed women with three or more children. Through this programme, the state budget covers social and health insurance payments based on the minimum wage. Around 7 500 women benefit from this programme.

The 2022-2026 justice for children strategy enlarges the from criminal justice to equitable access to justice for all children and in all areas of law, seeking to consolidate child-friendly justice. Its full implementation would require more resources, investment, coordination and accountability. The coordination and implementation of the strategy requires a dedicated service within the Ministry of Justice.

For children in conflict with the law, pre-trial detention remains the main reason for deprivation of liberty (74% of cases). With the reduced number of magistrates, pre-trial detention is unduly prolonged, negatively impacting the detained children and their prospects for rehabilitation and reintegration into the community. Albania should consider developing community-based programmes for children in conflict with the law instead of the planned large facility.

The Albanian state police has created units in 16 police departments or stations where trained police personnel conduct child-friendly interviews. The proper maintenance and uninterrupted functioning of these facilities require an adequate budget from the state police.

Some progress was made on the **rights of persons with disabilities**. The reform of the biopsychosocial assessment is now implemented country-wide, with respective referral mechanisms yet to be put in place. Albania's framework legislation on the rights of persons with disabilities remains only partially in compliance with the UN Convention on the Rights of Persons with Disabilities and gaps must be addressed. Albania needs to ratify the Optional Protocol to the Convention. More robust efforts are needed to address discrimination against persons with disabilities, to improve overall accessibility, promote employment and collect statistical data. De-institutionalisation actions are taking place, but need to be further taken forward at a sufficient pace. The quality of education for children with disabilities, especially children with a hearing impairment, continued to cause concern. Numbers of assistant teachers in the pre-university education system continued to increase in 2022. However there is need to be further increased to ensure sufficient support in all schools, especially in rural and remote areas. Additional efforts are needed to provide training on inclusive education approaches for all teachers and on the early detection of disability.

Discrimination against **lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons** is still very prevalent in Albanian society, especially as regards access to healthcare,



education, justice, employment and housing. Members of the LGBTIQ community continue to experience physical aggression and hate speech, particularly on social media. Albania does not have legislation recognising civil cohabitation or same-sex marriage. In 2022, police officers received training on investigating hate crimes against LGBTIQ persons. The shelter for homeless LGBTIQ persons continued to provide care, support and advocacy, but state funding remains insufficient, which creates uncertainty for the continued provision of services. The 12<sup>th</sup> Tirana Pride took place peacefully on 20 May 2023. However, public awareness and acceptance of LGBTIQ persons remain low, particularly in rural areas. Hate speech and discriminatory language in the media, especially online, criminal offences and discrimination against members of the trans community persist and need to be addressed. In 2022, the CPD handled one case of hate speech against the LGBTIQ community. In 2023, two new cases of hate speech were registered and are being processed. According to civil society organisations' data based on a survey, around 40% of people in the LGBTIQ community reported incidents of discrimination, of which only 20% were reported to the police. Of the total number of referred cases, only 15% were resolved.

On **procedural rights**, the legal framework for free legal aid is complete and primary and secondary legal aid are delivered at central and local level. The number of people that have benefited from free legal aid has increased considerably since the approval of the 2017 law. Despite the legal framework on free legal aid and institutional set up, few children benefit from legal aid compared with the number of children involved in criminal law, family and civil law and administrative law cases. The budget allocated for legal aid in 2022 amounted to around EUR 800 000, markedly higher than in 2021. The budget spent in 2022 is estimated at EUR 400 000 (up from EUR 245 739 in 2021). However, the dedicated state budget should be further increased to make the legal clinics fully operational. The staffing of the free legal aid directorate is complete, and ten centres are in operation across the country. It remains important to improve the collection, analysis and reporting of statistical data on free legal aid. Limited progress was made on other procedural rights. There was no progress on addressing remaining issues concerning the procedural rights of suspects and accused persons. On the right to information in criminal proceedings, the refusal or failure to grant access to a case file should be subject to judicial review, with effective remedies. On access to a lawyer, adequate facilities for confidential client-lawyer consultations need to be provided by courts, prosecutors' offices and the police. On the presumption of innocence, there should be a clear legal prohibition and available redress, against public authorities making public references to guilt in public statements and in judicial decisions, other than those on guilt. Moreover, redress should be ensured in the event of a breach of such prohibition.

No progress was made during the reporting period on the adoption of the three remaining pieces of implementing legislation related to the 2017 framework Law on the protection of national **minorities**. The implementing legislation on the crucial issues of free self-identification of national minorities and the use of languages has yet to be adopted in line with European standards and should be open to wide public consultation. Overall, Albania needs to ensure effective implementation of the legal framework on the rights of persons belonging to minorities. The capacities of the State Committee on National Minorities needs to be strengthened. The national population and housing census began on 18 September 2023. It is important for Albania to carry out the national census in a smooth and transparent manner and in line with international standards.

Limited progress was made on the social inclusion of the **Roma and Egyptian** minorities. Monitoring data and reporting on the implementation of the national action plan for equality, inclusion and participation of Roma and Egyptians in Albania (2021-2025) are not yet



available. The institutional capacity of the Ministry for Health and Social Protection, which coordinates Roma-related policies, remains weak. The staffing of the social inclusion department needs to be strengthened. Participation of Roma and Egyptians in the local administration needs to be improved, and inter-ministerial, national and local coordination on Roma inclusion should be further strengthened. Roma and Egyptian children continue to benefit from scholarships and part-time education programmes, as well as free textbooks and transportation to remote schools. However, segregation in schools remains an issue that should be systematically addressed. The overall employment rate of Roma and Egyptians remains very low. Roma and Egyptians continue to benefit from a 5% quota through implementation of the law on social housing. The housing situation remains a significant challenge due to often poor living conditions and a lack of property title deeds. Access to personal documents has improved for both communities. However, other barriers such as the lack of digital skills and access to technology continue to prevent Roma and Egyptian people from fully enjoying their rights and accessing public services, which are increasingly digital. Additional efforts and resources are required to accelerate the inclusion of Roma and Egyptians, tackle anti-gypsyism, discrimination and educational and physical segregation, to promote participation of Roma, and to reduce the gaps with the rest of the population.

On **citizenship rights**, there were no new developments in the reporting period. The two programmes adopted in 2022 by the Council of Ministers for acquiring Albanian citizenship on the basis of special merit in the fields of arts, culture, education, science and sports, without requiring applicants to have a prior residency in Albania to be eligible, remain in force. The 2020 Law on citizenship provides a legal basis for the creation of an investors' citizenship scheme ('golden passports'). In July 2022, the Council of Ministers adopted a decision allowing the Ministry of the Interior to launch a tender for a public-private partnership that would serve to roll out an investors' citizenship scheme. In March 2023, the government announced the suspension of initiatives related to the establishment of the investors' citizenship scheme. As a candidate country, and in line with the Commission's recommendation on this matter in its sixth report under the visa suspension mechanism<sup>2</sup>, Albania should refrain from developing such a scheme which would pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime, and would be incompatible with the EU *acquis*.

### 2.2.2. Chapter 24: Justice, freedom and security

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

Albania is **in between some and moderate level of preparation** to align with the EU *acquis* in the area of Justice, freedom and security. **Some progress** was made overall. The Specialised Structures against Organised Crime and Corruption (SPAK) are building an initial track-record of law enforcement cases, however efforts need to be intensified. SPAK continued to achieve a good level of cooperation with EU and member state law enforcement agencies.

The track record on money-laundering and high-level corruption cases remains insufficient, and financial investigations need to be further developed. However, there was progress in the implementation of the recommendations of Moneyval and of the Financial Action Task

<sup>2</sup> COM(2023) 730 final.

Force (FATF), as in June 2023 FATF decided to do an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards. Albania continued to show commitment to counter the illicit production and trafficking of cannabis. In view of the law adopted on controlling the cultivation and processing of cannabis and the manufacturing of its by products for medical and industrial purposes, Albania should ensure that mechanisms are in place to effectively prevent cannabis from being diverted to unintended purposes.

Albania has continued its positive engagement with the EU justice and home affairs agencies. Albania has contributed to the management of the mixed migration flows towards the EU by cooperating to implement the EU Action Plan on the Western Balkans. It concluded a revised Frontex Status Agreement in September. Referrals and access to asylum procedures remain to be addressed and there are still shortcomings in the return procedures. The number of asylum applications lodged by Albanian nationals in EU Member States and Schengen-associated countries remains below the pre-pandemic level, but further increased in 2022. Addressing this phenomenon still requires continuous efforts. As to immigration from third countries, Albania should take concrete steps to address the needs of unaccompanied minors. Albania's visa policy should be further aligned with that of the EU.

The recommendations for 2022 have only been partially addressed. In the coming year, Albania should in particular:

- continue developing the systematic use of parallel financial investigations when dealing with organised crime, illicit trafficking, terrorism and money laundering;
- ensure that any voluntary tax and compliance legislation (including amnesties) is in alignment with the relevant EU *acquis* and international standards set by Moneyval and the Financial Action Task Force (FATF);
- implement the asylum law effectively and improve referrals and access to the asylum procedure; address shortcomings in the return procedures; resume the regular and timely provision of data on migration flows and asylum; continue to address the issue of unfounded asylum applications; and further align its visa policy with that of the EU.

### Fight against organised crime

The country has **some level of preparation** in aligning with the EU *acquis* in this area. **Some progress** was made in meeting last year's recommendations. Albania continues to have a good level of cooperation with EU Member States, Europol and Eurojust, and participated in a number of international law enforcement operations. Some progress was made on the seizure and confiscation of assets linked to organised crime, which must continue in the future. Continued efforts are also needed to ensure more prosecutions and final convictions, especially at a high-level, and to set up the asset recovery office. More results are still needed in countering cybercrime, money laundering, and preventing and combating trafficking in human beings. All forms of child sexual abuse online should be criminalised and prosecuted.

Last year's recommendations remain valid, therefore in the coming year Albania should in particular:

- strengthen the fight against organised crime, including through continued cooperation with EU Member States and EU agencies (including Europol and Eurojust), expanding access to Europol's Secure Information Exchange Network Application (SIENA) to all relevant law enforcement agencies;

- set up without delay an asset recovery office, in alignment with the EU *acquis*, that will be responsible for identifying and tracing criminal assets, as foreseen by national legislation;
- ensure that the Special Prosecution Office and National Bureau of Investigation make efficient use of the databases to which they now have access and improve their criminal analysis and intelligence capability.

#### Institutional set-up and legal alignment

The Albanian State Police (ASP) has a total of 11 932 officers, equivalent to 260 officers per 100 000 inhabitants, compared with an EU average of 335.3 per 100 000 inhabitants (Eurostat, 2019-2021). The Ministry of the Interior approved the organisational and structural reform of the Albanian State Police at central and local levels in April 2023 and its implementation began in May 2023. In the context of the reform, ASP committed to addressing the high turnover of its staff. After the transfer of responsibility for money laundering, terrorism financing, financial crimes and property investigations from the former Serious Crime Prosecution Offices to the District Prosecution Offices, prosecutors and judicial police officers need more training. Albania should provide the relevant institutions with adequate human resources, including external expertise, and with access to relevant databases and criminal intelligence systems to ensure efficiency in the fight against organised crime.

The Specialised Anti-corruption and Organised Crime Structures (SPAK) employs 17 prosecutors, out of the 20 approved by the High Prosecutorial Council. One prosecutor was temporarily transferred to SPAK from the General Prosecutor's Office in March 2023 for the period of one year. A total of 74 administrative positions have been filled and 17 are vacant. The work of the financial investigation unit in the SPO started after the recruitment of 12 investigators in April and May 2023, while the recruitment of another 4 investigators is ongoing. The 60 investigators of the National Bureau of Investigation (NBI) and several special prosecutors attended trainings on different topics with assistance from international actors (mainly the EU and USA). The number of databases to which the SPO and NBI have direct access has increased and now include the Civil Status System, the ASHK (database of the State Cadastre Agency), the database of the Prisons Directorate, the Banking Accounts Register, the SEMD (the Ministry of Justice's electronic system to check the legal status of citizens), the database of the Directorate-General for Road Transport (DPSHTRR), the Albanian notary register, the beneficiary property register, and the state police systems ADAM, E-Fine, Reports-Statistics and the total Information Management System (TIMS). However, a solution is still needed to enable simultaneous access to all databases. The recruitment of officers of the Judicial Police Services to the NBI should be preceded by the clarification of their functional roles and selection criteria, in line with the SPAK Law.

The **strategic framework** consists of the 2021-2025 strategy against organised and serious crimes for. In February 2023, the action plan for 2023-2025 was adopted. Iterative annual action plans of the Albanian State Police on preventing and suppressing the criminal activity of cultivating narcotic plants have been adopted, the last of which in 2023. There is also a cross-cutting anti-corruption strategy for 2015-2023 and its action plan for 2020-2023. A 2021-2023 action plan on the fight against trafficking in human beings was adopted in November 2021. A strategy for controlling small arms, light weapons, ammunition and explosives and a 2022-2024 action plan to implement it are in place.

The **legal framework** was further aligned with the EU *acquis*, especially in the field of anti-money laundering. In its 4<sup>th</sup> enhanced report on Albania, released in June 2023, Moneyval

concluded that Albania has improved its measures to tackle money laundering and terrorist financing, strengthened the transparency of its legal arrangements and improved the regulation and supervision of non-financial institutions. However, Albania remained on the FATF list of jurisdictions under increased monitoring despite the FATF's assessment that the country has substantially completed its 2020-2023 action plan. This was due to FATF concerns linked to Albania's plans for the adoption and implementation of a voluntary tax compliance law, including a criminal amnesty. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards'. (see also Chapter 4 – *Free Movement of Capital* and Chapter 16 – *Taxation*).

On the beneficial ownership (BO) register, which entered into force in 2021, sanctions are in place since July 2022 for subjects who fail to comply with BO registration obligations. The further application of administrative sanctions against relevant entities for violations of the transparency obligations needs to be monitored. The central register of bank accounts, which became operational at the end of July 2021, has allowed for faster investigations.

Albania made limited progress in aligning its firearms and explosives legislation with the EU *acquis*. It adopted several pieces of legislation to implement the previously amended law on weapons and transformed the firearms focal point from a virtual unit into a section within the criminal police department. Albania should further align its legislative framework, including as regards explosives precursors. Increased efforts are needed on awareness raising, outreach and education on the dangers and risks related to the misuse, illicit possession, and trafficking of firearms/SALW as well as on reduction of illicit firearms through legalisation, voluntary surrender and deactivation. Progress is necessary in establishing the required infrastructure for the latter purpose.

While Albania has a comprehensive legal framework for confiscating criminal proceeds, an asset recovery office has not yet been created, as required by the Law on the administration of seized and confiscated assets from 2019, and is now long overdue.

In the fight against organised crime and money laundering, Albania needs to step up the implementation of the anti-mafia law on the preventive seizure and confiscation of assets – including non-conviction based confiscation and third-party confiscation – to freeze assets related to criminal activities and promote their social reuse. Albania should also allow 'suspicious transactions reports' to be presented as evidence in court.

Albania is party to the Budapest Convention on Cybercrime and in February 2023 signed the Second Additional Protocol to the Convention on enhanced co-operation and disclosure of electronic evidence. Based on the 2020-2025 national cybersecurity strategy, new legal and sub-legal acts on cybercrime have yet to be adopted. In July 2022, Albania was victim to a large-scale cyberattack, which led to the temporary disruption of most online public services (see also Chapter 31 – *Foreign Security and Defence Policy* and Chapter 10 – *Information Society and Media*).

Legislative amendments to criminalise all forms of online child sexual abuse have yet to be adopted.

#### Implementation and enforcement capacity

Albania pursued its efforts to improve its **track record** on fighting organised crime. In 2022, 54 new cases were referred to the prosecution service (up from 41 in 2021). Of these, 18 indictments for a structured criminal group were closed in 2022. A total of 98 people received



final convictions at appeal level (compared with 75 people in 2021).

In 2022, the SPO increased the number of *ex officio* investigations to 28 (from 18 in 2021), out of 257 new criminal proceedings – with 79 of these for organised crime. SPAK participated in 142 criminal cases involving 626 accused persons, compared with 128 criminal cases and 418 accused persons in 2021. In 2022, there were 55 final court judgments were passed down and 207 defendants convicted. Of these, 18 became final at the first-instance Special Court and 37 at the Special Court of Appeal. At appeal level, 15 criminal cases involved 47 defendants accused of organised crime, and 22 criminal cases involved 80 defendants accused of corruption and other criminal offences.

There was a fall in serious crime in 2022 with 3 816 new cases referred to both SPAK and the general prosecutors (compared with 3 913 new cases in 2021), with an increase in referrals for money laundering (503 referrals in 2022 against 423 in 2021), organised crime offences (13 referrals more than in 2021) and cybercrime cases (65% increase in 2022). New referrals for trafficking of arms and terrorism remained at similar levels in 2022, while referrals for drug trafficking dropped to 2 876, compared with 3 078 in 2021. For serious crimes, 820 cases resulted in indictments in 2022, compared to 791 in 2021. In 2022, there were 560 people with final convictions for serious crimes compared with 375 in 2021. The use of special investigative techniques and proactive investigations should be stepped up.

**On international police cooperation,** Albania deployed a second liaison officer to Europol in February 2023. In 2022, there was an increased number of police operations carried out in cooperation with international partners: 90 of them were in the field of narcotics (up from 78 in 2021) and 19 in the field of illicit trafficking (up from 14).

In 2022, 16 joint investigation teams (JITs) were operating. Eight JITs started in 2021 and eight in 2022. Most of the JITs (11) are in the field of narcotics.

There was a 16.9% increase in messages shared by the Albanian State Police with international partners on the Secure Information Exchange Network Application (SIENA), from 5 686 in 2021 to 6 645 messages in 2022. Between January and August 2023, the number of SIENA messages exchanged increased by 39.1% compared with the same period in 2022. An agreement was signed in January 2021 between the Albanian State Police and the customs authorities to allow access to SIENA. However, these connections have still not been made operational. This should be tackled as matter of urgency by the stakeholders involved. The Directorate-General for Taxation and the Financial Intelligence Unit have not taken the necessary steps to obtain access to SIENA. Access to SIENA is essential to allow the timely sharing of sensitive information with counterparts in EU countries.

Albania continued to cooperate with EU police services through the European Network of Fugitive Active Search Teams (ENFAST), in which it has observer status.

Albania is one of the most active third countries participating in the European Multidisciplinary Platform against Criminal Threats (EMPACT). In 2022, Albania participated in 119 operational actions and was action leader in two of them, the Operational Action Plans (OAPs) on Organised Property Crime and Cyberattacks. Albania was co-leader of another two actions in the OAP on criminal finances: money laundering and asset recovery. In 2023, Albania further stepped up its participation in EMPACT and is participating in 128 operational actions, while remaining the leader of two operational actions (in the OAP on Organised Property Crime and in the OAP on Cyberattacks) and a co-leader of two Operational Actions (in the OAP on Migrant Smuggling and in the OAP on Criminal finances, money laundering and asset recovery).



Albania continued to actively participate in EMPACT Joint Action Days promoting cooperation against firearms trafficking, the smuggling of migrants and drug trafficking, motor vehicle crime, and trafficking in human beings and document fraud.

The cooperation with Interpol has continued to yield positive results, even though the number of messages received through Interpol's I-24/7 global police communication channel fell by 9.3% in 2022. Cooperation between the Albanian Security Academy and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. However, the revision of the Working Arrangement has been pending for more than two years and no new National Contact Point has been appointed. Albania continues to benefit from full access to the CEPOL Exchange Programme and to participate in the CEPOL-led Partnership against Crime and Terrorism project in the Western Balkans. Authorities should, with the assistance of CEPOL design, prepare and organise targeted training on counter terrorism and environmental crime.

On **domestic operational capacity**, legal and institutional reforms have strengthened the capacities of the ASP's Operational Directorate. During 2022, special investigative measures were used in 496 cases involving drug trafficking investigations. Albania should continue to use and develop special investigative techniques and proactive investigations.

With EU assistance, in January 2023 the Security Academy was accredited for the very first time as an institution of higher education, for a period of 5 years. A few recommendations will need to be addressed before the accreditation is renewed.

Law enforcement authorities need to be more proactive and systematic in addressing organised crime, especially when investigating large criminal networks. Special units within the police and the prosecution service have access to 40 national registers, but they still lack direct access to the electronic register of mobile phone subscribers and to IP addresses from internet service providers.

**Financial investigations** do not systematically accompany criminal proceedings from the beginning, and their effectiveness remains limited. The financial investigation techniques of the police and prosecutors still need improvement. Seizures of assets declined in 2022. Albania reported about EUR 46 million worth of seized assets (compared with EUR 50 million in 2021). The confiscation of assets increased in 2022 to EUR 5.8 million in value, compared with EUR 150 000 in 2021.

There is no strategic or systematic approach to identifying and confiscating criminal assets that are located abroad or that are not reachable. Albania should implement rules on the extended confiscation and precautionary freezing of assets, to effectively handle them and to prevent any loss of their economic value.

Albania remains a country of origin, transit and destination of **trafficking in human beings**. Albanian women and children are subject to trafficking mostly for sexual exploitation to neighbouring countries and EU Member States, while the second and third purposes for trafficking are forced labour and criminal exploitation. The number of perpetrators of Albanian nationality registered in the EU remained high in 2021, with Albanian nationals being in the top-10 non-EU countries of origin of suspects (4<sup>th</sup>) prosecuted (9<sup>th</sup>) and convicted (7<sup>th</sup>) persons. Children placed in institutions and children from the Roma and Egyptian communities are particularly vulnerable to trafficking. The Prosecution Office registered 11 new criminal proceedings for trafficking in human beings in 2022, compared with 10 in 2021. The number of final convictions remained very low with seven final convictions from two cases. The national referral mechanism for (potential) victims of trafficking remained functional. Assistance was provided in all cases. In 2022, 112 victims or potential victims

were identified and assisted, compared with 159 in 2021. The identification of potential victims remains inadequate within Albanian territory and among vulnerable migrants entering the country and those accommodated in reception centres. Implementation of the 2021-2023 national action plan on the fight against human trafficking should be supported by adequate funding and better coordination. NGO-run shelters remain underfunded. Investigations and prosecutions are not conducted consistently with a focus on the victim. A gender-responsive approach to access to justice for victims should be promoted. Anti-trafficking efforts should increase, in particular by strengthening the capacity of border police to identify and refer to the prosecution service cases of trafficking and by strengthening the child protection system. Successful reintegration remains difficult because the state's core protection, care and social services are insufficient.

Prevention efforts, especially on strategic communication, should be stepped up. Dedicated awareness-raising campaigns should be developed to target communities at risk of trafficking in human beings and high-risk sectors and environments. The 116 006 hotline for victims of crime, including trafficking, should be made functional. The improved legislative framework for victims, including amendments to the Criminal Procedural Code, is yet to be implemented. Police, prosecutors and judges should receive dedicated training, especially on the rights of victims.

On **trafficking in firearms**, large numbers of firearms are available in Albania. These are used by Albanian criminal groups and trafficked, primarily to neighbouring countries. Albania is both a destination and a transit country for light firearms. There were 27 new criminal cases registered at the Prosecutor's Office in 2022, a similar level to 2020, and 26 people received final convictions in 2022, compared with 20 in 2021. The exchange of information between different national stakeholders (law enforcement agencies, the prosecution service and judicial system) is still poor, which clearly jeopardizes the reception of complete data from the police and the prosecution service.

Cases of **cybercrime and internet fraud** increased in 2022, with 121 cases referred to the Prosecutor's Office (compared with 79 in 2021) and with 3 people receiving final convictions. Albania should provide a more effective law enforcement response that focuses on the detection, traceability and prosecution of cybercriminals. Albania should raise encourage prosecutors to make greater use of the 24/7 network of contact points set up by the Council of Europe Convention on Cybercrime. The ASP's cybercrime unit has a central forensic laboratory but should increase its capacity to deal with such cases. The capacities for investigating and prosecuting crimes against children committed through the internet need to be strengthened.

Albania's economy has a large informal sector and transactions are primarily cash-based although the number of electronic transactions has increased substantially in recent years. Crimes that generate large amounts of money include drug trafficking, tax evasion, smuggling and trafficking in human beings. On **money laundering**, both the centralised bank account register and the beneficial ownership (BO) register are in place. The beneficial ownership register is now almost fully populated, comprising 99% of businesses and 94% of NGOs by April 2023 (*see also Chapter 4*). Since July 2022, sanctions are in place for subjects who fail to comply with BO registration obligations, and 317 fines were issued during the reporting period. Albania should monitor the further application of administrative sanctions for violations of the transparency obligations by entities that must register. A dedicated electronic register (PRESTO), which the General Prosecution Office introduced in July 2021 to ensure that all money laundering cases are tracked, is in full use. Albania also needs to align its legislation with the *acquis* on combatting money laundering by criminal

law.

In 2022, 503 cases of money laundering were referred to prosecutors, against 423 in 2021. The number of people with final convictions for money laundering rose from only one in 2021 to nine in 2022.

The ASP's **witness protection** programme has worked satisfactorily. In 2022, 23 witness protection operations were performed, one less than in 2021.

## **Cooperation in the field of drugs**

### Institutional set-up and legal alignment

The Ministry of the Interior and the Ministry of Health and Social Protection/Institute of Public Health are the lead bodies in the fight against drug trafficking and drug abuse, respectively. Albania still does not have a dedicated national drugs strategy. Several security aspects are covered by the 2021-2025 national strategy against organised crime and serious crime and its successive action plans. Under the strategy against organised crime, the ASP adopts annual action plans on preventing and cracking down on criminal activity in the cultivation of narcotic plants, the most recent of which was adopted in February 2023. More efforts need to be made in the area of drugs policy, notably by adopting a national drug strategy covering the supply and demand and harm reduction aspects and by fully aligning legislation with the EU *acquis* and international practices.

The activity of the working group established in May 2022 to review the legislation on narcotic drugs and psychotropic substances should be stepped up, in reaction to the changes made to the psychotropic substances lists by the International Narcotics Control Board.

The establishment of a National Drugs Observatory (NDO) is still pending. Albania should set up an operational observatory with the necessary human and financial resources, which is crucial for implementing a comprehensive data collection system on drugs, coordinating a drug information system, and for associating Albania to the EU's Reitox network.

Although there is a national early warning system (NEWS) coordinator, who has been appointed by the Ministry of the Interior, and Albanian experts have undergone training courses, there is still no operational NEWS on the detection of new psychoactive substances. The NEWS should be made operational without delay.

Albania adopted a law on controlling the cultivation and processing of the cannabis plant and the production of its by-products for medical and industrial purposes in August 2023. Albania should continue to consult the EU on the envisaged implementing legislation and ensure that mechanisms are in place to effectively prevent cannabis from being diverted to unintended use.

### Implementation and enforcement capacity

Albanian criminal groups continue to play a prominent role in the global traffic of drugs, in particular the trafficking of cocaine from Latin and South America to Europe. During the reporting period, international police operations, often with the active involvement of the Albanian State Police, have led to the dismantling of some of these groups.

In a joint operation in January 2023 between Eurojust, Europol, Italian and Albanian authorities, targeting a large-scale drug trafficking network responsible for trafficking cocaine, cannabis and heroine from Albania to Italy, 30 suspects were arrested across 31 locations. In April 2023, Spanish authorities dismantled an Albanian criminal group that trafficked cocaine from Latin America across Europe. 17 people belonging to that organisation were arrested in raids across Spain. Since the start of the operation in September

2021, nearly ten tonnes of cocaine seized in Italy, Belgium, Greece, Portugal, the Netherlands and Spain have been connected to that group.

Albania's law enforcement authorities have maintained a good level of cooperation with their counterparts in EU Member States in tackling the trafficking of narcotics. During 2022, 271 police operations in the field of narcotics took place, out of which 90 were conducted in cooperation with Albania's international partners. Albania continues to implement the working arrangement with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), but stronger efforts are needed, including through better inter-institutional coordination, in increasing its reporting capacity on drug-related issues in line with EMCDDA guidelines/protocols and in allocating sufficient resources for this task.

Drug trafficking is the most common form of serious criminal offence in Albania, even if the number of identified cases has slightly decreased. In 2022, the police identified 2 956 offences related to the cultivation, production, sale and trafficking of narcotics compared with 3 168 in 2021, involving 3 690 alleged offenders (3 927 in 2021). Production and sale are by far the most common offences related to drugs (77% of all cases). Between January and August 2023, the number of detections of criminal offences related to drugs increased by 10.9% over the same period in 2022.

Albania should drastically increase its capacity to collect, store and report data for all drug-related indicators and in line with EU standards, and should increase the capacities of the law enforcement authorities with regards to drugs.

Albania remains the only country in the region that allows monitoring by another country: since 2013, Italy's Ministry of Economy and Finance Enforcement Agency (*Guardia di Finanza*) has carried out aerial surveys to detect cannabis plantations in Albania. In 2022, 63 flight missions were operated by the agency, surveying 1 106 744.8 hectares, allowing 41 000 plants to be found and destroyed. This represents a decrease of around 55% compared with 2021, but is still higher than in 2017-2019. In addition, the ASP continued monitoring by drones. The quantity of cannabis seized in Albania increased slightly from 3.6 tonnes in 2021 to 3.76 tonnes in 2022.

The amount of cocaine seized declined from 725 kg in 2021 to 578 kg in 2022, which remains a very significant amount. Hashish and heroin seized have declined drastically from 208 kg in 2021 to only 37 g in 2022 for hashish and from 81 kg in 2021 to 7 kg in 2022 for heroin. At the same time, there was a large increase in the amount of MDMA seized, from 7 g in 2021 to 480 g in 2022.

The lack of safe and secure storage for seized drugs and drug precursors prior to destruction remains a concern. Albania needs to establish the legal base for an appropriate process for the destruction of precursors and the practice of keeping only a small sample as material evidence for court proceedings (instead of the entire quantity seized).

## **Fight against terrorism**

### Institutional set-up and legal alignment

Albania has a comprehensive legal framework for preventing and combatting the financing of terrorism and is fairly advanced in aligning with the EU *acquis* in this area. It is a party to all of the Council of Europe counterterrorism conventions, including those covering the seizure and confiscation of the proceeds of crime and the financing of terrorism. The authorities should ensure effective implementation of targeted financial sanctions mandated by the UN Security Council, including by increasing the involvement of financial institutions and other relevant actors and through effective inspections, in line with the FATF action plan. Work



needs to continue on preventing the risk of radicalised groups using non-profit organisations to finance terrorism.

In March 2022, the government adopted a new cross-sectoral strategy for 2023-2025 and two action plans to prevent violent extremism and fight terrorism. These replace the 2020 national cross-sectoral counterterrorism strategy and the 2015 national strategy on countering violent extremism and their respective action plans. The funds necessary to implement the action plans need to be budgeted.

Albania has continued to make good progress in implementing the 2019 bilateral arrangement with the EU on putting the Joint Action Plan on Counterterrorism for the Western Balkans into practice. A revised bilateral arrangement was signed in December 2022 and is being implemented. Albania should submit the first report on the implementation of the revised arrangement. Work has advanced on creating a body or mechanism for joint national threat assessments as well as on advancing the work on Critical Infrastructure Protection. According to the revision, the Albanian authorities should draft a report on critical infrastructures to assess the current situation and needs both from a legislative and an operational point of view, to align with the upcoming EU legislation and standards and ensure the resilience of critical entities.

The Counterterrorism Directorate of the ASP is the lead body on counterterrorism, under the jurisdiction of the Special Prosecution Office and the special courts. Its resources were increased as part of the ASP restructuring in 2023. The State Intelligence Service and the Defence Intelligence and Security Agency are also active in the field. The ASP's community policing personnel are involved in preventive and early-warning efforts. The Coordination Centre for Countering Violent Extremism is in charge of capacity-building and coordinating countering violent extremism (CVE) activities across government institutions and oversees the implementation of the relevant parts of the national CVE and counterterrorism strategy. Changes in the centre's leadership and staff have repeatedly led to the loss of institutional memory and have negatively impacted the centre's effectiveness. The centre should therefore create the necessary internal administrative procedures to address this and to improve knowledge and information management. Last year's efforts to improve the centre's capacity to prevent violent extremism at local level should be continued. The capacities of local communities and local security councils to prevent terrorism should be further improved. Measures and capacity to address terrorist content online should be improved, including by aligning with the EU *acquis* and by adopting best practices.

#### Implementation and enforcement capacity

The police referred seven cases of terrorist offences and financing of terrorism to the Special Prosecution Office. One individual, an Iranian national, was convicted of terrorist offences in 2022. The authorities repatriated 10 adult women and 27 minors from the camps in Syria in October 2020, August 2021 and May 2022. The CVE Coordination Centre and the ASP's Counterterrorism Directorate have led the inter-institutional work on reintegrating and rehabilitating them in an effective and professional manner, with the Counterterrorism Directorate also carrying out criminal investigations and ensuring monitoring. No criminal charges have been brought against any of the returnees so far. In total, 81 Albanian nationals returned to Albania from Syria and Iraq. Around 35 to 45 Albanian nationals are estimated to remain in Syria, of whom 9 seem to be in prisons of the Syrian Democratic Forces. At least 45 Albanian nationals are believed to have died in the conflict zone. The authorities continue to seek to return the remaining women and children from the camps in Syria. The CVE Coordination Centre has engaged in capacity building at local and national level on preventing and countering violent extremism, including in cooperation with civil society.



Regional cooperation and the exchange of sensitive information with international partners remains satisfactory. Albania should make more proactive use of the capabilities of the Europol European Counter Terrorism Centre and should continue its collaboration with the Europol Internet Referral Unit. The country actively participated in the implementation of the Western Balkan counter-terrorism initiative, under the Integrative Internal Security Governance.

Albania should continue to focus on the disengagement, reintegration and rehabilitation of returnees and their families from Syria, and on the investigation and prosecution of those suspected of criminal offences. It should strengthen the case management and referral mechanisms for returnees and individuals at risk of radicalisation. Prison radicalisation and online terrorist content continue to require attention. Albania should also continue to investigate links between organised crime and terrorism. Furthermore, it needs to align its legislative framework with the EU legislation on explosive precursors.

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

In 2022, the Albanian Liaison Office to Eurojust registered 38 cases at the request of the Albanian authorities, which represents an 81% increase compared with 2021. 48 new cases were opened with the Albanian Liaison Office at the request of the competent authorities of EU Member States, only slightly fewer than in 2021 (51). Among non-EU countries, Albania had the fourth highest number of Eurojust cases in 2022.

With EU assistance, in 2022 Albania doubled its participation in joint investigative teams (JITs). Out of 16 JITs, the majority (11) were pursued in the field of narcotics, 3 were in the field of computer crime, and the remaining dealt with illicit trafficking and economic and financial crime.

Albania actively participates with two representatives in the Eurojust regional project 'Increasing cross-border cooperation in criminal justice in the Western Balkans' (WB CRIM JUST). This has led to greater interaction between prosecutors in the Western Balkans with the aim of coordinating their investigations.

The Albanian liaison prosecutor was appointed to Eurojust in January 2021 and helped to facilitate judicial cooperation between EU and Albanian prosecutors in the fight against transnational organised crime. The continuity of this engagement was ensured in June 2023 when the mandate of the liaison prosecutor posted to Eurojust was extended for another two and a half years, beyond the expiry of the EU funding for their posting at the end of 2023.

The setting-up of joint investigation teams has been facilitated by EU financial support and the Law on judicial cooperation in criminal matters with foreign jurisdictions. Albania should also ensure that it provides its own financial resources to proactively set up more JITs.

A cooperation agreement between the European Public Prosecution Office (EPPO) and the General Prosecution Office was signed in July 2022 to facilitate cooperation in criminal matters and the exchange of information. A similar agreement between EPPO and SPAK was signed in June 2023.

On judicial cooperation in civil matters, between June 2022 and March 2023, Albania received 102 requests for mutual legal assistance and sent out 72 requests. On judicial cooperation in criminal matters, in the same period, Albania received 144 requests and sent out 263 requests. Albania should finalise the internal procedures for acceding to the 2005 Hague Convention on Choice of Court Agreements and the 2007 Protocol on the Law Applicable to Maintenance Obligations. It should continue to improve international cooperation, the timely implementation of multilateral instruments, and its institutional

capacity.

