



Brussels, 12.10.2022
SWD(2022) 332 final

COMMISSION STAFF WORKING DOCUMENT

Albania 2022 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**

2022 Communication on EU Enlargement policy

{COM(2022) 528 final} - {SWD(2022) 333 final} - {SWD(2022) 334 final} -
{SWD(2022) 335 final} - {SWD(2022) 336 final} - {SWD(2022) 337 final} -
{SWD(2022) 338 final}

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1. INTRODUCTION

1.1. Context

Albania has continued to implement the Stabilisation and Association Agreement and the meetings of the joint bodies under the agreement took place.

Albania has continued to maintain overall focus on the EU reform agenda, despite the challenge of addressing the economic and social consequences of the triple shock of the 2019 earthquake, the pandemic and of the Russian war of aggression against Ukraine. It has continued to meet all the conditions set out in the Council Conclusions of March 2020 for the first Inter-governmental Conference¹. On 19 July, the Intergovernmental Conference on accession negotiations took place with Albania. The Commission immediately launched the screening process.

Albania's maintained its record of full alignment with the EU's common foreign and security policy (CFSP). 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 the aggression, thus 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 in 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 REPORT²

As regards the political criteria, in the new legislature, resulting from the 2021 elections, which were held following the cross-party agreement of 5 June 2020 the elected members from the largest opposition parties took their seats in parliament. The parliament elected the new President of the Republic. Internal conflict within the largest opposition party (DP), affected parliamentary life. On EU oriented reforms, parliament passed a time-limited constitutional extension of the vetting bodies mandate and nine laws aimed at alignment with the EU acquis. The government maintained a focus on reforms related to the country's EU path and reinforced its coordination structure for EU integration, but it needs to further advance the EU reform agenda, together with the opposition and all segments of society. The establishment of several government agencies around the Prime Minister's Office, without a comprehensive steering framework and without a systematic attention to oversight and reporting lines, raises questions in relation to the standards of public administration. A new decentralisation strategy beyond 2022, remains to be adopted and upstream consultation at local level will be essential. Despite funding improvements, limited progress was made to implement the roadmap on creating an enabling environment for civil society.

¹ <https://data.consilium.europa.eu/doc/document/ST-7002-2020-INIT/en/pdf> and <https://www.consilium.europa.eu/en/meetings/european-council/2020/03/26/>

² This report covers the period from June 2021 to June 2022. 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 scales 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, also interim steps have been used.

Albania is moderately prepared in the area of **public administration reform**. It made limited progress in strengthening line ministries' capacity to implement regulatory impact assessments and hold public consultations. It started preparations for the salary reform and expanded the automated payroll system. Implementation of the 2015-2022 public administration reform and the 2014-2022 public financial management reform strategies continued. The IT systems for integrated planning are not yet fully functional. However, bodies subordinate to ministries (agencies) continued to be created without a comprehensive steering framework, systematic attention to oversight or clear reporting lines. They also further exacerbated the issue of tasks entrusted to staff hired under the Labour Code, instead of to civil servants. Provisions on merit-based recruitment in the civil service law remain to be fully implemented, especially for senior level positions. The number of provided online services continued to increase, but this also raises questions about equitable access for citizens with limited digital skills.

Albania's **judicial system** has reached a moderate level of preparation. Comprehensive justice reform continued, resulting in good progress overall. Two new judges were appointed to the Constitutional Court in March and September 2022, further improving the court's ability to carry out its mandate. There was also progress with the High Court, which now has 15 sitting judges, enabling it to reduce the case backlog for the first time in six years, to start unifying the case law and to appoint judges to the Constitutional Court. Further appointments to the High Court are expected. However, long proceedings, a low clearance rate and a large case backlog continue to negatively impact the efficiency of the judicial system. To tackle these problems, a new judicial map was adopted following consultations. Additional efforts are still required to put it into effect, as well as to improve the case management system and the training system for magistrates.

The temporary re-evaluation of all judges and prosecutors (**the vetting process**) has continued to advance steadily. Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process independently. By 12 September, the vetting institutions had completed 554 first-instance cases. Around 64% of the vetting dossiers processed so far resulted in dismissals, resignations or the termination of mandate of vetted magistrates. The vetting institutions must continue to refer cases to the prosecution services where there are indications of criminal offences.

The **Specialised Structure for Anti-Corruption and Organised Crime (SPAK)**, comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), continued its operations. After a budget increase in 2021, the SPO now has 17 prosecutors in place, the recruitment of eight financial investigators is underway and the NBI reached its full operational capacity of 60 investigators after a second round of recruitment.

Albania has some level of preparation in the **fight against corruption**. It continued its efforts to build on its track record of investigation, prosecutions and convictions in the fight against corruption and delivered some results. These efforts need to continue. However, greater political will, further structured efforts, and adequate resources and skills remain necessary. The SPAK Court delivered several important final decisions on high-ranking state officials, including a former Minister of the Interior and a former Prosecutor General. Although the vetting of members of the judiciary is an administrative process, it continues to bring results in the fight against corruption within the judiciary. A new General Anti-Corruption Directorate was created in the Ministry of Justice. Overall, despite some progress, corruption remains an area of serious concern. Increasing the number of final convictions of high-level officials remains an important

priority to further tackle a culture of impunity. The sectors that are most vulnerable to corruption require targeted risk assessment and dedicated measures.

Albania has some level of preparation in the **fight against organised crime**. It made some progress in meeting last year's recommendations. Strong and fruitful cooperation with EU Members States, Europol and Eurojust has led to tangible results. Albania continued to show commitment to counter the production and trafficking of cannabis. Good progress was made on the seizure and confiscation of assets related to organised crime. This effort must continue in the future. Efforts also need to continue to ensure increased prosecutions and final convictions, especially at high-level. Countering cybercrime, trafficking in human beings and money laundering remain areas in which additional results are needed. The phenomenon of child sexual abuse online remains a concern. The country progressed steadily in the implementation of the Financial Action Task Force (FATF) Action Plan to improve effectiveness in the field of anti-money laundering, but Albania remained on the list of jurisdictions under increased monitoring. Financial investigations need to accompany systematically criminal proceedings. Albania adopted a new national cross-sector **counter-terrorism strategy** and action plan in December 2020.

On **fundamental rights**, Albania complies overall with international human rights instruments and has ratified most international conventions on the protection of fundamental rights. Some progress was made in using alternatives to detentions and, in particular, in developing the probation service, which remains fully operational, including for juvenile offenders. Albania adopted a new lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) action plan, which includes measures to fight discrimination, improve access to services and approve the legal gender recognition law and a national action plan for equality, inclusion and participation of Roma and Egyptians. Enhanced efforts to consolidate property rights through the registration and digitalisation of cadastral data are needed and the sector remains prone to corruption, while the compensation process has stalled. On the protection of national minorities, Albania adopted a new piece of implementing legislation that creates a fund for civil society projects in support of minority rights. However, adoption of the remaining implementing legislation, including on freedom to self-identify as a member of a national minority and on the use of minority languages, is still pending. Preparations for the long awaited population and housing census continued, including with pilot censuses in minority population areas, however the census was postponed to 2023. Further actions need to be taken to strengthen data protection and align national legislation with the EU General Data Protection Regulation (GDPR).

Albania has some level of preparation/is moderately prepared in the area of **freedom of expression**. No progress was made in the reporting period. The intersection of business and political interests continued to hamper media independence and the quality of journalism. Disinformation including smear campaigns are recurrent, especially in online media whose self-regulation needs to be ensured. The atmosphere of verbal attacks, smear campaigns and acts of intimidation against journalists has not improved. Any changes to the Media Law need to be in line with the Venice Commission opinion and must be submitted for consultation with media organisations. It remains important to ensure that the media have direct and transparent access to governmental institutions and their activities. The regulatory performance of the Audio-visual Regulatory Authority (AMA) needs to be improved and the independence and resources of the public service broadcaster should be strengthened.

Albania adopted a new and better-budgeted national strategy on **gender equality** and continues its efforts to ensure adequate state funding to implement it at central and local level. Efforts are needed to ensure that all national strategies at central and local level are gender mainstreamed and spend budget in ways that take gender into account. On citizenship, Albania should refrain from developing an investors' citizenship scheme (golden passports) as it 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*.

On **migration**, the legal framework on migration is largely aligned with the EU *acquis* but needs updating, and must provide a clear framework for managing and coordinating migration. The number of irregular migrants apprehended in Albania in 2021 decreased by about 15% compared with 2020. No progress was made in referrals to asylum procedure and the implementation of return procedures in line with the legal framework. Albania's visa policy should be aligned with the EU one.

The number of **Albanian citizens lodging asylum requests** in EU Member States, remains lower than the peak of 2015, but increased significantly in the summer of 2021, and thus still requires continuous and sustained efforts. Dialogue and cooperation with the countries most affected have continued, in addition to thorough border checks and awareness-raising on rights and obligations under the visa-free regime. Albania should keep addressing the phenomenon of unaccompanied minors. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

On the **economic criteria**, Albania made good progress and is moderately prepared for developing a functioning market economy. The impact of the COVID-19 pandemic on the economy, the budget deficit and the public debt ratio were lower than expected, but Russia's war against Ukraine caused price increases and lower trade. Fiscal space remains limited. Revenue-related reforms progressed, but investment expenditure remains weak. Frequent budget revisions weaken fiscal credibility. Inflation increased above target. Increased public service digitalisation, financial inclusion, and labour inspections benefitted the business environment and the formalisation of the economy, but the informal economy remains significant. Public consultation remains weak. Albania made some progress and is at some level of preparation to cope with competitive pressure and market forces within the EU. Energy and transport infrastructure, digitalisation and education improved, but entrepreneurial and technological know-how remain low, with unmet investment needs in human and physical capital, skills and education gaps, and low R&D spending. Low export diversification increases vulnerability to external shocks. Regional integration and exports increased but remained below potential.

On **public procurement**, Albania is moderately prepared, the country has made good progress, in particular by adopting further implementing legislation and launching an electronic appeals and complaint system. On **statistics**, Albania is also moderately prepared, it made limited progress on aligning with ESA 2010 standards, faster publication and transmission to Eurostat, but the Population Census Law has been further postponed. Albania is moderately prepared in most areas on **financial control**, where the country made some progress, notably on public internal financial control and internal audit.

Albania is moderately prepared in most of the areas of the **internal market**, namely the free movement of goods, services and capital, company law and competition policy. The same applies to financial services and to intellectual property law, both chapters where the country has

made good progress thanks to the reduction of non-performing loans and to the adoption of legislation on copyright and on industrial property rights. Albania has made some progress with the adoption of a new law on foreigners as well as by fulfilling some of the recommendations of the Moneyval report. However, in the area of competition policy, the State aid authority needs to be made independent and sufficiently resourced. Preparations are at an early stage on consumer and health protection, where the country made limited progress.

Albania has achieved a moderate level of preparation in many areas linked to **competitiveness and inclusive growth**, namely digital transformation and media, taxation, economic and monetary policy, enterprise and industrial policy, education and culture. The same goes for the customs union, where the pan-Euro-Mediterranean area rules of origin are applied, and bodies involved in the fight against smuggling and counterfeit goods are strengthened and cooperate better. The adoption of a tax and criminal amnesty against the advice of the EU and Moneyval could jeopardise progress in this area as well as in the fight against money laundering. Albania has some level of preparation in social policy and employment, and research and innovation. Albania has made some progress in education in particular with the adoption of the new National Strategy for Education and Action Plan 2021-2026, but progress was limited on the economic and monetary policy.

As regards **Green Agenda and sustainable connectivity**, Albania is moderately prepared on energy, environment and climate change. It has some level of preparation in the areas of transport policy and of trans-European networks and some progress was achieved in developing transport and energy networks. It made progress on civil protection and is ready to join the Union Civil Protection Mechanism. The country has made limited progress in the other areas covered by this cluster and ongoing efforts to address issues with vessels Flag State Control and to align legislation need to continue. Limited progress was made in further aligning the EU *acquis* on water management, chemicals and environmental crime. The impact of strategic investments on biodiversity and nature protection requires attention. 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 endorsed by Albania in December 2020.

Albania has some level of preparation in most areas linked to **resources, agriculture and cohesion**, namely agriculture and rural development, food safety, veterinary and phytosanitary policy, fisheries, and financial and budgetary provisions. It is moderately prepared as regards regional policy and coordination of structural instruments. Albania has made some progress in agriculture and rural development, notably with the establishment of a farm register and better administrative capacity for rural development. Good progress was observed on fisheries, with the continued operationalisation of the Vessel Monitoring System (VMS) and allocation of human resources to monitor and report on the activities of fishing vessels. Albania as a contracting party of the General Fisheries Commission for the Mediterranean (GFCM) is fully implementing fishing effort recommendations. Some progress was made on financial and budgetary provisions. Progress was however limited on food safety, veterinary and phytosanitary policy, on regional policy and coordination of structural instruments. In this respect, inter-agency coordination for pre-accession assistance needs improvement, and issues need to be addressed as regards strategic planning, implementation and monitoring capacity of infrastructure projects under the Economic and Investment Plan.

Albania has reached a good level of preparation as regards **external relations, foreign security and defence**. On the external relations chapter of negotiations, Albania made some progress as it continued alignment of legislation in the field of dual use goods and to implement CEFTA additional protocols. As regards the EU's Common Foreign and Security Policy, Albania maintained full alignment with all relevant EU decisions and declarations, including with the EU restrictive measures following Russia's unprovoked aggression against Ukraine. As a non-permanent member since January 2022, Albania has been actively engaged in the UN Security Council in promoting and defending the rules-based international order.

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

In the new Assembly, resulting from the 2021 general elections, which were held following the cross-party agreement of 5 June 2020, the elected members from the largest opposition parties to parliament took their seats in Parliament. With the gradual improvement of the pandemic situation, parliament slowly returned to in-person meetings. As regards EU-related reforms, the Assembly reached cross-party consensus on constitutional amendments to extend the term of the judicial vetting bodies. The Assembly also elected the new President with the votes of the majority. The deep division within the largest opposition Democratic Party, dominated the political environment and has hampered legislative work, such as furthering electoral reform.

Elections

On February 2022, the Parliament decided to set up an *ad hoc* parliamentary committee on electoral reform, which is meant to follow-up on OSCE/ODIHR recommendations for the April 2021 elections and had a term of six months. The committee was constituted on 17 June. At the expiry of its term in August 2022, it had only held its constitutive meeting.

During the reporting period, the Constitutional Court ruled against a provision of the Electoral Code according to which electoral subjects need to pass a national threshold of 1% in order to enter parliament, arguing that it discriminates against independent candidates. Earlier, the Constitutional Court had ruled to abrogate the provision related to the distribution of parliamentary seats in view of the preferential vote. The impending electoral reform will need to address these decisions.

In line with ODIHR recommendations, the Central Election Commission has continued efforts to strengthen its oversight role over campaign financing. In addition, the CEC has initiated high-level discussions on the implementation of out-of-country vote.

On 6 March 2022, Albania held by-elections in six municipalities. The President of the Republic decreed by-elections on 20 January, after a ruling of the Constitutional Court on the validity of the 2019 local elections. Vacancies were created in the municipalities of Shkoder, Vore and Lushnje after the mayors were discharged, in application of the law on the integrity of elected officials. In Durres and Diber the mayors had resigned, and in Rrogozhine the mayor had passed away. Eleven political parties registered to take part in the by-elections, fielding 19 candidates, out of which three were women. Electronic voting and counting was piloted in one municipality and biometric identification of voters was implemented in all polling stations. The ruling Socialist Party won five municipalities, while a coalition of two opposition parties won the

remaining one. Two out of six mayors are women. No electoral subject contested the results. The newly elected mayors will be in office for nearly one year, as regularly scheduled local elections are expected to be held in 2023.

Parliament

The new Parliament was constituted on 10 September 2021, following the 25 April 2021 legislative elections. In these elections, preferential voting was implemented for the first time and three MPs were elected through this mechanism. Additionally, three party leaders won mandates in two constituencies, following a provision of the Electoral Code allowing party chairs to run in multiple districts. The rule has been criticised by OSCE/ODIHR in their final report on the April 2021 elections.

Out of 140 Members of Parliament, 50 are women (35%) and 47% of all MPs are elected for the first time. Thirty-three MPs are under 40 years old.

In the new legislature, the elected MPs from the largest opposition parties took their seats in contrast with the relinquishing of mandates that took place in 2019. Internal conflict within the largest opposition party (DP) affected parliamentary life, stalling notably the work on electoral reform. This has also weakened the role of the Parliament in exercising its main constitutional functions. Still, the Parliament found the necessary wide basis to pass a time-limited constitutional extension of the mandate of the vetting bodies. Important committees continue to be chaired by opposition MPs.

Over the reporting period, the opposition sought the setting up of three inquiry committees, with two of them being approved. Out of these two, the one dealing with the incinerators contracts brought its work to completion.

Concerning its **oversight function**, MPs filed 21 requests for interpellations, out of which four with the Prime Minister who nonetheless did not attend in person. The parliamentary oversight of the work of independent institutions remains limited to the consideration of their annual reports.

Higher ethical standards in Assembly proceedings are needed to foster more constructive political dialogue between opposition and majority.

As regards Parliament's **role in the EU integration** process, 9 of the laws passed in Parliament were aimed at alignment with the EU *acquis*. The National Council for European Integration has made efforts to further consolidate its role in EU integration issues.

With the improvement of the pandemic situation, the Parliament resumed meetings in person. Parliamentary proceedings continued to be livestreamed on social media. Under the new legislature, the Parliament has increased its efforts towards more **transparency** by offering more statistical data on parliamentary activity. Parliament held consultations with civil society and media on transparency standards, which need to be adopted. However, the publication of parliamentary documentation, such as minutes of plenary sessions and committee meetings, should be more timely, and more user friendly. Public consultation with civil society and interest groups remained formal.

On 4 June 2022, Parliament elected Mr Bajram Begaj, former Chief of Defence, as the new President of the Republic, without the support of the opposition, who refused to vote. Mr Begaj, the sole candidate, was elected on the fourth round by a simple majority vote, after the first three

rounds requiring a qualified majority of 3/5 of the MPs failed. Shortly before the Assembly vote, the incumbent President released Mr Begaj from the Armed Forces.

Parliament also elected the incumbent Governor of the Bank of Albania for a second term, filled vacancies in the Audio-visual Media Authority (AMA) and in the steering board of the National Broadcaster despite considerable delays. Hearing sessions were held with the candidates for the position of the Ombudsperson but the vote was postponed until after the reporting period. Parliament also elected the new chair of the Competition Authority, without conducting a hearing session with the candidate.

Governance

The Albanian government has continued to maintain overall focus on reforms on the country's EU path, despite the challenge of addressing the economic and social consequences of the triple shock of the 2019 earthquake, the COVID-19 pandemic and, more recently, of Russia's war of aggression against Ukraine. The government needs to continue, through its policy priorities and its communication, to focus firmly on advancing the EU reform agenda, together with the opposition and all segments of society. When it comes to preparations for accession negotiations, there is a need to enhance communication, coordination, and expertise within the administration as well as EU compatibility checks of all draft legislation.

The establishment or reinforcement of several government agencies around the Prime Minister's Office (Agency for co-governance, Agency for Media and Information, Agency for Strategic Programming and Aid Coordination - SASPAC) without a comprehensive steering framework and without a systematic attention to oversight and reporting lines, raises questions in relation to the effective coordination and service delivery of public administration bodies.

Following the first Intergovernmental Conference on accession negotiations of July 2022, the government appointed a new Chief Negotiator, at Minister of State level and with increased resources. In the context of accession negotiations, there is a need to achieve sound coordination among subordinated bodies and line ministries, enhance capacities of agencies working towards EU integration and to ensure the alignment of the National Plan for European Integration with sectoral strategies. The EU integration structures within the government had already been substantially modified in October 2021, following the decision to set up a new agency for donor coordination, the State Agency for Strategic Programming and Assistance Coordination (SASPAC). The head of this new agency took over the role of National IPA Coordinator, a function hitherto directly fulfilled by the previous Chief Negotiator for Accession of Albania to the EU. Under the new set up, the political steer, the strategic planning and the coordination of EU-related matters are shared among the Ministry for Europe and Foreign Affairs, the Minister of State and Chief Negotiator, and SASPAC. As a new body, SASPAC needs to ensure a more systematic coordination on EU integration and EU assistance with IPA Units, the Central Finance and Contracts Unit (CFCU), and local government units. Strong cooperation as well as expertise and among responsible national bodies should be ensured to facilitate the successful implementation of the IPA programmes, including IPARD.