## **Legal and irregular migration**

### Institutional set-up and legal alignment

The Ministry of the Interior is the main actor in the field of migration. The main bodies under its supervision responsible for implementing migration policies are the Department of Border and Migration in the ASP Directorate-General, the Directorate for Anti-Trafficking and Migration Policies in the Ministry of the Interior and the Directorate of Asylum, Foreigners and Citizenship. The Ombudsperson and the child protection unit in the Ministry for Health and Social Protection play an important role in monitoring and providing services to migrants. The National Agency for Employment and Skills is responsible for services, employment programmes and vocational training programmes for foreigners, stateless persons and refugees.

The **legal framework** on migration is partially aligned with the EU *acquis* and needs updating in line with developments on the EU side. Following the entry into force of the Law on Foreigners in November 2021, 23 out of a total of 29 pieces of implementing legislation have been adopted so far: two in 2021, 15 in 2022 and six in 2023.

Albania has a readmission agreement with the EU and implementing protocols are in place with 12 Member States. Albania and Greece have still not concluded an implementing protocol. Draft readmission agreements have been sent by the Albanian authorities to several countries of origin<sup>3</sup>, so far to no avail. New draft readmission agreements with Georgia and Armenia have been drawn up and are to be followed up.

The implementation of the national migration **strategy** and action plan for 2019-2022 came to an end in December 2022. Out of 129 measures in the action plan, 72 measures are reported as implemented, 36 as partially implemented and 21 measures as not implemented. The final report has not yet been completed. In March 2023, an inter-institutional working group began preparations to draft the new migration strategy for 2024-2030. Several preparatory workshops with national stakeholders were organised in May 2023 to identify priority objectives.

### Implementation and enforcement capacity

Albania cooperated with the EU, EU Member States and its neighbours to implement the EU Action Plan on the Western Balkans presented by the Commission in December 2022 and therefore contributed to the management of the mixed migration flows towards the EU.

In 2022, there was a 34% decrease in the number of irregular migrants entering Albania, i.e. 12 216 compared with 18 496 in 2021. This reduction could be attributed to the strengthening of border surveillance and control, especially in the Kakavije/Kapshtice operational area where the Frontex joint teams were deployed. As many as 32% of all migrants apprehended in 2022 were apprehended repeatedly. Of all arrivals, 235 were identified as unaccompanied or separated children. Unaccompanied minors travelling from Albania to EU Member States remain a source of concern.

The three nationalities most represented remained Syrians, Afghans and Bangladeshis.

In the first 8 months of 2023, 4 877 irregular immigrants were apprehended, down by 30.6% from the same period in 2022. Regular reporting on irregular migration flows and asylum should be ensured. Since the summer of 2022, the information provided to the EU by the

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<sup>3</sup> Afghanistan, Iraq, Morocco, Algeria, India, Pakistan, Egypt, Bangladesh and Tunisia.

Ministry of the Interior has been sporadic.

Reception capacities already increased in 2021 with the refurbishment of the Babrru National Reception Centre to provide up to 250 beds and a dedicated family-friendly space. In July 2023 a new Temporary Reception Centre was inaugurated in Qafë-Botë. The total capacity of all reception facilities is approximately 570 beds. Albania does not have separate facilities for unaccompanied minors. The updated national contingency plan for the possible arrival of a substantial number of migrants and asylum seekers still needs to include an appropriate budget allocation. The case management of unaccompanied children is not handled as an integrated process, as required by the law on asylum. Unaccompanied minors need to be included in the national child protection system.

By June 2023, the overall **staffing** of the ASP's Department for Border and Migration had increased by almost 19% in comparison with 2021. As a result of the organisational and structural reform, there are now 1 977 employees at central and local levels, of whom 1 882 are police officers and 95 are civilian staff. Comprehensive training and joint exercises have been organised for key border officials and frontline officers. However, permanent training structures should be established in compliance with basic training standards for EU border guards. Border and Migration Police officers should increase their ability to identify vulnerable refugees and migrants with specific needs. Coordination with child protection and anti-trafficking departments should also improve. Reports of migrants being returned to Greece without adequate pre-screening have continued during the reporting period. Albania should address the shortcomings identified in its return mechanism for irregular migrants, in line with applicable legislation and with international obligations.

The **readmission agreement** with the EU is functioning well, with Albania swiftly honouring requests from Member States for the readmission of both its own and third-country nationals. In 2022, 23 860 Albanian nationals were ordered to leave and 9 655 were effectively returned. Cooperation between Albania and Frontex on return operations is very good. On 25 January 2022, Frontex organised in Albania its first fully-fledged Frontex-led return operations, returning approximately 50 Albanian irregular migrants from several EU Member States with the support of the Albanian authorities.

The number of third country nationals voluntarily returned from Albania to their countries of origin remains low: six in 2022. Albania should pursue its efforts to increase returns to their countries of origins of migrants with no right to stay.

In August 2021, Albania started temporarily hosting Afghan evacuees. By the end of September 2023, 4 033 have been hosted in open facilities near the coastline in Albania, with the support of international NGOs. All Afghan evacuees applied for temporary protection in the country, granted to them by a Council of Ministers decision adopted on 25 August 2021. Around 90% of them have been resettled to other countries, mostly to the United States (1 963), Canada (1 439), UK (106) and EU Member States (77). Since March 2022, the Albanian authorities have granted to refugees from Ukraine the right of residence in Albania for a period of up to one year without needing to obtain a residence permit. They can also apply for a temporary protection status. By the end of August 2023, 70 909 Ukrainian citizens had entered Albania, while 62 631 had left. Most of them are staying in private accommodation. Only 33 have applied for and benefit from temporary protection status.

## **Asylum**

### Institutional set-up and legal alignment

The 2021 Law on asylum is largely aligned with the EU *acquis* and all 15 pieces of

implementing legislation have been adopted. Appropriate consultations should continue with the European Union Asylum Agency (EUAA) on the practical guidelines for their implementation through the EUAA-Albania cooperation roadmap and through practical cooperation under the EU regional support to protect sensitive migration systems. Although the law grants asylum seekers the right to access public services at the same level as Albanian nationals, the lack of alignment with other legal acts and lack of implementation capacity prevents asylum seekers from accessing services effectively. An efficient implementation of the law to a high standard remains to be achieved and would require additional investment in administrative capacities and the overall development of a well-functioning asylum system. A revised pre-screening instruction was adopted in 2022, but its implementation in practice needs to be improved.

Albania has the necessary institutions in place to handle asylum claims. Administrative appeals may be lodged with the National Commission for Refugees and Asylum.

#### Implementation and enforcement capacity

Albania continues to be primarily a transit country, considered as such both among the refugee and migrant community and by the Albanian authorities. In 2022, 125 people made a claim for asylum with the Border and Migration Police, compared with 85 in 2021. The fact that only 1% of all arriving migrants in 2022, a large majority of whom came from countries with high protection rates in the EU, were referred to asylum procedures, underlines the need to improve referrals and access to asylum procedures.

In 2022 no applicant was granted refugee status, while 24 were granted subsidiary protection. Between January and June 2023, nine people were granted subsidiary protection, and none was granted refugee status.

On **asylum procedures**, the capacities of the Border and Migration Police to identify and refer people with specific needs are still insufficient. The Directorate for Asylum, Foreigners and Citizenship has been reorganised with three experts charged with developing asylum procedures, one head of sector and one director. The staff needs training to develop their skills on assessing individual claims, particularly regarding information on the country of origin and for cases involving vulnerable people. The lack of qualified interpreters at the temporary reception centres during and after pre-screening should be addressed and the hiring of female interpreters encouraged, to increase reporting on violence and on potential trafficking cases. Coordination between the actors involved should be improved.

There are still shortcomings to be addressed in the implementation of return procedures at the border with Greece, in particular as regards adequate screening, safeguards including access to information, interpretation, a pre-return period of stay, and the right to appeal, including for unaccompanied minors.

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

The Commission's sixth report under the visa suspension mechanism, published in October 2023, concluded that Albania has taken action to address most of the Commission's previous recommendations. Albania's visa policy is still not fully aligned with the EU's as regards the list of countries whose nationals require an entry visa. Albania has year-round visa-free arrangements with Armenia, Azerbaijan, Belarus, China, Guyana, Kazakhstan, Kuwait and Türkiye, which are not on the EU's visa-free list. Moreover, a reciprocal visa liberalisation agreement with China was signed in February 2023, which consolidates the earlier unilateral

decision of Albania granting visa free access to Chinese nationals. Albania also grants visa-free access to third country nationals who have a resident permit in the United Arab Emirates for at least 10 years. As in 2022, nationals of Bahrain, Oman, Qatar, Saudi Arabia and Thailand, who need a visa to travel into the EU, also benefited from the seasonal lifting of visa requirements between April and December 2023. Following strong requests from the EU side, Albania has not extended seasonal visa-free access to the nationals of Egypt, India, and Russia in 2023, which is significant progress. Overall, the practice of temporarily lifting the visa requirement is not aligned with the EU *acquis*. Continuing to progressively align Albania's visa policy to the EU's is essential, in particular with regard to countries presenting migration or security risks.

According to Eurostat data, the number of Albanian citizens lodging asylum requests in EU Member States increased by 16% in 2022 compared with 2021 (from 11 300 to 13 100 applications), but still remains below the pre-pandemic level (20 415 in 2019). The asylum recognition rate increased slightly from 5.7% in 2021 to 6.3% in 2022 (9% in 2021 and 10.6% in 2022, including people with humanitarian status).

In 2022, 6 991 Albanian nationals were refused permission to exit Albanian territory at border crossings, which is a 33% increase on 2021. The number of minors refused permission to exit rose by 19%, from 343 in 2021 to 423 in 2022. In the first 8 months of 2023, the number of minors refused exit remained stable compared with the same period in 2022. This increase can be attributed to the strengthening of border crossing controls, the implementation of the relevant legislation. Awareness-raising activities should continue as well as addressing the underlying reasons, and dialogue and structured cooperation with the EU Member States most affected by unfounded asylum applications by Albanian nationals. The Commission is monitoring the trend very closely in the framework of the visa suspension mechanism and issued a recommendation to Albania on this matter in its sixth report under the visa suspension mechanism.

Greater attention should be paid to the reintegration of returnees, especially the most vulnerable people. Migration counters that have been set up in municipalities should be formalised and improved to facilitate the reintegration of returnees and more police officers should continue to be trained to escort returnees to Albania.

## **Schengen and external borders**

### Institutional set-up and legal alignment

The **legislative framework** for the management of Albania's external borders is not yet fully aligned with EU standards, however its 2021-2027 integrated border management strategy and 2021-2023 action plan are broadly aligned. The Law on border control that introduced rules on advance passenger information and passenger name records (PNR) into Albanian legislation is not aligned with the EU *acquis*. A passenger information unit was created in February 2022 within the Albanian State Police. The Albanian authorities are aware that the transfer of PNR data from the EU to Albania is not possible under the current legal framework.

### Implementation and enforcement capacity

Albania has committed to modernise its border infrastructure and improve border surveillance. With EU assistance, Albania has improved radar coverage for the surveillance of the blue border. Efforts need to continue to complete the coverage and to create a command-and-control room to collect situational information from the regional level and allow coordinated intervention from the central level. Albania should establish a risk-analysis



system based on the common integrated risk analysis model developed by Frontex.

In 2022, 418 criminal offences were recorded for assisting illegal border crossings (29 more than in 2021) and 631 offenders were prosecuted, of whom 321 were arrested or detained.

As part of the organisational and structural reform of the Albanian State Police, an investigative sector has been created in the border and migration police with the aim of preventing, detecting and countering cross-border illegal activity, including people-smuggling and trafficking in human beings. This is a very positive development.

Albania continues to participate actively in the Western Balkan Risk Analysis Network.

**Operational cooperation with neighbouring countries** continued to be good. In 2022, in accordance with the relevant protocols, a total of 976 joint patrols were carried out with border police officers from Montenegro, Kosovo\*, North Macedonia and Italy's *Guardia di Finanza*; up from 920 in 2021. At the green border, 592 joint patrols were carried out, while 384 joint patrols were carried out at the maritime border with Italy. A joint police and customs cooperation centre with Greece was inaugurated in the Kakavije border area in April 2023. Furthermore, an agreement with Montenegro was signed in February 2023 on the opening of a joint border crossing point at Shen Nikolla-Pulaj and an implementing protocol with North Macedonia for the common border crossing point at Qafe Thane/Kjafasan was signed in November 2022.

The successful implementation of Frontex Joint Operation Land and Albania Sea continued in 2022 under the current EU-Albania Status Agreement. The updated EU-Albania Status Agreement was signed in September 2023 and allows teams from the European Border and Coast Guard standing corps with executive powers to also be deployed at non-EU borders. In June 2023, the Albanian Ministry of Interior and Frontex signed a memorandum of understanding on a complaints mechanism on the protection of fundamental rights.

Albania needs to ensure that the personal identification secure comparison and evaluation system (PISCES) is operated in alignment with the EU *acquis* on personal data protection. In 2022, the Department for Border and Migration undertook 14 serious disciplinary measures against border police officers for corruption and abuse of office, slightly fewer than in 2021 (16).

The production and delivery of Albanian biometric documents was transferred from a foreign private company to a newly established state agency in August 2023. Albania will need to ensure that it continues to respect the international standards and procedures for producing and issuing secure identification documents.

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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.

## 2.3. ECONOMIC CRITERIA

| <i>Table 1.1:</i>  | <b>2014-19</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|--|----------------|-------------|-------------|-------------|
| <b>Albania - Key economic figures</b>                                  | average        |             |             |             |
| <b>GDP per capita</b> (% of EU-27 in PPS) <sup>1)</sup>                | 30             | 31          | 32          | 34          |
| <b>Real GDP growth</b>   | 2.9            | -3.3        | 8.9         | 4.8         |
| <b>Economic activity rate of the population aged 15-64 (%)</b> , total | 66.1           | 69.1        | 69.3        | 73.2        |
| <i>female</i>  | 57.3           | 61.2        | 61.4        | 66.8        |
| <i>male</i>  | 75.0           | 77.1        | 77.3        | 80.0        |
| <b>Unemployment rate of the population aged 15-64 (%)</b> , total      | 15.0           | 12.2        | 12.1        | 11.3        |
| <i>female</i>  | 14.1           | 12.4        | 12.4        | 11.7        |
| <i>male</i>  | 15.7           | 12.1        | 11.8        | 10.9        |
| <b>Employment of the population aged 15-64</b> (annual growth %)       | 3.3            | -1.9        | -0.4        | 4.8         |
| <b>Nominal wages</b> (annual growth %) <sup>2)</sup>                   | 2.9*           | 2.7         | 6.3         | 8.2         |
| <b>Consumer price index</b> (annual growth %)                          | 1.7            | 1.6         | 2.0         | 6.7         |
| <b>Exchange rate against EUR</b>                                       | 133.7          | 123.7       | 122.5       | 119.0       |
| <b>Current account balance</b> (% of GDP)                              | -8.2           | -8.7        | -7.7        | -6.0        |
| <b>Net foreign direct investment, FDI</b> (% of GDP)                   | 8.2            | 6.7         | 6.5         | 6.7         |
| <b>General government balance</b> (% of GDP)                           | -2.8           | -6.7        | -4.6        | -3.7        |
| <b>General government debt</b> (% of GDP)                              | 69.8           | 74.3        | 74.5        | 64.6        |

*Notes :*

1) Eurostat

2) average gross monthly wages, average of 2015-2019

Source: national sources

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

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

Albania is **between a moderate and a good level of preparation** in developing a functioning market economy and made **some progress** in this area. Despite the economic fallout from Russia's war of aggression against Ukraine, the Albanian economy showed resilience and GDP growth remained strong in 2022. Inflation increased to above the target in 2022 but remained single-digit and then decreased in early 2023. The strong recovery supported labour market performance, giving Albania the highest participation rate and one of the lowest unemployment rates in the region. Supported by strong revenue growth and a large increase in nominal GDP, the public debt ratio fell much more than expected, to below its pre-2019 crisis level, but remains among the highest in the region. Long-awaited reforms were launched to improve investment expenditure, planning and execution, and the monitoring of fiscal risks continued to improve, but weaknesses persist in both areas. There was some progress on revenue-related reforms but plans to adopt a medium-term revenue strategy have been abandoned, while a low revenue ratio continues to impede much needed investments. The financial sector remained stable and continued to expand but financial intermediation remains low. The business environment benefitted from a higher level of digitalisation of public services. However, challenges related to a large informal economy and a shortage of labour with relevant skills persist. Consultations of the public by the government did not improve significantly. Last year's recommendations to improve the functioning of the market economy were partly implemented, and remain partly valid. In the

coming year, Albania should in particular:

- achieve a non-negative primary balance and continue to reduce the public debt ratio while providing targeted support to vulnerable households and firms if needed, and continue to reduce arrears and use the regular revision process for budget amendments;
- complete procedures to fully establish the National Single Project Pipeline and advance the necessary legal amendments to fully integrate public-private partnerships (PPPs) into it, and use a systematic risk assessment when deciding on new state guarantees and onlending;
- adopt measures to increase tax revenue as a share of GDP in a growth-friendly way, while taking into account the results of a broad public consultation on tax policies.

### Economic governance

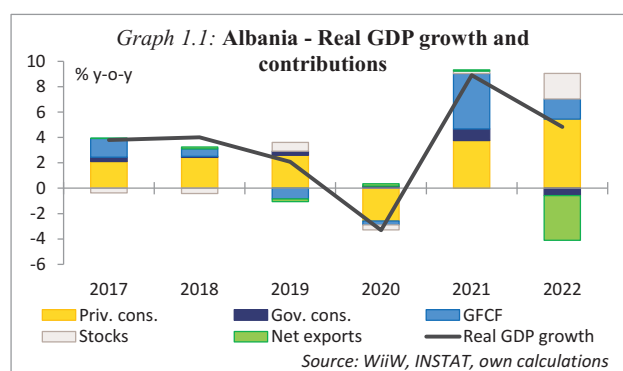
**Albania continued to pursue stability-oriented economic policies.** The authorities supported households and businesses and state-owned electricity utilities to cushion the impact of high energy and food prices, while complying with the fiscal rules. After a large decrease in 2022, the public debt ratio fell below its pre-pandemic level. The government continued to use specific legal ('normative') acts instead of the regular legislative procedure to amend the 2022 budget, but on fewer occasions than in 2021, and none in the first half of 2023. Albania submitted its 2023-2025 economic reform programme (ERP) to the European Commission at the end of January 2023, in which it underlined its plan to achieve a positive primary balance already in 2023. Parliament approved the 2023 budget on 24 November 2022 and the ERP on 5 February 2023.

**Albania partially implemented the policy guidance jointly agreed at the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye in June 2022.** Fiscal consolidation progressed, and control of arrears and fiscal risks improved, but there was limited progress on revenue-related reforms. Business support services were broadened and measures against informal employment were better coordinated, but information about the actions against informality and their effects remained limited. Labour market analysis and the preparations for implementing the Youth Guarantee progressed and reimbursements for medical costs increased, as did ad-hoc expenditure on social protection. Albania still has not ensured the necessary sustained and systematic increase of expenditure on social services, human development and innovation.

### Macroeconomic stability

**Albania's economy continued to show resilience, despite three consecutive shocks.** Albania's real GDP growth averaged 2.7 % in 2013-2018. Though the economy was hit by the 2019 earthquake and the COVID-19 crisis, GDP contraction was less than expected in 2020 (3.3 %), followed by a strong economic recovery in 2021 (8.9 %), which extended into 2022 (4.9% GDP growth) despite the shock due to Russia's war of aggression against

Ukraine. Solid increases in private investment and very strong private consumption growth led to higher-than-expected economic growth in 2022, outweighing shrinking public investment and consumption and a negative contribution of net exports to growth. A robust

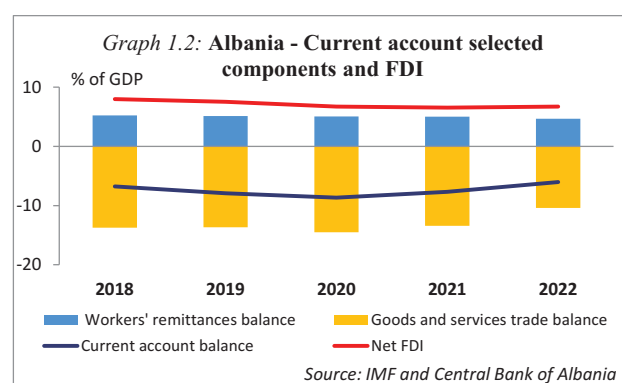


rise in private consumption was supported by continued strong employment and wage growth. Construction, manufacturing and services were the main drivers of growth on the production side, partly due to buoyant tourism. These macroeconomic trends largely continued in the first quarter of 2023, albeit at a slower pace, except for growing public consumption and investment.

Convergence with EU income levels stagnated in 2014-2019 with GDP per capita (at purchasing power parity) remaining at 30% of the EU average, but rising to 32% in 2021 and 34% in 2022.

**Despite surging import prices, the current account deficit decreased in 2022.** Sharply increased 2022 import prices widened the goods trade deficit, despite currency appreciation and strong growth in goods exports. However, a 30% surge in the services trade surplus, to 13% of GDP, contributed to a 1.7 pps decrease in the current account deficit to 6% of GDP in 2022. The share of remittances in GDP continued to fall, from 4.9% in 2021 to 4.5% in 2022, resulting in a decrease in the secondary income surplus to just above 6% of GDP in 2022. In the first half of 2023, the current account deficit continued to fall by about 27% compared with the first half of 2022, driven by a continuing surge of the trade surplus in services and by the growth of remittances.

**Foreign direct investment (FDI) inflows grew strongly and financed the current account deficit in 2022.**



The completion of large energy projects led to a declining trend in FDI inflows after peaking above 8 % of GDP in 2015-2019, but they grew by 19% in 2022, which pushed the ratio up to 6.7% of GDP in 2022 from 6.4% in 2021. FDI inflows again fully financed the current account deficit in 2022, after falling short of it in 2020 and 2021. Public external debt fell by 3.3% nominally (in terms of GDP from 32% to 26.1%) and overall

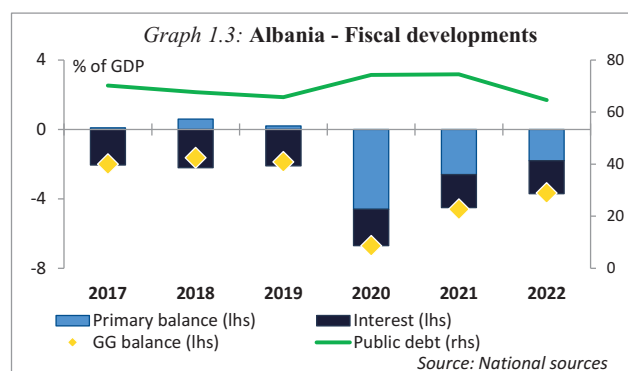
external debt dropped by 10 pps to 54.6% of GDP in 2022. Using buffers of the late 2021 Eurobond and in view of the less favourable conditions on the capital markets, the Albanian government only issued its 6<sup>th</sup> Eurobond in June 2023<sup>4</sup>, which increased public external debt by 5.2% in the second quarter of 2023 compared with the second quarter of 2022. Foreign exchange reserves have consistently increased over recent years and remained at about EUR 5 billion throughout 2022 and until May 2023, before rising to 5.6 billion in July 2023, following two interventions in the foreign currency market to address a currency appreciation hike-. The reserves continued solidly covering 7 months of imports of goods and services and over five times the short-term external debt.

**Inflation rose significantly, though less than in Albania's peers, and the Bank of Albania began to tighten its monetary policy stance.** Annual inflation averaged 2% in 2021 but rose sharply from late 2021 due to rising international food and energy prices to an average of 6.7% in 2022. Nevertheless, it remained the lowest in the region, helped by subsidised retail electricity prices and the appreciation of the lek against the euro, mostly due to significant external inflows from tourism and FDI. In response to the inflation rate exceeding the 3% target, and the broadening of domestic demand-driven price pressures, the Bank of Albania (BoA) raised the policy rate by 2.75 pps in several steps to reach 3% in March 2023. Inflation

<sup>4</sup> EUR 600 million, 5-year maturity, with a coupon of 5.9%.

has been slowing since November 2022, to 4% in August 2023 as price increases for food, energy and transport decelerated, appreciation of the Albanian lek against the euro accelerated (from 2.8% in 2022 to 7.8% year-on-year in the January to August average 2023) and financial market conditions tightened.

**In 2022, high GDP and revenue growth helped to lower the public debt ratio below its pre-pandemic level.** The fiscal deficit was below 2 % of GDP in 2015-19, but increased sharply to 6.8 % of GDP in 2020, due to the impact of the pandemic. A strong economic rebound and rising inflation fostered high revenue growth, contributing to the fiscal deficit falling to 3.7% of GDP in 2022, despite significant energy-related spending. Exceptional support to the state-owned electricity provider and vulnerable groups was partly offset by savings on interest and personnel expenditure, and under-execution of foreign financed investments. As a result, the overall annual expenditure increase was moderate at 2.1%. The high GDP denominator and a small nominal decrease in public debt led to a 10 pps public debt ratio decrease from its peak of 74.5 % in 2021 to 64.6 % in 2022. For 2023, a fiscal deficit of 2.5% of GDP and a positive primary balance are foreseen. The exceptional provision for budget support to state owned energy companies in the budget was not needed, and the funds are planned to be reallocated.



As a result, the overall annual expenditure increase was moderate at 2.1%. The high GDP denominator and a small nominal decrease in public debt led to a 10 pps public debt ratio decrease from its peak of 74.5 % in 2021 to 64.6 % in 2022. For 2023, a fiscal deficit of 2.5% of GDP and a positive primary balance are foreseen. The exceptional provision for budget support to state owned energy companies in the budget was not needed, and the funds are planned to be reallocated.

**The tax revenue ratio remains low, despite improvements in the tax administration.** Increasing social contributions and local taxes pushed the overall tax revenue ratio upwards to 25.7% of GDP in 2017, but since then it decreased to 25.4% of GDP in 2022, which is low compared to peers. It is also low given the need for significant investment in physical and human capital. Improvements in the tax administration, and substantial reforms such as the introduction of automated electronic VAT invoicing ('fiscalisation'), excise harmonisation and indexation and digitalisation were successfully implemented in the last three years, but have not yielded an increase of the revenue ratio. The tax revenue structure has remained unchanged over the last decade, characterised by a heavy reliance on revenue from consumption and low revenue from capital taxation and social contributions (the average social contributions revenue of 5.8% of GDP are the second lowest in the region). The 2023 amended income tax law, which takes effect in 2024, will broaden the tax base bringing self-employed professionals into the personal income taxation. Following a suspension of public consultations on the long-planned medium-term revenue strategy (MTRS) in 2022 the authorities have undertaken a review and update of the 2020 draft, which should aim for a broader tax base and a higher revenue mobilisation in a comprehensive and systematic way with public buy-in.

**Weaknesses in the management of public investment persist, but new initiatives have been launched to address them.** Though public investment spending has increased strongly since 2017, partly driven by post-earthquake reconstruction, it remains backloaded and generates increasing arrears in the last quarter of the financial year. In 2021 and 2022 these were partly settled with year-end budget amendments, using unexpected excess revenue. However, structural weaknesses in investment planning and execution persist, partly because the selection and monitoring of public investment projects remains fragmented across types of investment and government agencies that use different procedures. In addition, national legislation still separates investment planning for public-private partnerships (PPPs) from that



of conventional projects. Post-earthquake reconstruction spending lacked transparency as it was not integrated into the regular public finance procedures. Reforms launched at the end of 2022 aim to harmonise and improve the evaluation procedures for various types of public investment projects and resulted so far in setting up a national single project pipeline, which also strengthens project prioritisation in line with fiscal space and can contribute to reducing arrears. An amendment to the PPP-legislation is still necessary for integrating PPPs into those new procedures.

**Fiscal space improved, and the overall macroeconomic policy mix was appropriate in the face of high inflation.** Good fiscal performance and a reduction in the debt-to-GDP ratio has improved the fiscal space, but vulnerabilities remain significant given the exposure to external shocks and continued high debt ratio (in comparison to regional peers). The fiscal response to the energy shock mainly consisted of continuing to subsidise the regulated electricity price for all households and SMEs, though it could have been better targeted to reduce fiscal costs and to include incentives for investments in energy-saving. Nevertheless, the overall spending restraint supported the 2022 monetary policy stance and contributed to dampening inflationary pressures. The macro-fiscal policy mix was generally appropriate to address the high inflation rate and to support economic stability and recovery.

#### Functioning of product markets

##### *Business environment*

**Business satisfaction with public services is improving, but there are increasing concerns about labour shortages.** The 2022 Balkan Business Barometer, an annual independent survey of businesses in the region, shows that businesses' satisfaction with public services improved in 2021 and 2022, supported by a higher level of digitalisation. More public services are now available online, including 31 tax services which allow taxpayers to pay taxes online to a certain extent. In addition, applications for all business licences can be made online. Efforts to set up a complete and digitalised cadastre within the next two years are progressing, but there are still delays and discrepancies as regards the information on property deeds. Improved digital public services help to reduce corruption, but irregularities in public procurement procedures are still perceived as an obstacle for businesses, although implementation of these procedures is improving, and the number of unsolicited proposals and new PPPs have decreased. The introduction of cash limits for business-to-business transactions is one measure taken to address the significant level of informal economic activities that add to unfair competition. There is a growing perception that difficulties in recruiting skilled labour is becoming an obstacle to business and entrepreneurs are increasingly demanding government measures to help retain workers and to provide incentives for the return of the diaspora.

**Mixed progress on improving legal certainty for businesses and making public consultations more effective.** The adoption of the new 'Unified Law on Investment', originally planned to be adopted in 2020, is reportedly postponed to end-2023, delaying the expected improvement in legal security for investors. The mandatory publication of the government's draft documents on the government's online platform increased transparency although its use for public consultation has remained very limited and actual consultations must still rely on ad hoc outreach by government institutions. In this context, Albania made progress by mapping the stakeholders of the line ministries at the end of 2022 to notify them about public consultations in their area of interest. A new "council of enterprises", composed of public and private sector representatives, has been set up to improve consultation of SMEs. In February 2023, the Financial Action Task Force (FATF) reported that Albania largely completed the implementation of the agreed action plan on anti-money laundering and

reforms to counter the financing of terrorism. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards<sup>5</sup>.

#### *State influence on product markets*

**High food and energy prices triggered increased government support but intervention in the price-setting mechanism was deemed unconstitutional.** Rising food and energy price led Albania to adopt a financial support package (the 'social resilience package') in March 2022 to support the transport sector, farmers and vulnerable households and to increase the budget for subsidised electricity prices<sup>5</sup>. A sovereign guarantee scheme for businesses exposed to rising food prices was also adopted. In April 2022, the government created two temporary boards ('Transparency Boards') with government and private sector representatives, which set regularly adjusted ceilings for the wholesale and retail prices of selected food commodities and fuels. However, in 2023 the Constitutional Court decided that these boards were not in line with the constitution and so had to be abolished. In 2023, a one-time windfall tax was introduced on the extraordinary profits in 2022 of the energy providers in the liberalised market. The government announced relief measures for exporting businesses that are affected by the strengthening of the lek, a temporary financial compensation for businesses in agriculture and fishery, which are struggling with the 25% increase of the minimum wage that took effect in April, and plans for a sovereign guarantee to support the liquidity needs of larger companies faced with high inflation, wage increases and currency appreciation.

#### *Privatisation and restructuring*

**The state's presence in the economy slightly increased but remained limited overall.** In 2022, Albania reported State aid of 0.3% of GDP mostly in form of tax exemptions and grants, excluding support to agriculture. According to recently established sector accounts, the public sector's share of gross value added of the economy averaged about 10.6% in 2015-2019 and slightly increased to 11.1% in 2020. The proportion of public sector employment<sup>6</sup> to total employment decreased from 16.3% in 2014 to 14.3% in 2017, before picking up to 15.3 % in December 2021. According to a list of public sector institutions, the central government of Albania is the majority or full owner of 76 central state-owned enterprises, mostly in transport infrastructure and energy, in addition to enterprises in water supply and sewerage in local government or municipal ownership. Restructuring and liquidation of state-owned enterprises continued, and in 2022 a new nomination framework for the boards of State-owned enterprises was adopted by the Council of Ministers. In 2021, the state-owned Albanian Investment Corporation, which develops dormant state assets by mobilising private capital, started to review state assets and formalise partnerships with governmental institutions, and it has now prepared 7 proposals.

**Efforts continued to improve the monitoring of state-owned enterprises (SOEs) and the associated fiscal risks.** State-owned energy utilities' dependence on regular public guarantees and loans remains a source of fiscal risks. This is aggravated by the hydropower sector's vulnerability to rainfall fluctuations and to climate change risks, for which mitigation measures are still underdeveloped. Fiscal risk statements regularly accompany the budget and have been expanded since 2021 to include disaster risks and the financial assessments of an

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<sup>5</sup> The increasing international prices for electricity imports are so far not reflected in the prices for households and SMEs. The state budget balances the differences for the state-owned electricity distributor.

<sup>6</sup> As a share of total employment of 15 to 64-year-olds, according to LFS (INSTAT).

increasing range of state-owned enterprises and utilities. These proved useful for forecasting financing needs for the public electricity sector in 2022<sup>7</sup>, when adverse weather caused a decline in domestic electricity production, and rising international prices led to surging electricity import costs. An instruction issued in December 2022 introduced additional reporting requirements for all public bodies on potential fiscal risks, including those related to PPPs, but the capacities and the mandate of the fiscal risk unit has yet to be upgraded to make full use of this information.

### Functioning of the financial market

**The financial sector remained stable, but risks from the high share of foreign currency and variable interest loans persist.** Bank profitability (the return on equity) continued its recovery from 12.9% in 2021 to an average of 15.5% in the first half of 2023, following a drop to an average of 8.5% in 2022. Overall banking sector capital, in relation to risk-weighted assets, remained unchanged between 18-19%, which is above the regulatory minimum, but a few small banks do not fulfil the macroprudential requirements adequately. Liquidity declined in 2022, but was still above the regulatory limit set by the Bank of Albania and recovered slightly in 2023. The ratio of non-performing loans to total loans fell 3 pps from mid 2020 to mid 2022, and have remained around 5.2% since then. However, there are concerns that the interest rate risk could transform into a credit risk as bank loans, about 75% of which carry variable rates, are being repriced. Several updates of banking legislation and regulation were adopted in 2022 which strengthen macroprudential requirements (liquidity buffers, net funding ratio, capital adequacy) and risk management. The recent resolution of the dispute over the fees for private bailiff services, which facilitate the execution of collateral, is therefore timely. Banks have a sizeable exposure to sovereign risk, given the 25% share of government securities among their assets. Euroisation was already high and increased slightly. The share of foreign currency deposits is above 50% and foreign currency loans are about 49% of the total, although the share of loans that are not hedged against exchange rate risks decreased. The consolidation of the banking sector continued, with the merger of the small Alpha bank into OTP. This reduces the number of banks in Albania to 11. The small but growing non-bank financial sector expanded to 38 institutions<sup>8</sup> but its share of GDP was unchanged at 12%. This includes the insurance market, which is estimated at about 2.3% of GDP, dominated by non-life insurance. New legislation provides sets a framework for growing use of new instruments like factoring and leasing in addition to strengthening risk management requirements in the non-bank financing sector.

### *Access to finance*

**The modernisation of payment systems improved access to finance but capital market development is just beginning.** Total credit growth accelerated from an average of 6.9% in 2021 to 11.2% in 2022. Lending to the private sector<sup>9</sup> also accelerated, from 6.9% in 2021 to an average of 12.3% in 2022, but slowed to 7.3% by July 2023 as interest rates continued to increase. The financial intermediation level remained low, with loans to the non-financial private sector standing at 32.7% of GDP, about 15 pps below regional peers. In 2022, the regulatory framework for the modernised payment system was completed. This has led to more adults holding a bank account and to an increase in electronic payment facilities across

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<sup>7</sup> The government provided direct on-lending of 0.4% of GDP and budget support of 1% of GDP to the sector to cover the increased costs.

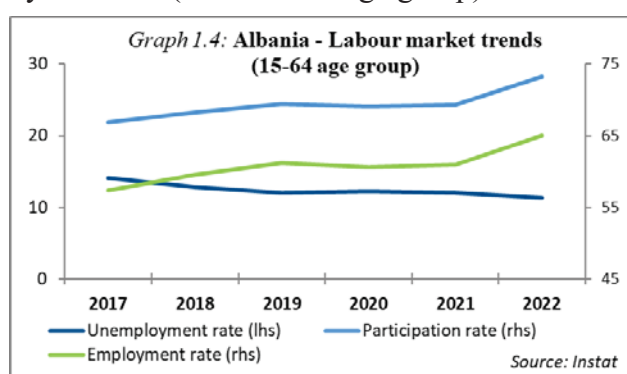
<sup>8</sup> Including 12 insurance companies, 8 investment funds, and a number of institutions providing microcredit, financial leasing, factoring, money transfer and electronic payment services.

<sup>9</sup> Annual average growth adjusted for written-off loans and exchange rate impacts.

the country. Card payments increased by 18%. Bank financing is still the dominant means of external business financing. In April 2023, the Government set out to promote active participation in the capital market, including by state owned enterprises, municipalities and foreign investors. The policy aims to promote bonds placements in view of increasing demand e.g. from private pension funds and to deepen the secondary market for government securities. In addition, institutions of the Albanian banking and financial sector have begun to implement the 2022-2027 national strategy for financial education, which aims to address the comparatively low level of financial literacy in the Albanian population.

### Functioning of the labour market

**The labour market continued to improve.** Solid employment growth, averaging 3.7% a year in 2015-2019, helped lower the unemployment rate (in the 15-64 age group) from 17.5% to 12%. The labour market recovered most of its pandemic-related losses in 2021 and strengthened significantly in 2022, when employment growth averaged 5%. The unemployment rate dropped to 11% in the last quarter of 2022 and the inactive population decreased by 14.3%. The labour-force participation rate climbed to 74.8% by the end of 2022 and 75.8% mid 2023, approaching the EU average, as did the closing gap between male and female labour force participation which dropped by 3 pps to 11.5 pps (mid 2023). However, the recent employment increase is not matched by an equivalent increase in social insurance contributors, which might indicate a growth in informal employment. The unemployment rate for 15-29 year-olds remained persistently above 20%, masking on one hand an increase in their participation rate by 3pps, but on the other hand an increase in the number of unemployed people aged 25-29. Although employment growth continued in the first half of 2023 with an average 3.5% it did not lower the overall unemployment rate, mainly because of an increasing number of unemployed young people (15-29). Despite the improving labour market situation, emigration increased by 10.5% compared with 2021, leading to a population decrease of 1.1 % in 2022. This also contributes to the ageing of the population and hits the financing of the pension system, on which Albania already has a low ratio of contributors to beneficiaries.



**Real private sector wage growth was not matched by public sector wage growth and triggered plans for a comprehensive reform of public sector salaries and wage increases.** Public and private sector wage growth was balanced (both 6.6%) in 2021, but in 2022 nominal private sector wages grew by 12.3% (5.5% in real terms) on average, while public sector wages only increased by 2.3% in nominal terms, resulting in a drop in real wages. In April 2023, the government launched a public sector salary review, aimed at restructuring and updating salary scales and bringing public wages closer to regional levels. A revised regulatory framework was announced to consolidate the principles and mandates for the setting of the public salary schedule for about 130 000 public sector employees. The objective is to raise the average monthly public wage in several steps to the equivalent of about EUR 900 by 2025 and to retain and attract staff in positions of critical importance for the public, including health workers, teachers and police. The first stage increased public sector wages in the second quarter of 2023 by 20.5% year on year, pushing overall average wage growth to 14.9% in the first half of 2023 compared to the same period in 2022. The



estimated total cost of ALL 39 billion would mean a 50% increase in the current public sector wage bill and potentially a deviation from the planned fiscal trajectory, in addition to likely spill-over effects to private sector wage developments. In January 2023, the minimum wage in Albania was the lowest in both nominal terms and in purchasing power standard among countries in the region with available data. The government lifted the minimum wage by 25% year-on-year in April 2023 to ALL 40 000 and announced a further increase to ALL 45 000 (about EUR 400). Since early 2022, the minimum wage has exceeded 50% of the average monthly wage and generated high wage growth in the lowest income sectors like agriculture.

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

Albania has **some level of preparation** to cope with competitive pressure and market forces within the Union and made **some progress** in bolstering competitiveness. Structural reforms in the energy market progressed, and transport infrastructure, the digitalisation of the economy and education outcomes continued to improve, but significant gaps with regional and European levels remain. Albania's competitiveness is hindered by relatively low levels of entrepreneurial and technological know-how, unmet investment needs in human and physical capital, persistently low spending on R&D and, increasingly, by shortages of skilled labour. Trade openness increased through surging exports of services (tourism), but remains low overall, as the exports of goods remain well below potential.

As some of the Commission's 2022 recommendations were not fully implemented, last year's recommendation remain partially valid and in the coming year Albania should in particular:

- improve the labour market relevance and quality of vocational education and training (VET) to increase enrolments, and invest in the digital skills of young people and adults;
- increase spending on education, social protection and health as a percentage of total expenditure and issue instructions to collect data on public expenditure on R&D;
- accelerate the diversification of renewable energy sources, develop business support services for SMEs' green transition, digitalisation and e-commerce, and support cooperation between business and academia on innovation.

#### Education and innovation

**Education reforms are progressing, but it remains difficult for young people to transition into the labour market.** Albania recorded improving results in the last PISA tests (15-year-olds in 2015 and 2018) and relatively good results in the latest international assessments of fourth-grade students' mathematical and scientific understanding (TIMSS 2019) and their reading comprehension (PIRLS 2021)<sup>10</sup>. This might indicate that recent reforms of the education system are having some effect, despite the relatively low spending on the education system of about 3% of GDP on average in 2017-2022. However, the gap in the education level to the EU average remains wide and higher public expenditure on education is necessary to speed up convergence. In addition, regional surveys<sup>11</sup> show that about a quarter of young respondents consider that skills learned in the education system do

<sup>10</sup> TIMSS = Trends in International Mathematics and Science Study, conducted every four years at the fourth and eighth grades. Albania participated for the first time in TIMSS in 2019, only with 4<sup>th</sup> graders. PIRLS = Progress in International Reading Literacy Study, assessing students' reading achievement in their fourth year of schooling every 5 years. Albania participated in 2021 for the first time. It scored in both studies above most regional peers but limited testing scope and issues with data quality limit comparability. [TIMSS & PIRLS International Study Center](#).

<sup>11</sup> Balkan Public Opinion and Business Barometers 2022



not match the needs of their job, and 45% of companies surveyed identify applicants' lack of skills as a reason for unfilled vacancies (2022). Participation in vocational and educational training (VET) remains particularly low (17.7% of upper secondary students, compared to the regional average of 58%) and attendance numbers actually fell in 2022. This contributes to the continued high rate (26.1%) of young people (aged 15-29) not in education, employment or training (NEET) at the end of 2022, and the high emigration of people with a lower level of education<sup>12</sup>. The private sector's involvement in VET improved, but schools have yet to develop and follow curricula with sufficient and attractive work-based learning that is relevant to the labour market. Though ongoing reforms of the VET system address these issues, their funding and the pace of implementation are not yet adequate. In addition, implementation of the 2023-2030 national employment and skills strategy, which envisages the employment policies that are necessary including upskilling and adult training, needs sufficient funding to raise the skill levels of the relatively large group of Albanian adults with a low level of education, and thus alleviate the shortage of skilled labour.

**Albania has better access to EU research funds, but domestic funding remains negligible.** Public funding for research and development is foreseen to increase from the estimated 0.1% of GDP in 2022, but it is unlikely to reach the level of 1% of GDP envisaged in draft 2023-2030 national strategy on technology and innovation (STI), and reliable data on actual research funding is not yet available. There are no cost-based tax incentives currently being offered to private companies for training and research. Though some efforts have been made to stimulate public/private cooperation in this area, the very limited level of investment in innovation remains an obstacle to the much-needed increase in productivity. Albania's association agreement with Horizon Europe entered into force in 2022, giving its research institutions access to EU funding for research and innovation that is comparable to EU Member States.

#### Physical capital and quality of infrastructure

**Investment recovered in 2021 and 2022 and infrastructure projects made some progress.** Total investment (gross fixed capital formation) averaged 24.4% of GDP in 2014-2018 before dropping by almost 2 pps in 2019-2020. In 2021 and 2022, investment rebounded to 24.4% and 24.0 % of GDP respectively, fuelled by rising private and foreign direct investment as well as public-financed post-earthquake reconstruction. This pushed public investment to 6.8% of GDP in 2021, before it fell to 5.4% of GDP in 2022. The share of gross fixed capital formation in GDP is the second highest in the region, and about 1.2 pps above the EU average. Net FDI inflows rose by 22% year-on-year in 2022, mostly flowing into real estate, energy, finance and manufacturing. Albania has made progress with the preparation and construction of road, rail and port infrastructure projects, which are improving interregional connectivity (the Adriatic-Ionian Corridor) and trade-related infrastructure (rehabilitation of the rail line from the port of Durrës to Tirana, construction of a new rail line to the international airport). In addition, a new 2023 – 2030 transport sector strategy and action plan was prepared, with an estimated budget of EUR 1 billion. The logistics performance index of the World Bank on Albania's trade and transport-related infrastructure records an increase from 2.29 in 2018 to 2.7 in 2022 (1 = low to 5 = high, EU = 3.6).

**Digital infrastructure improved but needs further investment.** Though the percentage of businesses with access to fast network connections (>10MB/s) increased from 79.8% in 2020

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<sup>12</sup> OECD "Labour Migration in the Western Balkans: Mapping Patterns, Addressing Challenges and Reaping Benefits". <https://www.oecd.org/south-east-europe/programme/Labour-Migration-report.pdf>

to 90.5% in 2021 there has only been a small rise in internet use and business websites. Fixed broadband penetration increased from 17 to 20 per 100 inhabitants in 2021 and remains an issue, particularly in rural areas. These have 40% of the population but only a quarter of the fixed broadband subscribers. Investment in digital infrastructure is also needed in schools. Many schools lack computers - there are about 0.2 computers per pupil - and have poor internet connections, which remains an obstacle to using digital technologies in schools. Households with access to the internet increased from 88.3% in 2021 to 96.5% in 2022, with an increasing share also accessing the internet via a fixed broadband connection.

**Hydropower remains the main source of electricity, but Albania made some progress in the development of its electricity sector.** Although this is a renewable source, hydropower creates a dependency on unpredictable rainfall, exacerbated by climate change. This means that the country's electricity import needs fluctuate, leading to calls for more efforts to diversify electricity sources. Albania aims to increase solar energy production capacity to 1 GW and has awarded two contracts for solar photovoltaic farms with 240 MW capacity through solar power auctioning. In addition, the first auctions for wind power resulted in contract awards for 222.5 MW installations in July 2023. These are important steps towards reducing Albania's 98% dependence on hydroelectric production. The power sector law<sup>13</sup> was amended to improve its alignment with the EU *acquis* on energy, as required by the Energy Community secretariat. This enabled the effective separation of the electricity distribution system operator from the production operator. The Albanian Power Exchange (ALPEX) also went live and held its first electricity auction in April 2023. ALPEX is a joint venture company, owned by the transmission system operators of Albania (OST) and Kosovo (KOSTT), entrusted with operating both day-ahead and intraday markets. Transparent price signals can be provided for investments in renewable energy through ALPEX, though retail electricity prices are not yet fully liberalised for all customers. The recently adopted Law on renewable energy sources and new incentives for households to install solar panels and water heaters are expected to help to reach the increased renewable energy share targets in the 2020–2030 national energy and climate plan for energy efficiency (NECP).

#### Sectoral and enterprise structure

**The economic structure continued to shift gradually away from agriculture and towards construction, manufacturing and services.** The share in gross value added of the agricultural sector fell from 22.9% to 21% in 2014 -2019. It increased slightly to 21.3% in 2022 but remained higher than other sectors, exceeding the share of manufacturing by a wide margin despite this sector's gradual increase (to 7.5% in 2022). The increase in the combined share of services by 2.7 pps in 2015-2019 to 55.4% of gross value added reversed in 2020, and was down to 54.1% in 2022. Within the services aggregate, the category 'wholesale and retail trade, transport, accommodation and food service activities' recorded a strong 1.9 pps increase in 2022 compared with 2021, while the category 'public administration and defence; compulsory social security; education; human health and social work activities' fell. Reflecting stronger investment activity, the construction sector's share in gross value added increased to 11.2% in 2022, about 1 pp higher than its average in 2015-2019. Agriculture provided 33.7% of employment in 2021, down from 36% in 2019 and 2020 but still accounted for over 50% of employment in more than half of Albania's prefectures.

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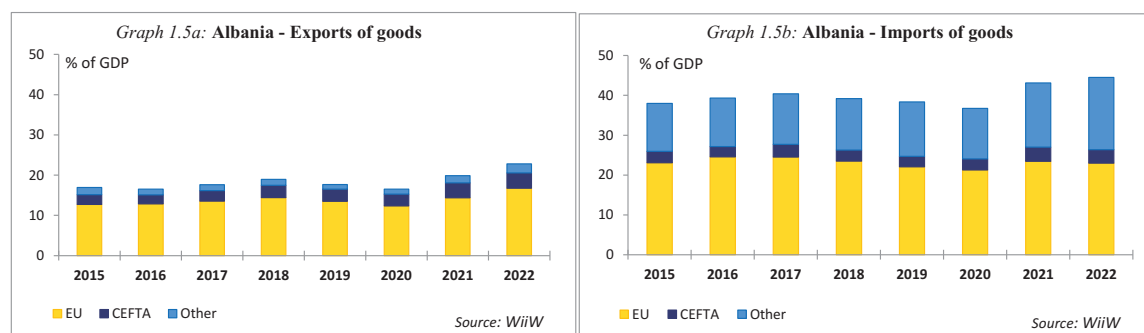
<sup>13</sup> The decision to close Case ECS-4/17 in April 2022 was based on the complete transposition into national law of the Electricity Directive's provisions related to DSO unbundling, the completion of legal unbundling and substantial progress in functional unbundling.

Manufacturing's share of total employment increased slightly to 11.2% in 2021, whereas services' share increased to 44.4%.

**Tax registrations of businesses and farmers continued to increase.** Tax registrations of farmers increased by 34.1% in 2022, most likely related to the support scheme for farmers' fuel costs, whereas the number of active registered non-agricultural enterprises increased by 5.6%. A total of 92.6% of active enterprises employed fewer than 10 people (85.6% employed 1 to 4 people), 5.7% had 10-49 employees, whereas 1.6% of enterprises had 50 or more employees and comprised 50.6% of total employment. The percentage of registered enterprises that provide services (85.6%), was unchanged from 2021. There is a high concentration (64.8%) of active enterprises in the prefectures of Tirana, Durrës and Vlorë, which account for about 50% of the population. In total, 5.3% of active enterprises are jointly or wholly owned by foreigners, contributing to 12.5% of employment, the majority (62.7%) of which have owners from Europe, in particular from Italy and Greece.

#### Economic integration with the EU and price competitiveness

**The EU remains Albania's main trading and investment partner.** Trade openness (the sum of exports and imports as a share of GDP) averaged 75.7% of GDP in 2015-2019. After a drop in 2020, it jumped from 74.7% of GDP in 2021 to 88.5% of GDP in 2022, driven by strong growth both of exports and imports, which rose to 37.5% and 49.6% of GDP respectively. Despite the increase in exports' share of GDP (up by 10 pps since 2015), it remains the lowest in the region, largely due to the very low share of goods exports. Exports remain dominated by services, mostly tourism-related. The EU remained the main destination for the export of both goods and services (2020 data). The EU's share of Albania's goods exports increased in 2022, halting the downward trend of the previous 5 years, but the EU's share of Albania's imports continued to decline. The trade in goods with countries in the Central European Free Trade Agreement (CEFTA) decreased, in particular due to a 2 pps drop in its proportion of Albania's exports. FDI inflows from the EU jumped from 30% of the total in 2015-2018 to 51% in 2019-2022. Between these periods, the shares of Switzerland and Türkiye, once the source of the second and third largest inflows, decreased from 33.7% of the total to 11.4% and from 8% to 7.6% respectively. The EU's share of FDI stocks remained high at 54.4%. In January 2022 an inter-ministerial working group was established to draft a 2022-2027 export promotion programme, expected to be finalised in 2023. The real effective exchange rate increased by an average of 0.5 % in 2022, but by 2.6% in the first quarter of 2023 (compared with the 2022 average).



## 2.4 PUBLIC PROCUREMENT, STATISTICS AND FINANCIAL CONTROL

### Chapter 5: Public procurement

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

Albania is **moderately prepared** in public procurement. **Some progress** was made , in particular, through an increased use of the most economically advantageous tender award criteria.

The 2022 report's recommendations were only partially implemented and remain valid.

In the coming year, Albania should, in particular:

- continue efforts to ensure competitive procurement procedures, with further encouragement of the use of the most economically advantageous tender award criterion and the use of framework contracts;
- step up efforts to align the legislative framework with the EU *acquis* in the area of concessions and public-private partnerships;
- ensure that the conditions of intergovernmental agreements concluded with third countries comply with the requirements of the EU *acquis* and in the Stabilisation and Association Agreement (SAA) in the area of procurement.

#### Institutional set-up and legal alignment

The **legal framework** on public procurement is largely aligned with the 2014 Directive on public procurement and procurement of utilities. The Law on concessions and public-private partnerships (PPPs) is partly aligned with the EU *acquis*. The government plans to adopt a revised PPP law in 2023. Albania is also partially aligned with the EU *acquis* on defence and security procurement.

A working group has been set up and a negotiation team has been nominated to prepare for Albania's accession to the Agreement on Government Procurement of the World Trade Organization.

The Public Procurement Agency (PPA) is the body mandated to propose regulatory measures, monitor compliance with procurement rules and monitor the implementation of contracts. A new organisational structure was created in March 2023. It has 48 posts, of which eight are vacant. In 2022, a regulation was adopted to strengthen the status of the Agency for Centralised Procurement. The MoFE, together with the Concessions Treatment Agency (ATRAKO), are the main organisations responsible for PPP and concessions.

#### Implementation and enforcement capacity

Albania's public procurement market represented about 9.4% of GDP in 2022, compared with 10.7% in 2021. In 2022, the average number of bids per tender was 2.5 (compared with 2.5 in 2021 and 2.57 in 2020). Public procurement forecasts are published regularly.

The PPA has a monitoring system to assess procurement performance and compliance, as well as the implementation of contracts. Since 2021, contracting authorities submit plans for implementing signed contracts to the PPA. The PPA provides regular monitoring reports and, since 2021, has also provided real-time information on procurement through the open data platform.

All legal and financial instruments used in the area of public procurement and concessions, including intergovernmental agreements concluded with third countries for the

implementation of joint projects, should comply with the principles of transparency, competition, equal treatment and non-discrimination.

**On the monitoring of contracts award and implementation,** the number of negotiated procedures without prior publication increased to 157 in 2022 (143 in 2021). This represented 3.3% of all procedures but had fallen to 0.9% in terms of the value of all procurements in that period (from 3.4% in 2021). The use of framework agreements fell slightly in terms of numbers (763 compared with 873 in 2021), but these represented a higher total value of contracts procured through framework agreements (approximately EUR 419 million in 2022 compared with approximately EUR 354 million in 2021). The application of the most economically advantageous tender criteria for the award of public procurement contracts increased to 7.3% of procedures, amounting to 33.9% of the total value of contracts.

There is a central procurement portal for the publication of tender and contract notices, and its use is mandatory, including for low-value procurements. The PPA extended its role in contract monitoring and contracting authorities began reporting on contract implementation in 2022, so far on 3 659 contracts.

**On PPP/concessions,** there was a significant reduction in the number of new PPPs. The use of unsolicited PPPs was also curtailed. By the end of 2022, the PPPs/concessions registry contained information on 228 contracts. In 2022, 3 concession procedures were published, of which one was awarded. . The technical capacity to design and assess PPPs requires further development. The December 2022 government decision on improvements to the single investment project pipeline aims to gradually integrate decisions on PPPs into the broader assessment procedures for investment projects.

The contracting authorities need to continue to build **capacity to manage public procurement processes**. Ongoing training continued, with 1 396 people trained in 2022. The technical skills and capacity to design and assess concessions and PPPs also require further development. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle.

**On integrity and conflicts of interest,** the PPA issued instructions on the declaration of conflicts of interest by procurement officials and adopted a regulation on preventing conflicts of interest in the exercise of public functions in the PPA. The State Audit Institution continues to report irregularities in public procurement at central and local level.

In terms of developing an effective system for the **prevention of corruption** in public procurement, Albania should focus on further strengthening the functioning of the overall system to increase competition, compliance and professionalisation. Albania has laid a good foundation by significantly improving transparency through its comprehensive electronic procurement and e-appeals system, and in terms of giving participants access to redress by developing its review system.

#### Efficient remedy system

The Constitution and the PPL contain provisions on the **right to legal remedy** that are mostly in line with the remedies Directive.

The Public Procurement Committee (PPC) is the independent review body dealing with complaints about public procurement and concessions/PPP. Its decisions can be challenged before the Administrative Court of Appeals (and Supreme Court for subsequent appeals). A regulation was adopted in 2022 that further clarified the rules on the invalidity of procurement contracts and the role of the PPC in this respect.



The remedy system is easily accessible to economic operators, though subject to a fee. An electronic portal for submitting and managing appeals and complaints is in place and provides real-time statistics. The PPC has completed the overhaul of its internal procedures to incorporate the new online procedures.

In 2022, the PPC received 782 complaints about procurement, in line with the previous year (768 in 2021). 89.9% of complaints were addressed within the legal time limit (compared with 89.2% in 2021 and 78% in 2020), while the average time it took to reach a decision fell to 12 days. In 2022, 5.45% of PPC decisions were appealed before the administrative courts (a slight reduction compared with 2021).

The **capacity** of the PPC to deal with appeals, needs to be further improved. In March 2023, the Parliament agreed to increase the number of posts at PPC from 36 to 42, eight of which remain vacant. Extensive training of PPC staff is based on a cooperation agreement with the University of Tirana.

## Chapter 18: Statistics

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

Albania is **moderately prepared** on statistics. **Some progress** was made in addressing the 2022 report's recommendations. Further alignment was made with ESA 2010 standards, statistics publication was made faster of, and there was increased transmission to Eurostat. Parliament approved the 2023 statistical plan, including a date for the population and housing census, which is ongoing. The role of the Institute of Statistics (INSTAT) was further strengthened, and its resources improved but capacity challenges remain. Despite the progress made in the modernisation of, data collection methods, further efforts are needed to improve the statistical production processes.

The recommendations issued in 2022 largely remain valid. In the coming year, Albania should:

- disseminate in a timely manner the results of the population and housing census 2023 and prepare an updated plan, secure the resources and be ready to implement the census of agriculture holdings in line with the relevant EU *acquis* and international standards;
- take measures to reduce the staff turnover of the Institute for Statistics (INSTAT) should, in order to ensure that statistical production needs are met;
- increase the production and transmission of timely and high-quality data for dissemination by Eurostat, and in particular make government finance statistics (GFS) data publicly available.

On the **statistical infrastructure**, Albania's Law on official statistics is in line with the European Statistics Code of Practice, and most classifications are in line with EU standards. The 2022-2026 official statistics programme is being implemented. The 2023 annual statistics plan was approved by parliament in January 2023. This included the date for the population and housing census, which needs to be conducted in 2023, having already been postponed twice. While INSTAT has made some efforts to fill vacancies and aims to increase staffing levels from 236 to 266 by 2026, further efforts are needed to reduce staff turnover, to ensure that production needs are met, and to train new staff in the latest statistical developments.

On **macroeconomic statistics**, annual and quarterly GDP data are produced in line with the production and expenditure approach, using current prices and with chain-linked volume and seasonally adjusted. On national accounts, Albania is partially in line with ESA 2010 on the quarterly and annual national accounts (main aggregates), on supply and use tables and derived input-output tables, as well as on regional accounts; data transmission to Eurostat has gradually improved in terms of timeliness for annual national accounts. However, significant improvement is still needed to achieve full compliance (mainly in the approach to quarterly GDP by income and population and employment data). Substantial further work is necessary to improve the timeliness, coverage and quality of annual non-financial sector accounts and annual financial sector accounts and to start compiling also quarterly non-financial sector accounts. Efforts are needed to start the work for the compilation of pension entitlements table. Despite progress on alignment with ESA 2010 standards, Albania still needs to improve compliance with the methodological requirements, and implement the improvements it has already achieved in the next benchmark revision in 2024. The Gross National Income (GNI) inventory, which describes the sources and methods used to compile national accounts, should be updated. Efforts are also needed to ensure the completeness of the notification tables on the excessive deficit procedure, which are sent regularly to Eurostat on a best-efforts basis. Improvements are also needed in government finance statistics to meet the requirements of the EU *acquis* and the data should be made publically available. INSTAT produces and publishes the harmonised index of consumer prices and is responsible for generating income accounts.

Data collection and production of **business statistics** have improved. Albania carries out an industrial production survey, although data is currently not collected or transmitted to Eurostat. Albania is partly compliant for all short-term statistics (STS) domains (industry, construction, retail trade and other services). However, some STS indicators are still not transmitted to Eurostat, in particular those on industrial turnover, hours worked, and indicators on business registrations and bankruptcies. Further efforts are needed to transmit the business demography statistics, starting with enterprise births, deaths, and survivals. INSTAT continues to achieve high response rates in both business and household surveys.

On **social statistics**, INSTAT continues to conduct the labour force survey regularly, and microdata are provided to Eurostat, but it still does not produce statistics on job vacancies. Statistics on labour costs are calculated based on a labour cost survey. INSTAT continues to conduct the annual survey of income and living conditions (SILC) wave and the data has been validated and published by Eurostat. Data on income and living conditions at household and personal level has been released using EU-SILC. Statistics on external migration and asylum are partly aligned with the EU *acquis*. Crime statistics are published every year and are fully based on administrative sources. Crime statistics in Albania are classified on the basis of the national criminal code and laws, but INSTAT is working on a mapping that uses the International Classification of Crime for Statistical Purposes.

The collection of gender-disaggregated data has improved: the new official statistics programme includes provisions on collecting and analysing gender statistics. Further efforts are needed to produce disaggregated data for certain groups, especially on the prevalence of violence and harassment at work, on data disaggregated by both gender and geographical location, age, ethnicity, disabilities and migratory status. After being postponed twice the population and housing census is being implemented in 2023, after a second pilot census led to further adjustments in the approach. Recruitment of staff for the census started in May. Video messaging to raise awareness about the census have already started, and widespread communication on it will start in September 2023. Albania needs to ensure that the census

goes ahead, that adequate funding for its full implementation is ensured, that administrative data is reused where possible, and to ensure that sufficient attention is paid to the rebasing of data.

**Agricultural statistics** are partly aligned with the EU *acquis*. Some progress was made on the administrative registers, such as in the farmers' register, the individual register of animals and the animal holding registers, but the quality of the data still needs to be improved. INSTAT also needs to finalise the documents needed for the census of agricultural holdings planned for 2024, including an action plan and an updated budget, and secure necessary funds to carry it out successfully. Adoption of the necessary legal act to ensure compliance with the EU regulations on integrated farm statistics needs to be assured.

**Environmental statistics** are partly aligned with the EU *acquis*. Material flow accounts are well aligned to the EU *acquis*. Air emission accounts, physical energy flow accounts and environmental taxes by economic activity remain partially in compliance with the EU requirements. Waste statistics have improved but they are not yet fully aligned. Data on packaging waste are increasingly substantial as they are the basis for a new EU own resource on non-recycled plastic packaging waste. Albania already collects data on municipal waste, but it needs to collect and transmit the statistics on industrial waste and ensure a comprehensive estimate of all plastic packaging waste generated and recycled.

**Energy** statistics are moderately aligned with the EU *acquis*. INSTAT and the national Agency of Natural Resources produce monthly and annual energy statistics for commodity balances for all energy products (fuels) used in Albania (natural gas and oil) as well as prices of electricity for households and industry. Substantial further work is required to reach full alignment with the EU *acquis* on energy statistics.

## **Chapter 32: Financial control**

*The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.*

Albania is **moderately prepared** in the area of financial control. **Some progress** was made during the reporting period when it comes to updates to the legal framework of internal control and internal audit. Implementation of the policy document for the strengthening of public internal financial control (PIFC) and targeted internal audits on arrears continued. Albania further aligned its national legislation with the EU *acquis* on counterfeit banknotes and coins. Internal control is not yet ensured across budget entities. Working relations between the Supreme State Audit Institution, the Parliament and the Ministry of Finance and Economy (MoFE) need to be further strengthened.

Since the 2022 Commission recommendations were only partially addressed, they remain valid. In the coming year, Albania should in particular:

- implement the instructions on financial delegation of responsibilities and issue instructions on delegation of management responsibilities with a view to improving managerial accountability;
- monitor and follow-up the implementation of recommendations made in the annual PIFC report across budget institutions; increase parliamentary scrutiny of audited bodies in the implementation of external audit recommendations, through more frequent parliamentary hearings and the establishment of a parliamentary monitoring framework to regularly assess government's follow-up action;

→ strengthen controls and consolidate capacities to protect EU financial interest, ensuring correctness and transparency of expenditure in line with the principles of sound financial management.

### Public internal financial control (PIFC)

A **strategic framework** for PIFC is in place. PIFC measures are included in the public financial management and the public administration reform strategies, and were also set out in the 2021-2022 PIFC policy document. As of 2023, the specific PIFC policy document will be integrated into the new 2023-2030 PFM strategy, which is under preparation. Annual PIFC reports are prepared and bring together reporting on activities, and findings from assessments and self-assessment on internal control and internal audit. They are presented to the Council of Ministers and Parliament as part of the process to approve the budget.

The **internal control** system is only partially effective. The legislation on internal control is largely in line with international standards. Amendments to the law were adopted in February 2023 to strengthen enforcement options and clarify roles and responsibilities. The Ministry of Finance and Economy is responsible for monitoring implementation. Albania has implemented several measures to improve the internal control system, in particular to improve the execution of procedures and to strengthen the capacity of civil servants. However, further efforts are needed to advance the implementation of PIFC reforms. Risk management is still at an early stage at all levels and needs to be better incorporated into the management of financial and operational processes.

**Managerial accountability** is not yet fully embodied in the legislation and administrative practice. The instructions that have been adopted on the delegation of financial responsibilities need to be implemented and accompanied by delegation of operational and administrative responsibilities to improve overall managerial accountability. In practice, a very small number of administrative decisions are delegated to lower levels due to the centralised system of decision-making.

The legislative framework on **internal audit practice** is in line with international standards. The law was amended in February 2023 to strengthen the independence of internal audit, update the requirements of the organisational set-up and clarify how to deal with suspected corruption and fraud.

At the end of 2022, 83% of internal audit units were considered to be set up in line with the legal requirement. A total of 31 public units (mainly smaller municipalities and independent institutions) have not yet set up an internal audit unit or established an alternative arrangement, and some are understaffed. In 2022, there were 434 internal auditors, of whom 353 had basic certification (up from 342 in 2021 and 318 in 2020). A new system for the advanced certification of auditors has been set up and a first cohort of 25 participants has been selected.

The fact that the internal audit system does not yet issue audit opinions on the effectiveness of the internal control systems across different budget entities remains an issue.

In 2022, the **Central Harmonisation Unit** assessed compliance with manuals and instructions of the internal audit activities of 25 internal audit units. It found only 36% of them to be partially or fully compliant.

Well-functioning internal control, internal audit and inspection systems are essential for the strengthening of systems to prevent corruption. The recent revision of the internal audit law has clarified procedures for internal auditors when faced with potential criminal acts (report to financial inspection and suspend audit). In 2021, 6 cases were reported by internal audit

units to the financial inspection. Financial inspection has reported relatively few cases to Prosecution (1 in 2021).

#### External audit

In line with the standards of the International Organization of Supreme Audit Institutions, Albania's **constitutional and legal framework** guarantees the independence of the State Audit Institution. The State Audit Institution has adopted a new strategic development plan for 2023-2027.

Albania should increase the implementation of external audit recommendations and develop the parliamentary scrutiny of audited bodies. The State Audit Institution has continued to take action to improve its **institutional capacity**. It carries out annual professional development activities for audit staff. The number of staff has increased to 212, partly in response to the obligation imposed by the High Court to audit all 61 municipalities on a regular basis.

The **quality of audit work** needs to be further improved to fully comply with the standards of the International Organisation of Supreme Audit Institutions. In 2022, the financial, compliance and performance audit manuals were updated. The objectives of the State Audit Institution have shifted from compliance and regularity audits to performance audits and financial audits. It follows a risk-based external audit approach.

The **impact of audit work** has shown some progress. The Albania's Supreme Audit Organisation continues to compile annual reports on its performance, publishes them on its website and reports accordingly to Parliament. Audit of the state budget is conducted in a timely manner. In 2022, 177 audit reports were submitted to Parliament. The State Audit Institution also regularly reports on the implementation of its recommendations. The level of implementation of external audit recommendations is still insufficient (50% of 2021 recommendations are fully or partially implemented), despite a high proportion of recommendations (97%) being accepted by institutions. The parliamentary scrutiny of audited bodies on the implementation of recommendations is still limited and should be increased, through more frequent parliamentary hearings and the creation of a parliamentary monitoring framework to regularly assess government's follow-up action.

ALSAI has the right to refer to the criminal prosecution bodies when the findings of audits are of their competence. ALSAI reported four criminal charges to Prosecution Office in 2022 involving 16 officials, compared to 14 cases involving 62 employees in 2021. In addition, it monitors implementation of recommended disciplinary measures. ALSAI has signed MoU's with the General Prosecutor's office, SPAK and HIDAACI.

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

Albania has ensured some level of **alignment with the EU *acquis*** in the area. However, it still needs to fully harmonise its legislation with the EU Directive on the fight against fraud to the EU's financial interests by means of criminal law.

The national **anti-fraud coordination service** has established a network involving other relevant authorities, which meets regularly. Still, the roles of the authorities part of the AFCOS network should be further clarified in relation to protecting the EU's financial interests. A national anti-fraud strategy still needs to be adopted.

The manual of procedures for irregularities continue being updated.

Albania needs to improve its **cooperation with the European Commission** on investigations. In 2022, it reported 71 cases of irregularities and suspected fraud in IPA and IPARD programmes. Although cooperation on investigations has improved, Albania needs



to step up its efforts in developing a solid track record on cooperation on investigations by providing, among others, effective operational assistance to investigators from the European Anti-Fraud Office (OLAF) so they can fully discharge their duty in carrying out an on-the-spot check in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (EC, Euratom) No 2185/1996. Albania should also continue its efforts in developing a track record on reporting of irregularities.

#### Protection of the euro against counterfeiting

Albania further **aligned with the EU *acquis*** on the definition of counterfeit banknotes and coins, as well as the procedures for gathering, storing and withdrawing them from circulation.

**Technical analysis** is provided by the national analysis centre of the Bank of Albania and the Forensic Police Institute. In January 2023, a cooperation agreement on the protection of currency against counterfeiting was signed by the Bank of Albania, the General Prosecution office and the Ministry of the Interior.

In 2022, Albania seized 834 counterfeit euro coins and 134 euro banknotes, representing 68% of all seized counterfeit currencies in the country, compared with 38% in 2020.

### **3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION**

Good neighbourly relations and regional cooperation form an essential part of Albania's European integration process. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past.

Albania maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South East European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC).

The EU-Western Balkans Summit in December 2022 took place for the first time in the region, in Tirana. The summit focused on support to the region in the fields of energy and migration, and on youth cooperation, roaming, green lanes and overall progress on implementing the Economic and Investment Plan.

As of January 2023, Albania has assumed the Chairmanship in Office for the Western Balkans Fund. Albania has also assumed the Chairmanship in Office of the Berlin.

On the **Common Regional Market (CRM)**, a political breakthrough was achieved at the Berlin Process Summit in Berlin in November 2022, where leaders adopted the three mobility agreements on higher education qualifications, on professional qualifications and on free movement with identity cards. Albania has ratified all three mobility agreements and has deposited the related notification instruments. A number of important decisions agreed at the technical level within CEFTA remain blocked.