In 2021, progress was made in monitoring the execution of the National Plan for European Integration and the new plan for 2022-2024 was adopted in February 2022 and is being monitored on a weekly basis. In May 2022, the government decided to close all the front offices delivering national administrative services at local level and decided to move towards 100%

online services at short notice. The rapid shift has raised, however, questions in terms of quality and accessibility in the transition.

The **territorial administrative reform** needs to be further consolidated as part of the wider decentralisation agenda. During the reporting period, the annual monitoring report for the year 2020 on the implementation of the decentralisation and local governance strategy has been issued. A systemic monitoring and the related mechanisms need to be ensured. The new decentralisation strategy beyond 2022, remains to be adopted. Consultation at local level, during its elaboration, will be essential for the strategy to capture and address the priority needs.

In February 2022, the Parliament decided to set up an *ad hoc* committee on the territorial and administrative divisions in the country, the term of which ran until 30 September.

Local government units (LGUs) still lack sufficient financial resources and administrative capacity to exercise their greater policy making powers effectively. Women representation in local government continues to require improvement. The LGUs' fiscal autonomy remains at risk, as most of their budget is dependent on national transfers. The delivery of quality public services at local level remains limited. The financial situation of municipalities has been made ever more complicated by the economic shocks, with further shrinking own resources available to LGUs.

Implementation of the Civil Service Law remains to be improved at the local level. Temporary employment contracts for civil service positions, although decreasing, continue to be rather frequent in the LGUs.

Despite the COVID-19 pandemic, municipalities have encouraged public participation in their decision-making, by organising online Council meetings open to the public and other innovative means. However, the institutional framework for effective and inclusive participation needs further strengthening. On transparency, some improvement has been noted, as all municipalities are now publishing online their Council's decisions. As regards the transparency programme to be adopted by each municipality, shortcomings have been identified regarding the publication of mandatory information in its rubrics.

The Consultative Council continues to operate as the main forum for institutional dialogue and coordination between central and local governments. The network of EU local coordinators has strengthened the LGUs' involvement in the EU accession process. However, the frequent staff turnover in the EU municipal units endangers their ability to perform. Co- and pre-financing issues persist at local level, despite the creation of a fund of 200 million Albanian LEK in the state budget for 2022. Complex procedures for opening dedicated bank accounts as well as receive VAT refund also represent serious obstacles to Albanian municipalities accessing funding from the Instrument for Pre-Accession (IPA).

On **territorial planning**, the need to revise local plans to account in particular for civil protection elements remains. Coordination of the national sectoral strategies with local plans is weak.

Civil society

The implementation of the new Law on registration of Non-Profit Organisations adopted in June 2021 has not started yet. The High Judicial Council received a budget allocation to procure the electronic register of Non-Profit Organisations and concluded a contract for its implementation in May 2022. There has been no progress in the implementation of the roadmap on an enabling

environment for civil society, notably as regards the law on voluntarism. The institutionalised cooperation between civil society and the Government still needs to be strengthened to ensure meaningful participation of Civil Society Organisations (CSOs) in decision-making processes, including in the context of the EU accession negotiations. Progress, albeit limited, has been made in the field of VAT refund.

An empowered civil society is a key component of any democratic system and continues to be recognised as such by the State institutions.

Albania's legal and regulatory framework on the right to freedom of assembly and association is generally in line with international standards. Restrictions related to the COVID-19 pandemic that brought limitations to the freedom of assembly were waived in early 2022. The new Law on Registration of Non-Profit Organisations adopted in June 2021 is expected to ease the registration process and enhance transparency, but its implementation has not started yet. It also aims at fulfilling the FATF Action Plan (*see Chapter 24 – Justice, Freedom and Security*). The establishment of a national electronic register under the responsibility of the High Judicial Council, foreseen under the new law, is due by end of 2023. The High Judicial Council has now received a budget allocation to procure the electronic register and concluded a contract for its implementation in May. In the meantime, CSOs continue to register 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. It remains strongly dependent on donor support. Additional efforts and resources are required to advance its implementation. No progress has been made regarding the law on voluntarism listed as one issue to be addressed under the roadmap. The monitoring mechanism of the roadmap is not fully functioning.

While the 2014 Law on public consultation, laying down the procedural norms for transparency and public participation in decision-making, is generally in line with European standards, consultations often remain formal rather than meaningful exercises. In addition, the scope of the law still needs to be extended to government decisions (*see also Public Administration reform*).

The ability of the National Council for Civil Society to voice priorities of CSOs in policy-making processes remains weak. The Law on the National Council has still not been amended to reflect changes in ministerial portfolios and representation in the Council, and to improve its functioning.

The Agency for the Support of Civil Society remains the main public body providing financial support for civil society. Its budget is now back at pre-COVID levels, but public funding remains insufficient to sustain CSOs' activities, in particular in social services.

Limited progress has been made in the field of VAT refund, with the implementation of the instructions on VAT reimbursement for CSO beneficiaries of EU funding and other donor grants. There is now evidence of the first cases of successful VAT refund. However, the process remains lengthy and cumbersome. Improvements are needed for a more efficient implementation of VAT reimbursement.

There is still no progress as regards tax incentives for corporate donations as these do not promote company donations to CSOs and as there are no tax incentives for individual donations.

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. Capacities for public consultations and regulatory impact assessments were strengthened, preparations for the salary reform started, and the automated payroll system was expanded. Implementation of the 2015-2022 public administration reform and the 2014-2022 public financial management reform strategies continued. However, bodies subordinate to ministries (agencies) continued to be created without a comprehensive steering framework, systematic attention to oversight or clear reporting lines. They also further exacerbated the issue of tasks entrusted to staff hired under the Labour Code, instead of to civil servants. Provisions on merit-based recruitment in the civil service law remain to be fully implemented, especially for senior level positions. Albania has rolled out a comprehensive platform for digital services – a rapid shift towards 100% online services took effect on 1 May 2022. However, it needs to ensure equitable access for citizens with limited digital skills.

The Commission's 2021 recommendations remain mostly valid. In the coming year, Albania should, in particular:

- increase the capacities for policy planning and monitoring and ensure that the central administration's supervisory and subordinated bodies are well-structured and assigned clear roles;
- prepare new public administration and public financial management strategies in line with relevant sectoral strategies, while at the same time review the effectiveness of the current monitoring structures;
- effectively implement the provisions on merit-based recruitment in the civil service law at all levels, especially at senior level; reform the salary system for civil servants and further expand the automation of the payroll system.

Strategic framework for public administration reform

Throughout 2021, the government continued to monitor the implementation of the 2015-2022 **public administration reform strategy** and the 2014-2022 **public financial management reform strategy**. Despite the COVID-19 crisis, the Albanian institutions made substantial efforts to maintain a good implementation of the public administration reform strategy. Progress has been achieved in results-oriented monitoring, including performance analysis. However, the implementation of the public administration reforms requires a continued political steer. **Financial sustainability** needs to be improved through better reviewing of overall financial resources, as currently, the reform implementation depends heavily on funding from external donors.

Policy development and coordination

The legal basis and the institutional set-up for coherent **policy making system** are partially in place. The quality of performance and the regularity of the integrated policy management groups mechanism vary across sectors. Albania should strengthen its efforts to improve evidence-based policy making by increasing the administrative capacities of line ministries in policy planning,

monitoring, and data collection. The three pillars of the integrated planning system³ must become fully functional and the user training for civil servants must continue, in particular on data quality and indicators.

The National Strategy for Development and Integration, which is the top reference document for the planning system, expired in 2020. The new strategy, covering the period up to 2028, needs to be drafted and adopted. The authorities need to improve coherence between policy planning and budgeting by making full use of the Integrated Planning System Information System. The newly created state Agency for Strategic Programming and Aid Coordination has the mandate to enhance coordination. However, the **roles and responsibilities** of the Agency and the Department for Policies and Good Governance in the Prime Minister's Office **need to be clarified**. Further efforts are needed to improve the administrative capacity of line ministries and the Prime Minister's Office. (*See Chapter 32 - Financial control*). The Prime Minister's Office rulebook still needs to be adopted.

The administration needs to further strengthen its capacity in **inclusive and evidence-based policy and legislative development**. Progress was achieved in increasing the use and quality of regulatory impact assessments for legislative proposals and trainings on these issues were delivered across the administration. The government needs to continue its efforts to improve regulatory impact assessments.

On **public consultation**, the electronic web-portal is operational, and the regulatory framework has been improved. The usage of the electronic register continued, but the share of legal acts undergoing public consultation and usage of the electronic register decreased in 2021 to 65.8% from 79.6% in the previous year. The quality control of public consultations needs to be strengthened to focus on content rather than on process.

Public scrutiny of government work needs to be further improved. Parliamentary oversight of government performance, including sub-ordinated agencies, needs to be strengthened. Regulatory and institutional monitoring, and the reporting framework for government performance continue to be fragmented. Communication to citizens about ongoing reforms efforts needs to be improved. The harmonisation of reporting practice requires the Integrated Planning System Information System to be fully rolled out.

Public financial management

The Ministry of Finance and Economy is in charge of the **public financial management reform**. Several posts, including at management level, remain unfilled in the Ministry. The 2019-2022 public financial management strategy is expiring, and the government needs to draft and adopt a new programme. The new reform programme should be developed following a detailed analysis of the implementation of the current strategy and after conducting extensive public consultations. The finalisation and publication of the 2021 report on public financial management monitoring report was delayed.

During the reporting period, the 2022-2024 medium-term budget programme was adopted, based on the newly developed Albanian financial management information system. The 2022 budget and the execution of the 2021 budget were in line with the revised organic budget law. Integration of the e-procurement and treasury system made progress on improving commitment

³ These are: the Integrated Planning System Information System, the Albanian Financial Management Information System, and the External Assistance Management Information System.

checks. Consultation on the medium-term revenue strategy was launched in January 2022, but the final version has not yet been produced.

Budget transparency remains satisfactory with the publication of all key budget documents, which allows for sufficient public debate. More timely publication of the budget execution reports and the audit report, in particular reporting on arrears, is needed. Albania further strengthened its capacity for gender-responsive budgeting, based on a legal obligation to this effect in the central and local government finance management cycle.

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.

Greater legal compliance is needed in recruitment procedures. The merit principle needs to be complied with both for senior and entry level positions. Across the public administration, job descriptions are not yet fully in line with the categories set out in the civil service law.

In 2021, the number of **dismissals** of civil servants decreased to 346 from 619 in 2020 and the authorities explained that these were in compliance with the civil service law. The backlog in implementing court decisions confirming dismissal of civil servants as unlawful has been further reduced during the reporting period. A system to monitor and follow up the final court decisions has been created and is managed by the Department of Public Administration.

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, does not include completely up-to-date data on civil servants and it still needs to be extended to the local level. The data it contains on civil servants needs to be up-to-date. The government has managed to put in place measures to create a coordination mechanism between central and local level to monitor and evaluate human resource management.

The **remuneration system** is based on a job classification system that needs to be revised including with a broad public consultation. The lack of a salary policy based on clear criteria for pay supplements and salary increases weakens the fairness and coherence of the system. The automation of the payroll system through the human resources management information system needs to be extended to the whole public sector.

The Albanian School of Public Administration continued to adapt its training programmes for **professional development** in line with the COVID-19 measures. Compared to the previous year, it increased the thematic scope and the number of trained public servants. However, the lack of infrastructure hinders its capacity to deliver online courses. A training cycle on quality management has not yet been set up. The administrative skills of local-level civil servants need to be improved.

Accountability of the administration

The legal framework for the organisation of the central administration does not provide a comprehensive and coherent framework to ensure that supervisory and subordinated bodies are held accountable. Agencies such as the State Agency for Strategic Programming and Assistance Coordination, the Agency for Media and Information and the Co-Governance Agency need to be better structured and assigned clear roles. The law on the organisation and functioning of the state administration does not set a clear typology and criteria for the creation of subordinated

bodies. Additionally, policy-making institutions do not always monitor policy implementation by their subordinated agencies and these agencies do not always report on their performance.

Legal changes are needed to improve how policy-making functions are defined, including setting requirements for planning and performance reporting by subordinated bodies and supervisory ministries. State administration workflow and decision-making processes should be more transparent. The legal framework for ensuring managerial accountability needs to be improved.

The citizens' right to good administration needs to be strengthened. The implementation rate of the Ombudsman's recommendations fell to 50% in 2021, from 55% in 2020 and 62% in 2019. The Assembly should strengthen its cooperation with the Ombudsman and address the problem of the lack of responsiveness of public administration bodies. In December 2021, a public consultation was launched to amend the law on the right to information, which regulates **citizens' right to access public information**. An increasing number of public authorities have adopted and published transparency programmes (300 in 2021, up from 239 in 2020).

A legislative framework is in place for the **right to administrative justice**. The capacity of the administrative court system and the appeal panels to deal with cases is limited, which led to an increased backlog in 2021. 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 regular monitoring and analysis of the administrative and judicial practice in such matters, and the government does not gather data on payments made in public liability cases and reasons for them.

In November 2021, Parliament adopted the law on co-governance, thus giving substantial powers to the Agency for Dialogue and Co-governance, which previously administered an online platform for citizens' complaint. 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. This reform has raised concerns about (i) the agency's impact on policy planning and coordination, (ii) the impact of the new law on the code of administrative procedures, (iii) the agency's impact on the separation of powers between the executive branch and the judiciary.

Service delivery to citizens and businesses

The institutional and legal frameworks for public service delivery are in place to ensure a **user-oriented public administration**. In 2021, the number of one-stop-shops and e-services, even if at different levels of automation, continued to increase, and information to citizens on public services became more accessible. The new e-government law is in public consultation. On 1 May 2022, the government decided at short notice to close the 'front desks' delivering national administrative services at local level, with a view to moving towards putting 100% of service online, with the declared aim of improving service delivery and reducing corruption. The rapid shift has raised questions about the quality and accessibility of service to citizens with limited digital skills. Some business associations have reported technical difficulties, in particular when submitting mandatory files.

The Code of Administrative Procedures provides the legislative framework for **simplifying administrative procedures** in line with international standards. The process of legal harmonisation with the Code must be completed.

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 has **some level of preparation/is moderately prepared** in implementing the EU *acquis* and European standards in the area of the judiciary and fundamental rights. **Good progress** was made, in particular through continued implementation and consolidation of the comprehensive justice reform. There have been two additional appointments to the Constitutional Court, which further enhance the court's ability to perform its mandate. The High Court has increased its efficiency with the appointment of six additional judges, and has started to reduce its backlog of cases and to unify the case-law. The vetting process for judicial appointments has continued to advance steadily. Operational efforts to fight corruption are delivering some results, including criminal proceedings and financial investigations in several high-level cases, which resulted in a few final convictions. These efforts need to continue and intensify. On fundamental rights, there was some progress in a number of areas, but efforts to implement policies should continue. Faster progress should be made on the first registration of properties and other transitional processes. Albania has adopted another piece of implementing legislation related to the 2017 framework law on the protection of persons belonging to national minorities; the remaining implementing legislation needs to be adopted not least to ensure self-identification. On personal data protection, Albania should take measures to prevent the recurrence of massive breaches of personal data and accelerate efforts to align its legislation with the EU *acquis* on personal data protection.

Functioning of the judiciary

Albania is **moderately prepared** on the functioning of the judiciary. **Good progress** was made, with the continued implementation of justice reform. A time-limited constitutional extension of the term in office of the vetting bodies was adopted, thus ensuring uninterrupted and consistent continuation of the vetting process. To date, 64 % of the vetting dossiers processed have resulted in dismissals, resignations or termination of mandate of vetted magistrates. Following new appointments of judges, the High Court has reduced the backlog of cases for the first time in six years and reached the quorum to make appointments of judges to the Constitutional Court, proceeding with one such appointment. The Specialised Structure for Anti-Corruption and Organised Crime (SPAK) Court delivered several important decisions pertaining to high-level officials, including a former Minister of the Interior and a former Prosecutor General. Limited progress was made on the recommendation to improve the case management system and the legal training system, which has been pending for some years. The efficiency of the judicial system is negatively affected by the length of proceedings, the low clearance rate and the large backlog of cases.

Recommendations for the coming year:

- further advance the process of re-evaluating judges and prosecutors (vetting) and, where possible, increase the pace of procedures with due regards to the quality of the process;
- consolidate efforts to enhance the efficiency and transparency of all courts and prosecution offices, including through fast and decisive action to set up a modern Integrated Case

Management System and with the rollout of a solid implementation plan for the new judicial map;

→ continue to consolidate the capacity of the judicial system and its self-governing institutions, while making quality and efficiency improvements at the School of Magistrates.

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.

By 12 September 2022 the vetting institutions had completed 554 vetting cases at first instance. Of these, 405 decisions are final. Overall, around 64 % of the vetting dossiers processed so far have resulted in dismissal or termination due to resignations by the assesseees or reaching the retirement age. The outcome of decisions of the first-instance vetting body, the Independent Qualifications Commission and, where applicable, of Appeal Chamber decisions, is as follows: 228 dismissals, mostly for issues relating to unjustified assets; 195 confirmations in office; 128 decisions on termination of the vetting proceedings; and three decisions to suspend the assesseees. The Independent Qualification Commission has formally initiated investigations in all pending vetting cases. The International Monitoring Operation has continued to perform its oversight role in the vetting process and has issued opinions on first-instance assessments, including 23 recommendations for appeal, and five 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 delivered 157 decisions and registered 291 cases. Of these, 67 were appealed by the Public Commissioner, 227 by the assesseees themselves, and three cases were appealed by both the assesseees and the Public Commissioner. Overall, there are 134 pending vetting cases. However, 6048 cases were registered and treated based on information from the public.

The vetting institutions are expected to continue to refer cases to prosecution services where there are indications of criminal offences. By 12 September 2022, 30 files had been submitted to the Special Prosecution Office, including 12 cases involving former judges of the High Court and the Constitutional Court. Of these, two investigations have resulted in convictions, the remaining being either pending or were discontinued.

Strategic documents

The new cross-sector justice strategy and its action plan for 2021-2025 have been adopted by the Council of Ministers and need to be implemented effectively. The Ministry of Justice has strengthened its internal capacities to collect and report data. The Sectoral Steering Committee for Justice Reform operates at the technical level through two thematic groups. Further improvement of coordination between the justice institutions remains necessary.

New specialised bodies

The Specialised Structure for Anti-Corruption and Organised Crime (SPAK), comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI) is now operational. In a context of workload increase, staff shortages has been one of SPAK's main challenges. The SPO has 17 prosecutors in place, and a budget allowing for 20. The recruitment of eight financial investigators is underway and a media coordinator took up duty in September 2021. Following a second round of recruitment, the NBI reached its full operational capacity of

60 investigators in June. 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 development of the NBI.

Management bodies

The judiciary self-governing institutions have continued to fully exercise their functions. The High Judicial Council (HJC) and High Prosecutorial Council (HPC) partially renewed their membership, including both magistrates and lay members. Parliament and lay member appointing bodies should ensure greater competition and transparency in the appointment process. Two vacancies for non-magistrate members remain open at the HPC.

The HJC advanced with the appointments of judges to vacant positions and continued to approve a significant amount of pieces of secondary legislation regulating the activities of the judicial system and courts. The HPC has continued to promote district prosecutors. The HPC needs to ensure the implementation of rules for the promotion and evaluation of prosecutors. The HPC should ensure close cooperation with the General Prosecution Office in view of correctly implementing the legal framework in place. This increased cooperation would be of particular importance when evaluating and promoting prosecutors.

Independence and impartiality

The 2016 justice reform created the legal and institutional framework to guarantee the independence and impartiality of magistrates. The independence of the judiciary is guaranteed by the Constitution. However, concerns continued to be raised about alleged attempts to interfere and exert pressure on the judicial system. The training of magistrates should remain focused on integrity and judge-craft. More work to raise awareness on integrity and judicial independence should take place at all levels. Legal provisions are in place to guarantee independent procedures to appoint, promote, evaluate and dismiss judges and prosecutors, and to ensure that is possible to appeal all related decisions. The remuneration of judges and prosecutors meets the highest public salary standards for the country. However, the lack of transparent procedures to promote prosecutors remains a priority issue.

The rollout of a modern Integrated Case Management System has been pending for many years and is necessary to improve the efficiency and transparency of the justice system. Since several courts have very few judges and the Integrated Case Management System is not used, the random allocation of cases is not widely applied.

It is a criminal offence to exert undue influence over a judge or a prosecutor. However, in practice there have been no reports from judges or prosecutors of such attempts. No measure has been taken against public officials or politicians waging accusations against magistrates, but to address them the independent institutions governing the justice system have proactively reacted against such public accusations, classifying them as undue influence and pressure.