Albania generally maintains good **bilateral relations** with other enlargement countries and neighbouring EU Member States.

Relations with ***Bosnia and Herzegovina*** remained friendly and without pending issues, with occasional high-level bilateral visits. The two countries are still to establish resident bilateral embassies, as agreed in 2020. Trade flows remain low.

Relations with ***Georgia*** are good. Albania supports the territorial integrity and sovereignty of Georgia. Albania expressed appreciation for Georgia's aspirations to integrate into the EU and NATO.

Albania's relations with **Kosovo** remained good overall. Albania's authorities have demonstrated consistence and strong support to the EU-facilitated Belgrade-Pristina dialogue. The Prime Minister of Kosovo visited Tirana in March 2023. In September 2023, the President of Kosovo visited Albania.

Relations with the **Republic of Moldova** are good, with the first bilateral diplomatic consultations taking place in 2022, and a joint commitment to develop the nascent bilateral economic relations. Albania has welcomed the EU's decision to grant EU candidate country status to Moldova.

Relations with **Montenegro** remained good overall. After 3 years, the second joint governmental meeting between Albania and Montenegro took place in Podgorica in February 2023. Albania signed a series of bilateral agreements with Montenegro's caretaker government, intended to improve cooperation between the neighbours in several areas of common interest related to energy, fishing, plant protection, social protection, sports, culture, media, defence and health. The parties signed a bilateral agreement for the construction of a bridge on the Buna River to connect the coastal areas of Ulcinj (Montenegro) and Velipoja (Albania) and announced the opening of the border crossing at Saint Nicholas – Pulaj.

Relations with **North Macedonia** remained good. In November 2022, the second government-to-government meeting between Albania and North Macedonia took place in Skopje. The governments signed 21 agreements, memoranda of understanding and protocols and pledged to cooperate on their EU integration process and on addressing the energy crisis triggered by Russia's unprovoked invasion of Ukraine. Both governments agreed on three initiatives related to the infrastructure of Corridor VIII, the construction of a dry port in Struga and the opening of the new Struga-Pogradec border crossing. Albania and North Macedonia will also create joint investigation teams in the fight against organised crime. Further avenues of cooperation are related to defence, security, digitalisation, border control, improving child protection and implementing Albanian sign language in both countries.

Relations with **Serbia** remained good overall, with regular high level political contacts. Albania's authorities have shown unwavering support for the EU-facilitated Belgrade-Pristina dialogue.

Relations with **Türkiye** have continued to strengthen, as reflected in the exchange of high-level visits. In November 2022, Albania's Minister for Europe and Foreign Affairs visited Ankara and led jointly with her counterpart the first meeting of the Political Dialogue Group. The Prime Minister of Albania visited the country and met the President of Türkiye in December 2022. Albania provided immediate support to Türkiye with the deployment of a team of 56 people in relief efforts following the earthquake that hit the country in February. Türkiye continues to exert pressure on Albania to deliver on dismantling the 'Gülen' movement in the country.

**Ukraine**-Albania relations have intensified since the beginning of Russia's war of aggression against Ukraine. Albania has sponsored or co-authored all resolutions in support of Ukraine during its non-permanent membership of the UN Security Council. The Prime Minister visited Kyiv in June 2022, together with the Prime Minister of Montenegro. Albania has welcomed the EU's decision to grant EU candidate country status to Ukraine.

Relations with **Greece** remained good overall, with continued political contacts. Greek Minority rights, in particular the property rights of the Greek minority, remain a subject of disagreement in the bilateral relations. The pre-trial detention of an ethnic Greek mayor-elect, who was arrested on the eve of the local elections, and whose trial started on 14 September on charges of vote-buying has been a source of bilateral tensions and raises serious concerns.

His requests to be granted special leave to be able to swear the oath have been dismissed and the High Court is expected to deliberate on the assignment of the related appeal to a court. The Constitutional Court accepted in October to pronounce itself on the constitutionality of the criminal judicial procedure following his arrest. On the issue of the delimitation of the maritime border, both sides agreed to jointly refer the case to the International Court of Justice. In December 2022, the Ministers of Foreign Affairs made visits to each other's capitals. In September 2022, the first joint technical meeting in the context of a future agreement on social insurance schemes took place in Athens.

Relations with **Italy** remained very good. Political dialogue intensified with high-level visits on both sides. In September 2022, the President of Italy visited Albania. In December 2022, Albania's Prime Minister met the Italian Prime Minister. The Albanian Minister for Europe and Foreign Affairs met the Deputy Prime Minister and Minister for Foreign Affairs of Italy in Rome in November 2022. Cooperation in the field of defence, justice and home affairs was further strengthened, including in the areas of the fight against cybercrime, trafficking in human beings, irregular migration and asylum.

#### **4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP**

##### **CLUSTER 2: INTERNAL MARKET**

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9) and consumer and health protection (Chapter 28). This cluster is key to Albania's preparations for the requirements of the EU's internal market and is very relevant for the development of the Common Regional Market.

Albania is moderately prepared in the areas of right of establishment and freedom to provide services, free movement of capital, company law, intellectual property law and financial services. Some progress was made on intellectual property law as well as free movement of capital, which may lead to the country's removal from the list of jurisdictions under increased monitoring. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards. The country is in between some and moderate level of preparation in the area of the free movement of goods, on which there was limited progress, and competition policy. Some level of preparation is registered on freedom of movement of workers, with some progress notably on free movement of family members of EU citizens. Limited progress can also be reported on freedom to provide services and company law. Preparations are at an early stage on consumer and health protection, where the country has made limited progress; significant efforts are still needed notably on ensuring quality healthcare for all. No progress can be reported on competition policy, where the State Aid Commission (SAC) still lacks operational independence.

##### **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 is **in between some and moderate level of preparation** in the area of free movement of goods. There was **limited progress** overall and on last year's recommendations, notably on alignment with the EU *acquis* on simple pressure vessels. Despite an initial compliance check with Articles 34-36 TFEU this is so far only limited to the harmonised area). On the quality infrastructure, some legal bases are still not aligned and, though it has started the process, Albania is yet to fully join all the EU standards bodies. Last year's recommendations therefore remain valid, as efforts are still needed to ensure legislative alignment and to strengthen enforcement.

In the coming year, the country should in particular:

- complete the alignment of its legislation with the EU *acquis* relevant to the quality infrastructure i.e. on accreditation, conformity assessment and market surveillance;
- significantly strengthen the enforcement capacity of the market surveillance inspectorate;
- adopt an action plan for screening all domestic legislation, procedures, and administrative practices for compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) which fully covers the non-harmonised area, with a timeframe for screening all such legislation and practices and for introducing mutual recognition clauses or repeal and/or amend legislation and practices as necessary.

### General principles

Albania's legislation is not aligned with Articles 34-36 TFEU. Plans for further alignment with the EU *acquis* are set out in the 2023-2025 national plan for European integration adopted in February 2023, and in the current consumer protection and market surveillance strategy.

### Non-harmonised area

Albania needs to widen the scope of its work on drafting an action plan for screening national technical regulations to comply with **Articles 34-36 of the TFEU**, as thus far they have only focused on harmonised product sectors. The main purpose of such an action plan is to ensure that there are no issues in regard to the non-harmonised areas, i.e. to ensure that any non-harmonised legislation, processes, procedures or rules fully comply with Articles 34-36 TFEU, or are covered by mutual recognition clauses. Albania therefore needs to ensure that its action plan to comply with Articles 34-36 TFEU also fully covers all the non-harmonised areas.

### Harmonised area: quality infrastructure

Albania's legislation on **accreditation** is designed to be aligned with the EU *acquis*, while that on market surveillance is partially aligned. Administrative structures already exist to deal with technical regulations, standardisation, conformity assessment, metrology, accreditation and market surveillance, but the recruitment of qualified staff to ensure market surveillance of all harmonised sectors needs to be completed. Albania has mutual cooperation agreements on accreditation, standardisation, and conformity assessment with some EU Member States, other countries in the region and other non-EU countries.

On **standardisation**, the Albanian legal framework is designed to align with the EU *acquis*. Albania's General Directorate of Standardisation is a full member of the European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC), and an associate member of the International Electrotechnical Commission (IEC). It applied to become a full member of CEN/CENELEC in July 2021, and

is currently addressing the issues identified by the subsequent peer review by CEN/CENELEC in order to achieve this goal, including staffing. National standards are adopted in conformity with EU standards (set by CEN, CENELEC and ETSI). In 2022, 1 828 European and international standards were adopted (including 953 CEN-CENELEC, 384 ETSI and 491 International Organization for Standardization (IOS) and International Electrotechnical Commission (IEC) standards). During January-September 2023 GDS adopted 737 European and International standards as Albanian standards (including 430 CEN-CENELEC, 151 ETSI, and 156 IOS and IEC standards). All the harmonised European standards were adopted as harmonised Albanian standards, all by the “cover page” method, and 318 standards were withdrawn.

Albanian legislation on the accreditation of **conformity assessment** bodies is partially aligned with the EU *acquis*. The Directorate of Accreditation (DPA) has full operational capacities and has continued efforts to increase the administrative capacities through training of DPA staff, technical assessors and decision makers for different standards. Albania has 109 accredited conformity assessment bodies (49 testing laboratories, 5 medical laboratories, 1 calibration laboratory, 8 certification bodies of management systems, 15 certification bodies of persons and 31 inspection bodies). In September 2022, Albania joined the International Accreditation Forum Multilateral Recognition Arrangement. It is also a signatory of the European co-operation for Accreditation Multilateral Agreement, a full member of the International Laboratory Accreditation Organisation (ILAC), and has a mutual recognition agreement with ILAC (ILAC MRA). The General Directorate of **Metrology** is fully staffed and operational. It is a full member of the International Organization of Legal Metrology, the European Association of National Metrology Institutes (EURAMET) and the International Measurement Confederation, and an associate member of the European Cooperation in Legal Metrology (WELMEC) and the International Bureau of Weights and Measures. Albania has not yet aligned its legislation with the EU requirements on **notification procedures**.

The State Inspectorate for Market Surveillance (SIMS) remains understaffed. It should continue to increase the number of staff, including inspectors. In 2022, over 11 000 market surveillance inspections were carried out in Albania, resulting in 179 fines, 38 urgent measures, and 58 products being taken off the market, and in January-September 2023 there were 423 inspections leading to 56 products being in nonconformity resulting in 19 administrative measures (8 warnings, 8 fines and 3 urgent measures).

#### Harmonised area: sectoral legislation

In the area of **‘new and global approach’ product legislation**, Albania adopted implementing legislation designed to be fully aligned with the EU *acquis* on simple pressure vessels. However, alignment has not yet started on equipment and protective systems intended for use in potentially explosive atmospheres (ATEX), gas appliances, pressure equipment, recreational craft, and eco-design.

On the **‘old approach’ product legislation**, Albania is partly aligned with the EU *acquis* on textile labelling, footwear, crystal glass and aerosol dispensers. Its legislation is partly aligned with the EU *acquis* on registration, evaluation, authorisation and restriction of chemicals (REACH); on chemical classification, labelling and packaging ; on aerosol dispensers, and on detergents. Albania is not aligned with the EU *acquis* on motor vehicles, two- or three-wheeled vehicles, tractors (agricultural, forestry), non-road mobile machinery emissions, or on good laboratory practice.



Albanian legislation is not aligned on **drug precursors**, though the list of controlled substances complies with the relevant lists in the EU *acquis*. On **procedural measures**, Albania is partly aligned on firearms, on crystal glass, on textile labelling, on the pricing of medicinal products, and on footwear. Albania remains partially aligned with the EU *acquis* on defence products (transfer of defence-related products), and on the return of **cultural objects unlawfully removed from the territory of an EU Member State**.

Albania has anti-corruption measures in place on transparency on accreditation, conformity assessment, tariffs, legal acts and the activities of public bodies. Some agencies and the customs administration that ensure market surveillance have rules on transparency, ethics and conflicts of interest, and are subject to audits. However, further efforts are needed in terms of enforcement and strengthening the capacities of market surveillance inspectorate.

## Chapter 2: Freedom of movement of workers

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

Albania has **some level of preparation** in freedom of movement for workers. **Some progress** was made on the implementation of the 2022 report's recommendations on free movement of family members of EU citizens, strengthening of social security bilateral agreements and further development of the IT system for mapping job seeker vacancies (e.g the development of the National Agency for Employment and Skills (NAES) application, providing real-time updated information about jobs) that is preparing the implementation of the European network of employment services (EURES) upon accession. The development and adoption of 17 pieces of implementing legislation of the Law on foreigners was in line with the 2022 report's recommendations. In the coming year, Albania should:

- continue the development of the IT system to enable connection to EURES;
- strengthen the enforcement of the Law on foreigners;
- continue negotiating and implementing new bilateral agreements on social security, notably with EU Member States.

Regarding **access to the labour market**, Albania has in place a Law on foreigners, enabling simplified procedures for EU citizens settling in Albania, in line with the EU *acquis* in this area. 17 pieces of implementing legislation of the Law on foreigners were adopted during the reporting period, making the law fully operational. As of January 2023, the application procedure is further simplified as employees can now register their employment contract online. In 2022, 1 281 EU citizens received a declaration of exemption for employment.

A cooperation agreement between the State Labour Inspectorate and Social Services, the National Agency for Employment and Skills (NAES), the Commissioner for Protection from Discrimination and the Public Procurement Agency, is needed to strengthen the control of law enforcement. The Ministry of Finance and Economy (MoFE) needs to intensify efforts to review the existing bilateral employment agreements and introduce the new bilateral cooperation agreements in the field of labour migration during 2023. An interinstitutional working group was set up in March 2023 for the preparation of the new migration strategy.

In preparation for joining the **European network of employment services (EURES)**, Albania has put in place an integrated database for its employment services that, upon its connection to EURES, can facilitate exchanges of information between IT departments on civil status, the tax system, the compulsory healthcare system and the economic assistance system. The IT system to enable connection with EURES needs to be further improved.

On the **coordination of social security systems**, Albania has bilateral agreements with Austria, Belgium, Czechia, Germany, Hungary, Kosovo, Luxembourg, North Macedonia and Türkiye. Bilateral agreements with Bulgaria, Switzerland and Romania have been signed and are yet to be ratified. Negotiations with Croatia, Montenegro and Italy have been concluded and agreements are yet to be signed. Discussions on coordinating social security schemes have taken place with Greece, and Serbia. Negotiations and implementation of new bilateral agreements on social security between Albania and other EU Member States have yet to take place.

In March 2023, NAES signed a cooperation agreement with the Public Employment Service of Lithuania intending to create a cooperation framework to exchange information on employment and labour migration.

Regarding the fight against corruption, Albania has put in place a cross-cutting strategy and action plan against corruption for 2020-2023. The Ministry of Interior has adopted its 2022-2024 integrity plan. Authorities have increased the transparency and availability of digital services as all relevant information on access to the labour market and the entry or exit of foreign workers and self-employed people are available online. A co-governance platform is in place and enables people to denounce corruption in public services online.

### **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. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.*

Albania is **moderately prepared** in the right of establishment and freedom to provide services. **Limited progress** was achieved in the reporting period, in particular in the field of freedom of establishment and free movement of services through the completion of the self-screening of the legislation that needs to be aligned with the Services Directive.

In the coming year, Albania should in particular:

- start amending the legislation to address the barriers to the freedom of establishment and free movement of services, which were identified in the self-screening exercise;
- continue efforts to align its legislation with the EU *acquis* and ensure appropriate institutional capacity in the area of mutual recognition of professional qualifications.

On the **freedom of establishment and the free movement of services**, Albania completed the self-screening of the existing legislation for the remaining 18 sectors to identify provisions that need to be aligned with the Services Directive. The entire legislative self-screening process covered 38 sectors and resulted in the identification of 112 pieces of legislation where amendments are needed to ensure their compliance with the Services Directive. The National Business Centre functions as a one-stop-shop for registering businesses and issuing licences, authorisations and permits. The e-Albania portal serves as a single contact point for electronic public services and as of May 2022, almost 95% of services are offered online.

The national legislation on **postal services** is aligned with the EU postal *acquis*, where Albania has made good progress. Albania is aligned with the Postal Services Directive since 2017, following the abolishment of the reserved area and postal market opening to full competition, and has aligned with the Regulation on cross-border parcel delivery services in

June 2021. There is currently one universal service provider (Albanian Post SA) designated for a period of 5 years, starting from July 2020, and 33 other postal service providers on the market. The Electronic and Postal Communications Authority (AKEP) is the independent national regulatory authority responsible for the regulation and supervision of postal services in Albania.

As regards aligning the professional qualifications framework with the *acquis* on the **mutual recognition of professional qualifications**, a roadmap on professional qualifications was finalised and remains pending adoption. Institutional capacity in this area still needs to be strengthened. The Albanian legislation currently regulates 331 professions/professional qualifications. In January 2023, Albania signed the Agreement on Recognition of Higher Education Qualifications and the Agreement on Recognition of Professional Qualifications for Doctors of Medicine, Dentists and Architects, along with the other Western Balkan countries, at the Berlin Summit.

#### **Chapter 4: Free movement of capital**

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

Albania is **moderately prepared** in the area of free movement of capital. **Some progress** was made on the implementation of Moneyval's recommended actions and the Financial Action Task Force (FATF) Action Plan. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards. The issue of enabling EU citizens to acquire land remains unresolved. There was progress on further alignment of the national payment system legislation with the EU *acquis*, particularly in the area of the E-Money Directive, the Payment Account Directive and on increasing financial literacy.

In the coming year, Albania should in particular:

- ensure that any voluntary tax compliance legislation (including amnesties) is in alignment with the relevant EU *acquis* and international standards set by Moneyval and the Financial Action Task Force (FATF);
- step up efforts to adopt the relevant legislation that would provide EU citizens with the right to acquire land, which is outstanding since 2016;
- ensure fulfillment of the 2018-2023 national payment strategy; initiate the assessment for the mid-term strategic objectives.

On **capital movements and payments**, Albania is lagging behind its commitment under the 2006 Stabilisation and Association Agreement (SAA) to enable EU nationals and entities to acquire agricultural real estate, a step that has been due since 2016. Provisions that would regulate the acquisition of agricultural land by EU citizens, together with more clarity on ownership rights, would encourage more foreign investment in Albania.

On **payment systems**, foreign banks can open branches and agencies in Albania and offer cross-border payments. Albanian legislation is partly aligned with the EU *acquis* on direct debits and credit transfers. The measures introduced by the Bank of Albania in the context of COVID-19 restrictions in March 2020 to reduce the costs of payment system services and to promote home banking remain in place as part of the national strategy on low-value payments.

Albania's payment system committee, which is open to representatives of non-bank financial institutions and payment system operators, is implementing the 2018-2023 national retail payments strategy. The Law on payment services, designed to align national legislation with the EU Payment Service Directive II (PSD II) provisions on transparency conditions and information requirements for payment services, came into effect fully in July 2022. Implementing legislation has been adopted to further align with the *acquis* on e-money and on access to payment accounts, and to increase transparency and competition in the payment system market. In March 2023, implementing legislation came into force on the supervision of e-money institutions, which sets among others the rules on management of risks related to this activity, supervision and requirements on e-money issuers. There are nine licensed electronic money institutions operating in Albania. The financial literacy of Albania's adult population continued to improve in 2022 (69% of adults now have a payment account), as did the use of electronic payments (17.9 electronic transactions per adult, compared with 12 in the previous year). Further efforts are needed to increase e-payment transactions through credit cards, a service that is particularly in demand from the tourism sector, but which still remains expensive for businesses. Albania does not apply the rules of the Interchange Fee Regulation, as the government considers the penetration of electronic payments to be very limited and concentrated in the capital.

On the **fight against money laundering**, Albania continued its efforts to address the deficiencies in technical compliance identified by the 2018 Moneyval mutual evaluation report. In its 4<sup>th</sup> enhanced report on Albania, released in June, Moneyval concluded that Albania has improved its measures on tackling money laundering and terrorist financing, strengthened transparency. The Law on money laundering is designed to be aligned with the EU *acquis* and the register of beneficiary owners is operational, though amendments extended the registration deadline to June 2022. Although the Financial Action Task Force assessed that Albania has substantially completed its 2020 action plan, the country remained on the FATF's list of jurisdictions under increased monitoring as the draft VTC law (including a criminal amnesty) that Albania sent to them in early 2022 did not comply with FATF principles or best practices. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards. (See also chapters 24, *Justice freedom and security* and 16, *Taxation*).

Albania has legislation in place on risk management standards and licensing requirements for financial institutions, including non-banks and foreign exchange bureaux, in line with Moneyval recommendations. Staffing levels at the Albanian Financial Intelligence Unit (the new name of the General Directorate for the Prevention of Money Laundering after its renaming via amendments to the law on money laundering in July 2023) have increased. It has trained its employees on financial investigation techniques, asset tracing, seizure and confiscation, on risk-based implementation techniques, and on cybercrime prevention indicators.

During 2022, the Bank of Albania continued its inspections to 70 foreign exchange offices (FEO) with the focus on observing the fulfillment of the requirements under the anti-money laundering (AML) legislation. Substantial discrepancies were identified in 23 foreign exchange offices, related to inadequate knowledge about the AML legislation requirements; inappropriate procedures for client identification, and deficiencies in maintaining supporting documentation of foreign exchange operations. The inspections concluded with 15 cases of fines and 8 cases of warning notices to the FEOs. There is a need to reinforce internal



operational procedures and improve evidence-recording of suspected cases, and an overall need for training of staff of the FEOs about the anti-money laundering legal requirements.

## Chapter 6: Company law

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

Albania is **moderately prepared** in the field of company law. **Limited progress** was made mainly on further legislative alignment on transparency requirements for listed companies. As such, last year's recommendations remain valid.

In the coming year, Albania should in particular:

- finalise the review of the existing legislation in the area of company law to identify amendments needed to complete alignment with the EU *acquis*, and make progress to introduce such amendments;
- further align the legal framework on accounting, transparency and audit with the latest EU *acquis* in these areas.

Although there is some alignment with the EU *acquis* in a range of **company law and corporate governance** areas, there was no legislative progress during the reporting period. Further alignment is needed with the 2019 Directive on the use of digital tools and 2019 Directive on cross-border operations (mergers, divisions, conversions), as well as with rules on encouraging long-term shareholder engagement (2017 Directive), and gender equality on boards of directors (2022 Directive). A corporate governance code for listed companies still needs to be developed. The National Business Centre is responsible for company registration, allowing free online registration and online access to data. Many services are only offered online through the e-Albania electronic service window. The national business register should be ready to interconnect with the EU Business Registers Interconnection System upon EU accession.

In the area of **company reporting**, the Law on accounting and financial statements is partially aligned with the EU Accounting Directive. The National Accounting Council monitors the enforcement of financial reporting and accounting standards. There are guidelines in place to comply with the EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups. Moving forward, Albania will need to align with the 2022 EU Directive on corporate sustainability reporting. The 2020 Law on capital markets provides specific **transparency** rules for listed companies regarding financial reporting, including fines in case of non-compliance. In January 2023, a regulation was adopted to further align with the *acquis* on transparency requirements for listed companies. Currently, there are no listed companies that are subject to these reporting requirements. On **statutory audit**, Albania should strengthen the capacity of the Public Audit Oversight Board in terms of staffing and funding and further align its framework with EU statutory audit rules.

## Chapter 7: Intellectual property law

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



Albania is **moderately prepared** on intellectual property rights. **Some progress** was made with improvements in the transparency of the functioning of collective management organisations (CMOs).

In the coming year, Albania should in particular:

- adopt the implementing legislation for the amendments to the Law on copyright and other related rights;
- continue to improve the functioning of CMOs and the payment of royalties to right holders;
- further align legislation on industrial property rights and the IPR enforcement system.

In the area of **copyright and related rights**, the General Directorate of Industrial Property is responsible, which is in charge of registering, administering and promoting intellectual property objects, and the Copyright Directorate of the Ministry of Culture. The National Copyright Council, comprising five members appointed by the Minister for Culture, is responsible for certifying the tariff methodology.

The April 2022 amendments to the Law on copyright and other related rights further aligned the legal framework with the EU *acquis* in the areas of orphan works, certain permitted uses of certain works and other subject matter protected by copyright and related rights, for the benefit of persons who are blind, visually impaired or otherwise print-disabled, and term of protection of copyright and certain related rights. The amendments also regulated the functioning of CMOs, including the distribution manner and percentage of the fee, as well as the remuneration collected by the CMOs. To apply the new amendments, Albania still needs to adopt the implementing legislation concerning the procedure and fair compensation for the use of orphan works as well as the database of copyright works.

In March 2023, Albania adopted an act to make the functioning of CMOs more transparent and in June 2023, guidelines were adopted on the criteria and procedures of licensing and renewal of licensing of CMOs and the criteria and procedures for suspension and revocation of collective management license. In July 2023, the government adopted a decision on the list of equipment, fees and the right to remuneration for the reproduction of copyright works for private or other personal use. Albania is not yet aligned with the Directives on online transmissions of broadcasting organisations and retransmissions of television and radio programmes (SatCab II Directive), on copyright and related rights in the Digital Single Market (DSM Directive), and on the collective management of copyright and related rights and multi-territorial licensing.

On **industrial property rights**, the 2022-2025 national intellectual property strategy is being implemented. Albania needs to further align its legislation with the *acquis* on patents, trade marks.

In 2022, 1 165 national and 2 072 international applications to register trade marks were filed with the General Directorate of Industrial Property (compared with 1 404 and 2 107, respectively, in 2021). In 2022, 19 applications to register industrial designs were submitted to the General Directorate of Industrial Property (compared with 49 in 2021). There were 21 applications for national patents in 2022, compared with 23 in 2021.

The State Inspectorate for Market Surveillance (SIMS) is responsible for monitoring the **enforcement** of intellectual property rights. In 2022, the copyright division of SIMS carried out 350 inspections, resulting in 44 administrative sanctions. The SIMS industrial property division carried out 107 inspections in 2022, resulting in 28 administrative sanctions. The

SIMS division on industrial property rights adopted in April 2023 a manual on intellectual property inspection. In 2022, the customs administration suspended the release of 2 140 products suspected of infringing IPR (compared with approximately 3 000 products in 2021).

## Chapter 8: Competition policy

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

Albania is **in between some and moderate level of preparation** in competition policy. There was **no progress** during the reporting period, including on legislative alignment with the EU *acquis* in the area of State aid. Despite recommendations in previous years, the operational independence of the State Aid Commission (SAC) has not yet been ensured. Its enforcement record needs to be significantly improved. Last year's recommendations remain valid.

In the coming year, Albania should in particular:

- ensure the operational independence of the SAC and significantly increase the administrative capacity of the SAC's secretariat;
- further align the legislative framework in the area of State aid with the EU *acquis*;
- step up efforts to raise awareness of the SAC with respect to line ministries and regional and local authorities to ensure prior notification of aid measures and strengthen the enforcement of State aid rules.

### Antitrust and mergers

Albania's **legislative framework** is broadly in line with the EU *acquis* and the SAA. The Law on the protection of competition is largely aligned with Article 101 TFEU (restrictive agreements) and Article 102 TFEU (abuses of dominant position). It also provides for prior control of mergers, in line with the Merger Regulation. Implementing legislation is broadly in line with the relevant EU regulations and Commission guidelines. In June 2023, the Albanian Competition Authority adopted a decision on an informal guidance aiming at alignment with the relevant Commission Notice on novel or unresolved questions concerning Articles 101 and 102 of the TFEU that arise in individual cases.

Regarding the **institutional framework**, the Albanian Competition Authority (ACA) is responsible for implementing the Law on the protection of competition. It is an operationally independent authority reporting to parliament. It can adopt implementing legislation, impose fines and remedies, prohibit mergers or authorise them, with or without conditions. Parties may appeal against the ACA's decisions before the courts. On **enforcement capacity**, the ACA has maintained the total number of staff at 46, and staff have benefited from relevant workshops and training. On **implementation**, in 2022 the ACA took 99 decisions, including five on prohibited agreements, eight on abuse of a dominant position and 50 authorising concentrations. In the first half of 2023, ACA took 35 decisions, including two on a prohibited agreement and 23 authorising concentrations. In 2022, ACA assessed 30 draft legal assessments, mostly concerning legislation in the energy and gas market. During the reporting period, the ACA has carried out the preliminary and in-depth investigation procedures, in several sectors of the economy where dawn raids were conducted, including higher education, non-banking financial entities, digital production, transport-taxi services,

market of concrete production and importing and trade of vegetable oil. The ACA should continue to strengthen its enforcement of competition rules.

#### State aid

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

Regarding the **institutional framework**, the SAC is responsible for implementing the Law on State aid. Its operational independence, which is required by the SAA, has yet to be guaranteed, given that it is an arm of the Ministry of Finance and Economy. The SAC can order the recovery of illegal and incompatible aid but has not done so to date. Its decisions can be appealed in the courts.

The SAC's **enforcement capacity** remains insufficient as the staffing of its secretariat needs to be significantly increased. On **implementation**, in the second half of 2022, the SAC approved four decisions on the authorisation of State aid. In June 2023, the SAC approved a decision on authorising State aid in the field of photovoltaics. No negative or recovery decision was taken. The enforcement track record on State aid control needs to be significantly improved. Advocacy activities among grantors need to be stepped up to ensure prior notification of aid measures.

#### Liberalisation

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

### **Chapter 9: Financial services**

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

Albania is **in between moderate and a good level of preparation** in the area of financial services. **Some progress** was made on last year's recommendation on improving collateral execution by bailiffs, as the pending legal issue on service fees was addressed, and there was also progress on the alignment of national capital market legislation with the relevant EU *acquis*, and on incorporating sustainable financing principles both in banking and non-banking strategic policies and objectives. The country should make further efforts to align with the financial services *acquis*, focusing on the priorities identified based on the current state of play. Some of last years' recommendations remain valid.

In the coming year, Albania should:

- continue the work towards full alignment of the banking regulation with the revised versions of the EU *acquis* on CRR/CRD and BRRD;
- step up efforts to further align the legislation in the fields of private pensions and on capital markets with the relevant EU *acquis*;
- continue to work towards alignment with the Solvency II Directive;

On **banks and financial conglomerates**, the Bank of Albania (BoA) continued to align its banking regulation with Basel III, especially on the capital adequacy ratio. It adopted

legislation designed to be aligned with the *acquis* on the internal liquidity adequacy assessment process, providing a regulatory framework to ensure adequate levels of liquidity reserves. National legislation on the capital adequacy ratio and on the net stable funding ratio of banks was further aligned with the *acquis* on new credit risk requirements.

Albania's legislation is partially aligned with the EU *acquis* on the recovery and resolution framework for banks. Albania should continue working towards full alignment with BRRD II. Regarding the implementation of the framework, as all banks now have resolution plans, the BoA carried out on-site bank inspections to strengthen their resolvability, and issued recommendations to the banks concerned. A 2023-2025 strategy on administration and supervision of financial risks related to the climate of financial sector was adopted in May 2023.

Albania's legislation is partially aligned with the EU *acquis* on deposit guarantee schemes. Non-aligned areas include the maximum level of coverage, depositors excluded from coverage and pay-out period.

In 2023, the Bank of Albania was invited by the Single Resolution Board to participate in resolution college meetings, for two banking groups with subsidiaries operating in Albania. As it was on the FATF list of jurisdictions under increased monitoring (*see also chapter 4: Free movement of capitals for more details*), Albania has not been assessed for banking equivalence under the Capital Requirements Regulation.

The non-performing loan ratio continued to decrease (5% in December 2022 compared with 5.6% in December 2021). The full implementation of the bankruptcy law enables further execution of the non-performing loan resolution strategy. The legal decision on bailiff fees also made it possible to adopt the collateral execution procedure.

Eleven banks are currently operating in Albania (including two systemic banks which are subsidiaries of foreign groups), which has a system to identify systemically important banks in place that is similar to EU practice. The BoA has an investment policy on the financial assets of the resolution fund. The supervision and regulation system of the financial sector is ensured by the BoA and by the national financial supervisory authority (AFSA), which are independent institutions that are accountable to parliament. In 2022, BoA ensured 13 on-site supervision inspections (compared with 16 in 2021). Three more full-scope inspections on banks were conducted during the first half of 2023 and one partial inspection focusing on the implementation of the national standards on financial reporting. Four more partial inspections took place in the third quarter of 2023. There have been 81 on-site inspections between 2018 and 2023, leading to recommendations to the respective entities. Albania needs to step up efforts to align its legislation on capital markets with the relevant EU *acquis*. In April Albania adopted a policy document on capital market development 2023-2027, and in August 2023 AFSA adopted a 2023-2027 strategy for the financial supervisory authority for financial literacy and financial inclusion.

In the area of **insurance and occupational pensions**, national legislation on compulsory insurance in the transport sector is designed to align with the relevant EU *acquis*. National law provides for voluntary implementation of the *bonus-malus* (no claims bonus) system by insurance agencies. There is only a limited possibility to insure agricultural production against natural disasters (floods, droughts and fires). In September 2023, Albania adopted a Law on private pension funds, designed to be aligned with the EU *acquis* on the activities and supervision of institutions for occupational retirement provision (IORP II).

The insurance market continues to be dominated by the non-life insurance companies (eight out of 12 insurance companies are non-life insurers, one of which carries out reinsurance



activities). Insurance market results were positive in 2022, mainly due to the good performance of the non-life insurance sector. Since March 2022, AFSA is a member of the International Association of Insurance Supervisors via an international supervisory cooperation and information exchange agreement. In June 2023 Albania completed a self-review of the level of compliance with the IAIS core principles. This concluded that Albania is fully compliant with 10 out of 24 principles and in other 12 as largely observed them. In May 2023 AFSA adopted a risk-based supervision manual for the insurance market. During the reporting period, AFSA signed two bilateral memorandums of understanding (MoUs) on the exchange of information and cooperation with their equivalents in Malta, Luxembourg and Austria. There are five pension funds in Albania that offer a voluntary private pension scheme. They had 36 518 registered members in 2022, an increase compared with 2021. Albania needs to step up efforts to align its legislation on private pensions with the relevant EU *acquis*.

On the **financial market infrastructure**, the Albanian Stock Exchange, which is a private entity, only deals with government bonds. After its suspension in April 2022, the stock exchange is no longer registered as a licensed financial operator and is not operational. A central securities depository (AFISAR) remains in place, operated by the BoA. The Albanian securities registry (ALREG), a private company, ensures the settlement of non-government securities. ALREG is an indirect participant in the BoA's Albanian interbank payment system. The agreement between the BoA and AFSA stipulates that the BoA is responsible for minimising systemic risk, and AFSA is responsible for investor protection. AFSA adopted the guarantee fund's regulation, making the post-trade infrastructure fully operational.

Albania's legal framework on capital markets is partially aligned with MiFID II and with the *acquis* on transparency, market abuse, prospectuses, settlement and central securities depositories. During the reporting period, Albania adopted four pieces of implementing legislation designed to further align its capital market legislation with the EU *acquis* on transparency, on prospectuses and on investment firms.

Albania's capital market has two segments: i) government securities and ii) bonds issued through private placement. Thirteen entities currently operate in the Albanian capital market, all are banks apart from one central securities depository and the non-operational securities exchange.

On the **securities markets and investment services**, AFSA continues to supervise securities markets in accordance with Albania's Law on capital markets. Security markets in Albania consist mainly of government securities and bonds issued through private placements. The amount of bonds with private placements registered at ALREG reached EUR 90.5 million in December 2022. The launch of a digital platform in August 2022 makes it possible to provide investment services (the offering of treasury bills).

In the area of **sustainable and digital finance**, while the 2023-2027 AFSA strategy includes priority actions with green/sustainable financing aspects, Albania should take further steps to accommodate sustainable finance aspects in its regulatory and legal financial framework. In addition, Albania should incorporate sustainable considerations in its disclosure regime for both non-financial and financial companies, in order to improve the availability of reliable data on banks' credit risk exposures and, therefore, fully implement the Bank of Albania's Medium-Term Strategy on the management and supervision of climate-related financial risks in the banking sector. The Bank of Albania is also cooperating with international institutions, such as the World Bank and the International Monetary Fund, to further integrate green/sustainable finance aspects in its regulatory framework. Albania should incorporate



sustainable and digital financing principles both in banking and non-banking strategic policies and objectives.

## **Chapter 28: Consumer and health protection**

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

Preparations are at an **early stage** in the area of consumer and health protection. There was only **limited progress** on last year's recommendations, which remain relevant, via alignment to the EU *acquis* on serious cross-border health threats (though the implementing legislation remains to be adopted) and its integration in the EU COVID-19 surveillance system,. Significant progress still needs to be made to implement the One Health approach and all-hazard health preparedness, to strengthen the policy framework and ensure that everyone in Albania has quality healthcare coverage. Alternative dispute resolution bodies in regulated sectors are also now being ensured.

In the coming year, Albania should in particular:

- further align its legislation with the EU health *acquis* on substances of human origin, on medicines for human and veterinary use, and on tobacco control, and accede to the WHO's Framework Convention Protocol to Eliminate Illicit Trade in Tobacco Products;
- increase the financial and human resources in the health sector, specifically in primary healthcare and all-hazard health emergency preparedness, based on the lessons learnt from the COVID-19 pandemic to strengthen responses, both at central and local level;
- guarantee equal access to quality health services for vulnerable populations, including Roma and Egyptian minorities, older people, people with pre-existing mental health problems, people with disabilities, rural or remote populations, in particular for women and girls who belong to these groups, who are often subjected to multiple forms of discrimination.

### Consumer protection

On **horizontal aspects**, Albania needs to adopt its 2023-2030 cross-cutting strategy on consumer protection and market surveillance setting out its current consumer policy. The national legal framework in this area are Albania's Laws on consumer protection and on general safety of non-food products, and relevant national implementing legislation. However, national legislation is not yet aligned with the EU *acquis* on package travel and linked travel arrangements or with the recent EU *acquis* on digital content. It is also not yet aligned with the revised EU *acquis* on the sale of goods or with the changes in the EU *acquis* brought by the Directive on better enforcement and modernisation of Union consumer protection rules. Consumer policy and legislation are implemented by the Consumer Protection Commission (CPC), the State Inspectorate of Market Surveillance (SIMS), the financial supervisory authority, alternative dispute resolution bodies in regulated sectors, local government, the civil aviation authority and the legal authorities. CPC held three meetings in 2022 and addressed 22 cases, and 10 more cases were addressed during its meeting on April 2023. The CPC respective decisions were published in its website. Albania needs to increase human resources and capacity in many of these bodies, and improve

coordination between them. Albania is currently negotiating to join the EU consumer protection programme, under the EU single market programme.

On **enforcement and redress**, Albania has not yet updated its legal measures to further extend the investigative and enforcement powers of competent authorities to align with Regulation 2017/2394 on cooperation between national authorities responsible for the enforcement of consumer protection laws. It is also not yet aligned with Directive 2013/11 on consumer alternative dispute resolution.

On **product safety**, Albania's Law on the general safety of non-food products is designed to be aligned with the EU *acquis*, apart from aspects only relevant to EU Member States, notably concerning obligations linked to Safety Gate, which is the EU rapid alert system for dangerous non-food products previously called 'RAPEX'. Albanian legislation has a limited level of alignment with the *acquis* on product liability. The State Inspectorate for Market Surveillance was restructured in June 2020 and, although the number of posts increased from 69 to 80 (69 staff are currently employed) it is still understaffed. It should continue to increase the number of staff, including inspectors. In 2022, over 11 000 market surveillance inspections were carried out in Albania, resulting in 179 fines, 38 urgent measures, and 58 products being taken off the market.

#### Public health

On **public health**, Albania is implementing its 2021-2030 health policy and 2020-2025 action document on primary healthcare; the latter aims to tackle health inequalities. The level of public spending on health remains low, at 3.04% of GDP and 9.47% of total government spending (according to 2022 government data), and is lower than in most countries in south-eastern Europe and the EU. Health funding prioritises curative care over preventive care and hospital-based treatment over primary healthcare. In Albania, average life expectancy at birth is higher for women than men (80.5 years versus 77.4 years), but women have shorter healthy lives than men (51.9 years versus 54.6 years), even though women are less exposed to some of the key health risk factors, such as smoking or alcohol abuse. Neonatal mortality in 2021 was 7 per 1 000 live births, an improvement on 2020 (8 per 1 000) but still high compared with other countries in the region.

The Ministry of Health and Social Protection and the National Agency of Information Society (NAIS) are responsible for **e-health**. The Ministry of Health and Social Protection operates an electronic system for collecting and reporting health information from medical records, based on the European Core Health Indicators. Albania's e-prescription covers the description, registration, execution and reimbursement of prescriptions, and there is an e-warehouse system for pharmaceutical products. Albania also has an e-visit system to record patients' visits to primary healthcare centres, an e-referral system to digitalise referrals, and an e-report system to automate electronic medical reports, which makes it possible to send electronic reports to employers and employees, and which includes e-signatures by doctors. Health statistics, health infrastructure, equipment and human resources remain inadequate, especially in rural areas.

Albania's legislation on **blood, tissues, cells and organs** is not fully aligned with the relevant EU *acquis*, and there is no system in place to report alerts, serious adverse reactions or events or to provide feedback. Albania has a national blood transfusion centre, regional blood centres and blood banks for collection and distribution, comprising 31 entities in total. Albania has a kidney transplant programme in place, as well as a national protocol on the issue. Albania does not yet have the capacity for transplants from deceased donors or for corneal donations.

On **tobacco control**, national legislation on tobacco products is designed to be aligned with the EU *acquis*, but Albania still needs to accede to the World Health Organization's Framework Convention Protocol to Eliminate Illicit Trade in Tobacco Products, and to further align its other tobacco legislation with the EU *acquis*.

In the field of **serious cross-border health threats including communicable diseases**, the legal base is designed to be in line with the EU *acquis*, but relevant implementing legislation still remains to be adopted. While Albania has an antimicrobial resistance action plan, the **COVID-19 pandemic** demonstrated significant shortcomings. It stretched the system's capacity to provide immediate access to medical supplies, protective equipment, and stretched the digital infrastructure required to maintain essential services and protect healthcare personnel and patients, demonstrating a lack of resources. Albania is a signatory to the EU Joint Procurement Agreement on medical countermeasures. It is part of the European COVID-19 Surveillance Network, reporting COVID-19 data to the European Surveillance System (TESSy) managed by the European Centre for Disease Prevention and Control (ECDC). It is also part of the European Centre's viral respiratory disease surveillance networks, in which it reports on several communicable diseases. Albania should, however, improve the timeliness and completeness of the reported data it provides. In late 2022, Albania introduced HPV vaccination for 13 year-old girls.

Albania's legislation on **patients' rights in cross-border healthcare** is not yet aligned with the EU *acquis*, while its legislation on **medicines for human and veterinary use** is partly aligned. There was no significant progress on standards in the pharmaceutical sector. There is still no specific legislation to address the risk of counterfeit medicines in the legal supply, although some provisions are in place to address this risk. Additional efforts are needed to protect the public from counterfeit medical products and to improve cross-border cooperation on sustainable access to medicines and their correct use. There were no developments or expertise available on paediatric medical products, medical products for diagnosis, orphan medical products, medical products based on genes (gene therapy), cells (cell therapy) or tissues (tissue engineering). Albania needs to increase investment and capacity building in this sector.

On **preventive measures**, a national **cancer** control plan is in place. Appropriate structures for cancer screening are in place, but a cancer registry has still not been created. There is a breast cancer screening programme, which includes systematic examinations for women between 50 and 60 years of age, along with free, on demand, clinical breast examinations. Screening for colorectal cancer is conducted as part of a free check-up programme offered annually to all Albanian citizens aged between 35 and 70 years of age. In September 2023 Albania adopted the 2023 – 2026 **mental health** action plan, which aims to promote care mental health and well-being for all citizens.

On **nutrition and physical activity**, malnutrition remains a critical issue, especially for children and pregnant women. Albania needs to develop a nutrition plan and raise awareness in schools and community centres of the risks of malnutrition. On **drug abuse prevention and harm reduction**, prevention activities are only sporadic, and should be conducted in a more systematic way. The National Drug Observatory, established in 2011, should be given adequate resources to function fully.

On **health inequalities**, implementation of the 2020-2025 primary healthcare strategy should provide better access to healthcare services for vulnerable communities, as well as increased community primary healthcare coverage, giving priority to vulnerable groups. Health inequalities have a particular impact on women, especially women from rural areas and disadvantaged communities, women with disabilities, Roma and Egyptian women (who face

problems of access to abortion), LGBTIQ people and migrant women. Further efforts are needed to provide healthcare to people with disabilities and to populations in rural and remote areas, and to improve mental health services for children. The national plan for equality, inclusion and participation for Roma and Egyptians 2021-2025, designed to improve their access to healthcare, is ongoing. There has been a slight increase in the number of Roma and Egyptians in informal settlements benefiting from health services. However, the recently established post of Roma and Egyptian health mediator is not yet operational and they continue to face barriers in accessing health services. Health insurance coverage for Roma and Egyptians remains low.

On anti-corruption regarding consumer protection, agencies and the customs administration that ensure market surveillance have rules on transparency, ethics and conflicts of interest, and are subject to audits. As regards public health there are specific anti-corruption measures in place for cosmetics, and there are systems in place to control pharmaceutical manufacturers and to track veterinary medicine stocks. The national medicines agency has a range of anti-corruption and whistle blower provisions in place.

### CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (Chapter 20); science and research (Chapter 25); education and culture (Chapter 26); and customs union (Chapter 29).

There is a moderate level of preparation in Albania in many areas linked to competitiveness and inclusive growth, namely digital transformation and media, taxation, social policy and employment, enterprise and industrial policy, education and culture and customs union. Albania has some level of preparation science and research. The country has made good progress in digital transformation and media, by joining the digital Europe programme in 2023, and on enterprise and industrial policy as well as limited progress in the area of taxation. The country is in between a moderate and a good level of preparation on economic and monetary policy, as the governance and monetary policy of the Bank of Albania were appropriate and effective to deal with the crisis caused by Russia's war of aggression against Ukraine; more efforts are required regarding its independence. With only limited progress made on the customs union, more efforts are required as well in pursuing the fight against smuggling, corruption and imports of counterfeit products.

This cluster and the reforms concerned have significant links to Albania's economic reform programme. Socio-economic reforms must be pursued to help address the existing structural weaknesses, low levels of competitiveness, high unemployment, and the economic impacts of the Russian war of aggression against Ukraine.

#### Chapter 10: Digital transformation and media

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

Albania is **moderately prepared** in the field of digital transformation and media. **Good progress** was made on following up the recommendations of last year's report, with the implementation of the 2022-2026 digital agenda and e-government services offering 95% of public services online. A Law on electronic communication is yet to be adopted to align with the new European Electronic Communications Code. The Law on audiovisual media was amended in May 2023, to align with the 2018 EU Directive on audiovisual media services



ensuring country's continuous participation in Creative Europe Programme. The Law on electronic identification and trust services is yet to be adopted. In 2023, Albania signed the association agreement joining the Digital Europe programme and introduced coding as a subject for students in the first grade.

In the coming year, Albania should in particular:

- complete the extension of the 112 emergency number to the whole country;
- adopt relevant legislation to implement the new European Electronic Communications Code and enact the law on cybersecurity to ensure closer alignment with the EU Directive on measures for a high common level of cybersecurity across the Union (NIS II);
- improve the collection of statistical data on digital performance and digital competitiveness.

On **electronic communications and information and communications technologies (ICT)**, limited progress was made in implementing the 112 single European emergency number. An interinstitutional working group was set up to prepare a draft Decision for the Council of Ministers on rolling out 112 across the country.

In 2022, fixed internet broadband reached 585 285 entities (535,049 household subscribers and 50,236 businesses), up 5% from 2021. The penetration rate was about 21% of the population, with 80% of households covered by fixed broadband connections. There is still a gap in fixed internet broadband penetration between urban and rural areas. Only 20% of total number of fixed broadband connection is in rural area, while the rural area population is about 40%. The mobile penetration rate at the end of 2022 was 77% compared with 73% at the end of 2021. By the end of 2022, there were 2.14 million active users of mobile broadband, slightly up from 2021 (2 million).

In the area of **information society services**, the strategic documents of the 2022-2026 digital agenda of Albania are in line with the EU Digital Decade programme. Authorities need to adopt the new Law on Electronic Communications to align with the 2018 European Electronic Communications Code Directive.

Albania concluded an agreement for its association to the Digital Europe Programme in June 2023. On digital skills, coding has been introduced in 100 schools from the first grade for the 2022-2023 academic year, by setting up 100 smart labs in schools across the country.

As regards **online public services**, during the reporting period 95% of applications for 1 217 public services were done online, with 7 833 332 e-sealed documents downloaded in 2022 by more than 2.8 million registered users on the e-Albania portal. Of these, only about 1.5 million are active users. This adds up to 14 276 256 individual uses of e-services in 2022. Authorities need to ensure and facilitate equal access to online services for all citizens and to enhance efforts to align with the Digital Services Act and Digital Markets Act.

Albania concluded discussions on the allotment of bandwidth with neighbouring countries in September 2022, while the migration strategy was also developed in 2022. The Ministry of Infrastructure and Energy (MIE), along with the Electronic and Postal Communications Authority, made an assessment on the building permit for electronic communication networks. Amendments to the Decision of the Council of Ministers on building permits for electronic communications networks were adopted, aiming to simplify the process to grant permits for the deployment of the 5G network. In July 2022 an interinstitutional working group on the release of Digital Dividend 2 was set up, which is responsible for coordinating activities and for proposing to the competent bodies all the pieces of implementing legislation



that will be necessary to carry out this initiative including the release of the 700 MHz band. In December 2022, Albanian operators signed the cooperation agreement to reduce data roaming charges between the Western Balkans and the EU. The Law on electronic identification and trust services, needs to be adopted.

In response to the large-scale cyber-attacks that were detected in July and September 2022, the government has begun to considerably strengthen its cybersecurity architecture, including by appointing a National Coordinator for Cybersecurity, setting up a government Cybersecurity Operations Centre, developing a new, yet to be adopted, Law on cybersecurity aiming to further align with the NIS2 directive. The list of critical information infrastructures and important information infrastructures, as approved by the Decision of the Council of Ministers, has increased from 140 to 289, and now covers sectors such as government, energy, health, finance, transport, digital and water supply. The 2020-2025 national strategy for cybersecurity and its action plan are in place. The National Authority on Electronic Certification and Cybersecurity is preparing to set up a national operations centre for cyber defence, including by appointing a National Coordinator for Cybersecurity and allocating additional resources. A government cybersecurity operations centre was created within the National Agency for Information Society and is responsible for cybersecurity incidents and crises within governmental systems. Albania concluded agreements on cybersecurity with Israel, Saudi Arabia and the United Arab Emirates. Authorities need to further strengthen cyber security capacities including through awareness raising activities and trainings. Stronger cooperation with the private sector and civil society is needed.

Albania still needs to improve the collection of statistical data on digital performance and digital competitiveness.

On **audiovisual policy**, in May 2023 authorities adopted amendments to the Law on audiovisual media, aligning with the EU's 2018 Audiovisual Media Services Directive, thus ensuring the country's continued participation in the Media and Cross-sectoral strands of the Creative Europe programme. In July 2023, the Audiovisual Media Authority approved the new Broadcasting Code defining principles, rules, requirements and practices of audio and audiovisual broadcasting in Albania.

In March, the MIE approved the action plan on integrity risk management for 2022-2025, while the National Authority on Electronic Certification and Cybersecurity, the Electronic and Postal Communications Authority and the MIE have in place their respective transparency programmes.

## **Chapter 16: Taxation**

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

Albania is **moderately prepared** in the area of taxation. **Limited progress** was made, through some streamlining of excise rates, consolidation of the scope of the fiscalisation process and in the effective implementation of financial account information with EU Member States in line with the OECD Global Standard. The adoption of the new income tax law aims at partial alignment with the anti-tax avoidance and merger directives. The country remained on the FATF's list of jurisdictions under increased monitoring as the draft tax and criminal amnesty law that Albania sent to them in early 2022 did not comply with FATF principles or best practices. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the

EU *acquis* and international standards. Albania committed to amend or abolish the industrial incentive regime by 31 December 2023, since it has been identified as a potentially harmful tax regime within the scope of the Forum on Harmful Tax Practices.

In the coming year, Albania should in particular:

- reduce tax expenditures, in particular due to exemptions;
- simplify the taxation system to further encourage more tax compliance;
- amend or abolish by 31 December 2023 the industrial incentives regime, considered as a potentially harmful tax regime within the scope of the Forum on Harmful Tax Practices.

On **indirect taxation**, the standard VAT rate is 20% and the reduced rates are 6% and 10%. There remains a substantial number of exemptions not foreseen in the EU *acquis*. In 2022, in response to the energy price crisis, Albania exempted from VAT the import and sale of electricity through the Albanian power exchange. In addition, the import and supply of firewood were also exempted from VAT until the end 2023. The quarterly total of VAT refund arrears is published regularly. The total of outstanding VAT reimbursement arrears was almost entirely cleared by the end 2021, and this has remained so in 2022, thanks in part to the use of an automated risk-based procedure.

Excise taxation is partially aligned with the EU *acquis*. As of July 2022, the excise level for liquefied gas is unified, irrespective of purpose of use. In 2023, the reduced rates for small producers of beer and spirits were abolished. The excise duty for accumulators was removed in 2022.

The new calendar for cigarette excise rates, approved in November 2021, continued to be applied. It envisages a 15% increase over 4 years to approximately EUR 65 per 1 000 cigarettes by 2026, thus gradually aligning with the EU minima, which currently stands at EUR 90 per 1000.

On **direct taxation**, financial institutions are legally required to calculate, withhold and declare income tax on income from savings. On corporate income tax, a number of provisions are partially aligned with the Anti-Tax Avoidance Directive. In March 2023, Albania adopted the Law on Income Tax in March 2023, which is partially aligned with provisions of EU Directives on anti-tax avoidance and mergers.

Albania has committed to amend or abolish by 31 December 2023 the industrial incentives regime.

Although the Financial Action Task Force assessed that Albania has substantially completed its 2020 action plan, the country remained on the FATF's list of jurisdictions under increased monitoring as the draft tax and criminal amnesty law that Albania sent to them in early 2022 did not comply with FATF principles or best practices. In June 2023 FATF decided to propose an on-site visit, which took place in August and led to Albania's delisting in October. Nevertheless, Albania should ensure that any future VTC law (including potential criminal amnesties) complies with the EU *acquis* and international standards'. On **administrative cooperation and mutual assistance**, Albania ratified a Double Taxation Agreement with Finland in 2023 and signed a double taxation agreement with Slovakia in May 2023. Albania is yet to conclude double taxation agreements with Denmark, Cyprus, Lithuania, Portugal.

The Law on automatic exchange of information on financial accounts is partially aligned with the relevant 2014 EU Directive. Albania has automatically exchanged financial account information with 77 jurisdictions (including 24 EU Member States) in 2022 and has received

information from 68 jurisdiction (of which 21 EU member States) within the framework of the OECD common reporting standard.

Regarding **operational capacity**, the number of vacancies in the tax administration remains high, up from 155 vacancies in 2022 to 181 in March 2023. The annual training programme is needs-based and 1 040 employees of the General Directorate of Tax (GDT) received training in 2022. **Computerisation** of the fiscalisation process is considered fully complete. All B2G, B2B and B2C transactions are carried out only through the fiscalisation system and the information is reported in real time to the tax administration. Efforts need to be kept up to ensure and increase compliance and to increasingly use the available data in tax monitoring and risk assessments.

## **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 **in between moderate and a good level of preparation** in the area of economic and monetary policy. It made **some progress** as the governance and monetary policy of the Bank of Albania were appropriate and effective to deal with the crisis caused by Russia's war of aggression against Ukraine. It made progress on last year's recommendations to improve government's policy coordination and consultation mechanism with non-governmental stakeholders, though it still needs to improve the effectiveness of its stakeholder consultations. The lower number of budget amendments improved the credibility of the budget process. However, alignment of the Law of the Bank of Albania with the EU *acquis* was postponed. Alignment of government and national accounts to ESA2010 increased, and Excessive Deficit Procedures notifications improved (Albania regularly submits this on a best-effort basis). However, significant improvements are still needed to achieve full compliance with ESA 2010.

In the coming year Albania should, in particular:

- align the legislation on the personal independence of the Bank of Albania's governor as well as on monetary financing of the public sector with the EU *acquis*;
- improve intra-governmental coordination mechanisms and the effectiveness of its non-governmental stakeholders consultations;
- begin reporting on long-term fiscal sustainability of its social security system.

On **monetary policy**, the Law on the Bank of Albania (BoA) sets out BoA's primary objective as achieving and maintaining price stability. The inflation target is 3%. The BoA is financially independent, with sufficient instruments, competence and administrative capacity to conduct an effective monetary policy. It has a fully operational supervisory council, appointed by and accountable to the parliament which act independently. However the personal independence of the central bank governor is only partly aligned with the EU *acquis*. Monetary policy is conducted within a free-floating exchange rate regime using a standard set of instruments: i) open market operations; ii) standing facilities; and iii) required minimum reserves. Albanian legislation allows the BoA to provide limited financing to the government under certain conditions, which is not in line with the EU *acquis*, though this option was not used since 2010. The planned alignment with the EU *acquis* was postponed in view of the recent external shocks, the shallow secondary market for government securities and persisting high short-term government debt roll-over needs.

The BoA continued to normalise its monetary policy in response to inflation overshooting its target since March 2022 by gradually increasing the main policy rate up to 3% in March 2023, and raising the rates for overnight deposit and lending facilities by 1.9pps and 3.1pps respectively. It continued to provide liquidity to the economy (the unlimited provision of liquidity to the economy was stopped early 2022), and continued to publish the calendar as well as quarterly statements of its interventions in the foreign exchange and money markets. Increasing interest rates for commercial bank loans and deposits indicate the effective transmission of the monetary policy normalisation.

In November 2022, the supervisory council of the BoA approved the bank's updated 2023-2025 Medium-Term Development Strategy, as well as its 2023-2025 budget. This includes the objective to strengthen BoA's independence, governance, transparency and accountability in accordance with the gradual alignment with of the EU *acquis*. In particular, it aims at further aligning its governance standards on its internal audit by including the use of updated International Financial Reporting Standards (IFRS), operational risk management, business continuity management. It also foresees promoting the further development of the secondary market for government securities, to improve the general conditions for domestic government financing. Given the changed external and financial situation, BoA stated that it will continue its intermediary activity of buying and managing of Government securities accounts from households, revising its plan of the 2022 strategy to phase out this activity. On 1 March 2023, BoA approved its 2022 annual report, which includes its externally audited financial statements, and subsequently presented to the national parliament's economic and financial committee.

In the area of **economic policy**, Albania has complied with its set of fiscal rules since 2016. It added a new numerical rule to achieve a neutral or positive primary balance from 2024, which considerably strengthens the fiscal rules framework. The 2023-2025 medium-term fiscal framework foresees compliance with all fiscal rules. Albania has no independent fiscal institution to monitor compliance with its fiscal rules and the quality of its forecast, instead it is obliged by law to use the IMF's forecast for nominal GDP as basis for calculating the public debt-to-GDP ratio and other fiscal indicators. This is not in line with the EU *acquis*. Budget implementation is regularly audited by the Supreme State Audit Institution. In 2022 Albania used secondary legislation four times, instead of the regular legislative process, to amend its budget, but did not introduce any budget amendment in the first half of 2023.

The presentation and publication of the annual budget includes a medium-term fiscal framework with a 3+ year horizon on a rolling basis, a forecast of government debt and of the macroeconomic development, as well as a fiscal risk statement. The accompanying "citizens budget" includes a list of public investment projects and PPPs. The budgetary framework's macro-fiscal analysis could be improved and the addition of long-term fiscal sustainability indicators. Budget preparation involves all governmental units, but the expenditure plans of local governments are not detailed in the framework. Budget planning improved in 2023, being based on the previous year's actual fiscal outcome, instead of using the previous year's budget plan.

Albania submitted its Economic Reform Programme (ERP) 2023-2025 on time and adopted it on 1 March 2023. The publication of the draft ERP for consultation was two weeks late and the lack of comments to the report underlines the need to upscale outreach to civil society and improve stakeholders' awareness of the ERP process. The mandatory publication of the government's draft documents, including notifications, regulatory impact assessment reports, explanatory notes and public consultation reports on the online platform increased governmental transparency. However, the lack of public comments on the platform shows



that the government also needs to organise direct exchanges with stakeholders and to demonstrate that they are taken into account. In this context Albania made progress by mapping the stakeholders of the line ministries by end 2022 in order to notify them about public consultations in their area of interest. In addition, oversight and quality control of the public consultation process are being reorganised within the government. Albania still needs to improve the overall effectiveness of its stakeholder consultation and its inter-institutional coordination mechanism.

National account statistics are partially in line with European System of National and Regional Accounts (ESA 2010), but substantial further work is necessary to improve alignment and compliance of both the annual sector accounts and financial accounts. Albania provides 12 of 14 indicators for the macroeconomic imbalances procedure (MIP scoreboard) of a medium compliance level. In cooperation with the Ministry of Finance and the Bank of Albania, the Albanian statistical office INSTAT is compiling the excessive deficit procedure statistics (EDP) and the government finance statistics (GFS). Work on both compilations is continuously progressing, but substantial further work is necessary to reach the full compliance with the ESA2010 requirements. Albania regularly submits most of the excessive deficit procedure notification tables to Eurostat on a best-effort basis but not for publication and without completed questionnaires. The Albanian statistical authorities should lift the embargo on publishing the GFS data submitted to Eurostat. From October 2022, Albania has transmitted EDP tables through the new “Albanian Integrated GFS Compilation System” (AIGCS), which aims to improve data consolidation across the government units and data consistency.

## Chapter 19: Social policy and employment

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

Albania is **moderately prepared** on social policy and employment and made **good progress** during the reporting period, increasing the quality and effectiveness of labour market institutions and improving access to jobs. In line with last report’s recommendations, the new 2023-2030 national employment and skills strategy was adopted. It focuses on the quality of jobs, skills development and better matching of demand with supply in the labour market. The national implementation plan for the Youth Guarantee scheme was approved, as an annex to the 2023-2030 national strategy. Efforts should continue on strengthening the social protection system, alongside the labour market measures.

In the coming year, Albania should:

- adopt the new 2023-2030 strategy for occupational health and safety, with a focus on strengthening institutional capacity to effectively enforce compliance with the legislation, and adopt the 2024-2030 national social protection strategy;
- begin piloting the Youth Guarantee targeting youth unemployment, especially young people who are not in education, employment or training (NEETs), and start to roll it out into full implementation;
- increase the budget allocation, implementation and monitoring of the social fund, strengthen the capacity of local government, and revise the procurement procedures for social care services.



On **labour law**, implementation of the law as amended by the 2015 Labour Code is ongoing. On **labour inspection activities**, 22% of the planned inspections during the previous year were first time inspections while the total number increased significantly in 2022 to 10 154 (up from 7 039 in 2021), detecting 1 799 undeclared workers (1 092 in 2021). Progress was made on promoting the e-inspection platform, which increased the quality of labour inspections, however more efforts are needed to reduce informality. In 2022, 13.4% of inspection cases found no violation. Although the State Labour and Social Services Inspectorate stepped up efforts to build human resource capacity through training and monitoring, the capacity of the social services inspectorate remains very limited. In 2022, 135 inspections of social care services were carried out.

On **child labour**, the system for monitoring child labour and other forms of exploitation, and the coordination of law enforcement between the Agency for the Protection of Children's Rights and the Labour Inspectorate, is weak.

On **health and safety at work**, efforts need to be stepped up to ensure the further alignment of the national legislation with the EU acquis. Authorities need to strengthen their institutional capacities and inspections processes. Albania needs to develop a new 2023-2030 strategy for occupational health and safety in line with the EU strategic framework on health and safety at work 2021-2027 and its priorities.

On **social dialogue**, in May 2022 the Council of Ministers approved the Decision 'On the determination of employers' organisations and trade union organisations in the National Labour Council', and in July 2022 the Ministry of Finance and Economics issued an order 'On the appointment of members and candidates of the National Labour Council, and representatives of employers' and employees' organisations. Progress was made on strengthening the capacity of the newly assigned staff of the National Labour Council's secretariat. However, the specialised commissions of the National Labour Council are yet to become operational. Efforts were made to enhance the tripartite collaboration between the State Labour and Social Services Inspectorate, trade unions and business organisations.

On **employment policy**, Albania is implementing the new 2023-2030 national employment and skills strategy, adopted in March 2023.

**Labour market indicators** improved in 2022. Employment increased by 3.9% on average in 2022, up from a 0.5% increase in 2021. All sectors have experienced higher employment rates. During the fourth quarter of 2022, the employment rate of people aged 15-64 was 65.5%, up from 62.1% in the fourth quarter of 2021. Despite the improvement in the employment rate in recent years, Albania lags EU averages. The employment rate has especially improved among women (61.4% in Q4-2022), but the unemployment rates of women and young people remain high. Gender inequality in employment remains problematic, with the employment rate for men exceeding the rate for women by 10.4%. In the fourth quarter of 2022, the employment rate for young people aged 15-29 was 44.6% (47.5% for men and 41.8% for women). Despite an increase of 1.8% compared with the previous year, youth employment lags the rest of the adult population.

The **unemployment** rate in the fourth quarter of 2022 was 11.0% (11.0% for men and 11.1% for women) decreased by 0.4% compared to the fourth quarter of 2021. The structure of the Ministry of Finance and Economy (MoFE) was revised in 2023 to add resources to the General Department for Employment and Skills. MoFE still needs to fill all vacant positions.

The National Agency for Employment and Skills (NAES) filled 70% of its vacancies by the end of 2022. In 2022, 15 658 adult participants attended vocational training out of which 7 191 were females. In 2022, 26 808 registered unemployed jobseekers found a job through

labour offices compared with 24 158 in 2021. As of May 2023, 17 935 young people not in employment, education or training (NEETs) were registered in the NAES database. In 2022, Albania continued to implement the reformed employment promotion programmes packages in all regions, with a focus on the most vulnerable people. A new programme to subsidise the development of digital skills was adopted and began operating. Progress has continued with the Social Employment Fund, which aims to help persons with disabilities to find work.

According to the Albanian National Institute of Statistics (INSTAT), in 2022 23.4% of **young people** registered as **neither in employment, education or training (NEET)** were looking for work, up from 22.9% in 2021. The relevant authorities adopted the action plan to implement the Youth Guarantee, which focuses on NEETs. The official unemployment rate in 2022 for young people aged 15-29 was 20.7%, compared with 20.9% in 2021. It rose by 0.9% in the fourth quarter of 2022 compared with 2021.

On the **employment of persons with disabilities**, the 2023-2030 national employment and skills strategy states that the levy on employers who do not fill their quota of employees with disabilities will be collected through the tax system.

On **social protection and inclusion**, the MoHSP continued its efforts to consolidate the economic aid scheme (a scheme for social assistance payments to households experiencing poverty), implementing a new biopsychosocial evaluation system for persons with disabilities, and to reform the system social care service. MoHSP needs to finalise the evaluation of the current social protection strategy and progress with the design of the new 2024-2030 national strategy on social protection, in consultation with stakeholders. Progress was made on the implementation of the exit strategy for recipients of economic assistance (Ndihma Ekonomike). A protocol for making referrals is in place and the regional actors are profiling beneficiaries of working age.

There is some progress in implementing the strategy on **social protection**, in terms of rolling out the reform of the biopsychosocial assessment of persons with disabilities and reaching more beneficiaries through social care services. The total budget in 2023 of the social protection programme has increased by 5% compared with 2022. The effectiveness of the targeting of the economic aid scheme needs to be assessed through field research and by using microdata from Eurostat on income and living conditions and from household budget surveys, to identify groups in need that do not yet benefit from the scheme. Authorities need to finalise the impact assessment of the adequacy of exit strategy benefits, increase their amounts, establish a mechanism for their annual indexation and implement the roadmap on the revision of benefits that will be based on this assessment. With the amendments to the Law on social assistance, adopted in 2022, additional social protection measures were introduced to mitigate the effects of Russia's war of aggression against Ukraine. The social resistance package approved in March 2022 included EUR 48 million as an additional contingency fund for vulnerable groups. The percentage of population receiving basic package of social care services has been increased from 0.2% in 2019 in 1.5% in 2023.

The MoHSP needs to strengthen its efforts on monitoring the 2021-2025 national action plan on **persons with disabilities**. Since 2023, reform of the biopsychosocial evaluation is being implemented throughout the country, with 36 multidisciplinary commissions in 12 regions.

On the inclusion of **Roma and Egyptians**, following the approval of the new 2021-2025 national action plan for equality, inclusion and participation of Roma and Egyptians in Albania, in 2023 employees in line ministries, regional directorates, municipalities and other local institutions were trained on how to report progress indicators in the ROMALB electronic system (242 officials are active users). However, the institutional capacity of

MoHSP, in charge of the coordination of Roma-related policies, remains weak in terms of human resources. Roma and Egyptians continue to face skills-related challenges in the labour market. A significant proportion of unemployed people registered for economic assistance have not completed primary education. The inclusion of Roma in jobs in the public administration needs to improve.

The MoHSP prioritised the reform of the digitalisation of social care services through the National Electronic Register of Social Care Services, which has not been fully operational since July 2022 due to the cyberattack on all government data systems.

All 61 municipalities have approved local social care plans. Authorities need to ensure that social services are established and functioning across all municipalities. . During 2022, 27 community-based social care services at municipality level have been set up and 13 specialised services at county level. For 2023, 13 community-based social care services at municipality level and 13 specialised services at county level have benefited the continuation of financial support. For 2023, the Social Fund's budget increased to EUR 2.8 million, 50% increase compared to 2022. Nevertheless, local governments, frequently lack the funding and resources to effectively set up manage and implement social services.

On **non-discrimination in employment and social policy**, Albania and the ILO signed the 2023-2026 decent work country programme, which aims to address key problems around working conditions and social protection such as the work accidents, effective protection at work by setting up effective mechanisms to tackle violence and harassment, low levels of wages, and insufficient coverage of the social security system.

On **equality between women and men in employment and social policy**, according to INSTAT's labour force statistics for the fourth quarter of 2022 there is a gender employment gap of 11.6% for the group aged 15-64 years old. 69.1% of women participate in the labour force, compared to 80.7% of men. In 2022, the labour force participation rate for women increased by 5.9% for women and 3.0% for men compared with the same (fourth) quarter of 2021. The National Council for Gender Equality approved in June 2023 the Action Plan for the implementation of 'Women, Peace, Security' 2023 – 2027 resolution.

On **fighting corruption**, in April 2022 the MoHSP adopted its integrity strategy. The Institute of Social Security has a code of ethics in place. Authorities use online services in order to increase transparency such as the Economic Aid System platform which manages the state database for economic assistance and the process to apply for and grant economic assistance.

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

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

Albania is **moderately prepared** in the area of enterprise and industrial policy. **Some progress** was made on the implementation of the recent legislation on micro, small and medium enterprises, on start-ups, and on the continuation of the business support programmes in line with the business and investment development strategy. Despite these improvements, and the government's ongoing efforts to tackle the informal economy and corruption, the recommendations in the 2022 report were only partly addressed.

In the coming year, Albania should, in particular:

- further address the main challenges to the business environment by reducing the regulatory burden, increasing the participation of businesses in the funding programmes, reducing the informal economy and corruption, and increasing business support services;
- accelerate the full alignment of national legislation with the EU *acquis* on late payments;
- adopt the unified investment Law and address the challenges to competitiveness and growth that were highlighted in the joint recommendations of the economic reform programmes of 2023-2025.

Albania continues to implement its 2021-2027 business and investment development strategy, which focuses on SME development and innovation; investment, attractiveness and internationalisation; and human capital development. It is also implementing its 2020-2024 inclusive and sustainable industrial development programme. Together, the business and investment development strategy and the inclusive and sustainable industrial development programme create the strategic framework for Albania's **enterprise and industrial policy**. Albania follows the implementation of the EU Small Business Act (SBA) and takes SBA recommendations into account when drafting SME policy. A 3-year action plan (2022-2024) to implement the mining strategy was also adopted in June 2022. Albania is implementing its 2017 national strategy on innovation and technology and is currently drafting a smart specialisation strategy. The Law on start-ups in innovation was amended to set up the state start-up agency, and to cover digital nomads.