Accountability

The High Justice Inspector (HJI) continued to be fully operational, initiating and conducting disciplinary investigations against magistrates. The HJI continued to be understaffed and could not reduce the accumulated backlog, despite the allocation of additional staff and premises, and an increased budget. The recruitment of additional inspectors and improvement of HJS's capacity remain necessary. During the reporting period, the HJI received 1 257 complaints. It

processed 4 124 complaints in total and started 22 investigations, of which 17 resulted in disciplinary proceedings.

The HJC budget has been gradually increased, and all minutes of meetings and decisions are being made public. Outreach to the media and distribution of materials to the public need to be stepped up to proactively inform people about the HJC's activities.

The HJC made progress in evaluating judges at all levels. Evaluations are now conducted regularly, and the backlog of evaluations is being steadily reduced. The HJC suspended one judge based on HJI investigations. The HPC should swiftly finalise all the necessary secondary legislation for evaluating prosecutors. Most HJI requests to dismiss prosecutors were rejected by the HPC in 2021. Close cooperation between the institutions governing the justice system should continue. The HJC and HPC held their first joint meeting during the reporting period. Coordination on a regular basis is needed.

The HJC adopted three strategic documents on the administrative investigation of whistleblowers and the review of corruption cases within the HJC. The HPC, HJC and HJI regularly published their decisions and the minutes of their plenary meetings.

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. Continued implementation of judicial reform further reduced political influence throughout the appointment process, thus ensuring a merit-based career system.

Two new judges were appointed to the Constitutional Court in March and September 2022, bringing the current number of judges in office to eight out of nine, five of whom are women. The appointment process for the remaining Constitutional Court position is underway. The legal provisions in place define the criteria to become a judge of the Constitutional Court. The evaluation process, including the ranking of candidates needs to be more transparent and take into account the Venice Commission recommendations.

The number of judges at the High Court increased to 15, with six new judges appointed during the reporting period. The High Court can now work in three chambers and adjudicate all categories of cases. It also reached the *quorum* to make appointments to the Constitutional Court. It started to reduce its backlog of cases. However, this backlog remains very high, and more judges and legal advisers are necessary to help reduce it further.

Quality of justice

The quality of the initial and continuous training at the School of Magistrates (SoM) requires improvement and a further increase in the cohorts of students, and therefore graduates, is needed in light of the continued dismissals arising from the vetting process. The HPC and HJC, in cooperation with the SoM, approved the training calendar for the 2022-2023 academic year. For the 2022-2023 academic year, the intake of new students only increased by 20 people compared with the previous term, which seems insufficient in the light of the number of judicial vacancies. The SoM needs to intensify its efforts to strengthen its academic staff and to ensure competitive and transparent recruitment procedures. The periodic evaluation of judges and prosecutors takes into account the continuous training of judges and prosecutors and includes assessments provided by the SoM. The continuous training should improve its methodology and focus more on daily needs as well as on case studies for judges and prosecutors. On the other hand, the initial

training requires a substantial revision, consistent with the objective of training specialised judges in various field of law, while enhancing its practical focus, notably with courses on legal writing and reasoning. The total budget allocated to training initiatives at the SoM in 2021 amounted to EUR 2,101,845, an increase of 27% compared with the previous year. The SoM needs to coordinate assistance from donors and CSOs more proactively. As an observer of the European Judicial Training Network (EJTN) it should benefit more proactively from the EJTNs activities and the expertise within the network.

Albania had 307 full-time judge positions (10.8 per 100,000 inhabitants) and 300 full-time prosecutor positions (10.5 per 100,000 inhabitants) in 2021. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 21 judges and 12 prosecutors per 100,000 inhabitants. The 2021 budgetary allocation for the judicial system was about EUR 40 million. This amounts to EUR 14.5 per inhabitant. Court infrastructure remains poor overall and future budget allocations need to address with greater determination the pressing needs of the judicial institutions.

Court activity is monitored through quarterly reporting of the courts and data is made public in the annual reports of the HPC and HJC.

Alternative dispute resolution continues to be limited and needs to be further reinforced. Awareness of the citizens about the alternative dispute resolution service is low and needs to be improved.

Efficiency

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

Appeal courts continue to have a high number of inherited cases and are affected by the high number of judicial vacancies, with only 30 out of 78 appeal judges in office. Albania adopted a new judicial map as per the legal requirements, following a consultation process and the support from international experts, including through EU funding. The new judicial map aims to re-distribute the backlog among the courts more fairly by reallocating judges and courts to the areas with the greatest backlog. In addition, it intends to create the possibility for more specialisation of judges in specific areas of law in order to improve quality. A solid implementation plan for the new judicial map will be needed. The average length for a case at appeal level is 893 days. However, at the Tirana Appeal Court, the average length for a criminal case is 5 820 days.

The courts with the highest backlog are the High Court, the Tirana District Court and the Administrative Court of Appeal. The latter has 18 415 cases, of which 9 938 are older than two years. The High Court has the highest backlog with over 35 822 cases, of which 27 843 are older than two years (77%). However, following the new appointments to the High Court, the clearance rate has increased considerably to 117% for criminal cases and 193% for administrative cases. The recruitment of new administrative and legal experts, the improvement of working methods and the increase of communication and transparency remain key tasks.

Further efforts are required 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 inter-operability across the entire justice system, in line with CEPEJ methodology.

Progress continued by the HJC on the measurement of court efficiency through the adoption of the necessary regulation and statistical charts for the evaluation of the performance of magistrates based on CEPEJ indicators. The HJC approved new rules for satisfaction surveys as a means to monitor the performance in all courts. More rules and indicators on efficiency should be promptly approved by the HJC.

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

Despite COVID-19, all institutions proceeded with their regular work, including improving IT tools to hold online meetings. In 2021, COVID-19 did not affect court proceedings, and hearing were held in camera during all the reporting period.

Fight against corruption

Albania has **some level of preparation** in the fight against corruption. Despite **some progress**, increased efforts and political commitment in fighting corruption, it remains an area of serious concern. Overall, corruption is prevalent in many areas of public and business life. The Specialised Anti-Corruption and Organised Crime Structure (SPAK) conducted criminal proceedings and financial investigations in several high-level cases. Some final convictions of high-ranking state officials have been pronounced. The vetting of members of the judiciary continues to bring results in the fight against corruption within the judiciary. A new General Anti-Corruption Directorate was created at the Ministry of Justice to improve coordination at the central level; its efficiency remains to be demonstrated. Increasing the number of final convictions of high-level officials remains an important priority to further tackle a culture of impunity. Sectors most vulnerable to corruption require targeted risk assessments and dedicated actions. Since the 2021 recommendations were only partially implemented, these remain valid.

In the coming year, the country should in particular:

- further progress towards establishing a solid track-record of investigations, prosecution, and adjudication of corruption cases, and seizure and confiscation/recovery of criminal assets resulting from corruption-related offences;
- ensure that the Specialised Structure for Anti-Corruption and Organised Crime (SPAK) further addresses high-level corruption, enhances its staff and resources, as well as its coordination with law enforcement, prosecutorial and judicial entities in charge of corruption prevention;
- ensure that criminal proceedings are consistently and systematically initiated against judges and prosecutors accused of criminal conduct during the re-evaluation process;
- effectively address the recommendations of the Council of Europe's Group of States against Corruption (GRECO) and timely implement the related action plan; adopt integrity/prevention of corruption plans within all line ministries and State authorities.

Track record

Efforts continued on improving the track record of **investigations, prosecutions and convictions** in the fight against corruption. However, greater political will and more structured and consistent efforts, including adequate resources, tools and skills, remain necessary. The number of corruption cases sent to court was 440 in 2021, including 31 cases sent by the SPO.

Final convictions of persons for corruption offences amounted to 235 at first instance and 99 at appeal and final court level. The overall number of cases referred for prosecution in 2021 was 3 351.

On **high-level state officials**, there was some progress. In 2021, 89 cases were opened (73 in 2020) and 2 indictments were issued involving 5 people (against 11 indictments involving 20 people in 2020). There were no convictions of officials on high-level corruption charges. A former Prosecutor General was given a final sentence of two years imprisonment and five years probation for concealing assets. A former Minister of Interior received a final sentence of three years and four months imprisonment for abuse of power.

Criminal proceedings and parallel financial investigations were conducted by SPAK in several high-profile cases, involving politicians and members of Albanian institutions, the judiciary, local authorities and the business sector. This includes notably the arrests 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). After approval by the SPAK Court of Appeal, the investigation against a former Minister in relation to the fatal Gërdec explosions in 2008 was reopened.

Investigations should result in a substantial number of final convictions of high-ranking state officials. Continued efforts are needed to tackle the culture of impunity for high-level state officials.

In 2021, the network of **Anti-corruption coordinators**, responsible for administrative investigations, presented 12 reports on criminal activities concerning 4 institutions (State Cadastre Agency, General Directorate of Road Transport Services, National Food Authority and General Directorate of Customs) while 85 administrative measures were taken against 11 institutions.

The vetting of members of the judiciary continued to have a positive impact on the fight against corruption. The SPO has followed up criminal investigations for vetted-out High Court and Constitutional Court judges and prosecutors. Efforts to ensure that dismissed magistrates are brought to justice should continue. Of the 300 high-level officials of the state police, Guard of the Republic and Service for Internal Affairs and Complaints (SIAC) 66 were vetted, leading so far to 6 dismissals and 7 resignations. The vetting process remains crucial to restore public trust in the judiciary and the law enforcement bodies of the state.

In 2021 SPAK Courts continued to build the track record in the field of corruption with 52 final convictions (136 people) at first instance and 22 convictions against (44 people) in corruption cases. Some progress was made in 2021 on the **seizure and confiscation of assets in corruption cases**, with assets seized amounting to a total value of around EUR 21.5 million. However, additional efforts are needed, in particular on effective follow up through confiscation. In the first half of 2022, almost 37 million worth of assets were seized, but only minor amounts confiscated.

On **asset declarations by high-level state officials**, 15 cases were referred by the High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIDAACI) to law enforcement agencies in 2021, down from 72 in 2020. There were no final convictions on cases referred by HIDAACI.

The law on whistle-blowing and **whistle-blower protection** continued to be implemented. In 2021, 11 cases were registered and administratively investigated and one request for protection against retaliation was received by HIDAACI. The public and private sector made progress in creating respectively, 362 and 527 units responsible for adopting internal regulations on whistle-blowing, and continued to submit reports to HIDAACI.

In 2021, HIDAACI issued fines as an administrative measure in 82 cases of refusal to declare, conflict of interests and failure to comply with the law on whistleblowing and whistle-blower protection. The large majority of these measures were upheld by the administrative courts.

As regards **internal control mechanisms**, the state Supreme Audit Institution reported estimated damages and financial losses to public finances in 2021 of almost EUR 18 million. In 2021, the institution referred 14 cases involving 62 executives for prosecution, including a former Minister of Health and a former director of the Port Authority in Durrës. A case referred for prosecution in 2020, on a tender of EUR 27 million for the supply of police uniforms, led to arrests by SPAK of public officials in July 2021. (*See also Chapter 32 – Financial Control*).

On **access to information**, the Commissioner for Information and Data Protection administered 992 complaints, and continued the review of 44 complaints carried over from 2020. In 698 of those cases the applicant was provided with the information requested, as a result of the administrative inquiry process. As for the institutional framework, the law on the right to information envisages administrative accountability of public officials who fail to comply with its obligations, sanctioned by fines of up to EUR 2 500 and the possibility for the Commissioner to take disciplinary actions against the person responsible.

Anti-corruption measures continue to have a limited impact in **particularly vulnerable areas** (roads, cadastre, property, customs, tax administration, education, health, public procurement, PPP contracts, etc.). More action is needed and a strategy based on a general analysis of the problem should be adopted. Internal checks and inspection mechanisms in the public administration remain weak and ineffective. Corruption remains prevalent in the health and property sectors and within the police. It particularly affects women as regards access to justice, in social services and higher education.

Institutional framework

Prevention of corruption

With the aim of improving the central anti-corruption coordination, a new **General Anti-Corruption Directorate** was created within the Ministry of Justice, incorporating competences and functions that were previously part of the Prime Minister's Office. Its mission is to conduct administrative investigations on denunciations for abusive, corrupt, or arbitrary practices regarding law enforcement, as well as to identify violations of law by public officials. Effective inter-institutional coordination should be ensured between the new governmental structures involved in fighting against corruption. The efficiency of the new anti corruption directorate remains to be assessed.

The institutional and operational capacity of the anti-corruption network in line ministries, at the local and the central coordination level continued to increase slightly. The recruitment of staff in the General anti-corruption directorate in the Ministry of Justice still needs to be completed. The **network of anti-corruption coordinators** at national and regional level has grown to 78 coordinators in 44 state institutions.

HIDAACI made progress in its work by establishing an **Electronic System of Declaration of assets and private interests**, which is now fully operational. HIDAACI postponed the deadline for submitting declarations until October 2022, while providing trainings on the system to those concerned.

Within the overall anti-corruption framework, the role of the State Supreme Audit Institution remains to provide recommendations to the government to address systematic weaknesses. The e-procurement, e-appeals and e-complaints systems helped to increased transparency in the area of public procurement. In April 2022, the Ministry of Justice submitted its self-assessment compliance report to the Council of Europe’s Group of States against Corruption (**GRECO**), as a follow up to GRECO’s first report of the fifth round. The report deals with preventing corruption and promoting integrity in central government and law enforcement agencies, and lists 24 recommendations for Albania. The 12 subordinate institutions and agencies of the Ministry of Justice have finalised the process of **integrity risk assessment** and have approved their **integrity plans**. Besides the Ministry of Justice, the Ministry of Interior and the Ministry of Finance and Economy have also adopted their integrity plans.

In November 2021, Parliament adopted the **law on co-governance**, which provided the Agency for Dialogue and Co-governance with substantial new powers (*see above on Public Administration Reform*). Since the Agency is also mandated to follow up on corruption complaints, its interaction with the network of anti-corruption coordinators and the division of roles between the two organisations need to be clarified.

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 remains a party to all international anti-corruption conventions, including the United Nations Convention against Corruption. It has continued to improve its legal framework for preventing and combating corruption.

The Albanian parliament still needs to adopt a unified law on political party and campaign financing, and also address remaining OSCE/ODIHR recommendations. As electoral campaigns are moving increasingly online, special attention should be paid to online and third-party campaigning.

Concerns about the misuse of state resources during electoral campaigns persist. The Central Election Commission fined the mayor of Durrës for using public resources during her electoral campaign for the March 2022 by-elections. Such incidents, and others related to vote-buying practices in April 2021 elections, confirmed the need for more transparent political party finances in line with international and European standards.

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

Strategic framework

Overall, the implementation of the inter-sectoral strategy against corruption is still on track. However, weaknesses as regards the need to improve ownership, to strengthen institutional capacities and increase the budget for the strategy's activities are still present. Although the strategy includes monitoring indicators, the impact of anti-corruption structures on preventing public sector corruption remains difficult to measure. The 2022-2023 action plan to implement the extended strategy remains in place. Consultations with relevant stakeholders before the approval of the reports have improved, including the use of the public consultation platform. Some progress was made in awareness-raising and efforts in this area need to be sustained.

Fundamental rights

Albania generally complies with international human rights instruments and has ratified most international conventions on the protection of fundamental rights. During the reporting period, some progress was made, notably with the adoption of a new and better-budgeted national action plan for LGBTIQ persons, a national strategy on gender equality and a national action plan for equality, inclusion and participation of Roma and Egyptians in Albania. The use of alternatives to detention and, in particular, the probation service have also made some progress. On property rights, the registration and digitalisation of cadastral data continued, but at a slow pace. The compensation process for property unjustly expropriated during the communist area has slowed down during the year, pending amendments to legislation. The sector remains prone to corruption. Efforts must intensify, including on completing the legislative framework and by making further progress in first registration and compensation processes. On the protection of national minorities, one additional piece of implementing legislation was adopted and preparations for the long awaited population census continued. However, the adoption of the implementing legislation on the most sensitive issues is still pending and the population and housing census was postponed to 2023. On the protection of personal data, Albania needs to take measures to prevent massive breach of personal data from happening again and must accelerate efforts to align its legislation with the EU General Data Protection Regulation (GDPR). Overall, the recommendations from last year were partially implemented.

Recommendations for the coming year:

- adopt pending implementing legislation on minority rights, particularly on self-identification and the use of minority languages, and increase the capacities of the state Committee on National Minorities;
- allocate sufficient resources and finalise the legal framework, to complete the transitional processes in the area of property rights, and to improve the transparency and quality of the property register;
- improve data protection, in particular by adopting the revised law on personal data protection aligning with the EU General Data Protection regulation, by strengthening the Office of the Information and Data Protection Commissioner, and by raising awareness, including in public institutions;
- implement the national strategy for gender equality, the law on gender equality and ensure gender mainstreaming and gender-responsive budgeting for sectoral strategies.

Overall, Albania continues to comply with international **human rights instruments** and most international conventions have been ratified. However, 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 have not yet been signed.

In March 2022, the Committee of the Convention on the Elimination of all Forms of Discrimination against Women adopted a list of areas, where Albania needs to demonstrate progress, including the legislative framework and definition of discrimination against women, employment, gender-based violence, and disadvantaged and marginalised groups of women.

Albania submitted its first report on the implementation of the Council of Europe Convention on preventing and combating violence against women and domestic violence (the Istanbul Convention). The conclusions of the Committee of the Parties to the Istanbul Convention, published in December 2021, noted the urgency of increasing resources to put legal provisions into practice.

As part of Albania's participation in the **European Union Agency for Fundamental Rights (FRA)**, assessing the level of implementation of human rights legislation, policies, and strategies remain a challenge due to the absence of comprehensive monitoring and data.

Albania continues to ensure good cooperation with the **European Court of Human Rights (ECtHR)**. On 15 June 2022, there were 400 cases against Albania (19 of which were communicated cases) pending before the court. The court delivered four judgments concerning Albania during the reporting period, of which three found breaches of the European Convention on Human Rights (ECHR). Four judgments are under supervision by the Committee of Ministers on *inter alia* the prohibition against ill-treatment, the length of judicial proceedings, the non-enforcement of judicial decisions and the right to property. There were 75 new applications allocated to a judicial formation of the ECtHR and the court dealt with 224 applications concerning Albania in 2021, of which 220 were declared inadmissible or struck out.

The Ombudsman (People's Advocate) continued to promote **and enforce human rights**. The institution's budget was slightly raised in 2021. Of the 267 recommendations issued in 2021, almost half were accepted and at least partially implemented, 22% remained unanswered and several late and/or incomplete answers negatively affected the work of the Ombudsman. Progress needs to continue on improving the follow-up to these recommendations.

During the state of emergency related to the COVID-19 pandemic in 2021, the Ombudsman raised concerns about democratic participation, freedom of movement and assembly, restrictions on the right to family life and privacy, and proactively promoted principles of legality and proportionality with regards to legislation in light of the pandemic. The significant and stable number of discrimination cases filed with the Commissioner for Protection from Discrimination (CPD) shows the public's increased awareness and trust in this institution. The ECtHR upheld a claim based on a binding decision of the CDP from 2015, although the case was never tried in national courts, contrary to Albania's claim. The ECtHR ruled that it was not necessary to seek redress in courts if there is an enforceable and binding decision of the Commissioner. In 2021, 324 cases were filed with the CDP, of which 168 were in the field of employment and 143 in the field of goods and services. The CDP issued four main recommendations. Two related to draft laws to combat sex crimes. Another was on the implementation of the national gender equality strategy. Another recommendation was on the 2021-2025 national action plan for equality, inclusion and participation of Roma and Egyptians.

On the **right to life**, limited progress was made in investigating cases and strengthening the institutional and legislative framework on missing persons since the communist era. In October 2021, the Fier district prosecutor ordered the exhumation of a secret grave in the former prison camp in Ballsh, a known grave site. The order has not yet been implemented. Implementing legislation amending the law on the right to information about the former state security documents of the Socialist People's Republic of Albania remain to be adopted. In March 2022, the new structure of the authority for information on the documents was approved by Parliament and cooperation agreements on the identification and recovery of missing persons were signed between the authority and the state police. Additionally, a new directorate was created with a clear mandate to enhance inter-institutional cooperation on the identification and recovery of the bodies of missing persons. Continued political will is important to increase the number of cases solved and to raise public awareness on this matter.

On the **prevention of torture and ill-treatment**, in November 2021 the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) carried out an *ad hoc* visit to Albania. The CPT reviewed progress made in transferring forensic psychiatric patients to proper facilities, and examined the conditions of the prison hospital. The medical and custodial staff were assessed to be generally satisfactory and no allegations of ill-treatment of patients by staff were reported. However, poor material conditions remain, 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 of Justice and the Minister of Health and Social Protection to implement recommendations of the CPT and judgments of the ECtHR concerning forensic psychiatric patients and prisoners with a mental disorder. Following an additional agreement, the Zaharia prison was closed, and forensic psychiatric patients were transferred to the Lezha prison. Progress in the renovation of the Lezha prison continued. However, it remains 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 their competence.

The National Preventive Mechanism (NPM) carried out 68 periodic inspections which were followed by 76 recommendations and handled 38 complaints, and nine *ex officio* cases concerning conditions in prisons and treatment of prisoners. The NPM also handled four complaints against the state police for violence and unjustified escorting. According to the Ombudsman's reports, most of these cases occurred during arrest and interrogation, especially in the context of public protests.

The **prison system** and detention centres remain an issue of concern. Long standing issues include political influence, corruption, and poor management, as well as shortage of staff, poor infrastructure, lack of healthcare and security. Lack of inspections, employment and reintegration programmes for prisoners are other issues of concern.

Across the country, the number of inmates is now below the capacity of the prison system, with 95% of the capacity used.

The General Director of Prisons, appointed in December 2021, has demonstrated a proactive commitment to improve prison facilities, including review of prison security and the rehabilitation of prisoners. Special attention should be paid to de-radicalisation in prison and post-releases.

Although the 2019-2022 action plan for the development of the prison system will soon no longer apply, it remains relevant as the new penitentiary legal package still needs to be effectively implemented. A sub-legal act on the employment of prisoners was adopted in October 2021 and the Minister of Justice has undertaken efforts to provide employment to 580 prisoners.

In 2021, the use of alternatives to custody continued to grow. The probation service remains fully operational in the whole country and provides alternatives to imprisonment, including for juvenile offenders. However, the use of electronic monitoring, has been suspended since 2017 because of an unsettled legal dispute.

Legislation on **protection of personal data** still needs to be further aligned with the EU General Data Protection Regulation (GDPR) and the related “law enforcement” directive⁴. The process of modernization has been launched. A draft law aiming to achieve this alignment has been submitted to public consultations, which lasted from half June to half July 2022. Additional human and financial resources will need to be allocated to the Office of the Information and Data Protection Commissioner (IDP) for the effective performance of its tasks and exercise of its powers, to fulfill its expanded role. On 22 July 2022, Albania ratified the 2018 Protocol amending the Council of Europe Convention for the Protection of Individuals with regards to Automatic Processing of Personal Data (CETS 223).

By 19 May 2022, the IDP received 496 complaints and carried out 56 administrative inspections, which represents a slightly higher level of activity compared to 2020. The IDP issued 42 recommendations and 34 administrative sanctions. After the personal data leak that emerged during the 2021 general elections, a new serious and massive breach of personal data occurred in December 2021, when a database containing personal data of more than 600 000 employees in the private and public sector was leaked. The Commissioner launched an administrative investigation of this in the General Directorate for Taxation on the matter. One cross-cutting finding of the IDP during its administrative inspections has been the lack of awareness in public institutions of the obligations set out in the law on personal data protection.

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 2022, the state allocated EUR 935 000 to the Catholic, Sunni Muslim, Orthodox, and Bektashi communities for the administrative functioning of the communities and religious education. The dependence of some religious groups on financial support from third parties creates vulnerabilities. The restitution of properties belonging to religious groups and taken by the state during communism remains an unresolved issue.

Freedom of expression

The country has **some level of preparation / is moderately prepared** in the area of freedom of expression. **No progress** was made over the reporting period. The independence of media and the quality of journalism remain hampered by the intersection of business and political interests. Disinformation campaigns are recurrent especially in online media. The reporting period saw cases of threats, intimidation, and online smear campaigns against journalists reporting on rule of law, corruption and justice issues.

⁴ Law Enforcement Directive 2016/680.

Last year's recommendations still need to be implemented and therefore, remain valid. In addressing the persisting shortcomings, Albania should:

- adopt a policy of zero tolerance for intimidation and attacks against journalists, as well as for threats against the media, including in political discourse and in the margins of demonstrations;
- ensure that the legal requirements for transparency of media ownership and financing, and its limitations thereto, as well as requirements on public advertising, are aligned to international standards;
- implement the Labour Code and strengthen the protection of Albanian journalists' employment and social rights.

Intimidation of journalists

Political actors continued to voice anti-media sentiments and use denigrating language against journalists, on a number of occasions. During the reporting period, four new cases of alleged physical violence against journalists in the exercise of duty were formally registered with the prosecutor's offices of general jurisdiction. Two of the cases were closed and two are still subject of preliminary proceedings. In July 2021, police detained two journalists who were filming an ongoing operation against narcotics. In November 2021, an investigative journalist and a cameraman were almost pushed into a ravine by a police officer as they approached the murder site of a case they were reporting on. In January 2022, nine journalists and media crews were impacted by the police response to a protest in Tirana, but authorities argued that the police actions did not target the media. In the same month, a cameraman was arbitrarily forced by a municipal police to leave a local protest he was covering. In March 2022, the Audio-visual Media Authority (AMA) issued a statement condemning threats by business actors against two journalists. In February 2022, online media claimed that cyber-attacks targeted them following the publication of a taped conversation between a mayor and local football authorities. In April 2022, two journalists reporting on the vetting process received threats and were intimidated, allegedly on behalf of an official with vested interests. Overall, the atmosphere of verbal attacks, smear campaigns and acts of intimidations against journalists has not improved.

Legislative environment

It is essential that any possible change to the media law should be in line with the Venice Commission Opinion and submitted to proper consultation with media organisations. Albania still needs to introduce legislation to strengthen transparency in public advertising.

Implementation of legislation/institutions

In February 2022, Parliament filled six vacancies out of the seven members of the audio-visual regulatory authority, thus making the authority fully operational. The independence of some AMA members has been questioned due to their political links.

It remains important to ensure direct and transparent media access to governmental institutions and their activities and to factual non-partisan public information. Some media organisations have encountered difficulties in accessing factual government information and have expressed concerns about the common practice of the authorities and political parties of providing pre-prepared written or audio-visual content. This notably stems from the need for all government public relations to be handled by the newly created Media and Information Agency. (MIA).

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. The vacancies have yet to be filled.

In October 2021, the anti-corruption special prosecution body, SPAK, issued arrest orders for the former Director General of the Public Broadcaster and three members of the Commission for Offer Evaluation, who are charged with breaching public procurement rules. In June 2022, the Special Appeal Court against Organised Crime and Corruption, sentenced the former Director General to two years in prison. He was also stripped of the right to exercise public functions for 5 years. In November 2021, the public broadcaster's steering board elected a new Director General of Albanian Radio and Television.

Economic factors

High-profile business groups have 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. Market and audience concentration and lack of transparency of media funding continue to remain issues of concern as regards media freedom in the country. Tax evading practices by media owners have been denounced by media freedom organisations.

Internet

Indicatively, there are around 800 online media outlets operating across Albania, with 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 the net neutrality. Albania has signed up to the Declaration for the Future of Internet of 28 April 2022⁵. Signed by more than 60 international partners to date, the Declaration sets out the vision and principles of a trusted Internet.

Digital media are still under strong influence by political actors, businesses and by third parties in terms of funding and content. Media freedom organisations have highlighted the lack of regulation to ensure transparency in online advertising by political parties and candidates during electoral campaigns.

The development of a Strategy on better internet for kids aimed, among others, at facilitating a child-led process, as well as detecting and retorting child sexual abuse material online should be considered.

Freedom of artistic expression

Freedom of artistic expression is broadly guaranteed. In the first quarter of 2022, the government removed the ban imposed on artistic and cultural activities due to COVID-19 restrictions.

Professional organisations and working conditions

⁵ [Declaration for the Future of Internet | Shaping Europe's digital future \(europa.eu\)](https://europa.eu/declaration-for-the-future-of-internet)

Professional associations of journalists face many hardships in terms of limited financial resources, personal skills, and the overall ability to set up a structured dialogue with the government to advocate in support of the media community.

Lack of job security and poor working conditions have made journalists and media workers vulnerable to self-censorship and less resilient against disinformation.

The lack of enforceable employment contracts continues to remain 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 without respecting the procedures of the Labour Code. According to data provided by the Union of Journalists, one quarter of media workers are working without a contract. Reportedly, about 80% of reporters are paid minimum wages and almost 48 % of wages were delayed by 2 to 6 months.

Self-regulating activities need to be stepped up, in particular by the Alliance for the Ethical Journalism, a group that brings together stakeholders, including online ones, who pledge to comply with the Code of Ethics.

Freedom of assembly and association is guaranteed by the Constitution. Civil society organisations and the Ombudsperson expressed their concerns about disproportionate interventions by police forces in March 2022 during civil protests against the increase in fuel and food prices. Detention and arrests of protesters were criticised by human rights organisations, who argued that they were not carried out in line with Albanian law and international practices.

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

Challenges remain in the area of **property rights**. Further efforts are needed to finalise the transitional ownership processes and registration of property deeds, and the restitution of and compensation for property unjustly expropriated during the communist era. It is estimated that approximately 80% of the data on registered properties is incorrect and almost 10% of the country's territory remains unregistered. An efficient and transparent property registration and integrated land management system, which offers clear and secure property titles, needs to be in place to ensure the right to property in practice.

Several acts of implementing legislation provided by the law on cadastre and by the law on transitional ownership processes are still absent. These should be finalised and adopted as a matter of priority.

There was some progress as regards the process of registration and digitisation in the cadastre. By 10 June 2022, first registration had been completed in 2 758 cadastral zones, compared with 2 717 reported last year and there are currently 12 zones where the process is ongoing. There was progress in digitizing property files through the scanning and uploading of kartelas. Over 1.9 million files are now digitised, although 2.3 million files awaits digitisation. Around 300 cadastral zones still lack first registration, comprising around 300 000 properties. Further efforts, including allocating the necessary resources, are needed to complete the first registration.

There is a high turnover of employees in the state Cadastre Agency (SCA), including in managerial posts, and serious allegations of corruption seem to be supported by arrests made by the SPAK. The property sector has been identified by the General Directorate of Anti-Corruption as one of the most exposed to corruption. The SCA needs to urgently conduct a risk assessment and adopt a subsequent action plan to address corruption and other irregularities related to

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

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

In 2021, the police identified and treated 5 312 cases of violence and other crimes committed in domestic relations, a 13% increase against 2020. Among them, 3 266 cases of domestic violence were handled with a request for a protection order and 1 630 cases were referred to prosecution offices. In both instances, a slight increase on the 2020 figures was recorded. 638 perpetrators of domestic violence were arrested and 123 detained. Domestic violence increased during the lockdown period. Eighteen women and girls were murdered within family relationships in 2021, compared with six in the previous year. More efforts are needed to reverse this trend, including through better law enforcement, institutional messages on ending violence against women and by increasing women's awareness of their rights and available services. Currently, there are local referral mechanisms for reporting gender-based violence in all 61 municipalities. However, these mechanisms, and rehabilitation and integration programmes for vulnerable women, need to be reinforced.

The legal framework governing **the rights of the child** is in place and some progress was made in institutional capacity-building for its effective implementation. The practice of child marriage still exists, and is primarily driven by gender inequality, poverty and social exclusion. The lack of official data does not make it possible to provide an accurate picture of the prevalence of child marriage. Laws to protect adolescents from child marriage are ineffective or applied inconsistently. However, throughout 2021 the government prioritised addressing child marriage in its budgeted national policy framework for the first time, and the 2021-2026 national agenda for the rights of the child, approved in 2021, contains objectives and measures to combat this harmful practice. The national deinstitutionalisation plan was included in Albania's 2021-2023 economic reform program with a financial package to develop alternative childcare services and to close social care institutions. Additional efforts are needed to further implement and tackle all violations of children's rights.

Violence and sexual violence, including online, remains a concern. In 2021, Child Protection Units managed 2 389 cases of children in need of protection. There was a slight increase in the number of child protection workers (up from 223 to 241), but this remains vastly below the total number needed. 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.

For children in conflict with the law, pre-trial detention continues to be the main reason for depriving them of their liberty. However, progress was made with an increased use of diversion. The Albanian state police has created child-friendly interview units in 12 police

departments/stations. Efforts are ongoing to train police personnel in using the child-friendly interview units in these twelve police departments/stations and in conducting professional forensic child-friendly interviews. In February 2022, the Director of the Juvenile Criminality Prevention Centre was recruited. With the staff now fully in place, the centre needs to advance in carrying out its mandate and demonstrate its effect on the situation of children in conflict or contact with the law.

No progress was made on the **rights of persons with disabilities**. 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 (UNCRPD) and gaps must be addressed. Albania still needs to ratify the Optional Protocol to the Convention on the Rights of Persons with Disabilities. The 40% gap in funding for the 2021-2025 national action plan for people with disabilities remains to be addressed – without which it cannot be comprehensively implemented. More robust efforts are needed to address discrimination and violence against persons with disabilities, to improve overall accessibility, promote employment, and to collect statistical data on their situation. Adults and children with disabilities continue to be placed in residential care centres, in violation of their rights under the UNCRPD. The quality of education for children with disabilities, especially children with a hearing impairment, continued to raise concern. Although numbers increased in 2021, there remain an insufficient number of teaching assistants for children with disabilities in the pre-university education system. Additional efforts are needed to provide training on inclusive education approaches for all teachers and on early detection of disability.

In Albanian society, discrimination against **lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons** is still very prevalent, 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 in social media. Albania does not have legislation recognising civil cohabitation or same-sex marriage, which would require amendments to the family code.

In November 2021, the new national action plan for LGBTIQ persons (2021-2027) was approved, based on an inclusive and participatory consultation process. It is essential that the plan is adequately financed and that political will for its enforcement is demonstrated to make up for the deficiencies in implementing the previous plan. The new action plan includes various measures to fight discrimination, improve access to services and to approve the legal gender recognition law. In 2021, police officers, prosecutors and gender focal points in line ministries continued to receive training on preventing discrimination on the basis of sexual orientation and gender identity. The shelter for LGBTIQ persons continued to provide care, support and advocacy to homeless LGBTIQ individuals. State funding continues to cover only 40% of the shelter's budget and the fact that it remains very dependent on donors creates uncertainty for the continuation of services.

Among other initiatives, the tenth Tirana Pride was organised on 21 May but public awareness and acceptance of LGBTIQ persons remain low, particularly in rural areas. Hate speech and discriminatory language in the media, especially online, and from politicians and criminal offences and discrimination against members of the trans-community remain a problem. In 2021, the CPD handled four cases of hate speech against the LGBTIQ community. According to CSOs' data, only 7.1% of people in the LGBTIQ community reported incidents of

discrimination, of which 5.8% were reported to the police. Of the total number referred cases, only 20.3% were resolved.

On **procedural rights**, the legal basis for free legal aid is complete and is being applied. 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 law in 2017. Despite the legal framework on free legal aid and institutional set up to guarantee it, only few children benefit from legal aid compared with the number of children involved in criminal law, family and civil law and administrative law processes. The budget allocated for legal aid in 2021 amounted to EUR 547 696, an increase of 31% against the previous year. The budget implemented in 2021 amounted to EUR 245 739 (up from EUR 140 488 in 2020). However, the dedicated state budget should be further increased to make the legal clinics fully functional. The staffing of the free legal aid directorate is now complete, and 10 centres are in operation across the country. It remains important to improve the collection and reporting of statistical data on free legal aid. Awareness raising efforts should continue at all levels. Some progress was made on standards for interviewing children in conflict with the law. Limited progress was made on other procedural rights. There was no progress on addressing remaining issues with regard to other procedural rights of suspects and accused persons. Concerning 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 ensured by courts, prosecutors' offices, and the police. On the presumption of innocence, there should be a clear legal prohibition on public references to guilt made by public authorities.

On the adoption of the remaining implementing legislation related to the 2017 framework law on the protection of national **minorities**, in December 2021 the Government adopted additional legislation to create a fund for civil society projects in support to minority rights, bringing the number of pieces of implementing legislation adopted to nine. However, to date, the implementing legislation on the crucial issues of free self-identification of national minorities and the use of languages remains to be adopted. The state Committee on National Minorities was created. A series of pilot censuses were conducted during the reporting period, including in areas populated by minorities, ahead of the full-scale population and housing census expected to take place in 2023. It is important for Albania to conduct the national census in a smooth and transparent manner and in line with international standards.

Overall limited progress was achieved in the social inclusion of the **Roma and Egyptian**⁷ minorities. In November 2021, the new national action plan for equality, inclusion and participation of Roma and Egyptians in Albania (2021-2025) was adopted, following an inclusive and participatory consultation process. The action plan is funded by the state budget (78.8%), municipalities (13.7%) and donors (0.7%). The gap in financing of 6.8%, needs to be addressed. The institutional capacity of the Ministry of Health and Social Protection, in charge of the coordination of Roma-related policies, remains weak. The human resources capacity of the social inclusion department needs to be strengthened. Participation of Roma in the local administration needs to be improved, and inter-ministerial, national and local coordination on Roma inclusion should be further strengthened.

⁷ In line with the use in the EU Roma Strategic Framework, 'Roma' is used as an umbrella term, without denying the specificities of different groups.

Following the removal of distant learning and quarantine measures related to the COVID-19 pandemic, the participation of Roma and Egyptian children in the education system slightly improved. Roma and Egyptian children have also continued 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. In May 2022, the ECtHR noted that Albanian authorities had failed to take steps to desegregate Roma and Egyptian children in a primary school in Korça and to implement the decision of the CPD ordering the Ministry of Education and Sports to improve the situation. The overall employment rate of Roma and Egyptians, already very low, continued to worsen due to the COVID-19 pandemic. Efforts to safeguard and improve the socio-economic standards of Roma and Egyptian minorities, in line with the Poznan Declaration and the Western Balkan Investment framework should be put to the forefront. After two years of delay due to COVID-19 restrictions, the Fifth EU-Albania Policy Dialogue on Inclusion of Roma and Egyptian Communities (aka Roma Seminar) took place in April. Health insurance coverage for Roma and Egyptians remains low. Roma and Egyptians continue to benefit from a 5% quota through implementation of the law on social housing. 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 most public services, which are now digital (healthcare, education, employment, social protection etc.). Additional efforts and resources are required to accelerate the inclusion of Roma and Egyptians, tackle antigypsyism and discrimination as well as educational and spatial segregation, and reduce the gap with the rest of the population.

On **citizenship rights**, the agency in charge of special citizenship programmes, set up under the authority of the Minister of the Interior, has been staffed during the reporting period with four employees. In March and April 2022, the Council of Ministers decided to create two programmes 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. In late 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 rollout an investors' citizenship scheme (golden passports). Such a scheme 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*. As a candidate country, Albania should refrain from developing such a scheme.

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, which have the most advanced level of engagement with Albania.

Albania has **some level of preparation/is moderately prepared** to implement 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 and implementation of the Financial Action Task Force (FATF) Action Plan has progressed significantly. The track-record on money-laundering and high-level corruption cases remains insufficient, financial investigations need to be further developed, and

the FATF Action Plan must be completed. Albania has continued its positive engagement with all the EU Justice and Home Affairs agencies. No progress was made in referrals to asylum procedure and the implementation of return procedures in line with the legal framework. The number of asylum applications lodged by Albanian nationals in EU Member States and Schengen-associated countries remains lower than the pre-pandemic level, but increased since the summer of 2021, and thus still requires continuous and sustained efforts. Albania should keep addressing the phenomenon of unaccompanied minors. Albania's visa policy should be aligned with the EU's. Since only partial progress was made with the Commission's 2021 recommendations, these remain valid.

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;
- swiftly achieve the overdue completion of the action plan agreed with the Financial Action Task Force (FATF) on preventing money laundering and countering terrorism financing with a view to delist Albania from the FATF list of jurisdictions under increased monitoring for strategic deficiencies;
- implement the asylum law and resume referrals to the asylum procedure; align return procedures with the existing legal framework; continue to address the issue of unfounded asylum applications and fully align national legislation with the EU list of visa-required third countries.

Fight against organised crime

The country has **some level of preparation** in implementing the EU *acquis* in this area. **Some progress** was made in meeting last year's recommendations. The cooperation with EU Member States, Europol and Eurojust has remained strong and fruitful. Albania continued to show commitment to counter the production and trafficking of cannabis. Good progress was made with regards to the seizure and confiscation of assets linked to organised crime, and must continue in the future. Efforts also need to continue to ensure increased prosecutions and final convictions, especially at high-level. Countering cybercrime, trafficking in human beings and money laundering remain areas in which additional results are needed. All forms of child sexual abuse online should be criminalised and persecuted.