The business community asserts that the key persistent challenges that harm the business climate are corruption; the informal economy and unfair competition; the lack of transparency in public procurement procedures (especially for public-private partnerships); the lack of predictability of legislation; bureaucracy, and an inefficient public-private consultation mechanism. Lengthy court procedures also remain a concern, despite progress on justice reform. Issues with property titles remain a persistent obstacle to foreign investors. Other areas that need to be addressed include the weak diversification of exports and a high dependency on imports. Businesses also face obstacles due to a lack of skilled workers and access to finance. They in turn need to adjust to modernisation and green process, digitalisation, innovation, and to e-commerce.

Despite the increased business costs, companies have responded positively to the government's decision to increase the minimum wage, as a way to keep workers, particularly in labour-intensive companies. The tax administration continued its efforts to tackle the informal economy by expanding the taxpayer base, enforcing compliance and working to create a level-playing field for economic operators, including in the tourism and construction sectors. According to Labour Inspectorate data for 2022, the tourism (hotel, bar and restaurant sector) had the highest exposure to informal employment accounting for 44% of total cases identified, followed by manufacturing with 25% and construction with 21%. Due to intensified efforts to tackling informal employment, the number of identified informal workers increased by over 64% in 2022 compared 2021. More efforts are also required to increase productivity in the economy and to improve the business climate.

Albania continues to privatise state assets, partly through privatisation vouchers which are currently valid until December 2023. The Law on the establishment and operation of economic zones and the Albanian Investment Corporation enable the environment to develop projects to revitalise old state-owned sites by attracting investment, though no progress has been made on the adoption of the unified investment Law. In November 2022, a government decision established the Tirana Economic Development Area (TEDA), which is expected to attract investors in the automotive, information and communication technology, and



electronic equipment industries. In June 2023 the wining company to develop TEDA was chosen after a compeitive procedure. During the reporting period the national strategic investment committee, chaired by the Prime Minister, continued to adopt decisions on cases of investors benefiting from the status of strategic investor, mainly in the area of tourism.

In the area of **enterprise and industry policy instruments**, the Albanian Investment Development Agency operates an online platform to help businesses access information on financing opportunities. The agency also provides training on e-commerce and has published a digital self-assessment tool and guidance to help SMEs start e-businesses and e-commerce. Regarding entrepreneurs skills, intensive trainings for startupperes are offered by the Albanian Information Society Agency through ‘TechSpace’, and entrepreneurship has been added innto the pre-university curriculum. Albania is implementing a 2021-2024 action plan on the facilitation and development of e-commerce, through establishment of an inter-ministerial working group, in line with the commitments among CEFTA parties.

Further amendments to the Law on late payments entered into force in May 2023 in order to regulate late payments on transactions between farmers and the agro-companies that collect, process and export agricultural products. This is expected to also help to formalise transactions in this sector. Further alignment with the EU *acquis* needs be ensured as soon as possible, especially to address issues related to proof of property ownership property (titles), and recovery procedures for unchallenged claims. Albania’s definition of SMEs is partly aligned with the EU one, on the number of employees, however national capacity to support SMEs remains limited. On policy indstruments, negotiations on Albania’s participation in the EU “Single Market Programme” are underway.

On **sectoral policies**, Albania continues to implement the 2019-2023 national strategy and action plan for sustainable development and tourism, and in June 2023 it launched the mobile application for tourism events in Albania (TEA). Some progress was made in identifying niche markets in the export area. Issues related to transport costs, simpler export procedures, market research and advice on improving product diversification, are all areas that need to be further addressed. Albania continued to provide incentives for the agro-processing industry which faces challenges including labour shortages and low levels of mechanisation, digitalisation and innovation. In June 2023, the government introduced fiscal relief measures for export-oriented businesses who faced high costs due to local currency (ALL)’s appreciation against Euro by almost 7 % between January-May 2023, allowing for postponement of profit tax payment in 2024. Albania also adopted a 2022-2026 cross-sectoral strategy and action plan on the digital agenda. Investors are increasingly interested in renewable energies, particularly since the adoption of the Law on renewables and the establishment of the Albania Power Exchange. Further clarity on the categorisation of land used for agricultural purposes and land that can be rented or used to produce renewables were introduced in the amended Law on protection of agriculture that was adopted in July 2023.

## **Chapter 25: Science and research**

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

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| Albania has <b>some level of preparation</b> in the area of science and research. <b>Some progress</b> was made over the reporting period, by setting up a national team to develop the smart specialisation strategy and by strengthening innovation support measures such as ensuring sufficient funding to the start-up fund and further progressing the entrepreneurial discovery |
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process of the smart specialisation strategy. Last year's recommendations have not been fully addressed and therefore remain valid.

In the coming year, Albania should in particular:

- increase investment in research, in line with its own commitments and the new European Research Area priorities;
- complete the smart specialisation strategy, adopt the 2023-2030 national strategy on scientific research and innovation and adopt the new law on scientific research;
- produce statistics and reliable data on science and technology.

On **research and innovation policy**, the interinstitutional working group monitoring the implementation of the 2017-2022 national strategy for scientific research, technology and innovation recommended open online access for all scientific publications financed by public funds. The working group also recommended revising the implementing legislation to create legal and fiscal incentives to encourage businesses to finance scientific research. The new 2023-2030 national strategy on scientific research and innovation, which aiming at addressing these recommendations (which are in line with the new European Research Area), needs to be adopted. Albania needs to adopt the new law on scientific research.

Albania increased funding for scientific research to 0.08% of GDP in 2023, up from 0.05% in 2022 and 0.04% in 2021, however this is still far below the target 1% of GDP by 2030. Research funding as a percentage of public expenditure amounted to 0.17 % of GDP in 2022. INSTAT needs to produce a complete data set on scientific research and innovation.

The methodology to increase funding for research and science needs to be further developed and aligned with the EU *acquis*. Information on the budget allocated for R&D has not yet been published due to the poor quality of data. In April 2023, for the first time, the National Agency for Science Research and Innovation launched a call for proposals to implement the university-business cooperation programme. Albania needs to further strengthen its research and innovation capacity at national level, by promoting links between academia, industry and government, and in the fields of open access and open data. A new Law on the creation, organisation and operation of technology and science parks was also adopted in July 2022. Since 2022, the start-up fund has been managed by the Minister of State for the Protection of Entrepreneurship. The fund granted EUR 2.5 million to 58 beneficiaries in 2022.

The qualitative and quantitative phase was completed for the development of a **smart specialisation strategy**. However, the second phase of the entrepreneurial discovery process remains to be finalised. The Deputy Prime Minister's Office is now responsible for coordinating the development of the smart specialisation strategy.

On the **EU framework programmes**, Albania is fully associated to Horizon Europe. Its participation in the programme in 2022 has improved since Albania has been participating in the EU's Framework Programmes for Research and Innovation (9 projects with a total funding of EUR 1.7 million). The authorities need to make efforts to further increase participation of the private sector in Horizon Europe. National innovation efforts should be aligned with the new European innovation agenda. Albania needs to strengthen its efforts in participating in the activities of the European Institute of Innovation and Technology (EIT).

Regarding transparency, the Ministry of Education and Science has created an electronic register for inquiries recording 45 exchanges in the first quarter of 2023. Authorities have established a contact point to denounce corruption and abuse of EU funds.

Albania needs to make further efforts to produce reliable data on research and innovation. Albania was included for a second consecutive year in the European Innovation Scoreboard as an emerging innovator facing however a decrease in its score from 41.7% in 2022 to 41.1% of the EU average in 2023.

## Chapter 26: Education and culture

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

Albania is **moderately prepared** in the field of education and culture. **Some progress** was made, with further strengthening the new National Agency for Employment and Skills, and the continued restructuring of the National Agency for Education, Vocational Training and Qualifications. The new 2023-2030 national strategy on employment and skills and the new 2022-2029 national youth strategy place an emphasis on improving the quality of Vocational Education and Training (VET) and increasing the skills of young people. Further efforts are required to strengthen the quality and inclusiveness of education, while appropriate resources should be allocated to ensure that the new policy reforms are implemented. The implementing legislation of the Law on cultural heritage and museums is still to be finalised.

Some of last year's recommendations were not fully addressed and remain valid. In the coming year, Albania should in particular:

- ensure sufficient resources for the optimisation of the VET system in line with the needs of the labour market;
- improve the professional development and training of teachers and trainers, with a focus on pedagogical skills related to the implementation of the competence-based inclusive approach and digitalisation from pre-primary to university level, including VET education;
- adopt the implementing legislation for the Law on cultural heritage and museums.

On **education and training**, the reconstruction of the educational facilities damaged by the 2019 earthquake remained a priority. During the reporting period, 17 education facilities were repaired. Currently, 79 educational institutions have been either reconstructed or repaired, while work is ongoing on 105 institutions. The Ministry of Education and Sports (MoES) has based its **anti-corruption policy** on transparency through digitalisation, by implementing its transparency programme, by monitoring and auditing through internal and external audit mechanisms, and by strengthening integrity with the adoption of integrity plans for the MoES and the Ministry of Culture in April 2022. Greater efforts are needed to efficiently manage the resources offered by donors and funding from the state budget.

The MoES planned the progressive design and implementation of information and communication technology (ICT) programmes for the first time, starting from the first grade in 2022. 100 schools in Albania were equipped with smart labs, and 1 200 ICT teachers were trained. The authorities need to make further efforts to reduce the digital divide across all communities and among vulnerable people. Authorities need to strengthen efforts towards effective, coherent and inclusive digital transformation of the education and training systems in Albania, including the capacity of the systems to develop digital skills.

The MoES reported that **public spending** on education represented 3.2% of GDP in 2022, while the forecast for 2023 and 2024 is 2.9% and 2.8% respectively (considerably lower than

the EU average 5%). The MoES developed guidelines on career education in the pre-university education system, which includes activities and job descriptions for career guidance in schools. The Agency for Quality Assurance in Pre-University Education carried out the evaluation of 34 pre-university education institutions.

The net **enrolment rate** (NER) in primary education in 2021-2022 was 88.3%, slightly down on the year before (90.5%). The NER for lower secondary education was 87.4% in 2021-2022 compared with 87.1% in the previous year. There has also been a decline in the NER of students in upper secondary education, at 77.6% in 2021-2022 compared with 78% in the year before. The NER of children in pre-primary education in 2021-2022 was 78.8%, up from 72.9% the year before.

**On inclusive education**, the number of children with disabilities in public and private educational institutions (starting from preschool education) has increased to 4 748 students. In 2022-2023, the number of assistant teachers for students with disabilities in the public pre-university education system went up by about 17% compared with the previous year (1 300 assistant teachers in total). The need remains for more assistant teachers and a better quality of education, especially in remote non-urban areas. In 2023, Albania amended the Law on pre-university education including provisions on students with disabilities and on transforming schools into resource centres. In 2022, the MoES offered 141 scholarships in pre-university education to children at risk of dropping out. Since the school year 2022-2023, ICT oriented secondary education is offered in Albanian sign language.

Gender gaps still exist in education as, according to INSTAT, the enrolment rate in compulsory education is 98.7% for boys and 92.7% for girls. Participation in upper secondary education is higher for boys than girls, at 98.7% and 89.9% respectively. whereas for higher education the participation rate is higher for girls (73.2%) than for boys (49.6%). In **vocational education**, approximately 82% of graduates are males. VET providers must follow the code of ethics in accordance with the national legislation, while ethics committees have been set up in all education providers.

The participation of **Roma and Egyptian children** increased in pre-university (13 499 in 2022-2023 against 13 086 in 2021-2022) and decreased in early childhood education (2 150 in 2022-2023 in both public and private sectors against 2 514 2021-2022). The measures planned to facilitate access to universities (such as the quota system and waiving university fees) are in general not being implemented. Greater efforts are needed to improve coordination between the local and central levels on preschool education.

The 2022-2029 national strategy for **youth** was adopted in October 2022. It integrates the empowerment through self-defence approach as part of the extra-curricular programs of public schools. This approach aims to promote behavioural changes in communities, in relation to issues such as gender-based violence, by fostering skills that promote the emotional, psychological and physical safety of young women and men. The selection of Tirana as European Youth of Capital 2022 enhanced the local and national ecosystem for the development of youth policies.

The 2023-2030 national strategy on **employment and skills**, adopted in 2023, prioritises the systematic engagement of the private sector in vocational education and training, and the development of green and digital skills through a lifelong learning system that allows for effective upskilling and reskilling activities.

**On vocational education and training (VET)**, the authorities consolidated the relevant institutional framework, by further reinforcing the National Agency for Employment and Skills, and by further restructuring the National Agency for VET and Qualifications and

increasing its resources. Further efforts are needed to ensure adequate staffing in both agencies; to improve the quality assurance framework and to strengthen planning and monitoring at central level. In 2023, several VET providers were restructured. The optimisation plan for VET providers, endorsed in 2020, lacked the necessary resources to be implemented. Despite promotional activities and support to help students from rural areas participate in VET, attendance fell in the 2022-2023 school year, with 16 811 students enrolled in vocational schools (2 634 female and 14 177 male) compared with 18 279 students (2 714 female and 15 656 male) in 2021-2022. The authorities need to take action to address the skills mismatch and to intensify efforts to make VET more relevant to the needs of the labour market. In January 2023, the MoES approved a career orientation guide for students in the ninth grade to improve information, education and career counselling in schools. Enrolment of vulnerable groups in VET also decreased to 6 022 (1 743 female) from 9 392 (1 330 female) in 2021-2022.

Albania continued to participate in Erasmus+ and the European Solidarity Corps. Albania benefits from the international dimension of the 2021-2027 Erasmus+ programme. In 2022, approximately 900 higher education staff members and 1 280 students from Albania were selected to undertake a mobility period in EU Member States or associated third countries to the programme. The number of higher education capacity-building projects selected for funding increased from 12 in 2020 to 17 in 2022. For the first time, higher education institutions were eligible to participate in the call for proposals for the European universities initiative. Albania is participating in the European Education Area working groups 2021-2025.

Regarding the **culture sector**, the 2019-2025 national strategy is being implemented. During the reporting period the national register of Albanian intangible cultural heritage was published. This was created pursuant to the Convention for the Safeguarding of the Intangible Cultural Heritage, and published for the first time in an online format. The relevant authorities adopted implementing legislation on the creation and administration of the database of stolen cultural assets, and rules on monitoring and evaluating entities that have cultural assets under administration. The authorities need to adopt the remaining implementing legislation of the Law on cultural heritage and museums to make the law fully operational.

Albania continued to participate in the EU 2021-2027 Creative Europe programme. Albania needs to accelerate the adoption of implementing legislation and to ensure the effective implementation of the Law on cultural heritage and museums, in line with the principles of the framework for actions for cultural heritage.

## 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 as well as adequate implementing and enforcement capacity and access to the common computerised customs systems.*

Albania is **moderately prepared** in the area of the customs union. **Limited progress** was made on the authorised economic operator programme and preparatory work for the development of the New Computerised Transit System. Last year's recommendations remain valid.

In the coming year, Albania should in particular:

→ approve legal provisions and develop the New Computerised Transit System;



- continue efforts in pursuing the fight against smuggling, corruption and imports of counterfeit products, including by strengthening administrative capacity and improving cooperation between the bodies involved;
- accede to the WHO Framework Convention on Tobacco Control Protocol to Eliminate Illicit Trade in Tobacco Products.

On **customs legislation**, Albania's customs code is broadly aligned with the EU *acquis*. However, the levying of scanning fees for each customs declaration continues to contravene the Stabilisation and Association Agreement, which prohibits customs duties or charges with an equivalent effect on trade between the EU and Albania.

Preparatory work for the development of a National Single Window and a New Computerised Transit System continued through cooperation with international experts in this area. A legal analysis has been carried out and procurement procedures have begun.

Albania is implementing its authorised economic operator programme, with 11 AEOs in June 2023 (and 9 applications under examination). Awareness raising activities on the benefits of the programme continued. Protocols for mutual recognition of authorised economic operators were signed with Serbia and North Macedonia in 2022. A memorandum of understanding was signed between the Albanian Customs Administration and the Italian Customs and Monopolies Agency in September 2022, improving customs cooperation with respect to goods transported by sea. A protocol was signed with Kosovo Customs allowing it to conduct the clearance of goods destined for Kosovo at offices in Durrës and Porto.

Since September 2021 Albania has been applying the new transitional rules of preferential origin of the Pan-Euro-Mediterranean Convention on bilateral trade with the EU.

The Customs Code's provisions on valuation are aligned with EU rules. The risk management system is automated and compares import, export and transit data against active risk profiles. The underlying automated system for customs data is being upgraded to improve risk analysis. The legislation on customs enforcement of intellectual property rights is harmonised with the EU *acquis*.

As part of the anti-fraud effort, it is recommended that Albania accedes to the WHO Framework Convention on Tobacco Control Protocol to Eliminate Illicit Trade in Tobacco Products.

The national rules on cash and goods transported in travellers' baggage still differ from the EU *acquis* as regards the amounts to be declared and the declaration form. The Albanian customs administration can impose sanctions for non-declarations or mis-declarations of cash at the border.

On **administrative and operational capacity**, so far five officials of the customs authority have been certified by the EU Agency for Law Enforcement Cooperation, as users of and trainers for the secure information exchange network application. The INES+ (intelligent adaptive traffic control) system has been operational for managing cases of infringement of intellectual property rights, with a view to stepping up the fight against imports of counterfeit products. By the end of 2022, 38 out of 41 customs services were accessible online through the e-Albania portal.

In terms of **prevention of corruption**, the customs authority's new structure entered into force in May 2022 to address challenges that had been observed, such as the lines of reporting to the anti-corruption coordinator. In May 2023 the customs authority published a 'green book reporting on progress in 2022 and highlighting priorities for the following year.



## CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27). Albania is in between moderate and a good level of preparation on energy. It has some level of preparation in the areas of transport, trans-European networks and environment and climate change. The country has made some progress in the areas of energy and trans-European networks, notably on the reform of the electricity market and in developing transport and energy networks. Limited progress was made in the areas of transport and environment and climate change.

Addressing the issues of climate change by strengthening green transition policies, pursuing efforts in sustainable hydropower generation and ensuring sustainable connectivity, constitute fundamental priorities for economic integration within the region and with the European Union. This cluster and the reforms concerned have significant links to Albania's economic reform programme, the Commission's economic and investment plan for the Western Balkans and the green agenda for the Western Balkans.

### Chapter 14: Transport

*The EU has common rules on 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, with **limited progress** achieved in the reporting period. The recommendations from last year have been partly addressed, with some progress in adopting implementing legislation in the rail sector and with further measures to improve the quality and performance of the vessels under the Albanian flag. Albania has completed around 80% of the measures of the Roadmap for improving the performance of the Albanian fleet.

Continued efforts are needed to further align the legislation and to move the Albanian flagged fleet out of the black list under the Paris Memorandum of Understanding on port state control. The recommendations from last year remain valid.

In the coming year, Albania should in particular:

- adopt the new 2021-2025 national transport strategy and its action plan and adopt the new road safety strategy in compliance with the transport community road safety action plan;
- implement legislation on the railway sector reform, in compliance with the transport community rail action plan;
- accelerate concrete measures to improve the performance of maritime transport vessels under the Albanian flag.

Regarding the **general transport acquis**, the new national transport strategy and its action plan for 2021-2025 still needs to be adopted. On alignment of the transport policy with public service obligations and the *acquis* on public service contracts, guidelines remain to be adopted for further alignment with the *acquis* on public passenger transport services. More efforts are required to fully implement the intelligent transport systems (ITS) Directive, boost multimodality and implement relevant national laws in compliance with the Transport Community action plans. Albania continued the preparation of a national ITS strategy for rail and maritime modes. ITS equipment for roads has been procured and is to be installed in new premises, which are under construction. For larger transport agglomerations, sustainable urban mobility plans which respect environmental and social standards should be developed following EU practice.

Albania continued to actively participate in the work of the Transport Community Treaty (TCT). However, it has shown a slow implementation rate of the five TCT action plans and dedicated smart and sustainable mobility strategy for the Western Balkans.

Administrative capacity needs strengthening throughout the transport sector, particularly in the rail sector. Since January 2023, the Albanian Civil Aviation Authority has set-up a new organisational structure, aiming to better fulfil its duties and functions. Legislative updates are required to complement the reform of the Albanian Road Authority. In December 2022, the government approved the structure and the organisation chart of the National Investigation Authority for Rail and Maritime Accidents and Incidents. Available funds for road and railway infrastructure maintenance remain insufficient, resulting in continued deterioration of infrastructure conditions. Continued efforts are required to support the 2018-2022 rail maintenance plans.

When revitalising the ports in Albania, attention shall be paid to prevent corruption as an enabler to infiltrate transportation and logistics chain with criminal networks.

**On road transport**, further efforts are needed to align with the *acquis* on electronic road toll systems and road fee enforcement. Road safety remains a serious concern with casualties above the EU average, work is still needed to tackle the discrepancy between the national statistics and the significantly higher WHO estimate. Albania needs to allocate sufficient financial resources to establish a road crash data system in line with the Care Database. Further efforts are needed to improve the inter-institutional coordination mechanism including the establishment of a road traffic safety agency. Albania should also make further efforts to align with the EU *acquis* on social transport legislation, notably the Directive for posting of drivers in the road transport sector.

Albania completed the alignment of its legislation on periodic roadworthiness tests, but still has to further strengthen its inspection capacity. The rules of traffic on electric scooters and of bicycles have been unified, aiming to strengthen road safety of such new category of vehicles in road. Some efforts were made regarding road safety education. Action on road safety has been taken, including road signs and marking, to improve safety on road sections and intersections. Tendering has been completed for construction of the traffic monitoring centre and installation of ITS for 200 km of main road network, and is expected to be operational in 2024. Albania is partially aligned with the Directive [2008/96/EC](#) on road infrastructure safety management.

**On railway transport**, the Railway Safety Authority began its operations in September 2023 by abolishing the Railway Inspection Directorate but it is not yet completely functioning since the staffing process is ongoing. The Railway Regulatory Authority is not yet functional, and the certificates and safety authorisations cannot be issued according to the EU *acquis*. Albania still needs to ensure full operability of the rail network and complete the institutional framework for the four new rail companies: infrastructure manager, passenger transport operations, freight transport operations and maintenance, based on the law adopted in July 2021.

Albania also needs to finalise and adopt the strategic framework for implementing ITS on the core rail network. Albania published its Network Statement in 2022 and this should also cover the part of the network located in port areas. Albania needs to complete the establishment of the electronic register of vehicles and the rail infrastructure asset management system (RIAMS). On train drivers, Albania adopted the Guideline on the professional training in the professional training centres of railway personnel who exercise

safety functions, conditions and procedures for testing, licensing and certification of drivers, which is partially aligned with the EU *acquis*.

On **maritime transport**, continued efforts are required to substantially improve the quality of the Albanian flagged fleet and to thereby reduce the detention rate of Albanian-flagged vessels, in order to remove Albania from its current position on the black list of poor flag performance. During last year Albania improved its position in the Paris Memorandum of Understanding on Port State Control, moving up from very high – risk to moderate, but still in black list.

While Albania has completed around 80% of the measures of the roadmap for improving the performance of the Albanian fleet, it has yet to fully align with the *acquis* on the EU vessel-traffic monitoring and information system (VTMIS), based on the strategic framework for implementing ITS on the core maritime network. Albania has made significant progress with respect to the implementation of the EU Port Services Regulation and efforts are underway to achieve the full compliance of its legal framework by 2025. There were still no new developments regarding **inland waterway transport**, which is limited to two lakes shared with neighbouring countries, and regulated by bilateral agreements. On **aviation**, to comply with the requirements for the first transitional phase under the European Common Aviation Area Agreement (ECAA), Albania still needs to address the findings raised by the EU Aviation Safety Agency (EASA) during its standardisation inspection in 2022 on air traffic management (ATM) and air navigation services (ANS).

The Albanian Civil Aviation Authority has a new structure since January 2023, aiming to improve its operability. Currently, oversight duties are covered by outsourced staff. New Ministerial Orders have been adopted on the approval of the national civil aviation security quality control programme and on the national civil aviation security training programme. Alignment with the EU ATM/ANS *acquis* is still not complete and, where the relevant rules are formally aligned, implementation is incomplete. Legislation on passenger rights is largely aligned with EU legislation.

On **combined transport**, Albania has not aligned with the related EU directive and has yet to provide references to national legislation that have been aligned with the EU *acquis*. The 2021-2025 national transport strategy, which includes the priority measures for intermodal and combined transport, is yet to be adopted.

Albania should increase efforts to align with and implement the EU **passenger rights** legislation.

## Chapter 15: Energy

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

Albania is **in between** a **moderate** and a **good level of preparation** in the area of energy. In the reporting period, there was **some progress** on reforming the day-ahead and intra-day electricity markets and progress in holding auctions for renewables projects.

Limited progress was achieved in the gas sectors and regional interconnection lines. In the context of the global energy crisis, these efforts, as well as energy-efficiency measures, should be accelerated, taking into account Albania's commitments under the Paris Agreement and the need to engage in the clean energy transition, in line with the Green Agenda for the Western Balkans.

Albania still needs to adopt all the missing implementing legislation on energy efficiency. No new energy-efficiency funding mechanisms have been put in place. The energy-efficiency agency's role, capacities and operations need to be further strengthened. Albania has adopted new energy and climate targets for 2030.

Last year's recommendations have not been addressed and remain valid. In the coming year Albania should in particular:

- ensure full access to the liberalised market for all customers connected to 20 kV in 2022, progressively extend this access to all customers and sell and buy electricity to cover distribution losses on the ALPEX power exchange;
- update and implement the 2020-2030 national energy and climate Plan (NECP), as part of the 2030 decarbonisation roadmap, and ensure that the Albanian renewable energy operator is operational by the end of 2023; strengthen the capacity of the Energy Efficiency Agency and continue drafting and adopting implementing legislation, including establishing the energy-efficiency obligation scheme, and adopting the labelling regulations. Proceed with the comprehensive assessment of the potential of high-efficiency cogeneration and district heating, in line with its obligations under the Energy Efficiency Directive;
- Transpose and implement the Electricity Integration Package adopted by the Energy Community Ministerial Council in December 2022.

On **security of supply**, Albania is still moderately prepared but its oil stock legislation is not in line with the EU *acquis*. Two regulations to align the existing industry-related model with the EU oil *acquis*, prepared in cooperation with the Energy Community, need to be adopted. Progress is needed to create a central stockholding body for oil. Albania should align with the *acquis* on the minimum stocks of crude oil and petroleum products required for security of supply. Furthermore, Albania's emergency oil stock model has not yet been amended.

In December 2022, the government adopted the national action plan for response to the energy crisis. This plan follows a series of measures undertaken by the government under the state of emergency for the supply of electricity, in force until 31 December 2023. The plan focused on vulnerable households and SMEs throughout the 2022-2023 winter, while continuing reforms towards energy sustainability and building resilience through diversified sources of energy.

Albania's electricity system has been connected to systems in Greece and Montenegro since 2014. The Albanian Power Exchange was established in October 2020, and it held its first day-ahead auction for the delivery of electricity on 12 April 2023. It aims to encourage more renewable energy investment, guarantee power selling and fill production gaps. In 2022, Albania's electricity distribution losses in the power grid remained at 19.7%, with a slight reduction (0.3%) compared with 2021. The Electricity Integration Package remains to be adopted.

Albania intends to connect the Vlora thermal power plant with the Trans-Adriatic Pipeline (TAP) through a natural gas pipeline, as well as through an LNG terminal, to improve energy security for the country and the region. Preliminary agreements for gas supply have been signed but no progress in terms of developing its own gas infrastructure took place in the reporting period. Such plans have raised concerns from civil society, in particular regarding protection for Vlora bay. Albgaz has been licensed and certified by the Energy Regulatory Authority (ERE) as the combined gas transmission and distribution operator. However, some

certification conditions are not yet fulfilled. Albgaz is an observer at the European Network of Transmission System Operators for Gas (ENTSO-G).

On the **internal energy market**, the transposition and implementation of the newly adopted electricity integration package is pending. The transmission system operator is unbundled and certified. Legal unbundling of the distribution system operator from the supply branch was completed by restructuring the former integrated utility OSHEE into a holding company with three subsidiaries, licensed respectively as a universal service provider (FSHU), electricity supplier (FTL) and distribution system operator (OSSH).

In December 2022, ERE approved the contract for providing compliance officer services for the distribution system operator, which was the last measure needed to ensure the functional unbundling of the distribution system operator. The Energy Community closed the infringement case ECS-4/17 on the lack of distribution system unbundling in 2023. With the go-live of the Albanian Energy Exchange in April 2023, unbundling brings Albania into a better position to develop its power market further. The establishment of the intra day market is pending. Further efforts are needed to strengthen the administrative capacity of the National Regulatory Authority (ERE).

**Electricity prices** are not fully liberalised. All customers connected to 35kV benefit from an unregulated market. The next step (de-regulating supply at all voltage levels, except the 0.4 kV level) has yet to be completed. Given the energy crisis, a transitional mechanism has been put in place to allow the Albanian Power Corporation (KESH) to purchase electricity abroad and introduce a price cap on electricity for domestic customers in 2021, which was extended until December 2023.

The ERE legal framework is in line with the EU *acquis*, except for the regulator's right to impose measures promoting competition, requiring transmission and distribution system operators to change their terms and conditions and raising the level of the penalties that ERE can impose. ERE still needs to develop its capacity to address shortcomings in the energy markets.

Albania's legislation is partly aligned with the **hydrocarbons** licensing directive. It has not been aligned with the Directive on the safety of offshore oil and gas installations.

Albania needs to update and implement the national energy and climate plan (NECP) adopted in 2021, in line with the 2030 energy and climate targets.

On **renewable energy**, the feed-in tariff (FIT) support scheme has been transformed into a contract for difference (CfD) for large producers to which the existing power purchase agreements (PPA) will be converted. A renewable energy operator (REO) should be established. A pricing methodology for consumers with installed capacity up to 500 kW was adopted in 2021 and is to be implemented by the end of 2023. The agency responsible for renewable energy has not yet been set up. This role is shared among the Ministry of Industry and Energy (MIE) and the National Agency for Natural Resources.

Albania reached its target of a 39% share of renewables in total final energy consumption for 2022, based on the national consolidated renewable energy action plan (NCREAP). Implementation for the two solar photovoltaic (PV) farms with a total installed capacity of 240 MW is ongoing (Karavasta 140 MW and Spitalla 100 MW).

An auction on wind farms, with an installed capacity of 10 MW to 75 MW, was launched in 2021. The first phase contracts were awarded in June 2023 while in July 2023 three bidders were awarded a total of 222.5 MW in capacity. To accelerate renewable electricity



production and facilitate the transition from hydropower to other renewables, more auctions should be conducted.

The Renewable Energy Sources Law (RES) aligned with the Renewable Energy Directive (EU) 2018/2001, was adopted in March 2023. The new Law brings a series of innovations to the electricity sector, including that a renewable energy community has the right to produce, consume and sell renewable energy, and offer aggregation, including power purchase agreements. It abolishes the feed in tariffs support schemes, so that all support measures will be granted via competitive procedures. The Law on bioenergy is still pending adoption.

Albania depends almost exclusively on hydropower for electricity generation, making it vulnerable to climate change. It is a net importer of electricity at a rate of 30% per year, as hydroelectricity is not sufficient to cover its needs. Progress is needed in power interconnection with neighbouring countries and setting up an integrated regional energy market, to strengthen security of supply and create opportunities for green energy development and trading. The deployment of its vast solar and wind resources would significantly improve Albania's energy security and reduce its vulnerability to climate change impacts. Albania plans to use more photovoltaic and renewable energy from wind, and this trend should be pushed forward, based on the NECP 2030 energy and climate targets.

The concession contracts for hydroelectric power plants (HPP) are not sustainable for Albania. The small plants have a significant impact on biodiversity and local communities, notably in protected areas, where around 100 concessions/private investments are located. Plans for hydroelectric power plants have been challenged by civil society during public consultations, questioning the regularity of concession processes and the validity of environmental impact assessments (EIAs).

Moreover, no strategic environmental assessments (SEAs) have been conducted. A large hydroelectric plant planned in Skavica on the Drin River raised concerns from local communities and environmentalists. Civil society organisations claim that there were no proper consultations on this plant in the decision-making process and no information on the resettlement plan. Such investment needs to be fully compliant with the national legislation and the environmental and Energy Community *acquis*, in particular regarding public consultations and the quality of environmental impact assessments and strategic environmental assessments. Further efforts are needed to give guidance on the development of hydroelectric plants and enforce environmental legislation.

The national **energy efficiency** action plan (NEEAP), is an integral part of the National Energy and Climate Plan. The NECP was revised based on recommendations from the Energy Community, aiming to reduce the final energy consumption by 9.4% and to start implementation in 2024. The Energy Efficiency Agency (EEA), created in 2018, needs further administrative capacity. An EU twinning project (i.e. technical assistance provided on the spot by EU-level experts) with this agency started in September 2023. The goal is to support further development of the legislative and institutional framework for implementing the EU *acquis* on energy efficiency, to support implementation of the 2015 Law on energy efficiency and to strengthen the capabilities of the Agency.

Energy-efficiency incentives are in place, including a household subsidy scheme for installing solar water heaters and improving energy efficiency for educational and public buildings. In October 2022, the Government introduced mandatory 15% energy saving targets for the public sector while Tirana Municipality is also supporting local residents with grants up to 50% of the insulation costs for their homes. Several implementing measures have been adopted in accordance with the Energy Efficiency First principle.

However, implementing legislation related to (i) the energy-efficiency obligation scheme, (ii) energy labelling, (iii) increasing the number of electric vehicles in the national car fleet and (iv) minimum energy performance of buildings, (v) energy efficiency measures related to purchasing by public authorities, remain to be adopted. Some progress was made in training experts for energy audits and issuing building energy performance certificates. Given the targets and the ongoing energy crisis, other financing incentives and mechanisms for energy efficiency should be put in place, and energy efficiency projects should also be accelerated.

Albania needs to ensure that implementable energy efficiency and renewable energy action plans are adopted within the scope of the NECP 2030, including the agreed 2030 targets on energy and climate.

Albania has made no further progress on **nuclear energy, nuclear safety and radiation protection**. The country is considering to join the European Community Urgent Radiological Information Exchange system (ECURIE) system.

On **nuclear safeguards**, upon accession, the existing systems of accountancy and control of nuclear materials in Albania would need to be adapted to accommodate for the safeguard provisions (chapter 7) of the Euratom Treaty.

## **Chapter 21: Trans-European networks**

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

Albania has **some level of preparation** in trans-European networks. **Some progress** was made in developing transport and energy networks since work to prepare projects is ongoing. Albania needs to make further efforts to address the recommendations from last year that are still valid.

In the coming year, Albania should, in particular:

- continue developing the core transport and energy networks in line with the national strategies for transport and energy and infrastructure investment prioritisation, under the single project pipeline;
- continue to align its legal framework with EU *acquis* and the regulations on TEN-T (trans-European transport networks) and TEN-E (trans-European energy networks), including fully aligning guidelines for trans-European energy infrastructure and strengthening the institutional framework and administrative capacity for developing and monitoring TENs;
- strengthen capacity for and ensure progress in implementing the Economic Investment Plan for the Western Balkans projects on transport and energy, in line with the agreed timetable within the Western Balkans Investment Fund platform, while contributing to the Green Agenda.

Albania has made some progress on its strategic framework for **transport networks**. The draft national transport strategy for 2021-2025 and its action plan are yet to be adopted. This national transport strategy include the regional and EU priorities, the Green Agenda, the EU Economic Investment Plan for the Western Balkans, the strategy for smart and sustainable transport for the Western Balkans, as well as all action plans that are part of the Transport Community Treaty cooperation. (See Chapter 14 - Transport).

Albania proposed that rail Corridor VIII be part of the extension of the TEN-T corridors to the Western Balkans region. A relevant high-level agreement on indicative maps for TEN-T in the Western Balkans was signed in June 2023. The amended maps for the new European Western Balkans corridor will be part of the revised TEN-T Regulation, which is currently being discussed by co-legislators. Corridor VIII will be part of the new European Transport corridor, linking South-East Europe with the centre of Europe through the Western Balkans region.