In the coming year, Albania should in particular:

- keep strengthening the fight against organised crime, including through cooperation with EU Member States, as well as EU agencies, including Europol and Eurojust and increase the proactive use of Europol's Secure Information Exchange Network Application (SIENA) for the exchange of information and its practical extension to additional law enforcement agencies;
- establish without delay an asset recovery office in line with the EU *acquis* that is in charge of the identification and tracing of criminal assets, as foreseen by national legislation;
- ensure that the Special Prosecution Office and National Bureau of Investigation continue to increase operational access to all relevant databases.

Institutional set-up and legal alignment

The Albanian State Police (ASP) has a total of 11 804 officers, equivalent to 260 officers per 100 000 inhabitants, compared with an EU average of 333 per 100 000 inhabitants (Eurostat, 2018-2020). Staff rotations are frequent, affecting the ASP operational capacity. After the transfer of some of the former Serious Crime Prosecution Office's competences to local prosecution offices, judicial police officers need further training to investigate, in particular on financial crime, money laundering and illicit trafficking offences. Albania should provide the relevant institutions with adequate resources in order to ensure continuity in the fight against organised crime.

The Specialised Anti-corruption and Organised Crime Structures (SPAK) have started to build track record of investigations and convictions on organised crime with 48 new investigations and 128 convictions (for 418 persons) at first instance and 41 final convictions (116 persons) at appeal level in 2021. The Special Prosecution Office now has 17 prosecutors in place. NBI currently has access to five databases and has engaged in bilateral agreements to access nine additional ones by the end of 2022. This trend should continue and NBI should be given access to all databases bringing value to their investigations.

The second batch of investigators for the National Bureau of Investigation (NBI) – 32 individuals - have been selected and vetted. They completed their four months of initial training and took up duty in June 2022, thus filling the 60 positions of NBI investigators. NBI has signed a number of agreements with other law enforcement agencies allowing in particular access of NBI investigators to databases of the Albanian State Police and of the General Directorate for Taxation.

The **legal framework** was further aligned with the EU *acquis*, especially in the field of anti-money laundering. The beneficial ownership (BO) register was further populated with data and comprised 96% of businesses and 86% of NGOs as of March 2022. However, no sanctions were applied for those who have not complied with this reporting obligation as the initial deadline for registration has been extended to end of June 2022 and the sanctions regime has been updated in the context of amendments made to the Law on the establishment of the BO register in March 2022. The further application of administrative sanctions in case of violations against the transparency obligations by obliged entities 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 progressed in the harmonization of legislation of firearms and explosives with the EU *acquis*, however it should make progress in the establishment of necessary infrastructure and legal basis for the deactivation of firearms and allowing the voluntary surrender and/or legalization of firearms as an important means for reducing illegal possession of firearms.

Albania has a robust legal framework for confiscating criminal proceeds. However, the establishment of an asset recovery office, as required by the Law on the administration of seized and confiscated assets from 2019, is overdue.

Albania still needs to adopt legislation targeting unjustified wealth, for example by introducing the measure of extended confiscation and by introducing financial ceilings for cash transactions. Albania should further allow 'suspicious transactions reports' as evidence in court.

The use of surveillance videos by police forces in several cases has demonstrated the need to strengthen legal safeguards and ensure legal consistency. Surveillance data have been used outside control from the judiciary. The right to privacy should be enforced.

While Albania is party to the Budapest Convention on cybercrime, it has yet to sign the Second Additional Protocol to the Convention on enhanced co-operation and disclosure of electronic evidence, which has been opened for signature on 12 May 2022. In relation to negotiations for a United Nations convention on cybercrime based on resolution 74/247 of the United Nations General Assembly, Albania demonstrated voting patterns that are fully convergent with the position taken by the EU and its Member States. On the basis of the National Cyber Security Strategy 2020-2025, new legal and sub-legal acts on cybercrime remain to be adopted. In July 2022, Albania was a victim of a large-scale cyberattack, which led to the temporary disruption of most public online services. (See also chapter 31 Foreign Security and Defense Policy)

The **strategic framework** consists of the Strategy against organised and serious crimes for 2021-2025 and its Action Plan for 2021-2022 as well as a new cross-cutting anti-corruption Strategy for 2015-2023 and its Action Plan for 2020-2023. A new Action Plan 2021-2023 for the fight against trafficking in human beings was adopted in November 2021.

Implementation and enforcement capacity

Albania pursued its efforts towards building a **track record** on fighting *organised crime*. In 2021, there were 41 new cases referred to prosecution (up from 22 in 2020); 14 indictments for a structured criminal group in 2021 (against 15 in 2020) and 19 cases were closed with 75 persons with final convictions at appeal level (compared with 13 persons in 2020).

In 2021 the Special Prosecution Office (SPO) initiated 304 criminal proceedings – 92 for organised crime and 212 for corruption, which represents an increase of 50% compared with the year before. During the same period, 31 criminal procedures for corruption and 15 procedures for organised crime were sent to trial. 23 (against 94 defendants) convictions at first instance were reached by the special court and 52 (against 136 defendants) at appeal level in 2021.

As regards the **track record** for *serious crimes*, there was a further increase in 2021 with 3 913 new cases referred to prosecution, up from 2 838 in 2020; this increase is mostly due to an increase of referrals of drug trafficking cases (3 078 referrals in 2021 compared with 2 086 in 2020). New referrals for trafficking in human beings and money laundering remained at similar levels in 2021, compared with 2020. For serious crimes, 791 cases resulted in indictments in 2021, compared with 581 in 2020. In 2021, there were 375 people with final convictions for serious crimes compared with 261 in 2020. The use of special investigation techniques and proactive investigations should be stepped up.

On **international police cooperation**, a Europol Liaison Officer was deployed in Tirana until the end of 2021 and allowed to further develop cooperation between Albania and EU Member States' police forces. In 2021, 95 police operations were carried out in cooperation with international partners: 78 of them were in the field of narcotics, 14 in the field of illicit trafficking, and 3 in the field of cybercrime.

In 2021, there were eight joint investigation teams (JITs) with the involvement of Albanian partners (4 in 2020), resulting in 30 joint operational meetings. Albania has a police liaison officer in Europol and is planning to deploy a second one.

Compared with 2020, in 2021 there were 3 143 fewer Secure Information Exchange Network Application (SIENA) messages shared by the Albania State Police with international partners, representing a 35% decrease. This drop can be explained by the re-centralisation of access to SIENA channel within one Directorate of the Albanian State Police. An agreement was signed in

November 2021 between the Albanian State Police and the Special Prosecution Office and the National Bureau of Investigation respectively to allow them to access SIENA. A similar agreement had been made in January 2021 between the Albanian State Police and the Customs. However, these connections have still not been made operational. This should be tackled as matter of priority by relevant actors involved. The General Directorate for Taxation and the Financial Intelligence Unit have not made the necessary steps to obtain access to SIENA.

Albania continued to cooperate with EU police services through the European Network of Fugitive Active Search Teams (ENFAST), in which it has an observer's status. The country stepped up its participation in the European Multidisciplinary Platform against Criminal Threats (EMPACT). In 2022, Albania committed to participate in 120 operational actions in 10 of the 15 EMPACT operational action plans (OAPs), including as action-leader for one and co-action-leader for two operational actions. In 2021, Albania participated in 61 EMPACT operational actions, including as action leader in one. Albania appointed a National EMPACT Coordinator.

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

The cooperation with Interpol has continued to yield positive results. The flow of information sent via the Interpol global police communication channel 24/7 system to the National Contact Bureau Interpol Tirana has grown by 14 % in 2021. The cooperation between the Albanian Security Academy and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. A dedicated contact point is in place. Albania continues to benefit full access to the CEPOL Exchange Programme and to participate in the CEPOL-led Partnership against Crime and Terrorism project in the Western Balkans, which runs until October 2023.

On **domestic operational capacity**, legal and institutional reforms have strengthened the capacities of the ASP's Operational Directorate. During 2021, special investigative measures were used in 301 cases as regards money laundering investigations. Albania should continue to use and develop the use of special investigation techniques and proactive investigations.

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

The planned reform of the Security Academy for police training has not progressed. The frequent alterations of the legal framework in a very short period of time in 2021 suggest that the direction of such reform is still not clear.

Financial investigations are not systematically accompanying criminal proceedings from the start, and their effectiveness remains limited. Financial investigation techniques of police and prosecutors still needs improvement. However, progress in asset seizures was notable in 2021. For 2021, Albania reported that close to EUR 50 million worth of assets were seized based on Article 287 of the Criminal Code "laundering the proceeds of crime of criminal activity" (compared with EUR 15 million in 2020), and EUR 21.5 million worth of assets were seized based on the "anti-mafia law" (but none confiscated), compared with EUR 4.8 million in 2020 of which 150 000 had been confiscated. For the first 6 months of 2022, assets of value of about

EUR 178 000 were confiscated in money laundering cases. For organised crime in 2021, the value of the asset seizures was high at EUR 28 million (only EUR 12 000 worth of assets confiscated), but confiscations picked up in the first half of 2022 with more than EUR 1.7 million worth of confiscated assets.

There is no strategic or systematic approach to identifying and confiscating criminal assets located abroad or not reachable. In addition to the tools for freezing, managing and confiscating criminal assets under the anti-mafia law, Albania should adopt and implement rules on the extended confiscation and precautionary freezing of assets. It should also urgently improve its capacity to manage frozen or confiscated assets so that they do not lose economic value.

Albania continues to be a country of origin, transit and destination of **trafficking in human beings**, but the numbers of victims of trafficking of Albanian origin has significantly decreased in 2020-2021 period. Albanian women and children are subject to trafficking for sexual exploitation, forced labour and criminal exploitation to neighbouring countries and EU Member States. There are indications of increased trafficking of women and children for sexual exploitation and begging in Albania. Children placed in institutions and children from the Roma and Egyptian communities are particularly vulnerable to trafficking. The Prosecution's Office registered 10 new criminal proceedings for trafficking in human beings in 2021, compared to 28 in 2020. The number of final convictions remained very low with two cases with three final convictions, same as in 2020. The national referral mechanism for (potential) victims of trafficking remained functional. Assistance was provided in all cases. In 2021, 159 victims or potential victims were identified and assisted, compared with 86 in 2020. Identification of potential victims remains insufficient within the Albanian territory, also among vulnerable migrants entering Albania. The national Action Plan against trafficking in persons 2021–2023 was adopted in November 2021 as a part of the National Strategy against Organised Crime 2021-2025. Its implementation should be supported by adequate funding. NGO-run shelters remain underfunded. Victim-centred investigations and prosecutions are not conducted consistently. Anti-trafficking efforts should increase, in particular by strengthening the child protection system. Successful reintegration remains difficult because core protection, care and social services from the state 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. The hotline 116 006 for victims of 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 on these changes and 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 39 new criminal cases registered at the Prosecutor's Office in 2021, compared to 7 in 2020 and 17 persons final convictions in 2021, a similar level to 2020. There was a significantly higher number of seizures inland compared to those at the border. The exchange of information among different national stakeholders (law enforcement agencies, prosecution and judiciary system) is still low, which clearly jeopardizes the receipt of unified data from the police and prosecution office.

The track record on **fighting cybercrime and internet fraud** in 2021 remains limited with 79 cases referred to the Prosecutor's Office compared to 56 in 2020 with one final conviction, same as in 2020. Albania should establish a more effective law enforcement response focusing on the detection, traceability and prosecution of cyber criminals. Albania should raise awareness among the prosecutors to enhance the use of the 24/7 points of contact network established by the Council of Europe Convention on Cybercrime. The ASP Cybercrime unit has a central forensic laboratory but should increase its capacity to deal with such cases. Capacities for investigating and prosecuting crimes against children committed through the internet need to be strengthened. Legislative amendments to criminalise all forms of online child sexual abuse remain to be adopted.

Albania has a large informal sector and its economy is primarily cash-based. Crimes that generate large amounts of money include drug trafficking, tax evasion, smuggling and trafficking in human beings. As regards **money laundering**, Albania is on the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring since February 2020 and in spite of significant progress, did not complete the implementation of the FATF Action Plan by the February 2022 deadline. Amendments to the law on anti-money laundering aimed at aligning with the EU's fourth and fifth anti-money laundering directives were adopted in Parliament in December 2021. Both the centralised bank account register and the beneficial ownership register are now in place. The beneficial ownership registry has now been largely populated but sanctions have not yet been imposed on non-registered legal entities. Amendments to the law on notaries and a new law for the supervision of real estate agents were adopted in January 2022, as well as the necessary by-laws.. In July 2021, the General Prosecution introduced a dedicated electronic register "PRESTO" to ensure all money laundering cases are tracked with a view to increase effectiveness in the seizure and confiscation of criminal proceeds.

The adoption of a tax and criminal amnesty against the advice of the EU and Moneyval could jeopardise progress in this area – *see also chapter 4 – Free Movement of Capital and 16 – Taxation*.

In 2021, 317 cases of money laundering were referred to prosecutors, against 280 in 2020. Despite this increase, the track record of persons with final convictions for money laundering remains almost inexistent (four in 2020 and only one in 2021).

The ASP's **witness protection** programme has worked satisfactorily. In 2021, 24 witness protection operations were performed, compared to 19 in 2020.

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 does not have a specific National drugs strategy. The Strategy against Organised Crime adopted in December 2020 foresees to improve the legislation on psychoactive substances and precursors and to update the list of prohibited psychoactive substances. The establishment of a National Centre of Information on Drugs (national drug observatory) is overdue. Albania has not yet established a national early warning system on the information exchange about new psychoactive substances. Consultations for establishing the Early Warning System and updating the legislation regarding psychoactive substances and precursors started. Albania continues to

implement the working arrangement with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and makes efforts to increase its reporting capacity on drug-related issues in line with EMCDDA guidelines/protocols and needs sufficient resources for this task. Under the Strategy Against Organised Crime 2021-2025, the Albanian State Police approved in January 2022 an Action Plan for 2022 on the “Prevention and crackdown on criminal activity of cultivation of narcotics plants”.

Implementation and enforcement capacity

Drug trafficking is the most common form of serious criminal offence in Albania and the number of identified cases continued to increase. In 2021, the police identified 3 168 offences related to drug cultivation, production, sale and trafficking of narcotics compared to 2 086 in 2020, involving 3 927 alleged offenders (3 205 in 2020).

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 2021, 212 police operations in the field of narcotics took place, out of which 78 saw the cooperation of Albania’s international partners.

National Police Operations

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. 70 flight missions were operated by *Guardia di Finanza* in 2021, surveying 6.5 million km² and allowing 92 500 plants to be found and destroyed, which represents about 35% increase compared with 2020. In addition, ASP continued monitoring by drones. The quantity of cannabis seized in Albania continued to decline, from about 4.3 tons in 2020 to 3.6 tons in 2021. However, the number of cannabis plants seized increased from 137 000 to 166 000 between 2020 and 2021.

All other drugs saw an increase in amounts seized in 2021 compared to 2020: from 1 kg to 208 kg of hashish, from 51 kg to 81 kg of heroin and from 6 kg to 725 kg of cocaine.

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

Fight against terrorism

Institutional set-up and legal alignment

Albania has a comprehensive legal framework for preventing and combatting the financing of terrorism and is fairly advanced in aligning with the main building blocks of the EU *acquis*. It is a party to all Council of Europe counter-terrorism conventions, including those covering the seizure and confiscation of the proceeds of crime and the financing of terrorism. The authorities should ensure effective implementation of targeted financial sanctions mandated by the UN Security Council, *inter alia* by enhancing the involvement of financial institutions and other relevant actors and through effective inspections, in line with the FATF action plan. The work on preventing risks of terrorism financing in the case of instrumentalisation of non-profit organisations by radicalised groups needs to continue.

The national cross-sector counter-terrorism strategy and action plan from December 2020 continue to be implemented. The national Action Plan on Countering Violent Extremism (CVE) is outdated and its action plan has expired and Albania should adopt the new strategy and action plan as a matter of priority. The new strategy should be fully aligned with the EU policy and key principles on CVE.

Albania has continued to make good progress in implementing the bilateral arrangement with the EU on operationalising the Joint Action Plan on Counter-Terrorism for the Western Balkans.

The Counter-Terrorism Directorate of the Albanian State Police is the lead body on counter-terrorism, under the jurisdiction of the Special Prosecution Office and Special Courts. State Intelligence Service and the Defence Intelligence and Security Agency are also active in the field. The ASP's community policing personnel is involved in preventive and early-warning efforts. The Coordination Centre for Countering Violent Extremism is in charge of capacity-building, coordinating CVE activities across government institutions and overseeing the implementation of the national CVE strategy. The CVE Coordination Centre was moved from the Prime Minister's Office to the Ministry of Interior in April 2022. Albania should ensure that the new set-up provides for the continuity of the centre's work and that the centre will continue to have the authority and resources to carry out its important inter-ministerial coordination function. The work done in the last years to improve the capacities to prevent Violent Extremism at local level should be continued; local communities and local security councils should be further empowered in their preventive capacities. Measures and capacities to address terrorist content online should be improved.

Implementation and enforcement capacity

The police referred ten cases of terrorist offences and financing of terrorism to the Special Prosecution Office and the judicial district prosecution offices in 2021, involving 11 suspects. There were no court convictions for terrorist offences or terrorism financing in 2021. The authorities repatriated ten 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 Counter-Terrorism Directorate have led the inter-institutional work on their reintegration and rehabilitation in an effective and professional manner, with the Counter-Terrorism 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; at least 45 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. While progress was made, Albania should make more proactive use of the Europol European Counter-Terrorism Centre's communication platforms products, services and capabilities. It should continue to collaborate with the Europol Internet Referral Unit. It actively participated in the implementation of the Western Balkan counter-terrorism initiative, under the Integrative Internal Security Governance (IISG).

Albania should continue to focus on the reintegration and rehabilitation of returnees 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, as well as ensure the alignment with the EU legislation on explosive precursors and update the indicators for Firearms Focal Point on the base of Council recommendations of July 2021.

Judicial cooperation in criminal and civil matters

In 2021, the Albanian Liaison Office to Eurojust registered 21 cases at the request of the Albanian authorities, 16 of which have been completed. 51 new cases have been opened with Albania Liaison Office at the request of EU Member States competent authorities. Five new Agreements for setting-up Joint Investigation Teams (JITs) were concluded.

Amendments to the Law on judicial cooperation in criminal matters with foreign jurisdictions adopted in July 2021, have proved useful to facilitate the setting-up of joint investigation teams, but further efforts will be needed to align the national legislation with the EU *acquis*.

A bilateral extradition Agreement was signed between Albania and Spain in September 2021 and entered into force in February 2022.

On judicial cooperation in civil matters, in 2021 Albania received 273 requests for mutual legal assistance and sent out 97 requests, numbers similar to 2020. On judicial cooperation in criminal matters, in 2021 Albania received 913 requests and sent out 870 requests (981 and 1 182 in 2020).

Albania should finalise the internal procedures for acceding to the 2005 Hague Convention on Choice of Court Agreements and the 2007 Protocol on the Law Applicable to Maintenance Obligations. It should further improve international cooperation, the timely implementation of multilateral instruments, and its institutional capacity.

Legal and irregular migration

Institutional set-up and legal alignment

The Ministry of Interior is the main actor in the field of migration. The main bodies under its supervision responsible for implementing migration policies are the Department of Border and Migration in the ASP General Directorate and the Directorate of Anti-Trafficking and Migration at the Ministry of Interior. The Ombudsman and the child protection unit under the Ministry for health and social affairs play an important role in monitoring and providing services to incoming migrants. The National Agency for Employment and Skills also covers services, employment programmes and vocational training programmes for foreigners, stateless persons and refugees.

The **legal framework** on migration is largely aligned with the EU *acquis* but needs updating in line with recent developments on the EU side. Albania has a readmission agreement with the EU and implementing protocols are in place with 12 Member States. Albania has reiterated its interest to conclude an implementing protocol with Greece. Draft readmission agreements have been sent by the Albanian authorities to several countries of origin, so far to no avail. New draft of readmission agreements was sent to Egypt. Drafts have also been prepared to be sent to Tunisia and Bangladesh. In 2022, negotiations started on a Bilateral Partnership Agreement in the field of migration with India, which would include provisions on readmission.

The implementation of the national migration **strategy** and action plan for 2019-2022 has continued, with monitoring reports being issued regularly and a mid-term review conducted in 2021 with IOM support.

Implementation and enforcement capacity

In 2021, 10 102⁸ irregular migrants were detected in the country, compared to almost 12 000 in 2020. The nationals most represented were from Syria (52%) and Afghanistan (14%).