Investment needs to be made in accordance with the cost/benefit analyses carried out in line with EU best practice. The Design of the Adriatic Ionian Road connection – section from border with Montenegro till Lezha is progressing. The Albanian government has been launched different Public Private Partnership (PPP) schemes and works are ongoing on different sections from Thumana till Fieri. Tirana bypass is under final preparation and planned to start in 2024. Projects are channelled through a single project pipeline, confirming the country's strategic orientation towards TENs. Robust measures to improve the road infrastructure from a road safety point of view, particularly to eliminate identified road accident blackspots, which cause fatalities and injuries, should continue implementation following the road safety inspections and road safety audits.. The road core network is now covered by 5-year maintenance programmes. Adoption of the multiannual maintenance plans for the rail core network still remains a challenge, given the state of rail infrastructure.

Work to prepare road, rail and port infrastructure projects, especially along the Adriatic-Ionian road connection and Corridor VIII (Varna–Durrës) has shown progress as well.

Concerning rail, work to rehabilitate the Durrës-Tirana line and to build a new line to the international airport is progressing in line with contractual obligations (48% of the civil works are completed). Further efforts and strengthening of project programming and management capacity are needed to avoid bottlenecks and make the investment grants awarded under the Western Balkans Investment Fund platform operational, and in particular to start working on the construction of the Tirana Bypass and the Vore-Hani Hotit rail line, connecting Albania with Montenegro. Both projects are expected to start in 2024.

In December 2022, the government presented its plans for creating the Porto Romano port, 12 kilometres north of Durrës. All the cargo activities currently at the ports of Durrës and Vlora would be relocated to this new port. A new eight kilometres railway line is to be constructed, to link the Porto Romano port with the existing rail network. This investment will take place in phases, and according to the authorities, phase 1 will be completed in 2027, including the container terminal, dredging and filling, the northern breakwater and the supporting infrastructure.

Kukës airport in the north of Albania started normal operations in July 2021, focusing on low-cost airlines. Construction work on a commercial airport in the Vjosa-Narta protected landscape is ongoing. This causes significant concern about threats to the environment, the habitat, migratory birds and other living species.

On **energy networks**, efforts are still necessary to adopt the strategic environmental assessment (SEA) and project identification plan under the gas master plan, since it is strongly interlinked with the development of TEN-E projects. The planned development, and interconnections between the LNG terminal in Vlora and regional gas pipelines (the existing Trans-Adriatic Pipeline and the envisaged Ionian Adriatic Pipeline) would increase regional energy security. More work is needed for the implementation of the above pipelines, as well as for the development of a gas market in Albania. Such initiatives should be implemented following environmental impact assessments and strategic environmental assessments, as

well as transparent public consultations that cover all stakeholders, including the local population, environmental groups and civil society organisations.

Progress was made on improving the infrastructure for electrical power transmission. Companies from Kosovo have joined the Kosovo-Albania control block and are participating in the Albanian Energy Exchange, which became operational in April 2023, following the successful implementation of the platform operator.

Concerning the construction of a 400kV interconnection line between Fier in Albania and the North Macedonia border, work is expected to start during 2023.

Albania's participation in the EU strategy for the Adriatic-Ionian region remains a priority for both transport and energy networks and it is important that the country continues its active involvement.

## **Chapter 27: Environment and climate change**

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

Albania shows **some level of preparation** in this area. **Limited progress** was made in further aligning policies and legislation with the EU *acquis* in areas such as water management, chemicals, environmental crime and climate policy.

Albania made progress in the area of civil protection since it joined the EU Civil Protection Mechanism in 2022 and it has prepared a national disaster risk reduction strategy and action plan for 2023-2030. Albania needs to continue working to further improve its civil protection system. Significant efforts are needed on implementation and enforcement for waste management, water and air quality and climate change, to strengthen its administrative and inspection capacities and implement structural, cross-sectoral reforms.

Most of 2022 recommendations remain valid and in the coming year, in addition to addressing the shortcomings set out below, Albania should, in particular:

- adopt the new law on water services; substantially increase the budget resources and implementation capacity of its key national water agencies; adopt the River Basin Management Plans (RBMPs) for the Ishem, Erzen and Mati rivers and complete these RBMPs for the Shkumbini and Vjosa rivers;
- take immediate measures to review and improve the quality of environmental and strategic impact assessments of projects, plans and programmes, especially in the hydropower, construction, tourism, transport and mining sectors (and ensure public participation and consultation in this process); take immediate measures to fight environmental crime and achieve full alignment with the Environmental Crime Directive and with the Environmental Liability Directive and increase policy and law enforcement for nature and biodiversity protection, especially in the protected areas;
- set up flood vigilance mechanisms and risk management plans in all river basins; implement the national strategy on climate change and the related action plans on mitigation and adaptation, adopt the relevant legislation and implement its integrated national energy and climate plan in line with Energy Community obligations.

## Environment

In terms of **horizontal legislation**, Albania still needs to step up efforts to achieve full alignment and implementation in most areas. The implementation of the Directives on Environmental Impact Assessment (EIA) and strategic Environmental Assessment (SEA) needs to be significantly improved

The EIA quality and the relevant processes need to be improved, Recommendations from EIAs are rarely implemented; they should be enforced and then monitored. Public participation and consultation in decision-making need to be improved, particularly at local level.

The EIA for Vlora Airport was broadly criticised by civil society and other stakeholders. One of the issues was the lack of consideration for the 'protected area' status of the selected site.

Implementation of the EU Directive on protecting the environment through criminal law needs to be improved, although convictions for environmental crime increased to 79 in 2022 (from 65 in 2021).

The implementation of the polluter-pays principle in implementing legislation is weak. Further progress is needed to achieve full alignment with the Directive on environmental liability. Inspections and enforcement capacity should be rapidly strengthened, especially to address environmental crimes more effectively. The state budget for environment and climate change remains very limited in 2023, and not sufficient to implement the EU *acquis*. Frequent staff turnover and hiring of staff without relevant expertise, has further eroded the capacity of the central administration and related agencies in this area. The recent replacement of some directors in the regional administration of protected areas across the country has attracted particular attention and raised concerns about the management of these areas. Corruption cases, identified by the Specialised Anti-Corruption Structure (SPAK) during the award procedures for the construction concession for the incinerator in Elbasan (in 2021) and the Fier waste incinerator (in 2022), are being investigated, and the former Minister of Environment and former Secretary General of the Ministry of Environment have been indicted.

More efforts are needed to align with the EU **air quality** *acquis*, including extending and improving the air monitoring system. The implementation of the 2014 national air quality strategy is still pending and the 2019 national plan on air quality management does not provide a functional monitoring system. There are only seven automatic air monitoring stations in the whole country (located in the main cities) but data is not reported in real time and monitoring is not carried out during the whole year. The plan focuses mostly on transport measures, while air quality monitoring still not in line with EU standards. Implementation of the action plan for air quality and of the Directive on sulphur content in certain liquid fuels is ongoing, while implementation has not yet started for the Directives on controls on volatile organic compound (VOC) emissions and stage II petrol vapour.

The legal framework for **waste management** is only partially aligned and substantial efforts to achieve full alignment are needed. Closing non-compliant landfills and dumpsites, as well as littering, remain significant challenges. Separate collection of waste streams and economic instruments to promote recycling and reuse and prevent waste generation are still insufficient. The construction of a new incinerator in Tirana poses growing concerns in terms of compliance with the EU waste *acquis*, including with the waste hierarchy and recycling targets. Moreover, Albania's waste management policies do not aim to reach EU 2030 recycling targets.



Albania should do more to promote the circular economy and incentivise the prevention, reduction and recycling of waste. In particular, it should invest further in composting, to cut down landfills. The first three local composting facilities in the country have been built with donor funding, and started operation in 2022-2023, in the municipalities of Cërrik, Roskovec and Belsh.

The implementation of the waste streams legislation should be speeded up. The enforcement and compliance-checking role of the institutions should be clarified and strengthened, and they should be given appropriate staffing and budget. In January 2023, a unit on circular economy was set up within the Ministry of Tourism and Environment, and is awaiting proper staffing. In March 2022, Albania adopted legislation that bans the use of certain categories of plastic bags, and has partially aligned with the Directive on single-use plastics. However, the implementation of this ban is inconsistent. Further alignment with this Directive is needed, namely banning the other single-use plastic items. The entire legislation on waste needs to be reviewed and upgraded.

On **water quality**, the level of alignment remains incomplete and two laws on water resources and marine waters should still be adopted as early as possible. Directive-specific implementation plans for the Drinking Water Directive and Urban Waste Water Treatment Directive – where major investment is required for compliance – were prepared in 2022. Following the 2020 adoption of the Drini-Buna and Semani River Basin management plans, Albania should complete and adopt the remaining five RBMPs for the Ishem, Erzen, Mati, Shkumbini and Vjosa rivers.

In line with the Green Agenda for the Western Balkans, Albania should increase efforts to strengthen transboundary basin management with neighbouring countries. This concerns the Drini-Buna and Vjosa river basins. A transboundary approach with Greece is encouraged during the future development of the Vjosa management plan, acknowledging the high ecological value and eco-tourism potential of the river and its national park status in Albania.

To ensure progress on the EU water *acquis*, Albania needs to substantially increase the budget resources and implementation capacity of the key national water agencies and adopt a capacity development plan. In addition, water quality and quantity monitoring is insufficient. The Water Resources Management Agency, together with the National Environment Agency and other water monitoring agencies, should urgently plan and implement a national water monitoring programme with sufficient resources.

The performance of the water supply and sewerage services sub-sector remains overall low.

Albania should amplify and accelerate further its water reform measures. The National Strategy of the Water Supply and Sewage Sector for the period 2023-2030 was approved by the Albanian Government on July 2023. The new law on water supply and sewerage and the revised water code should be adopted and implemented as soon as possible. There is also a need to ensure full alignment with the urban waste water treatment Directive, extend sewerage networks, license and apply adequate tariffs for all waste water treatment plants and build new ones, in particular in urban and coastal areas with high tourism development. The strategic institutional development plan of the National Agency **for Water Supply Waste Water and Waste Infrastructure (AKUM)** needs to be adopted and enforced, to drive and support the implementation of the water reform and the new 2030 strategy.

Alignment with the EU *acquis* on **nature protection**, in particular the Habitats and Birds Directives, is advanced. The legislation on strategic investment raises concerns for the protection of biodiversity, as it may lead to extensive tourism and industrial investment in protected areas. Construction work for the new Vlora Airport within the Pishe Poro-Narta

Protected Area (former Vjosa-Narta Protected Area), which started in December 2021, is ongoing. In September 2023, the Standing Committee of the Bern Convention recommended to Albania to suspend the construction of Vlora Airport until a new and sufficient Environmental Impact Assessment (EIA) procedure is conducted. In September 2023, the Ministry of Tourism and Environment started implementing a monitoring plan in order to minimise the environmental footprint of the Vlora Airport in the protected area, including through on-site verifications, though without a prior updated EIA. Progress was made in March 2023 with the upgrade of the status of the Vjosa River - from a Nature Park (Category IV) into a National Park (Category II). The upgrade of the status of the Vjosa River took the form of also including the tributaries of this river, which is among the last of Europe's wild rivers. Faster implementation of the rules for managing revenues generated by fees paid in Protected Areas should be considered.

In 2022-2023, the government of Albania increased the total areas under protection by creating two new protected areas, the Porto-Palermo Bay Nature Park and the Albanian Tulip Nature Monument. However, the capacity and funding for proper management of all protected areas are very limited. Albania still does not adequately enforce the forest and logging laws: despite a moratorium on logging, this practice continues unchecked. Prosecutions of arsonists or other people causing forest fires are rare, considering the high number of intentional and unintentional fires in 2022. No convictions have been reported in these cases. The moratorium on hunting was extended by an additional five years but, for conservation purposes, a law and a plan to enforce the moratorium should also be adopted. Similarly, hunting continues to take place, despite a moratorium being in place. There has still been no decision by the Elbasan court on the case of the poaching of a lynx in Elbasan in 2020. Albania should ensure that its administration has adequate capacity to prevent and inspect wildlife crimes.

The Skavica hydropower plant project that is under preparation is expected to have a significant environmental and socio-economic impact on the area, and impact the Balkan lynx populations that use this corridor to migrate between Albania and North Macedonia. The preliminary environmental impact assessment for this project has been completed, but the representatives of the affected communities claim that no locals were invited to attend the consultations. Investment in the road sector rarely includes in practice the obligatory planting and restoration of roadside slopes, and no wildlife crossing has so far been planned and implemented in Albania.

In February 2022 Albania joined the High Ambition Coalition for Nature and People, pledging to protect at least 30% of its land and seas and promote nature-based solutions within the UN framework convention on climate change.

Alignment with EU legislation on **industrial pollution and risk management** is still at an early stage. Capacity and financial constraints are hampering progress in implementing legislation on the prevention of major accidents involving dangerous chemicals.

On **chemicals**, Albania has a legislative basis for alignment with the EU regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH), but the implementing legislation has yet to be adopted and adequate administrative structures have not yet been established. In October 2022, Albania further aligned its legislation with the new EU Regulation on persistent organic pollutants.

Albania performed urban **noise** monitoring in several cities and municipalities, in line with the national monitoring programme and according to WHO and national standards. Albania

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

On **civil protection**, Albania made progress in building its civil protection capabilities and has undergone a comprehensive reorganisation of its national civil protection system. In 2022, it joined the EU Civil Protection Mechanism (UCPM), demonstrating its commitment to contribute to the Mechanism and make further progress on civil protection. Albania also prepared a national disaster risk reduction strategy and action plan for 2023-2030.

Nevertheless, the country should work on further improving its civil protection system. Considering the increased frequency of national disasters in the last decade and the intensified impacts of climate change, Albania should review its emergency plans and substantially increase its operational capacities, infrastructure and systems for early warning, prevention, preparedness and response.

Albania needs to build efficient civil protection and disaster risk reduction (DRR) systems, to increase the country's resilience to natural disasters and crisis. The country should improve its management of flood risks in accordance with the EU floods Directive, and formulate new measures for to reduce the damage caused by flooding.

This includes boosting implementation by developing and adopting flood risk management plans in all basins. And further improving flood forecasting and the sustainability of the network of national monitoring stations, as well as urgently regulating its early warning and hydrometric-meteorological services.

Albania is also encouraged to develop river basin drought management plans, and forest fire risk assessments and management plans. And it should establish secure trans-European services for telematics between administrations (TESTA).

### Climate change

Albania has some level of preparation for tackling climate change, but alignment with the EU *acquis* still remains limited. Albania pledged climate neutrality by 2050 at COP26, in line with the EU ambition. It also joined the Global Methane Pledge. The country presented its Fourth National Communication to the UN Framework Convention on Climate Change (UNFCCC) on November 2022. Albania is committed to taking measures to reduce greenhouse gas emissions from different economic sectors such as transport, agriculture, land use and forestry, industrial processes and waste, according to its updated National Determined Contribution (NDC). Albania's revised contribution to mitigation aims to decrease emissions by 20.9% by 2030 compared to the Business as Usual scenario. In February 2023 a ministerial decision approved the national strategy for development and European integration (NSDI) 2022-2030, which sets out a series of priority measures like adoption of climate secondary legislation, climate budgeting, and nature-based solutions. In addition, by December 2022 the country had partially aligned with the Regulation on the governance of the energy union and climate action. The level of emission reductions planned for 2021-2030 in the NECP is 18.7%.. The plan relies significantly on sequestration of CO<sub>2</sub> by forests, but there are very limited financial means and capacity allocated to protecting and managing forests, including measures to promote reforestation and manage forest fire risks. This should be urgently tackled.

The national strategy on climate change will need to be updated to take into account the new climate targets set out in the revised NDC and, closer to accession, the new climate targets set by the EU. The implementation of the 2020 climate Law requires further implementing measures to be initiated under the Minister for the environment. Capacity in the public

administration for interpreting the climate change impacts on Albania and incorporating climate change into sectoral strategies and plans remains very limited; capacity building is very much needed in this regard. No emissions register is in place.

Substantial investment and efforts are needed for climate adaptation, as Albania is highly exposed to the consequences of climate change. Sea level rise as well as floods/droughts are expected to substantially affect the society, public infrastructure and economic activities. Climate risk management plans need therefore to be adopted at all levels, and major vital infrastructures need to be climate-proofed, to increase the country's resilience to climate change impacts.

#### **CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION**

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

The cluster comprises policies linked to sustainable and inclusive regional development and the EU's funding system; particular preparation is needed in this respect to develop the capacity required of a future Member State. Albania has some level of preparation in most areas linked to resources, agriculture and cohesion, namely agriculture and rural development, veterinary and phytosanitary policy, and financial and budgetary provisions. The country is moderately prepared regarding fisheries and aquaculture as well as regional policy and coordination of structural instruments.

Albania has made some progress in agriculture and rural development, notably in developing administrative capacity for the instrument for pre-accession assistance for rural development programme (IPARD III). Some progress was also observed on fisheries and aquaculture. Albania made limited progress on financial and budgetary provisions.

#### **Chapter 11: Agriculture and rural development**

*The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.*

Albania has **some level of preparation** in agriculture and rural development. **Some progress** was achieved with regard to (i) developing administrative capacity to prepare the instrument for pre-accession assistance for rural development (IPARD III) programme and (ii) the adoption of the law on wine and (iii) adopting an implementation plan for the setting up of the farm accountancy data network (FADN).

Some of the Commission's recommendations from 2022 were not fully implemented and remain valid.

In the coming year, Albania should in particular:

→ ensure the necessary administrative capacity is available for the setting up of the farm accountancy data network (FADN);

- Ensure that the administrative capacity required for the entrustment of budget implementation tasks under the IPARD III programme is in place, in line with the principles of sound financial management;
- complete the legal frameworks on quality policy and organic food production; ensure that the institutional and administrative capacity for their implementation is in place.

On **horizontal issues**, a farm register was put in place and should be improved to fully align with EU *acquis*. Registration of farms is required and performed by the advisory services, both under national schemes and under relevant IPARD measures. The farm register is an important first part of the future integrated administration and control system (IACS) and it will support the implementation of IPARD III programme. There was no progress in establishing a land parcel identification system (LPIS). An implementation plan, with specific details of the timeline and resource allocation to set up the FADN was adopted in April, and the necessary administrative capacity now needs to be deployed.

Direct payments to farmers are coupled to production and not subject to cross-compliance rules. All support measures need to be brought in line with the EU *acquis*. In spite of a slight increase, as compared with the previous year, the national agriculture budget remains low. Implementation of the strategic action plan for the reform of the advisory system has started, but implementation capacity remains low.

There was limited progress on setting up a **common market organisation (CMO)**. Legislation on vineyards and wines aligning with the EU *acquis* was adopted, including implementing legislation setting rules for registration in the vineyards register and for declarations and information collection by operators. Further efforts in this area are needed. Institutional capacity for implementation is still low.

On **rural development**, implementation of the IPARD II programme continued but increased capacity building and oversight is needed to ensure completion of the IPARD II programme and the efficient implementation of the IPARD III in full compliance with the principles of sound financial management.

Legislation on **quality policy** is partly aligned with the EU *acquis*.

On **organic farming**, additional effort is needed to adopt the legislation on organic production, which has been drafted in line with the recent reform of EU *acquis*. Albania continued to provide national support for organic farming.

## **Chapter 12: Food safety, veterinary and phytosanitary policy**

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

Albania has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. **Limited progress** was achieved over the reporting period, particularly on alignment with the *acquis* on official controls, animal and plant health. The work has started but significant further efforts are needed. Albania made progress on designing and adopting the food safety national sectoral policy.

The Commission's recommendations from last year were not fully implemented and remain valid. In the coming year, Albania should in particular:



- work on alignment of national legislation with the *acquis* under the framework of their national sector policies, specifically for relevant laws on official controls, animal health and plant health;
- finalise the staffing of the veterinary service in order to ensure it is fully operational;
- strengthen the capacity to implement effective surveillance and vaccination programmes on the main infectious animal diseases, including rabies; continue to efficiently implement the rabies vaccination programme in 2024.

There was limited progress in implementing the *acquis* on **general food safety**. Some progress took place at the National Food Authority by revitalising the AKU-net system on inspection statistics, data management and transparency. Significant work is still needed to reduce the administrative burden for planning and reporting on risk-based official controls and to ensure the national data are transparent. Despite setting up of the Scientific Panel in June 2022 and February 2023, the results of its work are not yet public.

Albania has made limited progress on **veterinary policy**. Following the reorganisation of the Ministry of Agriculture and Rural Development in May 22, further structural reforms are still necessary to have a clear chain of command and line of communication/reporting, in line with the EU *acquis*. Adequate human resources should be ensured by filling vacancies in the general directorate dealing with food safety, veterinary and plant protection.

Moreover, while the National Veterinary and Plant Protection Authority increased its veterinary staff, the reform of the veterinary sector remains uncomplete. Significant work is still needed to establish the necessary capacity on passive and active surveillance, including reliable assessments of the prevalence of diseases. Substantial work is also required on data analysis and on the design, planning, and implementation of effective systems for disease prevention and/or eradication.

Albania continued its work on animal diseases through two vaccination campaigns against rabies and the implementation of control and eradication programmes for monitoring brucellosis and tuberculosis in cattle herds, brucellosis in small ruminants and anthrax. While countrywide verification and registration of the number of animals in Albania continued, substantial work is required to upgrade the animal register with additional information on other animals, such as swine, equine animals and poultry, as referred to in the EU *acquis*, to ensure that solid traceability systems are established for food of animal origin.

Regarding the **placing on the market of food, feed and animal by-products**, while Albania has made some progress in aligning its legislation with the EU *acquis*, implementation of its national residue monitoring plan remains an issue. In particular as regards veterinary medical products, pesticide residues, heavy metals and mycotoxins in live animals and products of animal origin. No validated screening methods are yet in place to guarantee the reliability of results for the relevant species and commodities. Limited progress was made in developing capacity and accreditation and validation methods for Albania's laboratory network. No progress was made on the legal basis of animal by-products. Preliminary work started on categorising food establishments but further work is required to align with the *acquis*.

Concerning **food safety rules**, Albania continued to align with the *acquis* on food additives and identification of maximum levels for certain contaminants in food. Raw milk testing was included in the 2023 official control plan but more progress is needed on developing a roadmap to improve milk quality.

Progress on **phytosanitary policy** remains limited. Albania approved an action plan for the sustainable use of plant protection products but the plant health law remains to be adopted. Albania continued to update the list of active substances in plant protection products, in line with the *acquis*.

No progress was made on **feed** or **genetically modified organisms** and the legislation is yet to be adopted.

### **Chapter 13: Fisheries and aquaculture**

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

Albania is **moderately prepared** in fisheries and aquaculture. It made **some progress**, specifically on keeping the vessel monitoring system (VMS) operational and allocating human resources to monitor and report on activity by fishing vessels. There was limited progress on filling vacancies in the fishery directorate. The administrative capacity of the inspectorate and central administration need to be further improved. As a contracting party of the General Fisheries Commission for the Mediterranean (GFCM), Albania is fully implementing the recommendations to control its fishing effort.

The Commission's recommendations from 2022 remain largely valid. In the coming year Albania should in particular:

- build up the necessary administrative capacity in the fishery sector, notably by completing staffing, strengthening data collection and scientific advice and implementing national policies in line with EU's common fisheries policy (CFP) and international agreements;
- take concrete steps to implement the regional plan of action for small-scale fisheries;
- continue its active participation in the GFCM inspection scheme in the Adriatic Sea.

Regarding **resource and fleet management and structural measures**, the vessel register has improved and fishery production data are regularly maintained and updated. Albania continues to implement the legal acts related to managing commercial fishing capacity. Ministerial orders have been issued in line with the recommendations of the GFCM for the sustainable exploitation of fish stocks. Regarding small-scale fisheries, no significant step was taken. The government continued to implement financial support measures for the fishery and aquaculture sector as part of its 2022-2023 national funding programme for agriculture and rural development.

**Inspection and control** capacity has improved. The vessel monitoring system (VMS) is functional and operational. Two patrol boats for fishery inspectors were purchased and delivered. The legal basis for the electronic reporting system (ERS) was prepared and approved by the Council of Ministers and financial resources earmarked in the budget for setting it up. The Ministry of Agriculture has six system operators at the central level of the Directorate of Fisheries and Aquaculture Service; these monitor and report on the activity of fishing vessels, in addition to the fisheries monitoring centre (IMOC). Sufficient inspection and control capacity is in place to monitor marine fishing activity for all vessels over 12 metres long 24/7, to control fishing activities, to prevent, reduce and eliminate illegal, unreported and unregulated fishing (IUU). The inspection and control capacity to fight

against IUU was strengthened through cooperation with the European Fisheries Control Agency (EFCA).

The capacity to interpret and implement the national legislation in this field or the EU common fisheries policy remains weak and data collection needs to be improved, in particular on scientific capacity and data management. The structure and human resources of the Fishery Directorate central administration remain to be improved.

The adoption procedure of the plans on the allocated zones for aquaculture (Shengjin, Durrës and Vlora) is ongoing, plans are currently under public consultation. Efforts to prepare such zones for inland waters have started.

On **market policy**, the wholesale market for fishery products and aquaculture in Shengjin fishing port and in Vlora are not yet fully operational. On **State aid**, support was made available in 2022 for replacing fishing vessels and equipment (50% co-funding). A fuel compensation scheme for fishing vessels operators was implemented. In 2023 State aid is provided under the national supporting scheme, as a separate financing measure for the fisheries sector.

Regarding **international agreements** on fisheries and aquaculture management, two cooperation agreements are in force: with North Macedonia for joint fisheries management in Lakes Ohrid and Prespa and with Montenegro on joint fisheries management of Shkodra/Skadar Lake and the Buna/Bujana river. Albania is a contracting party to the GFCM and has fully implemented the recommendations of this body on controlling its fishing effort. Albania should continue to actively participate and implement GFCM measures and recommendations, notably (i) implementing the multiannual management plans for the conservation and sustainable exploitation of small pelagic and demersal fisheries in the Adriatic Sea, and (ii) increasing activities to implement the regional action plan of action for small-scale fisheries in the Mediterranean and the Black Sea (RPOA-SSF).

As regards the **wider blue economy**, to ensure the optimal development of all sea-related activities in a sustainable manner, Albania is encouraged to promote regional maritime cooperation with partner countries in the Adriatic-Ionian sea.

## **Chapter 22: Regional policy and coordination of structural instruments**

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU acquis elements such as environmental or public procurement legislation.*

Albania is **moderately prepared** as regards regional policy and coordination of structural instruments. **Limited progress** was made over the reporting period. However, the adoption in July 2022 of implementing legislation based on the Albanian Law on regional development and cohesion with the setting up of the National Committee for Regional Development and Cohesion are worth noting.

The recommendations for 2022 remain partly valid. In the coming year, the country should, in particular:

→ prepare for effective implementation of the EU *acquis* under Chapter 22 and factor in the requirements of the future structural and cohesion funds in the institutional set-up and the

financial management and control systems, ensuring that all its instruments and funds are gradually made compliant with EU requirements in terms of programming and partnership principles;

- implement the national strategy for regional development and cohesion (2021-2027) and complete the regional development plans (2021-2024). These two measures should foster development potential through decentralised intervention based on local and/or regional integrated plans and strategies;
- clarify responsibilities between central and local authorities, and further strengthen administrative capacity in central, regional and local bodies, by ensuring adequate staffing, revising the local government salary structure and keeping fiscal decentralisation high on the agenda.

Regarding the **legislative framework** for regional policy, implementing legislation was adopted in July 2022 regarding the creation, organisation and operating rules of the National Committee for Regional Development and Cohesion under the Prime Minister's office.

The Law on regional development and cohesion divides the territory of Albania into four development regions, each of them covering three counties. Efforts should be pursued to draft the national and regional plans (2021-2024) as part of the national strategy for regional development (2021-2027).

The Albanian Development Fund (ADF) is responsible for implementing the Law on regional development. It also has a mandate to prepare the national plan for regional development, as well as regional plans for the four development regions, to be implemented through a national operational programme for regional development with ADF as managing authority.

On the **institutional framework**, relevant by-laws on establishing a comprehensive regional development system need to reflect the role and responsibilities of each of the bodies involved and ensure coordination between them. An inter-institutional working group for Chapter 22 negotiations was established, chaired by the Ministry of Interior. The authorities should strengthen regional policy dialogue by making it more inclusive and improving coordination among ministries and with autonomous local governments. Capacity to manage public funds locally has to be strengthened. (*See above under Political Criteria - Governance*).

Albania also needs to address issues with strategic planning, implementation and monitoring capacity for infrastructure projects financed by the Western Balkans investment fund (WBIF) under the economic and investment plan (EIP).

On **administrative capacity**, the staff of the bodies involved in indirect management should continue to receive training, especially those that are new to managing EU funds. Strengthening human resources should remain a focus, along with an adequate staff retention policy. The administrative capacity for coordinating and monitoring sectoral reform through integrated policy management groups and sectoral steering committees has slightly improved. The involvement of development partners, local governments and civil society organisations in sectoral dialogue still needs some improvement.

On **programming**, efforts should continue to develop autonomous programming capacity for the period ahead. In December 2022, a decision was adopted to align strategic priorities and the medium-term budget. The national single project pipeline of investment, including for regional development, remains to be adopted. A key element for regional development will be to ensure ownership by public and private bodies at national and sub-national levels.

Albania continues to gain experience in programming and implementing regional policy cooperation through participation in cross border cooperation, transnational and interregional cooperation programmes. Albania participates in the EU strategy for the Adriatic Ionian region (EUSAIR), which promotes cooperation and synergies among participating EU and non-EU countries.

On **monitoring and evaluation**, the sectoral monitoring committee issue operational recommendations for all IPA sectors and strategic issues are being discussed at the IPA monitoring committee. The work to ensure adequate monitoring of all programme activities by the State Agency for Strategic Programming and Aid coordination (SASPAC) should continue. The support offices of the National Authorising Officer and the National IPA Coordinator have yet to establish a list of key performance indicators for evaluating performance.

On **financial management, control and audit**, an evaluation of indirect management by the beneficiary country under IPAII found that the Albanian Law on the audit authority needs to be amended, to ensure that management powers remain with the General Director and are not subordinated to the Supervisory Council. The National Authorising Officer (NAO) needs to ensure that its management declaration adequately reflects the results of its supervision and monitoring of management and control systems. The NAO support office will also have to strengthen its work with a view to Monitoring the implementation of sectoral operational programmes in indirect management by newly appointed bodies. The Officer's support office has yet to establish procedures to ensure immediate dissemination and implementation throughout the institutions, regarding internal control by the Commission. Irregularities still need to be registered completely and without delay in the irregularity management system, and internal control weaknesses and non-compliance events should be systematically reported in a dedicated registry.

### Chapter 33: Financial and budgetary provisions

*This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.*

Albania has **some level of preparation** on financial and budgetary provisions. **Limited progress** was made in aligning with the EU *acquis* in the underlying policy fields that affect the functioning of the EU funding system.

Methodological improvements continued concerning alignment with ESA 2010 standards (European System of Accounts), and improving data transmission of the excessive deficit procedure (EDP) tables through the Albanian Integrated Government Financial Statistics compilation system (AIGC).

Last year's recommendations remain valid, as more progress is needed. In the coming year, the country should in particular:

- continue aligning data on National Accounts to ESA 2010 and improving the comprehensiveness of data transmission to Eurostat, including on the excessive deficit procedure;
- align its legislation with the EU provisions on VAT and customs duties and strengthen efforts to tackle fiscal evasion and informality;



→ enhance administrative capacity and coordination mechanisms among key stakeholders in the own-resources system.

There was some progress in the underlying policy areas that indirectly affect the own-resources system (*for progress in these areas, see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union, and 32 – Financial control*).

On **traditional own resources**, a new Law on income taxes was adopted in March 2023, which will enter into force in 2024. Albania does not yet have in place a medium-term revenue strategy. Current legislation remains partly aligned with the relevant EU directives. Amendments were made to the VAT and excise legislation, aiming to align it with the respective EU directives, reduce some tax exemptions and upgrade excise fees.

Regarding the **Gross National Income** (GNI) resource, the Institute of Statistics (INSTAT) continued the regular transmission of GNI and GDP data to Eurostat, in the framework of the ESA 2010 transmission programme. However, significant improvement is still needed to achieve full compliance, mainly in the approach to quarterly GDP by income and population and employment data, and the GNI inventory should be updated. Work continued to improve the full set of non-financial accounts data, the estimation components for the non-observed economy, and the regional accounts, as well as to fully integrate the supply and use tables into national accounts.

Albania continued to align its legislation with ESA 2010 standards and publish the inventory of resources and methods used in the national accounts. The country remains partly in line with ESA 2010. INSTAT provided a draft inventory of the methods, procedures and sources used to compile deficit and debt data and the underlying government sector accounts, according to ESA.

However, further efforts are needed to improve compliance with ESA 2010 and to set up the GNI Inventory in full alignment with Eurostat recommendations. The benchmark revision of national accounts is postponed to 2024 and the new GNI Inventory is going to be provided after its implementation. INSTAT continued its work to improve the EDP data and the submission of questionnaires and pilot estimations to Eurostat, following the ESA 2010 and the manual on government deficit and debt (MGDD), but substantial efforts are needed to reach the full compliance with ESA 2010 requirements.

Albania continued its preparations for improving the estimation of its non-observed economy. A pilot project to improve the exhaustiveness adjustments of GDP/GNI estimates, designed in particular to develop new experimental estimates of illegal activities and fiscal audits, was implemented. Efforts continued to improve the exhaustiveness of estimates of national accounts. Based on the ESA 2010 methodology (European System of Accounts) and the data sources available, a direct estimation of the non-observed economy was achieved, but it doesn't include all types of exhaustiveness adjustments. A GDP revision is planned in 2024, as a result of ongoing methodological improvements implemented in recent years.

On **administrative infrastructure**, Albania needs to continue the work on creating the relevant institutions involved in the own-resources system and an own-resource coordination body, and on implementing rules. These are needed to ensure that, when it joins the EU, Albania will be able to calculate, forecast, account for, collect, pay, control, and report to the EU on own resources, in line with the EU *acquis*.

As part of the 2008 Law on management of budgetary system, Albania has in place legal provisions which define the criteria for initiating public financial inspection, in cases of any irregularities, and serious financial mismanagement situations. Furthermore, the general tax

directorate and the general customs directorate continued their work on identification of tax evasion and fraud. (See also chapter 16, 29 and 32 on actions against corruption). Continued efforts are needed to formalise the informal economy, improve the exhaustiveness of the national accounts and GDP/GNI calculations and combat tax evasion and customs duty fraud.

## CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30) and foreign, security and defence policy (Chapter 31). Albania has a good level of preparation in both.

As regards Chapter 31, during the reporting period Albania made good progress, maintaining full alignment with all relevant EU decisions and declarations of the EU's Common Foreign and Security Policy, including with the EU's restrictive measures following Russia's invasion of Ukraine.

As a non-permanent member of the UN Security Council since January 2022, Albania continues to be actively engaged in promoting and defending the rules-based international order.

Albania made some progress on external relations, in particular in further aligning with the EU *acquis* its legislation on preventing trade in certain goods that could be used for capital punishment and torture.

### Chapter 30: External relations

*The EU has a common commercial policy towards non-EU 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 has a **good level of preparation** in external relations. **Some progress** was made during the reporting period, particularly regarding alignment of the legislation with the relevant EU *acquis* on preventing trade in certain goods that could be used for capital punishment and torture.

Last year's recommendations were partly implemented; therefore, in the coming year Albania should focus on:

- continuing to implement CEFTA additional protocol 5 on trade facilitation and additional protocol 6 on trade in services, and make progress with preparations to adopt additional protocol 7 on dispute settlement;
- establishing a legal framework covering international cooperation and development policy as well as humanitarian aid, in line with EU policies and principles.

On **common commercial policy**, Albania continued to coordinate its positions and align its policies closely with those of the EU, including within the World Trade Organization (WTO) and its Dispute Settlement Body. In December 2022, Albania adopted its Law on accession to the WTO Joint Initiative on Services Domestic Regulation. Albania also adopted in March 2023 the Agreement on Fisheries Subsidies in its Council of Ministers, which was ratified by Parliament in June 2023.