Reception capacities have increased in 2021 with the refurbishment of Babrru National Reception Center allowing for up to 250 beds, and a dedicated family friendly space. The only closed reception center for third-country nationals who are the subject of return procedures in Karreç, with a total capacity of 150 beds, still requires urgent refurbishment. The total capacity of all reception facilities, State-run, NGO-run, or run by local municipalities is approximately 580 beds. Albania does not have separate facilities for unaccompanied minors. The Ministry of Interior has updated its contingency plan for a possible substantial number of arrivals of migrants and asylum seekers, but the plan has not yet been adopted at Council of Minister level. Such a plan needs to include appropriate budget allocations and clear modalities for its triggering. The case management of unaccompanied children is not handled as an integrated process, as required by the law on asylum.

The overall **staffing** of the ASP's Department for Border and Migration remains limited, with 1 663 employees, an increase of 25 staff compared to 2020. 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. The high turnover of officers continues and should be addressed. Border and Migration Police officers should increase their capacities to identify refugees and migrants with specific needs. Coordination with child protection and anti-trafficking departments should also improve. Reports of refugees and migrants being returned to Greece outside a legal and/or procedural framework, without adequate pre-screening, have continued over the reporting period. Albania should apply return procedures in compliance with the Law on foreigners and ensure that its return mechanism for irregular migrants is in line with the EU *acquis* including as regards fundamental rights.

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 2021, 22 025 return decisions were issued to Albanian nationals and 8 555 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 support of Albanian authorities

In 2021, there were two cases of voluntary return to countries of origin.

In August 2021, Albania started temporarily hosting Afghan evacuees. Up to 2 500 have been hosted in open facilities near the coast line 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. Most of them have now been resettled to other countries, mostly to Canada (1374), US (315), and EU countries (73).

⁸ UNHCR figures

As of March 2022, the Albanian authorities granted the right of residence in Albania, for a period of up to one year without the need of obtaining residence permit, or the right to request temporary protection status to refugees from Ukraine. From 24 February 8 763 Ukrainian citizens have entered Albania while 6 991 have left. All have been hosted in Albania in private accomodation. None of them have applied to benefit from temporary protection. Only a few have applied for asylum in the country, but all of them withdrew their request.

Asylum

Institutional set-up and legal alignment

The law on asylum is largely aligned with the EU *acquis*. Efforts have been focused on developing by-laws for its implementation with all 15 by-laws adopted. Efforts should continue and appropriate consultations should be held with the European Union Asylum Agency (EUAA) on the practical guidelines for their implementation. Although the law grants asylum seekers the right to access public services at the same level as Albanian nationals, lack of alignment with other legal acts prevents an effective access. An efficient and quality implementation of the law remains to be achieved and would require additional administrative capacities.

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 2021, 10 102 migrants⁹ were apprehended in the country, compared with almost 12 000 in 2020. In 2021, only 85 persons made a claim for asylum with the Border and Migration Police, compared with 2 102 persons in 2020, whereas more than 80 % of all arrivals in 2021 were self-reportedly from countries with high protection rates. This confirmed the change of practice noticed since the reopening of borders in June 2020, by which referrals to asylum procedures are not implemented. Access to asylum procedures should be restored.

As most asylum seekers leave the country after a few days, most asylum claims are not pursued. In 2021, nine applications were formally lodged. No applicant was granted refugee status, but seven were granted subsidiary protection.

On **asylum procedure**, the capacities of the Border and Migration Police to identify persons with specific needs remain insufficient. The Directorate for Asylum, Foreigners and Citizenship also needs capacity and training assessing individual claims, particularly the information on country of origin and cases involving vulnerable people. The lack of qualified interpreters at the temporary receptions centers 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. A pre-screening instruction which is under revision to ensure coherence with the existing legal framework should be adopted swiftly.

Shortcomings have remained in the implementation of return procedures at the border with Greece and should be addressed.

⁹ UNHCR data

The increased monitoring by the Ombudsperson's Office in border areas and their engagement with the Border and Migration Police on their findings reinforces Albania's rights-based approach towards asylum seekers.

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.

Visa policy

The Commission's August 2021 fourth report under the visa suspension mechanism¹⁰ concluded that Albania continues to meet the visa liberalisation requirements. 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 all 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. In December 2021, Albania revised the decision to grant visa-free access to third country nationals who are residents in the United Arab Emirates (UAE) by allowing access only to those with a ten year residence permit in UAE Nationals from Bahrein, Egypt, India, Oman, Qatar, Russia, Saudi Arabia and Thailand, who need a visa to travel into the EU, still benefit from seasonal visa lifting. This was extended from 30 of September until the end of 2022, except for Egypt and Russia. Overall, the practice of temporary lifting visa requirement is in not in line with the EU *acquis*.

According to Eurostat data, the number of Albanian citizens lodging asylum requests in EU Member States increased by 63% in 2021 compared to 2020, from 6 925 to 11 300 applications, but remains below the pre-pandemic level (20 415 in 2019). This sharp increasing trend started in July 2021, corresponding to the lifting of travel restrictions to the EU linked to the COVID-19 pandemic. This increasing trend continued in the first half of 2022 with 4 995 applications lodged in the period January-May. The recognition rate of asylum increased from 4.5% in 2020 to 5.8% in 2021 (5.2% in 2020 and 9.0% in 2021 including humanitarian status).

In 2021, 4 611 Albanian nationals were refused permission to exit Albanian territory at border crossings compared to 6 180 in 2020. This decrease by 25% can be attributed to the increased awareness about these measures among the population. Beyond thorough border checks, awareness-raising campaigns on rights and obligations under the visa-free regime, and addressing the underlying reasons, dialogue and structured cooperation through the implementation of action plans with the most affected EU countries, should continue. The Commission is monitoring the trend very closely in the framework of the visa suspension mechanism.

Unaccompanied minors travelling from Albania to EU Member States remain a source of concern. Greater attention should be given to the successful reintegration of returnees, especially the most vulnerable, such as Roma and Egyptians, where no notable actions were taken in 2021. Migration counters established in municipalities should be formalised and strengthened to facilitate their reintegration and more police officers should continue to be trained to escort returnees to Albania.

¹⁰ COM(2021) 302 final and SWD(2021) 206 final

Schengen and external borders

Institutional set-up and legal alignment

The Law on Border Control introducing Advance Passenger Information and Passenger Name Record (PNR) in Albanian legislation is not in line with the EU *acquis*. A passenger information unit was established 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 in the current legal framework. The **legislative framework** for the management of Albania's external borders is not yet fully in line with EU standards, while its IBM strategy 2021-2027 and action plan 2021–2023 are broadly aligned.

Implementation and enforcement capacity

The EU is assisting Albania in building an integrated radar system for the surveillance of the 'blue' (sea) border. Albania has committed to invest significant resources to modernise border infrastructure and improve surveillance of the 'green' (land) and 'blue' borders. The total information management system database system is connected with Interpol's system, enabling the border police to identify internationally wanted persons, stolen vehicles and lost/stolen travel documents. Albania should establish a risk-analysis system based on the Common Integrated Risk Analysis model developed by Frontex.

Inter-agency cooperation continued to improve. The Navy, Coast Guard and Border and Migration Police conducted regular joint, integrated 'blue' border patrols. The Albanian State Police and the General Directorate of Customs signed in April 2022 a Joint Order to strengthen joint inspections with a view to crack down on narcotics trafficking, smuggling and other cross-border crimes. The border police's investigative powers need to be strengthened, in particular to detect cases of people-smuggling and trafficking in human beings.

Albania participated actively in the Western Balkan Risk-Analysis Network. **Operational cooperation with neighbouring countries** continued to be good, while bilateral cooperation should be further stepped up. The agreement with Greece on the establishment of a police and customs cooperation centre on the Greek side of the border was ratified by Albania in February 2022. Albania has to ensure that the US-sponsored PISCES system for personal identification is operated in line with the EU *acquis* on personal data protection. In 2021, the Department for Border and Migration issued 16 serious disciplinary measures against border police for corruption and abuse of office, slightly more than in 2020.

2.3. ECONOMIC CRITERIA

<i>Table 1.1:</i>	2013-18	2019	2020	2021
Albania - Key economic figures	average			
GDP per capita (% of EU-27 in PPS) ¹⁾	30	30	30	32
Real GDP growth	2.7	2.1	-3.5	8.5
Economic activity rate of the population aged 15-64 (%) , total	64.4	69.6	69.1	69.3
<i>female</i>	55.4	61.7	61.2	61.4
<i>male</i>	73.8	77.6	77.1	77.3
Unemployment rate of the population aged 15-64 (%) , total	15.7	12.0	12.2	12.1
<i>female</i>	14.4	11.8	12.4	12.4
<i>male</i>	16.7	12.1	12.1	11.8
Employment of the population aged 15-64 (annual growth %)	3.0	2.4	-1.9	-0.4
Nominal wages (annual growth %) ²⁾	2.6*	3.8	2.7	6.3
Consumer price index (annual growth %)	1.8	1.4	1.6	2.0
Exchange rate against EUR	136.5	123.0	123.7	122.5
Current account balance (% of GDP)	-8.4	-7.9	-8.7	-7.7
Net foreign direct investment, FDI (% of GDP)	8.5	7.5	6.7	6.4
General government balance (% of GDP)	-3.3	-1.9	-6.7	-4.5
General government debt (% of GDP)	69.8	65.8	74.5	73.2

Notes :

1) Eurostat

2) average gross monthly wages, average of 2015-2018

Source: national sources

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

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

2.3.1. The existence of a functioning market economy

Albania has made **good progress** and is **moderately prepared** for developing a functioning market economy. Supported by a broadly appropriate policy mix, the Albanian economy showed resilience and rebounded faster than expected in 2021, making up for most economic losses caused by the COVID-19 pandemic. Russia's war against Ukraine has hit the Albanian economy indirectly through higher commodity prices and lower growth in its main EU trading partners, but did not translate into a negative impact on growth in the first quarter of 2022. However, risks are clearly on the downside ahead. The budget deficit and the public debt ratio increased less than projected in 2021, but fiscal space remains limited, heightening the

country's vulnerability to external shocks. There was good progress on revenue-related reforms, but weaknesses persist on investment expenditure planning and execution. The regular use of normative acts for frequent revisions to the budget and the budget law weakens fiscal credibility. Inflation has increased to above the target, which prompted the central bank to raise the policy rate in several steps.. The business environment benefitted from a higher level of digitalisation of the public services. This also contributes to the formalisation of the economy, along with the rising financial inclusion and successful activities to reduce underreported labour, although a large part of the economy remained informal. Consultations of the public by the government did not improve significantly. As some of last year's recommendations to improve the functioning of the market economy were not fully implemented, in the coming year Albania should in particular:

- provided the economic recovery is well entrenched, foresee in the medium-term fiscal plan a gradual reduction of the public debt ratio and arrears, using the regular legislative process when amending the budget,
- implement the reform of public investment management procedures;
- begin implementing the medium-term revenue strategy after broad public consultation and based on an operational plan.

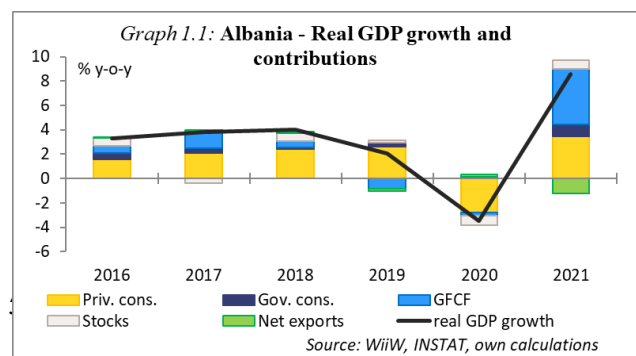
Economic governance

Albania remained committed to stability-oriented policies but some weaknesses in economic governance persist. Following the sharp increase in Albania's public debt and deficit in 2020, due to the COVID-19 pandemic, the IMF and the EU provided financial support to cover financing needs. EU support included EUR 180 million macro-financial assistance, which were fully disbursed in 2021 following Albania's fulfilment of the policy conditions attached to the assistance, including public finance, good governance and social policy. The government used normative acts instead of the regular legislative procedure (i) to amend the 2021 and 2022 budgets multiple times, (ii) to suspend the fiscal rule requiring a decreasing debt ratio and (iii) to postpone the new primary balance rule to 2024. This practice, which is contrary to jointly adopted policy guidance, which Albania partially implemented. Post-earthquake reconstruction progressed.

Albania submitted its Economic Reform Programme 2022-2024 to the European Commission at the end of January 2022, in which it confirmed its commitment to return to its pre COVID-19 fiscal consolidation path as soon as the economic recovery allows, and underlined its plan to achieve a positive primary balance in 2024. In March and September 2022 Albania revised its budget to accommodate the high cost of energy subsidies and the social support extended in relation to the price hikes in the wake of the impact of the Russian aggression against Ukraine.

Macroeconomic stability

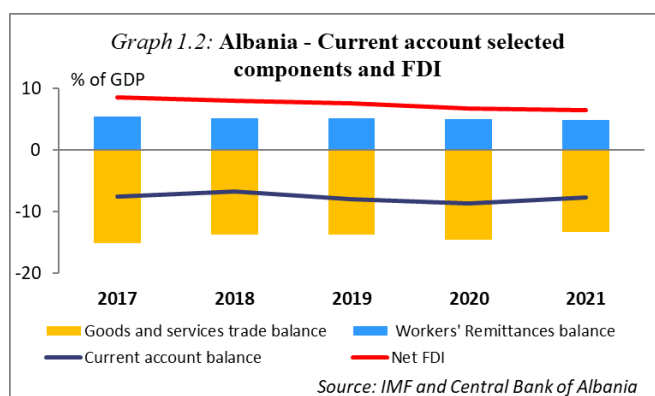
Albania's economy showed resilience during the COVID-19 pandemic. Previously, Albania's real GDP growth averaged 2.7 % (2013-18). Following a smaller-than-projected contraction of 3.5 % in 2020, a stronger-than-expected economic



recovery pushed real growth of GDP to 8.3 % in 2021. Most expenditure categories exceeded their 2019 levels, driven by both public and private investment, private consumption, and external demand. The continuing post-earthquake reconstruction and a stable and liquid financial sector supported exceptionally strong investment growth (negative since 2019). Increasing employment in the second half of 2021 helped the labour market to recover almost all the ground lost during the COVID-19 pandemic. This, coupled with increasing wages, fuelled private consumption. Goods exports, mainly electricity and construction material, exceeded 2019 levels, while exports of services remained slightly below their pre-pandemic level, despite growing tourism from neighbouring countries. Growth in investment and consumption drove a rise in goods imports, leading to a negative real growth contribution of net exports in 2021.

Russia’s war against Ukraine is indirectly hitting Albania’s economy. The economic importance of rainfall-dependent hydroelectric production remains a key contributor to the volatility to GDP growth. A real growth rate of 6% in the first quarter of 2022 showed the continuing recovery of the Albanian economy, supported by private consumption, exports and investment. Business and consumer confidence remained upbeat in April and May, despite even more strongly increasing transport and food prices. The price hikes have prompted the government to provide about 2% of GDP in support for pensioners, vulnerable households, farmers and transport companies in addition to the general support to keep regulated electricity prices stable. Eurostat data shows that convergence to EU income levels has been slow, with per-capita GDP (at purchasing power parity) remaining at 30 % of the EU average until 2020 and increasing to 32 % in 2021.

A smaller trade deficit, coupled with high GDP growth and rebounding remittances, helped to narrow the current account deficit in 2021. In 2016-2020, rising service exports and remittances helped the current-account deficit to narrow from an average 10.9 % of GDP in the five-year period 2010-2014 to an average of 7.7 % in the 2015-2019 period. Following the widening of the current account deficit in 2020 to 8.7 % of GDP, due to the drop in the export of services (i.e., tourism) and private transfers from Albanians abroad, the rebound in exports and remittances, in combination with the high GDP denominator, reduced the current account deficit by 1 ppt. to 7.7 % of GDP in 2021. In the first quarter of 2022, the same elements continued to support the further decrease of the 4-quarter moving average current account deficit to about 7 % of GDP.



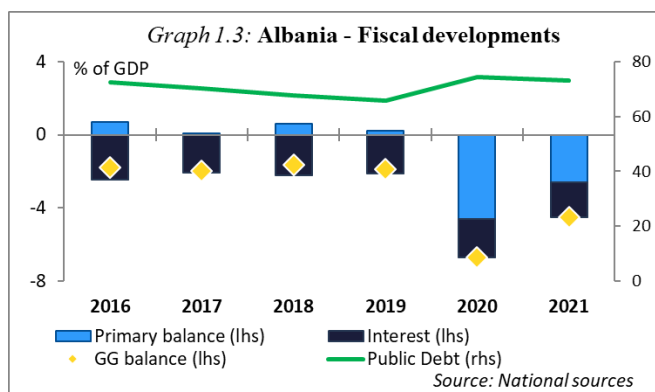
FDI remained below pre-crisis levels and debt-creating capital flows continued to contribute to financing the current account deficit. Foreign direct investment (FDI) inflows, which already started to decrease from their peak levels above 8 % of GDP in 2015-2019, due to the completion of a few large energy projects, fell to 6.4% of GDP in 2021, but it started to recover in the second half of 2021, and rose by 24% year-on-year in the first quarter of 2022. In the five years until 2020, FDI fully financed the current account deficit, but since 2020 debt-creating inflows contributed to around 15 % of its financing. These flows included two EUR 650

million sovereign Eurobonds issued in 2020 and 2021, the latter lasting 10 years¹¹, the longest maturity bond issued so far. External debt, mostly consisting of long-term government debt, climbed from 60 % end-2019 to 64.3% of GDP in 2020, then fell to 63.1 % in 2021 (due to the high GDP). Foreign exchange reserves rose from EUR 3.9 billion in 2020 to EUR 4.9 billion in 2021 and continued to increase in 2022, supported by interventions of the Bank of Albania. Their import coverage increased from an average equivalent of about 7 months in 2015-2019 to almost 9 months of imports in 2021 and continued to provide an adequate safeguard against external shocks in the first quarter of 2022. In 2021 the Albanian lek's exchange rate to the euro returned to its pre-2020 trend of continuous appreciation, albeit at a very moderate pace. Except for a short period of volatility in March 2022 the moderate appreciation to the euro continued in 2022, whereas the Lek depreciated to the USD by 10.8 % year-on-year in June 2022.

Annual inflation has accelerated sharply since end-2021 and led the central bank to start raising its policy rate. The monetary and exchange rate policy framework has not changed. The Bank of Albania (BoA), which operates under an inflation-targeting regime (with a target of 3 %) coupled with a floating exchange rate, supported the economy with its record low policy rate of 0.5 % (set in March 2020) during the pandemic-induced slowdown and the large gap to the inflation target. Annual inflation averaged 1.8 % over the last five years, edging slightly higher to 2 % in 2021, but still below the BoA's target. Prices rises for food and transport pushed the inflation rate towards the central bank's target at the end of 2021 and accelerated strongly in the first half of 2022, in particular as of March, pushing the overall inflation rate to a historic high of 7.5 % in July, more than double the target. In response to the persisting price pressures, the central bank began a gradual policy normalisation in March 2022 and raised the policy rate in several steps to 1.75% in August 2022.

High GDP and revenue growth helped to lower fiscal deficit and public debt ratios in 2021. The fiscal deficit remained below 2 % of GDP in 2015-19, supported by increasing revenue and decreasing interest expenditure, but increased sharply in 2020 to 6.8 % of GDP, due to the impact of the pandemic.

The strong economic rebound fostered higher-than-expected revenue growth (19.3 % y-o-y) in 2021, which, along with high GDP growth, and lower-than-planned public investment spending, helped to reduce the public deficit to 4.5 % of GDP, 2 pps. lower than expected. The high GDP denominator also led to a decrease of the public debt ratio from its peak of 74.5 % in 2020 to 73.1 % in 2021, compared to its pre-crisis level of 65.8 % in 2019. Revenue growth remained strong in the first half of 2022, while expenditure lagged slightly behind plan resulting in a fiscal surplus in June 2022. **Revenue reforms have progressed, but weaknesses in public investment management persist.** Revenue administration reforms in 2021 erased the high VAT refund arrears, sped up the VAT refund process, and increased collection efficiency. Public consultations on the long foreseen medium-term revenue strategy (MTRS) began at the end of 2021 but were suspended by the government in March 2022, reportedly because of the impact of the Russian invasion of Ukraine. The MTRS



¹¹ With an initial yield of 3.75%, just 0.1 pp. higher than for the 7-year maturity Eurobond issued in June 2020.

aims to increase revenue and collection effectiveness, reduce exemptions, and make tax policy more reliable and balanced in its distributional effects. It should also contribute to reducing informality and the use of cash and overall will be a crucial tool for a sustainable, growth-friendly increase in revenue needed to finance the large spending needs on health social protection, education and research. Although investment spending has increased strongly since 2017, it lagged behind the frequently revised plans, and remained very much backloaded, with a third of total capital expenditure in 2021 executed in December alone. This signals a continuing weakness in public investment management, which, in combination with the related contract arrears and the frequent budget revisions by normative act, weakens the credibility of the budget.

The macroeconomic policy mix supported the strong recovery. The original fiscal plans for 2021, and the decision to advance the Eurobond placement to pre-finance the 2022 deficit, were prudent. Good revenue performance and the decrease of the still high debt ratio have slightly improved the limited fiscal space to deal with the initial economic fallout of Russia’s invasion of Ukraine, but tightening financing conditions may restrict the budgetary room for a more active fiscal policy. The BoA’s continuation of a very loose monetary policy stance until March 2022 was appropriate in view of the persistently below-target inflation rate and supported the economic recovery. Its provision of liquidity and its temporary money market intervention supported financial and external stability. The policy response to the in 2022 has so far proven effective in limiting the increase in the inflation rate compared to regional peers. However, this is also due to the costly general electricity, support for the energy sector which has constituted a volatile and non-transparent fiscal liability already before the recent energy price increase because of the rainfall-dependency of Albania’s hydro-electricity production and low energy efficiency.

Functioning of product markets

Business environment

A higher level of digitalisation supports the formalisation of the Albanian economy. Pushed by the COVID-19 pandemic, e-learning, digital training services and e-commerce are rising among businesses. More online public and financial services are being made available as the government aims to offer 95 % of public services online (though the rapid shift has raised questions on delivery and accesibility). This goes hand in hand with efforts of the Bank of Albania and commercial banks to increase the digitalisation of payment services, which already strongly increased the use of payment cards. Efforts to digitalise the Albanian cadastre within the next two years are ongoing, however so far delays and discrepancies regarding the information on property deeds persist. In line with the recommendations of FATF/ICRG, Albania has established a “Beneficial Ownership Registry”, in which all owners of existing commercial or non-profit entities have to be registered by 30 June 2022. The registry adds to transparency of economic actors and implements a key requirement of the EU anti-money-laundering directive. Nevertheless, the informal economy remains large – is the IMF estimated that it accounted for about one third of GDP¹² in 2019, and it is most widespread in trade, tourism, manufacturing and construction.

Progress on improving legal certainty for businesses has been mixed, while concerns about the effective consultation and implementation of legislation and strategies persist. The

¹² IMF 2019, WP 19/278, “Explaining the Shadow Economy in Europe: Size, Causes and Policy Options” estimates on shadow economy in 2016 in Albania between 28% and 30% depending on the model.

adoption of the new “Unified Law on Investment”, originally planned to be adopted in 2020, has been further postponed, delaying the expected improvement of legal security of investors. In mid-2021 Albania adopted a new “Business Investment Development Strategy” (BIDS) 2021-2027. This provides the basis for the government’s support to SMEs and investment and foresees progress in deregulation by eliminating licenses. Businesses increasingly report challenges in finding skilled staff, and a low level of know-how and digital skills, which has led to strong salary increases in some sectors. The introduction of an online consultation platform as the government’s main channel to consult the public on draft legislation and strategies has actually reduced effective consultation when the public does not use it, which was the case for the Economic Reform Programme 2022-2024.

State influence on product markets

High food and energy prices triggered increased government support and intervention in the price-setting mechanism of the private sector. In the last quarter of 2021 food and energy prices were already rising in response to high demand, strong growth and supply chain problems, but the prices jumped even higher following Russia’s invasion of Ukraine. Albania adopted a financial support package (“social resilience package”) in March 2022 and extended it in July 2022 of estimated 2% of GDP for targeted cash assistance and for the long-established but increasingly costly subsidisation of the electricity prices¹³. In the face of popular protests against steep fuel and food price increases, the government established two temporary boards (“Transparency Boards”) with representatives of the government and the private sector in March 2022, which are empowered to set ceilings for wholesale and retail prices of selected petrol-based and food commodities. These are updated regularly to reflect international price changes while keeping the profit margin stable.

The state’s presence in the economy is limited and Albania’s reported state aid fell below 0.5% of GDP. According to recently established sector accounts, the public sector’s share of gross value added of the economy was about 10.5 % in 2018. The share of public sector employment¹⁴ decreased from 16.3 % of total employment in 2014 to 14.3 % in 2017 before picking up to 15.3 % in December 2021. Following an increase in state aid in 2020 to about EUR 248.5 million, or 1.96 % of GDP, almost triple the level in 2019 (5 % of GDP), it then reportedly dropped to 0.25 % of GDP in 2021. The share of horizontal aid in particular dropped in 2021 to about 50 % of its level in 2019. However, the State Aid Office still lacks institutional independence and the comprehensiveness of the data reported remains therefore unclear.

Privatisation and restructuring

Efforts to define and monitor public sector corporations and their fiscal risks are ongoing. Using ESA2010 methodology, in 2020 the Institute of Statistics distinguishes between 167 extra-budgetary units of the central (including some enterprises) and local government (water utilities and football clubs) and 26 non-financial public corporations and 2 public financial corporations, not including the Albanian Investment Corporation (AIC) which is owned and funded by the state to manage state assets and mobilise private capital for the development of investment projects of public interest. The last budget amendment of 2021 allocated a capital transfer of ALL (Albanian lek) 2 billion (about EUR 16 million) to the AIC, but the 2022 budget foresees a

¹³ 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.

¹⁴ As a share of total employment of the 15–64-year-olds, according to LFS (INSTAT)

return of these funds to the budget. Established end 2019, the AIC became operational in July 2021 and has begun to review state assets, formalise partnerships with governmental institutions and to prepare a project pipeline.

Albania reports that it has initiated a valuation of the state's shares in 21 corporations, with less than 50 % state capital in 2022, in order to evaluate the State's voting power in these corporations. It has reportedly merged 6 state-owned companies in 2021, and prepared the privatisation, restructuring and liquidation of several other state-owned companies for 2022. The Ministry of Finance and Economy (MOFE) continued its regular monitoring of public-private partnerships (PPPs), for which the direct budgetary liabilities remained stable¹⁵ below 3% of revenue, and expanded its fiscal risk assessment to state owned enterprises (SOEs) in the water and energy sectors.

Functioning of the financial market

Financial stability

The financial sector remained stable and asset quality improved in 2021, though risks persisted from the high use of the euro in the domestic economy. In 2021 the BoA ended the temporary measures it had introduced in view of the impact of the COVID-19 pandemic without a negative impact on key indicators. The ratio of non-performing loans to total loans continued to decline from 8.4 % in 2019 to a historic low of 5.3 % by the end of the second quarter of 2022. Banking sector profitability improved during 2021, but fell sharply in the first quarter of 2022 (with return on equity decreasing to 7.4 % in March 2022 from an average of 12.2 % in 2021, and return on assets falling from average 1.3 % to 0.8 % in the same period), but overall the banking sector remained stable, sufficiently capitalised and liquid. The banking sector's capital adequacy remained well above the regulatory requirement at average 18.1 % in 2021 and 17.9 % in March 2022, and the liquidity ratio¹⁶ fell from average 33.6 % in 2021 to 28.0 % in March 2022. However, the banks' relatively large exposure to government securities (about 25 % of bank assets) and the ongoing high use of euro in the domestic economy¹⁷ continue to pose risks, although the share of loans not hedged against security risks decreased compared with 2020. The small but growing non-bank financial sector expanded to 38 institutions¹⁸ 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.

Access to finance

Favourable financing conditions and the modernisation of payment systems improved access to finance. Total credit growth averaged 6.9 % in 2021, up from 6 % in 2020, and it accelerated further to 11.9 % (y-o-y) in the first quarter of 2022. Lending to the private sector¹⁹ also accelerated, to 13.8 % year-on-year in June 2022, increasing the private credit-to-GDP ratio from average 37.8 % in 2020 to 38.5 % in March 2022. The implementation of the “National

¹⁵ According to the budget law, budgetary expenses related to PPPs are to be limited to below 5% of previous year's revenue. However, this does not include PPP related liabilities, which are below the line, e.g. linked to power purchasing agreements and the like.

¹⁶ Liquid assets as share of total assets

¹⁷ Foreign currency loans accounted for 51% of the loan portfolio end-2021, while the share of unhedged loans decreased by 4.9pps.

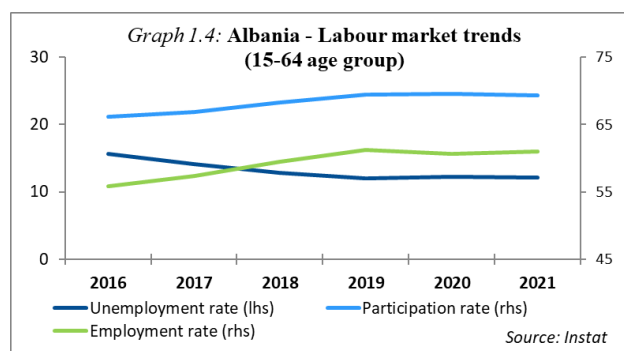
¹⁸ Including 12 insurance companies, 8 investment funds, and a number of institutions providing microcredit, financial leasing, factoring, money transfer and electronic payment services.

¹⁹ Annual average growth adjusted for written-off loans and exchange rate impacts

Retail Payment Strategy²⁰ progressed well and led to an increase in financial inclusion (around 69 % of adults had a bank account in 2021, up from 40 % in 2017) and in electronic payments (up by 29.5 % in 2021). The creation of a depository of biometric data of the population supports the security of the rapidly-increasing online banking sector. In addition, the BoA initiated an enhanced regulation of consumer loans and consumer protection from unjustified or intransparent interest rates, based on EU best practice. The operation of a new domestic settlement platform for interbank euro payments since January 2022, is also part of the strategy, and is expected to reduce costs for payment services. Following a positive assessment of its supervisory framework in 2021, BoA requested the formal equivalence process with the EU framework, which would further reduce costs and support the competitiveness of the Albanian banking sector.

Functioning of the labour market

Following a slight increase of unemployment and inactivity in 2020, rebounding growth supported the recovery of the labour market in 2021. Solid employment growth averaging 3.7 % in the 2015-2019 period helped lower the unemployment rate (age group 15-64) from 17.5 % to a record-low of 11.7 % by Q1 2022. Following a deterioration of all labour market indicators in 2020, the rebounding economy



2021 improved the situation on the labour market: the unemployment rate returned to 12.05 %, the inactive population decreased by 1.5 pps and labour-force participation increased to 69.3 % but remained slightly below the average 2019 level of 69.6 %. The gap between male and female labour force participation remained large and unchanged at 15.9 pps since 2019. However, in 2020 and 2021 there were some structural changes in the labour market. The unemployment rate of tertiary educated persons dropped strongly, while it increased for workers with primary education and also for young people (15-24). Emigration dropped by almost 50 % in 2020 compared with 2019 due to international COVID-19-related mobility restrictions, but jumped back in 2021, in particular the number of young people (20-29) dropped more than double as much as in 2020. Coupled with a falling birth rate this led to a high population decrease of 1.3 % in 2021. However, due to the rising participation rate, the decrease in the labour force (- 0.5 %) was more moderate, roughly at the same level as in 2020 and 2019.

Nominal wage growth accelerated to 6.6 % in 2021 from 2.4 % in 2020, partly reflecting a reduction in under reported wages. Shortages of skilled labour and increases of public sector wages, mainly in health and education, pushed the average nominal monthly wage to EUR 465 in 2021. A leak of salary data of about 630 000 citizens in 2021 enabled a recently established special anti-informality unit of the government to target the widespread practice of under reporting salaries on individual business level, and the tax authorities repeated their call on businesses and self-employed to correct their respective revenue declarations. These measures significantly reduced the number of employees receiving the minimum wage (about EUR 243) and contributed to the statistical wage increase.

²⁰ The implementation of the strategy achieved key legislation for transposing the EU Payment Services Directive 2, including low cost basic current accounts and licensing and supervision of payment services providers by the BoA as of January 2022.

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

Albania has made **some progress** and has **some level of preparation** to cope with competitive pressure and market forces within the EU. Energy and transport infrastructure, the digitalisation of the economy and education outcomes have improved, but significant gaps to regional and European levels remain. Albania's competitiveness is hindered by a lack of entrepreneurial and technological know-how, significant levels of informality, unmet investment needs in human and physical capital, and persistently low spending on R&D. Efforts to improve vocational training and to address the skills mismatch continued and institutional preparations for the Youth Guarantee Plan progressed. Regional integration and exports increased but remained below potential. The lack of product and geographical diversification of exports add to Albania's vulnerability to external shocks.

As some of the Commission's 2021 recommendations to improve competitiveness and to sustain long-term growth were not fully implemented, in the coming year Albania should in particular:

- Finalise the Youth Guarantee Implementation Plan and begin its implementation;
- Improve business support services as well as consultation mechanisms with businesses and social partners and with their cooperation develop a strategic action plan for implementing anti-informality policies;
- Continue to increase the shares of spending in total public expenditure on education and R&D, as well as on health and social protection to fund the agreed improvement of social services and the higher reimbursement of medical costs for vulnerable groups.

Education and innovation

Efforts to improve the labour market relevance of education and vocational training progressed but skill mismatches and high unemployment of young people persist. The share of young people in tertiary education among the 20-24 age group gradually increased, from 12.3% in 2016 to 14.9% in 2021, but the shares of young people in vocational training or upper secondary education hardly changed. In contrast to 2020, the unemployment rate of tertiary educated persons fell below the total rate (15-64 age group) and that of low educated increased. Simultaneously, businesses reported increasing shortages of skilled labour, while the still high unemployment rate of secondary educated jobseekers indicates that skill mismatches and quality issues of vocational training persist, and the ongoing reforms of the vocational education and training (VET) system have still to show results. In 2021, Albania updated the professional and qualification standards and the respective curricula for three of the eight²¹ of its National Catalogue of the professional qualifications, in cooperation with vocational training facilities and business representatives, to better reflect market needs and to encourage a diversified offer of qualifications. Albania also progressed in aligning the Albanian qualification framework with the European qualification framework (EQF)²² and receive the approval²³ of the EQF Advisory

²¹ So far levels 2-4 (of 8 levels) were revised, they describe skills comparable to lower secondary (2), upper secondary and vocational diploma (3 and 4).

²² The EQF helps to understand and compare the skill levels of national qualifications across countries, and promotes lifelong learning. Since 2012 all new qualifications carry a EQF reference in the EU.

²³ This means that certificates and diplomas awarded according to the Albanian framework can include the reference to the corresponding EQF level.

Board for its framework. Preparations for drafting and coordinating the implementation plan of a Youth Guarantee Scheme in Albania have started.

Statistics on research and innovation remain below standard and funding of education and research below needs. Data availability related to the research and innovation capacity of Albania is very limited, and therefore, unlike its regional peers, the country is not included in the European Innovation Scoreboard. In addition, Albania does not report reliable comprehensive data of public expenditure on research and development, because of institutional weaknesses in reporting. However, the allocated budgetary funds of the main ministries remain negligible and below 1 % of GDP as do the planned budget allocations. Although Albania was ranked one place higher in 2021, the Global Innovation Index (GII) still assigned it the lowest rank among 39 European countries. This is mainly the result of low scores in the areas of “human capital and research” and in “knowledge and technology outputs” (below the average of the upper middle-income group) in combination with low secondary schooling expenditure and university ranking. Albania continued to participate in the Horizon 2021 programme, however it had the second lowest number of projects and funding in the region (after Montenegro) and was ranked 15th of 214 countries. In 2021, Albania became a member of the EUREKA network and under the “EU for Innovation” project Tirana universities established “Tirana Inc.” to support entrepreneurship and innovation among students, while a governmental working group is about to draft a follow-up national strategy on scientific research.

Physical capital and quality of infrastructure

Following several years of decline, investment recovered in 2021, benefitting mainly real estate and ICT. Private investment fell from 19.1 % of GDP in 2015 to 16.8 % in 2019, and 15.7 % in 2020 while total investment decreased from an average of 24.5 % of GDP in 2015-2017 to 22.3 % of GDP in 2019. However, from mid-2020 investment started to recover and in 2021 real gross fixed capital formation (GFCF) rose to 24.1 % of GDP, fuelled by public-financed post-earthquake reconstruction, but also private and foreign investment in other sectors, such as trade, hospitality and ICT picked up. Public investment (including that of local governments) averaged 5.4 % of GDP over the 2015-2019 period, before jumping to 7 % of GDP in 2020 and 2021. FDI-inflows, which contracted by 13 % in 2020, rose by 10 % in 2021, mainly in the mining and real estate sectors, but remained slightly below 2019 levels. The revival of the deteriorated railways network started with support of multilateral development banks in 2021, when a contract was signed to restore the connection between Tirana and Durres, the main port. Digital infrastructure continued to improve and the share of enterprises with faster (>10MB/s) network connection increased from 79.8 % in 2020 to 90.5 % in 2021, but internet use and websites of enterprises show only small growth. In June 2022, the government adopted a digital agenda with a corresponding action plan for 2022 – 2026.

Albania has started to establish a power exchange and adopted a new national energy and climate plan. Following the amendment of the power sector Law, which improved compliance with the EU *acquis* on energy and allowed for the effective separation of the electricity distribution system operator from the production operator, Albania was ranked 25th in the Energy Transition Index (WEF) in 2021, the highest in the Western Balkans. Early 2022, it began to establish the Albanian power exchange, another milestone for an integrated organised electricity market agreed with the energy community. Almost all electricity in Albania is produced from hydropower, which creates a dependency on unpredictable rainfall exacerbated by climate change. This in turn results in fluctuating electricity import needs and calls for more

efforts to diversify electricity sources, for which the government mainly involves private investors, as is the case for two new photovoltaic parks it agreed on in 2022. In December 2021, the Government adopted a draft National Energy and Climate Plan 2020 – 2030, but has yet to substantially improve the plan by addressing the comments of the Energy Community Secretariat regarding a missing link between the targets, policies and measures, the lack of public consultation, and to base it on sound cost-benefit analysis.

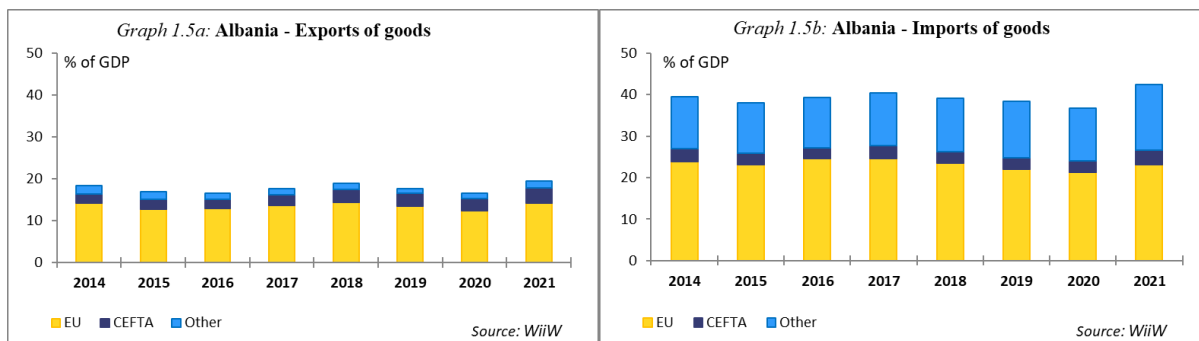
Sectoral and enterprise structure

The economic structure continued to shift gradually away from agriculture and towards services and industry. The weight of the agricultural sector in GDP gradually declined from 19.7 % in 2015 to its lowest level in the last decade of 17.7 % in 2021, when the sector experienced a 1.5 pps drop in investment and a 3.2 % drop in real growth. Manufacturing's share in GDP recovered in 2021 to 6.2 % while that of industry as a whole rose by 1.3 pps to 13.3%. Construction's share climbed from 9.0 to 9.5 % of GDP in 2021. Services gradually increased their value added in real GDP to 48.4 % in 2020 but decreased to 47.7 % in 2021, and they also represent the largest share of employment (44.3 % in 2021). Employment in the manufacturing sector, which had gradually increased to 11.2 % in 2020, remained at the same level in 2021, whereas the decline in agricultural employment accelerated by 2.4 pps to 33.7 % of total employment in 2021. Agricultural employment decreased in almost all parts of the country, however, in more than half of the Albanian prefectures it still accounted for over 50 % of employment and agricultural wages remained the lowest of all sectors, reflecting the still low productivity. **Business registrations recovered, and the number of enterprises with more than five employees increased.** Following a 1.5 % decrease in 2020, the overall number of active non-agricultural enterprises increased by 1.1 % in 2021, and new registrations were 20 % higher than in 2020. Continuing the trend seen in 2016-2019, the number of enterprises with more than five employees rose significantly in 2021. In particular, enterprises with 5-49 employees increased their share from 8.8 % to 12.7 % of all enterprises and played a stronger role in terms of investment and value added. The share of enterprises with more than 50 employees climbed by 0.5 pps to 1.7 % and they employed more than half of all employees. Although microenterprises with 1-4 employees, mostly farms and small traders, remained the vast majority, their share decreased to about 85.6 %, down from 90 % in 2020.