Albania continued to implement Central European Free Trade Agreement (CEFTA) commitments related to additional protocol 5 on trade facilitation and additional protocol 6 on services. A memorandum of understanding was signed in September 2022 between the governments of Albania and Italy to enable the extension of the green lanes between the Western Balkan countries and the bordering EU Member States.

Albania continued its awareness campaign with private sector representatives regarding the procedures and benefits involved in applying for authorised economic operator status, and has so far registered 18 applications from local businesses. The first eight authorised economic operators were certified by the General Directorate of Customs and were positively assessed by the CEFTA validation committee. Albania continued to participate in the negotiations on CEFTA additional protocol 7 on dispute settlement.

Albania has yet to align its national control list of dual-use goods with the Commission delegated Regulation of 21 October 2022 on the list of dual-use items. In April 2023, Albania adopted its Law on goods that could be used for capital punishment or torture, which provides for partial alignment with the *acquis* on trade in certain of goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

There has been no progress on export credit guarantees, although Albanian second-tier banks do provide guarantees such as payment guarantee, performance/contract guarantee and bid guarantee. There is no state-supported export credit insurance provider.

Albania has 40 **bilateral investment treaties** in force, 22 of which are with EU Member States. Albania is negotiating with China a memorandum of understanding concerning investment cooperation in the digital economy, with Azerbaijan in the field of economic, industrial and technological cooperation and with India an agreement on establishing an intergovernmental commission on economic cooperation.

Albania has no **development policy** framework for cooperation/aid or agency for development cooperation. It is encouraged to establish a legal framework covering international cooperation and development policy as well as humanitarian aid for non-EU countries, in accordance with EU policies and principles. In March 2023, Albania became a member of the OECD Development Centre.

The 2001 Law on non-profit organisations recognises the potential activities of such organisations in the field of **humanitarian aid**, and allows them to carry out development and humanitarian aid activities in Albania and elsewhere. Two decisions by the Council of Ministers were adopted in March and June 2022 to address humanitarian aid issues for Ukrainians coming to Albania, following Russia's invasion of Ukraine, and on the financial aid to be provided to the Ukrainian government for that country's reconstruction.

### **Chapter 31: Foreign, security and defence policy**

*Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.*

Albania has a **good level of preparation** in the field of foreign, security and defence policy. **Good progress** was made as the country continued, in the reporting period, its track-record of full alignment with relevant High Representative statements on behalf of the EU and relevant Council Decisions, including with the EU restrictive measures following Russia's war of aggression against Ukraine.

Furthermore, as a non-permanent member of the UN Security Council since 2022, Albania has continued to be actively engaged in promoting and defending the rules-based international order, in particular in the context of Russia's war against Ukraine.

Some progress was made in implementing the national strategy on small arms and light weapons and in aligning with the EU *acquis* in this field, but Albania remains both a

destination and a transit country for light firearms. Albania continued to participate in EU crisis management missions and operations under the Common Security and Defence Policy

In the coming year, Albania should in particular:

- maintain its alignment with EU foreign, security and defence policy and strengthen its implementation in all international fora and its enforcement capacity regarding restrictive measures;
- consider stepping up its participation in EU crisis management missions and operations ;
- continue to implement its national strategy on small arms and light weapons as well as the corresponding action plan and step up the investigation and prosecution of firearms trafficking.

The **political dialogue** between the EU and Albania on foreign and security policy issues continued, including through Albania's active engagement in the EU-Western Balkans Common Foreign and Security Policy dialogue, at political directors' level. Albania supports the Global Strategy for the EU's Foreign and Security Policy of June 2016 and the Strategic Compass for Security and Defence.

Albania's Ministry for Europe and Foreign Affairs has appropriate structures to participate in the **common foreign and security policy**, while the Ministry of Defence deals more specifically with the common security and defence policy. When invited during the reporting period, Albania aligned with all (100%) of relevant Council Decisions and High Representative declarations on behalf of the EU, including all EU restrictive measures against Russia and Belarus following Russia's war of aggression against Ukraine. This is a strong signal of the country's strategic commitment to its EU path.

Albania made efforts to implement EU **restrictive measures**. However, the technical implementation and enforcement of the increasingly complex EU sanctions regimes pose a challenge. The authorities should continue to strengthen their capacity in this regard. In March 2023, Albania, North Macedonia, Kosovo and Montenegro launched the informal "Western Balkan QUAD – 100% alignment with EU CFSP", a platform aimed at facilitating their full alignment with the EU's CFSP.

Albania's priorities as a non-permanent member of the UN Security Council in 2022-2023 are in line with important EU priorities, including strengthening the agenda for women, peace and security, human rights and international law, countering violent extremism, and climate and security. The new national action plan on Women, Peace and Security was finalised. Albania has closely cooperated and coordinated with the EU and with the EU Member States in the UN Security Council, including on the international response to Russia's war of aggression against Ukraine. In March 2023, Albania became a member of the OECD Development Centre. While Albania generally aligns with the EU's positions in international organisations, implementation of a fully common approach is yet to be achieved.

Albania maintains a bilateral immunity agreement with the United States, granting US citizens exemptions from the jurisdiction of the **International Criminal Court**. In doing so, it does not comply with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements. Alignment with the EU position is therefore needed.

On **conflict prevention**, during its current mandate as elected member of the UN Security Council, Albania has vocally addressed the importance of promoting peace and security

through resolution of current crises, peaceful conflict settlement and mediation. Albania continued supporting EU measures and documents on conflict prevention.

Regarding **non-proliferation**, Albania continued to implement its national strategy on small arms and light weapons (SALW), adopted in February 2019, and the related action plan for 2022-2024. Albania also remained actively engaged in implementing the 2018 regional roadmap and other regional forms of cooperation such as the European multidisciplinary platform against criminal threats (EMPACT) on firearms.

Albania continued to participate in some, but not all, international export control arrangements and non-proliferation instruments. It started procedures to join the Wassenaar Arrangement in September 2020 and should conclude the process rapidly. Albania continued to implement the national strategy against proliferation of weapons of mass destruction and its action plan, adopted in January 2020. Since May 2022, Albania has been serving as a member of the Executive Council of the Organisation for the Prohibition of Chemical Weapons (OPCW) for the 2022-2024 period, actively contributing to the effective implementation of the Chemical Weapons Convention.

Albania continued active **cooperation with international organisations**. In October 2023, Albania was elected to the UN Human Rights Council for the 2024-2026 term.

In terms of **security measures**, Albania has progressed on the path to full implementation of its security of information agreement with the EU.

Regarding civil and military crisis management, Albania continued to participate in EU crisis management missions and operations under the **common security and defence policy**, notably EUFOR Althea in Bosnia and Herzegovina.

Albania takes part in the European Peace Facility Balkan Medical Task Force assistance measure.

Regarding **hybrid threats**, Albania completed the EU's hybrid risk survey with the objective of identifying systemic vulnerabilities and continues to address the recommendations. A follow-up exercise to establish the state of implementation of the recommendations, which date back to 2020, was held in Tirana in September 2022 by the EEAS and the Commission.

In response to the large-scale cyber-attacks that were detected in July and September 2022, the government has begun to significantly strengthen its cybersecurity architecture – *see under Chapter 10 – Digital transformation and media*.

Albania needs to continue efforts on closing space for foreign interference and information manipulation, including disinformation and take actions towards building societal resilience against it and other forms of hybrid threats.



## ANNEX I – RELATIONS BETWEEN THE EU AND ALBANIA

Albania is a candidate country since 2014. The first **Intergovernmental Conference on accession negotiations** took place on 19 July 2022, following the approval of the negotiating framework by the Council. On the same day the Commission launched the analytical examination of the acquis - the “**screening**” process, which progresses smoothly. All sessions on Cluster 1 (Fundamentals), Cluster 2 (Internal market), Cluster 3 (Competitiveness and inclusive growth) and Cluster 4 (Green Agenda and sustainable connectivity) have taken place. Explanatory sessions on Cluster 5 (Resources, agriculture and cohesion) and Cluster 6 (External relations) have been completed and bilateral sessions on these are ongoing. The remaining screening meetings are scheduled until November 2023.

Albania has been participating in the **Stabilisation and Association process** since 1999. The **Stabilisation and Association Agreement (SAA)** between Albania and the EU came into force in April 2009. The transitional period of the SAA ended on 31 March 2019 and since 1 April 2019, Albania is fully associated with the EU. In the reporting period, Albania continued to implement, overall, its commitments under the SAA. Regular political and economic dialogue has continued through the relevant joint bodies under the SAA. The Stabilisation and Association Council took place on 16 March 2023, for the first time in Tirana. Discussions focused on progress in SAA implementation as well as of the most important reforms developments. The Stabilisation and Association Committee did not meet during the reporting period. The Stabilisation and Association Parliamentary Committee met on 1 December 2022 and 19-20 July 2023.

The SAA and its Interim Agreement, applied since 2006, have allowed progressive trade liberalisation and mutual duty-free access for most goods. Since 2000 Albania has also been benefiting from the ‘autonomous trade measures’. The EU is the main trading partner of Albania, followed by CEFTA countries. Trade integration with the EU is high. In 2022 the EU remained the main trading partner of Albania, accounting for 59% of Albania’s total trade in goods (73% of total exports and 52% of total imports). EU-Albania trade rose by 19% in 2022, demonstrating continued recovery from the impacts of the COVID-19 pandemic. Albania’s total trade in 2022 was worth EUR 12.1 billion. The country’s trade deficit with the EU amounted to EUR 1.1 billion in 2022. In comparison, Albania’s trade with CEFTA represented around 10.7% of total trade as compared to 10.1% in 2021, which demonstrates ongoing regional integration.

**Visa liberalisation** for citizens of Albania travelling to the Schengen area has been in force since December 2010. A readmission agreement between the EU and Albania has been in force since 2006. The Commission’s December 2022 fifth report under the visa suspension mechanism<sup>14</sup> concluded that Albania continues to meet the visa liberalisation requirements.

Albania has continued to fully align with all EU **common foreign and security policy** positions and declarations during the reporting period. Albania continued to actively participate in EU crisis management missions and operations under the common security and defence policy, notably EUFOR Althea in Bosnia and Herzegovina.

Under the **Instrument for Pre-accession Assistance 2021 – 2027 (IPA III)**<sup>15</sup>, a second financing Decision of EUR 80.6 million for the Annual Action Plan 2022 supports the process of re-evaluation of judges, democracy, law enforcement, EU integration, water and youth. At the EU-WB Summit in Tirana in December 2022, the Commission put forward an

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<sup>14</sup> COM(2022) 715 final

<sup>15</sup> Official Journal L 330, 20.9.2021

**Energy Support Package** of EUR 1 billion for the Western Balkans to address immediate, short-term, and medium-term needs in the region in the context of the energy crisis and of Russian war of aggression against Ukraine. Following this announcement, a EUR 80 million budget support programme for Albania was adopted at the end of 2022 (annual action plan 2023) to cushion the energy price increase to SMEs and vulnerable households and to accelerate energy diversification. These programmes are complemented by a significant package of multi-country programmes and the rural development programme IPARD III with EUR 112 million, which provide a significant contribution to kick-start the implementation of the Economic and Investment Plan for the Western Balkans and the Green Agenda. Albania participates also in cross-border cooperation programmes, transnational cooperation programmes and Union programmes.

On-going programmes under IPA II (2014-2020) are still providing significant support for the social and economic development of the country and contribute to key reforms. On the fundamentals, progress was made with the implementation of the justice reform for instance in the process of reevaluation of judges and prosecutors (“vetting”), in supporting the specialised structures against corruption and organised crime, as well as in fighting money laundering. EU programmes have supported public administration reform, public finance, decentralisation and service provision to the citizens. In addition, civil society has been a strong partner in advancing the priority areas of the fundamentals agenda. Significant EU financial assistance has been allocated to Albania for protecting the environment and boosting the connectivity with the EU transport systems.

Albania is the only country from the region that has signed cooperation agreements with all justice and home affairs agencies of the EU. Albania participates in five **cross-border cooperation programmes**, as well as in transnational cooperation programmes. Albania participates with IPA support in the EU programmes Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME), Justice, Europe for Citizens and EU Fundamental Rights Agency (FRA) (observer). To improve the accountability of public administration in the country, Albania is participating as an observer in a pilot project under the Technical Support Instrument.

The **Western Balkans Investment Framework** (WBIF) has supported Albania in the amount of EUR 217.8 million provided as IPA III grants for flagship projects in the area of clean energy, environment and climate, digital future, and sustainable transport.

The EU provides support via IPA and the Foreign Policy Instrument to strengthen Western Balkans partners’ resilience to face hybrid threats including cyber and foreign information manipulation and interference.

**STATISTICAL DATA (as of 31/08/2023)**
**Albania**

| <b>Basic data</b>               | Note | 2010     | 2017     | 2018     | 2019     | 2020     | 2021     |
|---------------------------------|------|----------|----------|----------|----------|----------|----------|
| Population (thousand)           |      | 2 919 s  | 2 877 s  | 2 870 s  | 2 862 s  | 2 846 s  | 2 830 s  |
| Total area of the country (km²) |      | 28 748 w | 28 748 w | 28 748 w | 28 748 w | 28 748 w | 28 791 e |

| <b>National accounts</b>   | Note | 2010      | 2017      | 2018      | 2019      | 2020      | 2021        |
|--|------|-----------|-----------|-----------|-----------|-----------|-------------|
| Gross domestic product (GDP) (million national currency)   |      | 1 239 645 | 1 550 646 | 1 636 731 | 1 691 903 | 1 647 431 | 1 856 172 p |
| Gross domestic product (GDP) (million euro)  |      | 8 997     | 11 559    | 12 828    | 13 754    | 13 310    | 15 157 p    |
| GDP (euro per capita)  |      | 3 090     | 4 020     | 4 480     | 4 820     | 4 690     | 5 390 p     |
| GDP per capita (in purchasing power standards (PPS))   |      | 7 287     | 8 771     | 9 153     | 9 506     | 9 213     | 10 296 p    |
| GDP per capita (in PPS), relative to the EU average (EU-27 = 100)  |      | 29.3      | 29.9      | 30.2      | 30.4      | 30.7      | 31.7        |
| Real GDP growth rate: change on previous year of GDP volume (%)  |      | 3.7       | 3.8       | 4.0       | 2.1       | - 3.5 p   | :           |
| Employment growth (national accounts data), relative to the previous year (%)                                  |      | :         | :         | :         | :         | :         | :           |
| Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)   |      | :         | :         | :         | :         | :         | :           |
| Unit labour cost growth, relative to the previous year (%)   |      | :         | :         | :         | :         | :         | :           |
| **3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 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 (%)  |      | 20.7      | 21.8      | 21.1      | 21.0      | 21.9      | 21.1 p      |
| Industry (%)   |      | 13.8      | 12.8      | 14.1      | 13.8      | 12.8      | 12.9 p      |
| Construction (%)   |      | 14.9      | 10.5      | 10.3      | 9.8       | 10.2      | 10.9 p      |
| Services (%)   |      | 50.8 s    | 54.9 s    | 54.6 s    | 55.4 s    | 55.2 s    | 55.2 ps     |
| Final consumption expenditure, as a share of GDP (%)   |      | 89.3      | 91.1      | 90.4      | 91.3      | 92.5      | 88.6 p      |
| Gross fixed capital formation, as a share of GDP (%)   |      | 28.4      | 24.6      | 23.9      | 22.3      | 22.6      | 24.4 p      |
| Changes in inventories, as a share of GDP (%)  |      | 1.9       | 0.5       | 0.0       | 0.7       | 0.3       | 0.5 p       |
| Exports of goods and services, relative to GDP (%)   |      | 28.0      | 31.6      | 31.6      | 31.3      | 22.7      | 31.3 p      |
| Imports of goods and services, relative to GDP (%)   |      | 48.6      | 46.6      | 45.2      | 45.0      | 37.2      | 44.7 p      |
| Gross fixed capital formation by the general government sector, as a percentage of GDP (%)                     |      | :         | :         | :         | :         | :         | :           |

| <b>Business</b>  | Note | 2010     | 2017     | 2018     | 2019     | 2020     | 2021    |
|--|------|----------|----------|----------|----------|----------|---------|
| Industrial production volume index (2015 = 100)  | 1)   | 57.0 w   | 81.4 w   | 96.6 w   | 95.5 w   | 89.5 w   | 113.0 w |
| Number of active enterprises (number)  | 2)   | 72 599 w | 97 352 w | 97 272 w | 93 563 w | 92 008 w | :       |
| Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%) | 3)   | 16.0 w   | 15.3 w   | 12.5 w   | 10.8 w   | 10.4 w   | 12.6 w  |
| Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%) |      | :        | :        | :        | :        | :        | :       |

|  |    |          |          |          |          |          |   |
|--|----|----------|----------|----------|----------|----------|---|
| People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%) | 2) | 83.5 sw  | 80.5 sw  | 80.2 sw  | 81.2 sw  | 81.3 sw  | : |
| Value added by SMEs (in the non-financial business economy) (EUR million)                                  | 2) | 1 560 sw | 2 520 sw | 2 881 sw | 3 263 sw | 3 103 sw | : |
| Total value added (in the non-financial business economy) (EUR million)                                    | 2) | 2 462 w  | 3 687 w  | 4 187 w  | 4 511 w  | 4 184 w  | : |

|  |      |      |       |       |       |       |       |
|--|------|------|-------|-------|-------|-------|-------|
| <b>Inflation rate and house prices</b>                               | Note | 2010 | 2017  | 2018  | 2019  | 2020  | 2021  |
| Consumer price index (CPI), change relative to the previous year (%) |      | :    | 3.2 d | 1.8 d | 1.7 d | 2.2 d | 2.3 d |
| **Annual change in the deflated house price index (2015 = 100)       |      | :    | :     | :     | :     | :     | :     |

|  |      |         |           |           |           |           |           |
|--|------|---------|-----------|-----------|-----------|-----------|-----------|
| <b>Balance of payments</b>   | Note | 2010    | 2017      | 2018      | 2019      | 2020      | 2021      |
| Balance of payments: current account total (million euro)  |      | :       | - 870.6   | - 865.7   | - 1 089.2 | - 1 153.3 | - 1 166.2 |
| Balance of payments current account: trade balance (million euro)  |      | :       | - 2 823.1 | - 2 869.7 | - 3 144.1 | - 2 982.1 | - 3 828.9 |
| Balance of payments current account: net services (million euro)   |      | :       | 1 086.8   | 1 110.3   | 1 263.8   | 1 056.2   | 1 795.8   |
| Balance of payments current account: net balance for primary income (million euro)                         |      | :       | 18.3      | - 13.6    | - 180.3   | - 227.6   | - 211.0   |
| Balance of payments current account: net balance for secondary income (million euro)                       |      | :       | 847.5     | 907.2     | 971.3     | 997.1     | 1 077.9   |
| Net balance for primary and secondary income: of which government transfers (million euro)                 |      | :       | 69.6      | 67.1      | 67.1      | 58.2      | 48.6      |
| **3 year backward moving average of the current account balance relative to GDP (%)                        |      | :       | - 7.9     | - 7.3     | - 7.4     | - 7.8     | - 8.1     |
| **Five year change in share of world exports of goods and services (%)                                     |      | :       | :         | :         | :         | 5.3       | 21.7      |
| Net balance (inward - outward) of foreign direct investment (FDI) (million euro)                           |      | 788.5 w | 992.4 s   | 1 023.6 s | 1 037.1 s | 893.6 s   | 988.8 s   |
| Foreign direct investment (FDI) abroad (million euro)  |      | 4.8 w   | 23.4      | 69.1      | 114.2     | 76.4      | 53.3      |
| of which FDI of the reporting economy in the EU-27 countries (million euro)                                |      | :       | 14.6 w    | 32.4 w    | 39.1      | 28.5      | 27.3      |
| Foreign direct investment (FDI) in the reporting economy (million euro)                                    |      | 793.3 w | 1 017.0 w | 1 092.1 w | 1 150.5 w | 970.2 w   | 1 043.3 w |
| of which FDI of the EU-27 countries in the reporting economy (million euro)                                |      | :       | 404.7 w   | 248.0 w   | 649.4     | 535.3     | 679.8     |
| **Net international investment position, relative to GDP (%)   |      | :       | - 47.1 w  | - 49.4 w  | - 48.4 w  | - 53.9 w  | - 49.9 w  |
| Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%) |      | 7.7 sw  | 5.5 s     | 5.2 s     | 5.1 s     | 5.1 s     | 5.0 ps    |

|   |      |         |         |         |         |         |          |
|---|------|---------|---------|---------|---------|---------|----------|
| <b>Public finance</b>                                     | Note | 2010    | 2017    | 2018    | 2019    | 2020    | 2021     |
| General government deficit / surplus, relative to GDP (%) | 4)   | - 3.1 w | - 2.0 w | - 1.6 w | - 1.9 w | - 6.8 w | - 6.8 fw |
| General government gross debt relative to GDP (%)         | 4)   | 54.0 w  | 66.9 w  | 64.9 w  | 63.3 w  | 72.7 w  | 76.7 fw  |
| Total government revenues, as a percentage of GDP (%)     | 4)   | 26.2 w  | 27.8 w  | 27.5 w  | 27.2 w  | 26.3 w  | 28.1 fw  |
| Total government expenditure, as a percentage of GDP (%)  | 4)   | 29.3 w  | 29.8 w  | 29.1 w  | 29.1 w  | 33.2 w  | 35.0 fw  |

|   |      |           |           |           |            |            |            |
|---|------|-----------|-----------|-----------|------------|------------|------------|
| <b>Financial indicators</b>   | Note | 2010      | 2017      | 2018      | 2019       | 2020       | 2021       |
| Gross external debt of the whole economy, relative to GDP (%)                   |      | 45.6 sw   | 68.8 s    | 65.1 s    | 59.9 s     | 64.2 s     | 64.4 ps    |
| Gross external debt of the whole economy, relative to total exports (%)         |      | 162.6 w   | 217.6 w   | 205.8 w   | 191.3 w    | 283.1 w    | 205.3 w    |
| Money supply: M1 (banknotes, coins, overnight deposits, million euro)           |      | 1 998.9 w | 3 440.8 w | 3 752.1 w | 4 259.5 w  | 5 149.2 w  | 5 727.5 w  |
| Money supply: M2 (M1 plus deposits with maturity up to two years, million euro) |      | 4 387.2 w | 5 508.2 w | 5 732.2 w | 6 160.4 w  | 6 967.3 w  | 7 507.8 w  |
| Money supply: M3 (M2 plus marketable instruments, million euro)                 |      | 7 114.3 w | 9 444.2 w | 9 906.4 w | 10 717.6 w | 11 771.8 w | 12 929.3 w |

|  |    |           |           |           |           |           |           |
|--|----|-----------|-----------|-----------|-----------|-----------|-----------|
| Total credit by monetary financial institutions to residents (consolidated) (million euro)             |    | 3 481.5 w | 8 690.6   | 9 462.0   | 10 095.6  | 10 696.1  | 12 220.4  |
| **Annual change in financial sector liabilities (%)  |    | :         | 5.7       | 3.2       | 2.3       | 7.5       | 11.6      |
| **Private credit flow, consolidated, relative to GDP (%)   |    | :         | :         | :         | :         | :         | :         |
| **Private debt, consolidated, relative to GDP (%)  |    | :         | 59        | 54        | 54        | 58        | 55 p      |
| Interest rates: day-to-day money rate, per annum (%)   | 5) | 5.37 w    | 1.34 w    | 1.24 w    | 1.10 w    | 0.73 w    | 0.65 w    |
| Lending interest rate (one year), per annum (%)  | 6) | 11.29 w   | 5.98 w    | 5.66 w    | 6.25 w    | 6.05 w    | 5.91 w    |
| Deposit interest rate (one year), per annum (%)  | 7) | 6.40 w    | 0.75 w    | 0.73 w    | 0.49 w    | 0.40 w    | 0.48 w    |
| Euro exchange rates: average of period (1 euro = ... national currency)                                |    | 137.790   | 134.150   | 127.590   | 123.010   | 123.770   | 122.460   |
| Trade-weighted effective exchange rate index, 42 countries (2015 = 100)                                |    | :         | :         | :         | :         | :         | :         |
| **3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100) |    | :         | :         | :         | :         | :         | :         |
| Value of reserve assets (including gold) (million euro)  |    | 1 904.8 w | 2 995.9 w | 3 399.0 w | 3 359.6 w | 3 942.4 w | 4 972.2 w |

|   |      |          |         |          |         |          |          |
|---|------|----------|---------|----------|---------|----------|----------|
| <b>External trade in goods</b>  | Note | 2010     | 2017    | 2018     | 2019    | 2020     | 2021     |
| Value of imports: all goods, all partners (million euro)                |      | 3 328    | 4 648   | 5 026    | 5 269   | 4 860    | 6 545    |
| Value of exports: all goods, all partners (million euro)                |      | 1 169    | 2 026   | 2 431    | 2 426   | 2 190    | 3 012    |
| Trade balance: all goods, all partners (million euro)                   |      | - 2 160  | - 2 622 | - 2 596  | - 2 843 | - 2 670  | - 3 533  |
| Terms of trade (export price index / import price index * 100) (number) |      | 102.1 sw | 99.8 sw | 103.6 sw | 99.2 sw | 104.1 sw | 104.5 sw |
| Share of exports to EU-27 countries in value of total exports (%)       |      | 70.2 s   | 77.0 s  | 75.9 s   | 76.4 s  | 74.7 s   | 72.2 s   |
| Share of imports from EU-27 countries in value of total imports (%)     |      | 65.5 s   | 60.8 s  | 60.0 s   | 57.7 s  | 57.9 s   | 54.4 s   |

|  |      |      |      |      |      |      |       |
|--|------|------|------|------|------|------|-------|
| <b>Demography</b>  | Note | 2010 | 2017 | 2018 | 2019 | 2020 | 2021  |
| Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants) |      | 4.8  | 3.0  | 2.5  | 2.3  | 0.2  | - 1.2 |
| Infant mortality rate deaths of children under one year of age (per thousand live births)                                  |      | 9.6  | 8.0  | 8.9  | 10.3 | 10.0 | 8.4   |
| Life expectancy at birth: male (years)   |      | :    | 77.1 | 77.4 | 77.6 | 75.2 | 73.6  |
| Life expectancy at birth: female (years)   |      | :    | 80.1 | 80.5 | 80.7 | 79.6 | 77.7  |

|  |      |         |         |         |         |         |         |
|--|------|---------|---------|---------|---------|---------|---------|
| <b>Labour market</b>   | Note | 2010    | 2017    | 2018    | 2019    | 2020    | 2021    |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) |      | 69.7 ew | 73.9 w  | 74.8 ew | 75.9 ew | 75.3 ew | 75.1 ew |
| *Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)            |      | 60.3 ew | 63.9 w  | 65.6 ew | 67.1 ew | 66.3 ew | 66.3 ew |
| Male employment rate for persons aged 20–64 (%)  |      | 71.5 ew | 72.1 w  | 73.9 ew | 74.7 ew | 74.0 ew | 74.6 ew |
| Female employment rate for persons aged 20–64 (%)  |      | 49.8 ew | 55.6 w  | 57.4 ew | 59.7 ew | 58.8 ew | 58.3 ew |
| Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)             |      | 48.3 ew | 55.5 ew | 58.2 ew | 60.4 ew | 60.3 ew | 60.0 ew |
| Employment by main sectors   |      |         |         |         |         |         |         |
| Agriculture, forestry and fisheries (%)  |      | :       | 38.2 ew | 37.4 ew | 36.4 ew | 36.1 ew | 33.8 ew |
| Industry (%)   |      | :       | 12.5 ew | 12.7 ew | 13.1 ew | 13.4 ew | 13.8 ew |



|  |  |         |         |         |         |         |         |
|--|--|---------|---------|---------|---------|---------|---------|
| Construction (%)   |  | :       | 6.9 ew  | 7.0 ew  | 7.0 ew  | 7.0 ew  | 8.1 ew  |
| Services (%)   |  | :       | 42.4 ew | 42.9 ew | 43.5 ew | 43.5 ew | 44.3 ew |
| People employed in the public sector as a share of total employment, persons aged 20–64 (%)                          |  | :       | 16.4 ew | 15.9 ew | 15.3 ew | 15.5 ew | 16.3 ew |
| People employed in the private sector as a share of total employment, persons aged 20–64 (%)                         |  | :       | 83.6 ew | 84.1 ew | 84.7 ew | 84.5 ew | 83.7 ew |
| Unemployment rate: proportion of the labour force that is unemployed (%)   |  | 14.0 ew | 13.7 ew | 12.3 ew | 11.5 ew | 11.8 ew | 11.6 ew |
| Male unemployment rate (%)   |  | 12.6 ew | 14.6 ew | 12.7 ew | 11.6 ew | 11.6 ew | 11.4 ew |
| Female unemployment rate (%)   |  | 15.9 ew | 12.6 ew | 11.9 ew | 11.4 ew | 12.0 ew | 11.8 ew |
| Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)                            |  | 30.5 ew | 31.9 ew | 28.3 ew | 27.2 ew | 26.5 ew | 27.1 ew |
| Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)       |  | 10.6 ew | 8.9 ew  | 8.3 ew  | 7.3 ew  | 7.0 ew  | 7.3 ew  |
| Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%) |  | 10.9 ew | 11.2 ew | 9.2 ew  | 8.6 ew  | 9.6 ew  | 9.8 ew  |
| Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)                |  | :       | 11.7 ew | 11.5 ew | 9.7 ew  | 10.0 ew | 8.4 ew  |

|   |       |           |           |           |           |           |           |
|---|-------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Social cohesion</b>  | Note  | 2010      | 2017      | 2018      | 2019      | 2020      | 2021      |
| Average nominal monthly wages and salaries (national currency)  | 8) 9) | 44 375 ew | 48 967 ew | 50 589 ew | 52 380 ew | 53 662 ew | 57 190 ew |
| Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)  | 9)    | :         | 101 ew    | 102 ew    | 105 ew    | 105 ew    | 110 ew    |
| GINI coefficient  |       | :         | 37        | 35        | 34        | 33        | :         |
| Poverty gap   |       | :         | 33.4      | 32.4      | 28.6      | 26.0      | :         |
| *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 (%) |       | 31.9 ew   | 19.6 w    | 17.4 w    | 16.3 w    | 15.6 w    | 17.4 w    |

|   |      |           |           |           |           |           |           |
|---|------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Standard of living</b>   | Note | 2010      | 2017      | 2018      | 2019      | 2020      | 2021      |
| Number of passenger cars relative to population size (number per thousand population)             |      | 101.0 sw  | 145.0     | 161.0     | 176.0     | 191.0     | 210.0     |
| Number of mobile phone subscriptions relative to population size (number per thousand population) | 10)  | 1 584.4 w | 1 934.4 w | 1 445.6 w | 1 183.8 w | 1 176.2 w | 1 239.1 w |
| Mobile broadband penetration (per 100 inhabitants)  | 10)  | :         | :         | :         | 62.7 w    | 70.4 w    | 73.1 w    |
| Fixed broadband penetration (per 100 inhabitants)   | 10)  | :         | 11 w      | 13 w      | 15 w      | 17 w      | 20 w      |

|   |      |         |         |         |        |        |       |
|---|------|---------|---------|---------|--------|--------|-------|
| <b>Infrastructure</b>   | Note | 2010    | 2017    | 2018    | 2019   | 2020   | 2021  |
| Density of railway network (lines in operation per thousand km <sup>2</sup> ) |      | 13.9 sw | 11.6 sw | 11.6 sw | 5.9 sw | 7.8 sw | 7.8 s |
| Length of motorways (kilometres)  |      | :       | z       | z       | z      | 22     | 25    |

|  |      |        |        |         |        |         |        |
|--|------|--------|--------|---------|--------|---------|--------|
| <b>Innovation and research</b>                         | Note | 2010   | 2017   | 2018    | 2019   | 2020    | 2021   |
| Public expenditure on education relative to GDP (%)    |      | 3.4 sw | 3.1 sw | 3.2 psw | 3.3 sw | 3.3 psw | 3.1 sw |
| *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 (%)                           |  | : | : | 83.6 | 85.5 | 87.2 | 90.9 |

| <b>Environment</b>  | Note | 2010  | 2017  | 2018  | 2019  | 2020  | 2021 |
|---|------|-------|-------|-------|-------|-------|------|
| *Index of greenhouse gas emissions, CO <sub>2</sub> equivalent (1990 = 100)                       |      | :     | :     | :     | :     | :     | :    |
| Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices) |      | 229.1 | 219.2 | 209.4 | 204.2 | 196.3 | :    |
| Electricity generated from renewable sources relative to gross electricity consumption (%)        |      | 74.6  | 91.0  | 92.5  | 93.0  | 100.0 | 94.4 |
| Road share of inland freight transport (based on tonne-km) (%)                                    |      | :     | :     | :     | :     | :     | :    |

| <b>Energy</b>  | Note | 2010  | 2017  | 2018  | 2019  | 2020  | 2021  |
|--|------|-------|-------|-------|-------|-------|-------|
| Primary production of all energy products (thousand TOE) |      | 1 620 | 1 642 | 2 015 | 1 736 | 1 494 | 1 823 |
| Primary production of crude oil (thousand TOE)           |      | 744   | 959   | 911   | 1 005 | 758   | 712   |
| Primary production of solid fuels (thousand TOE)         |      | 2     | 76    | 161   | 52    | 69    | 131   |
| Primary production of gas (thousand TOE)                 |      | 12    | 37    | 32    | 58    | 41    | 44    |
| Net imports of all energy products (thousand TOE)        |      | 622 s | 920 s | 503 s | 753 s | 793 s | 553 s |
| Gross inland energy consumption (thousand TOE)           |      | 2 152 | 2 375 | 2 366 | 2 355 | 2 183 | 2 298 |
| Gross electricity generation (GWh)                       |      | 7 568 | 4 526 | 8 553 | 5 206 | 5 313 | 8 963 |

| <b>Agriculture</b>   | Note | 2010    | 2017      | 2018      | 2019      | 2020      | 2021      |
|--|------|---------|-----------|-----------|-----------|-----------|-----------|
| Agricultural production volume index of goods and services (at producer prices) (2010 = 100) |      | :       | :         | :         | :         | :         | :         |
| Utilised agricultural area (thousand hectares)   |      | 1 200.9 | 1 174.1   | 1 174.0   | 1 174.1   | 1 165.7   | 1 165.6   |
| Livestock numbers: live bovine animals (thousand heads, end of period)                       |      | :       | 475.2     | 467.3     | 415.6     | 362.6     | 336.8     |
| Livestock numbers: live swine (thousand heads, end of period)                                |      | :       | 180.1     | 184.1     | 183.9     | 158.4     | 159.2     |
| Livestock numbers: live sheep and live goats (thousand heads, end of period)                 |      | :       | 2 858.6 s | 2 781.0 s | 2 621.2 s | 2 332.2 s | 2 255.8 s |
| Raw milk available on farms (thousand tonnes)  |      | :       | :         | :         | :         | :         | :         |
| Harvested crop production: cereals (including rice) (thousand tonnes)                        |      | :       | :         | 678.2     | 666.1     | 684.0     | 691.4     |
| Harvested crop production: sugar beet (thousand tonnes)                                      |      | :       | 0.0       | 27.5      | 30.7      | 27.0      | 24.4      |
| Harvested crop production: vegetables (thousand tonnes)                                      |      | :       | :         | :         | :         | :         | :         |

**Source: Eurostat and/or the statistical authorities in Albania**

: = not available

d = definition differs

e = estimated value

f = forecast

p = provisional

s = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

\* = Europe 2020 indicator

\*\* = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) Activity B\_D
- 2) Based on NACE Rev. 2. Coverage is Divisions 05 to 82 and 95.
- 3) A Directive made some farmers part of the SBR. Reform by the Albania Government to reduce the informal economy as well as the registration of farmers resulted in the SBR keeping just enterprises registered within the year and not newly created enterprises. As a result the birth rate can not be calculated from these data.
- 4) Forecasts of the Ministry of Finance and Economy.
- 5) Annual average of the Tribor rate – interbank rate for overnight loans.
- 6) Average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity.
- 7) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 8) Public sector only.
- 9) Source of information: General Directorate of Taxation, social insurance contributors; INSTAT's calculation
- 10) The data are updated with the average population data for 2020.