Economic integration with the EU and price competitiveness

The EU remained Albania's main trading and investment partner, despite Albania's gradual diversification of trade partners. Overall external trade averaged 77.3 % in GDP 2015-2019, dropping to 61 % of GDP in 2020 before re-bouncing to 76.4 % of GDP in 2021. Exports remain dominated by services, and the EU remained the main destination for both goods and services exports. Due to faster growth in trade with non-EU countries, the EU's share in Albania's foreign trade has decreased somewhat, with exports to the EU accounting for 72.2 % of the total in 2021 (down from an average of 76.4 % in 2015-2019), while the share of imports from EU, which averaged 60 % in 2015-2019, fell to 54.4 % in 2021. On the other hand, the goods trade volume with CEFTA countries gradually increased from 5.7% in 2019 to 7.6 % of GDP in 2021. Kosovo remained Albania's main export destination in CEFTA, whilst most of its imports in CEFTA came from Serbia. FDI flows to Albania from the EU increased by 26.5 % in 2021, much more than from the rest of the world (7.8 %), and they made up 59.7 % of all FDI inflows. The

EU's share in FDI stocks remained high at 54 %. The index of the real effective exchange rate of the Albanian lek continued to increase, by 1.8 % in 2020 (3.5 % in 2019) albeit at a slower pace than its 2015-2019 average of 3.7 %.



2.4. Public procurement, statistics, 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. Good progress was made during the reporting period, in particular by adopting further implementing legislation to the new law on public procurement, launching an electronic appeals and complaint system, developing and implementing of certified training course on public procurement, publishing first monitoring reports on the public procurement strategy and deploying real time “open data” on procurement activities, and including procurement related corruption risks in institutions’ integrity plans. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle. The Commission’s recommendations from 2021 were largely implemented. In the coming year, Albania should in particular:

- monitor the implementation of the new public procurement law, in particular increase use of the most economically advantageous tender (MEAT) award criterion;
- step up efforts on alignment of the legislative framework with the EU *acquis* in particular the area of concessions and public-private partnerships (PPPs);
- ensure that conditions of intergovernmental agreements concluded with third countries comply with EU *acquis* requirements contained in the SAA, notably in the area of public procurement.

Institutional set-up and legal alignment

The legal framework on public procurement is largely in line with the 2004 EU directives on public procurement and procurement of utilities as well as relevant administrative and budget provisions. The new law on public procurement, which entered into force in 2021, further aligned the framework with the 2014 EU public procurement directives, but thresholds set for competitive procurement of goods and services remain higher. The implementing legislation of the new law was adopted in 2021. The Law on concessions and public-private partnerships (PPPs) is partly aligned with the EU Directive on the award of concession contracts.

The **Public Procurement Agency (PPA)** is the central public procurement entity mandated to propose regulatory measures and monitor compliance with public procurement rules, and since the new law, also to verify the compliance of cancelled procedures and to monitor contract implementation. The PPA also provides contracting authorities with information, support and guidance as well as manuals for economic operators. In December 2021, the PPA introduced “open data” with real time information on public procurement procedures, and archives as of 2010.

Implementation and enforcement capacity

Albania’s **public procurement market** represented about 10.7 % of GDP in 2021 as compared to 9.4 % (in 2020) and 4.8 % (in 2019). Increases in 2020-2021 were largely driven by post-earthquake reconstruction and a decline in GDP due to COVID-19 economic impact. In 2021, the average number of bids per tender was 2.5 as compared to 2.57 in 2020 and 2.37 in 2019. The planning and preparation of public procurement procedures are generally transparent and efficient. Public procurement forecasts are published regularly.

In December 2021, the procurement regime for social services was approved. Capacity building in contracting authorities on the new bylaws is ongoing.

All legal and financial instruments used in the area of public procurement and concessions, including inter-governmental agreements concluded with third countries for the implementation of joint projects, should comply with the principles of transparency, competition, equal treatment and non-discrimination.

On the monitoring of contract awarding and implementation, following close monitoring by the PPA, the number of negotiated procedures without prior publication continued to fall in 2021 to 143 as compared to 151 (not considering COVID-19 and reconstruction) in 2020, accounting for 3.4 % in terms of value of all procurements in that period. The use of framework agreements increased further in terms of numbers (873 compared to 677 in 2020) with a similar total value procured through framework agreements (approx. EUR 354 million in 2021).

Albania has a central electronic public procurement portal on which it publishes tender and contract notices and other important information and guidance. Use of the portal is mandatory, including for low-value procurement. The procurement forecast register is prepared and posted online.

By the end of 2021, the PPPs/concessions registry contained information on 229 contracts, six of which had been signed in 2021. The technical skills and capacity to design and assess concessions and PPPs require further development.

The PPA applies a monitoring system to assess procurement performance, procurement compliance and contract implementation. In 2021, in line with the new law, contracting authorities submitted contract implementation plans for signed contracts to the PPA. The new contract management electronic system, covering the full lifecycle of contracts, is being piloted.

The contracting authorities need to continue to build **capacity to manage public procurement processes** in line with the new law through training of more officials in contracting authorities than in the previous year (1 555 persons trained in 2021 as compared to 970 in 2020). Regarding **integrity and conflicts of interests**, the PPA issued instructions on the declaration of conflicts of interest by procurement officials and adopted a regulation on prevention of conflicts of interest in the exercise of public functions in the PPA. The State Audit Institution (SAI) reported

irregularities in public procurement, with an estimated loss to the state budget of around EUR 3.1 million (as compared to EUR 2.8 million in 2020, based on a smaller sample). In 2021, the PPA imposed fines on 102 employees and proposed disciplinary measures for 145 employees.

Efficient remedy system

The Constitution and the Law on public procurement contain provisions on the **right to legal remedy** that are mostly in line with the Remedies Directive. The remedy system is easily accessible to economic operators, without discrimination, though subject to a fee.

The PPC is an independent review body with 36 posts, six of which are vacant, dealing with complaints related to public procurement procedures. Its decisions can be challenged before the Administrative Court of Appeals. The processing of complaints within the legal time limit improved further in 2021 to 89.2 % (as compared to 78 % in 2020) with a similar number of complaints received (768, as compared to 741 in 2020). In October 2021, the PPC launched a new e-appeals and e-complaints management system for electronic submission and management of cases as well as e-signature of documents and acts. The new system provides real-time statistics, monthly bulletins and information for interested parties, including for visually impaired people through a special access engine.

The **capacity** of the PPC and the Administrative Court to deal with a high number of appeals needs to be further improved. As a result of a cooperation agreement concluded by the PPC with the University of Tirana to develop specialised training courses on public procurement, PPC staff completed a 13-week certified training course (on various topics) from September to December 2021.

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. **Limited progress** was made to address last year's recommendations. There was also progress on further alignment with ESA 2010 standards, faster publication of statistics, and increased transmission to Eurostat. The official statistics programme 2022-2026 was also approved and the preparations for the Population and Housing Census are ongoing. The role of Albania's National Statistical System (INSTAT) was further strengthened, and its resources improved; however, data collection methods need to be modernised and the statistical production processes improved.

In the coming year, Albania should in particular:

- implement the Population and Housing Census 2023 and prepare the plan and secure the resources for the census of agriculture holdings in line with the relevant EU *acquis* and international standards;
- improve the role of Albania's National Statistical System (INSTAT) as the coordinator of the national statistics and expand the number of statistical agencies;
- INSTAT should increase the production and transmission of timely and high-quality data to Eurostat.

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 Programme on Official Statistics 2022-2026 was approved in March 2022 and Albania's National Statistical System (INSTAT) has started its implementation. The Annual Plan for 2022 was not yet approved in June 2022. In August 2022, INSTAT announced that the Population and Housing Census would be postponed to 2023 due to technical issues. While it made some effort to fill the vacancies, further efforts need to be made to reduce the turnover and to ensure that the staffing levels are sufficient to ensure production needs and that staff are well trained in the latest statistical developments.

On **macroeconomic statistics**, annual and quarterly GDP data are produced according to the production and expenditure approach, in current and previous year prices as well as in chain-linked volume and seasonally adjusted. Supply and use tables and derived input-output tables are harmonised with the definitions of the European System of National and Regional Accounts (ESA 2010). On national accounts, data transmission to Eurostat has gradually improved in terms of timeliness, mainly regarding the length of time series for annual national accounts. However, significant improvement is still needed to achieve full compliance (mainly quarterly GDP by income approach as well as population and employment data). Despite progress on alignment with ESA 2010 standards, Albania still needs to further enhance compliance with the methodological requirements, implementing achieved improvements in the next benchmark revision in 2024. Gross National Income (GNI) Inventory describing sources and methods used to compile national accounts, is then to be updated. Efforts are also needed to ensure the completeness of the excessive deficit procedure notification tables, which are sent regularly to Eurostat on a best-effort basis. Improvements are also needed in government finance statistics to meet the requirements of the EU *acquis*. INSTAT produces and publishes the harmonised index of consumer prices and ensures the generation of income accounts.

On **business statistics**, data collection and production have improved. Albania carries out an industrial production survey, although data is not currently collected or transmitted to Eurostat. Albania is partly compliant for all short-term statistics domains (industry, construction, retail trade and other service). However, some important indicators are still not transmitted to Eurostat, in particular on industrial production, industrial turnover, and services producer prices. INSTAT continues to achieve quite high response rates in both business and household surveys.

On **social statistics**, INSTAT continues to conduct the labour force survey regularly, and micro-data are provided to Eurostat, but it still does not produce job vacancy statistics. Labour cost statistics are calculated based on a labour cost survey. INSTAT continues to conduct the survey of income and living conditions wave (SILC) and the data has been validated and published by Eurostat. Data on households and children poverty has been released using the EUROSTAT EU-SILC survey. Statistics on external migration and asylum are partly aligned with the EU *acquis*. Crime statistics are disseminated on annual basis and are fully based on administrative sources. Crime statistics in Albania are classified based on national criminal code and laws, but INSTAT is working on the mapping with the International Classification of Crime for Statistical Purposes (ICCS). Collection of gender-disaggregated data has improved - the new official statistics programme includes provisions to collect and analyse gender statistics. Further efforts are needed to produce disaggregated data for certain groups, especially prevalence of violence and harassment at work; and on data disaggregated by both sex and geographical location, age, ethnicity, disabilities, and migratory status. The population and housing census was previously

postponed to 2022 due to the impact of the COVID-19 pandemic and the national elections, however it has now been postponed to 2023 due to technical issues. Progress was made in the preparation of this census, including communication activities and a second pilot census, Albania needs however to ensure funding for its full implementation, and to use administrative data where possible.

Agricultural statistics are partially aligned with the EU *acquis*. The quality of the data still needs to be improved on the administrative registers, such as the farmer register, individual register of animals and the animal holding registers. INSTAT also needs to finalise necessary documents for the census of agriculture holdings, which is still planned for 2024, including a corresponding action plan and budget, and ensure the necessary funds for its successful implementation.

Environmental statistics are only very partly aligned to the EU *acquis*, while **energy statistics** are moderately aligned. 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 as well as prices of electricity for households and industry. 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 fully aligned yet. Data on packaging waste are increasingly substantial as they are the basis for a new EU Budget own resource on non-recycled plastic packaging waste. Albania already collects data on municipal waste.

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, especially with the implementation of the policy document for the strengthening of public internal financial control (PIFC), guidelines for auditing arrears, approval of revised performance audit manual, and further alignment with the EU *acquis* on counterfeit banknotes and coins. Internal control is not yet ensured across budget entities and it should be enhanced through a stronger engagement between the Supreme State Audit Institution, the Parliament and the Ministry of Finance and Economy.

Since only partial progress was made with the Commission's 2021 recommendations, these 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.

Public internal financial control

A **strategic framework** for PIFC is in place. PIFC measures are included in the public financial management and the public administration reform strategies, and further defined in the 2021-2022 PIFC policy document. The Ministry of Finance and Economy is responsible for monitoring implementation but strengthened efforts are needed on implementation of PIFC reforms beyond the Ministry.

Managerial accountability is not yet fully embodied in the legislation and administrative practice. The adopted instructions on the delegation of financial responsibilities need to be implemented and accompanied by delegation of operational and administrative responsibilities in order to improve overall managerial accountability. In practice, a very small number of administrative decisions are delegated to lower levels due to the centralised decision-making system. The reoccurrence of arrears is an indicator for the not yet fully effective attribution of responsibilities and commitment controls (*See also section: Public administration reform*).

The legislation on **internal control** is largely in line with international standards. In December 2021, the methodology for monitoring the performance of the internal control systems of public entities and the financial management and control manual were approved. In 2021, more institutions defined mission statements, objectives and outputs. During the reporting period, the Central Harmonisation Unit supported five institutions in finalising books of business processes, implementing delegation instruction and reporting lines, and establishing risk registers. Risk management is still at an early stage at all levels and needs to be better incorporated in the management of financial and operational processes. The budget inspection function, which is centralised within the Ministry of Finance and Economy, performs *ex-post* activities upon request.

The legislative framework on **internal audit practice** is in line with international standards. In 2021, the number of certified auditors in the public sector increased to 342, from 318 in 2020. The internal audit function still does not issue audit opinions on the effectiveness of the internal control systems across budget entities. The internal audit quality control procedures still need to comply with the standards and become fully operational.

The **Central Harmonisation Unit** provides methodological guidance and capacity building and monitors internal control and internal audit performance in the public sector on the basis of quality reviews and self-assessment reports from institutions. In 2021, the Central Harmonisation Unit issued an opinion of compliance of the internal audit activity for 25 assessed units, with only 36% found partially or fully compliant. The annual PIFC report was presented to the Council of Ministers and is being discussed in Parliament as part of the approval of the actual 2021 budget.

External audit

In line with the standards of the International Organisation of Supreme Audit Institutions, Albania's **constitutional and legal framework** provides for independence of the State Audit Institution. Legal amendments are required to strengthen the scope of the audit mandate to cover all public entities.

In accordance with its 2018-2022 strategic development plan, the State Audit Institution is implementing actions to improve its **institutional capacity**. It needs to prepare and adopt a new development plan for 2023 and beyond. It implements annual professional development for audit

staff, focusing in 2021, among others, on public procurement, concessions/PPPs, and the new performance audit manual.

The **quality of audit work** needs to be further improved to fully comply with the International Organisation of Supreme Audit Institutions' standards. In November 2021, the revised performance audit manual was approved. The State Audit Institution audit objectives have shifted from compliance and regularity audits towards performance audits. It follows a risk-based external audit approach.

The **impact of audit work** has shown some progress. The Albanian Supreme State Audit Institution continues to compile annual reports on their performance, publishes them on its website and reports accordingly to the Parliament. In 2021, the State Audit Institution reported that 80% of accepted recommendations are in the process of being implemented, and some of them have been fully implemented. Despite the high rate, with more than 90%, of the recommendations having been accepted by the relevant institutions, the rate of fully implemented recommendations needs to be further improved (in 2021 the rate was only 50%).

Protection of the EU's financial interests

Albania has ensured some level of **acquis alignment** 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 such as the Specialised Structure against Corruption and Organised Crime and meets regularly. The manual of procedures for irregularities was revised and approved in December 2021. A national anti-fraud strategy still needs to be adopted. Albania **cooperates with the European Commission** on investigations and in 2021, it reported five cases of irregularities and suspected fraud. Although cooperation with the anti-fraud coordination service on investigations has improved, more efforts in developing a solid track-record on reporting of irregularities and on cooperation on investigations are still needed in particular regarding law enforcement authorities.

Protection of the euro against counterfeiting

Albania further **aligned with the acquis** regarding the definition of counterfeiting banknotes and coins, as well as the procedures for gathering, storing and withdrawing them from circulation. In August 2021, the Bank of Albania approved regulations on medals and tokens similar to euro coins, and on the reproduction criteria for banknotes and coins. **Technical analysis** is performed by the national analysis centre of the Bank of Albania and the Scientific Police Institute. Formal cooperation between the Bank of Albania, the State Police in the Ministry of the Interior and the General Prosecutor's Office should be established. In 2021, Albania seized 569 euro coins and banknotes totalling approximately EUR 9 600, representing 38% of all seized counterfeit currencies in the country, as compared to 18% 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 and 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), Energy Community, Transport Community,

the South East European Cooperation Process (SEEC) and the Regional Cooperation Council (RCC)²⁴. In May 2022, Albania concluded one-year long Chairmanship-in-Office of the the EUSAIR-AII (the EU Strategy for the Adriatic-Ionian Region) and hosted the Forum of the Foreign Ministers of the members of the region. In June 2022, Albania hosted the Ministerial Meeting of the Western Balkans Platforms on Culture & Research and Innovation & Education and Training. Albania's wider engagement in the field of youth, education, culture, as well as civil society reached another momentum in the context of the activities of Tirana as the European Youth Capital for 2022.

Following the May 2022 Foreign Affairs Council, EU foreign ministers held, for the first time, an informal exchange of views with Western Balkans counterparts. The **EU and Western Balkans Leaders Meeting on 23 June 2022** reaffirmed their EU perspective of the region and gave impulse to intensify cooperation, in particular on integration into EU measures on food and energy supplies and independence, as well as to support capacity building for cyber security and the social agenda, notably involving youth in the economy. The meeting was also an opportunity to discuss closer political cooperation, including foreign policy alignment of the Western Balkans with EU positions and restrictive measures.

At the **EU-Western Balkans summit in Brdo pri Kranju** in October 2021, the six Western Balkans leaders reaffirmed their commitment to inclusive regional cooperation, strengthening good neighbourly relations and investing more decisive efforts in establishing the Common Regional Market. The summit announced a range of concrete deliverables benefiting the Western Balkans, including the first set of actions under the Economic and Investment Plan; the pledge to boost COVID-19 vaccination rates; the path towards lower roaming costs; an innovation agenda for the Western Balkans; green lanes to reduce border waiting times and Transport Community action plans for smart transport and sustainable connectivity. The **Common Regional Market (CRM)**, as agreed by the leaders of the Western Balkans at the 2020 Berlin process summit in Sofia, will be critical in increasing the attractiveness and competitiveness of the region. It will help Albania to speed up the recovery from the aftermath of the pandemic, notably to attract investors looking for diversification of supply and shorter value chains and to maximise the benefits of the infrastructure investments under the Economic and Investment Plan. A number of important decisions to facilitate the movement of workers remain blocked. It is important that all parties play a constructive role in building the Common Regional Market and deliver on their joint commitments set out in the CRM action plan.

Albania, North Macedonia and Serbia seek to deepen regional cooperation in a number of areas, notably economic integration through the Open Balkan Initiative (OBI), implementing some elements of the common regional market on which no formal agreement has been reached yet. Three OBI summits have been held over the reporting period.

In October 2021, Albania along with other Western Balkan partners endorsed the action plan for the **Green Agenda for the Western Balkans**, which aims at reflecting the European Green Deal and contributing to the sustainable socio-economic development and the green recovery of the region after the pandemic. Albania should contribute to successfully implement this joint regional vision, with high level of ambition, putting sustainable development, resource efficiency, nature protection and climate action at the centre of all economic activities.

²⁴ Albania actively participates in around 35 regional organisations and initiatives.

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

Relations with **Bosnia and Herzegovina** remained friendly and without open issues, with occasional high-level bilateral visits. The two countries are still to establish full-fledged bilateral embassies, as agreed the previous year. Trade flows remain low.

Albania's relations with **Kosovo*** remained good overall. During the reporting period, the 7th and 8th government-to-government meetings with Kosovo took place, respectively in November 2021 and in June 2022, where 32 bilateral agreements, protocols and memoranda of understanding were signed mainly on facilitating free movement of people and trade exchange, education, infrastructure, and culture. The two governments agreed to waive requirements for granting temporary (5 years) residence permits, and a new border crossing-point has been opened in Shishtavec, easing control procedures for customs. The two governments also signed a memorandum of cooperation for a feasibility study for a Durrës-Pristina railway segment and an agreement on natural gas supplies from the Vlora thermal power plant. Numerous high-level visits of government members as well as parliamentary committees took place during the reporting period. In November 2021, the President of Albania made an official visit to Kosovo. In April 2022, Albania and Kosovo conducted a joint police operation to tackle corruption in their joint border crossing-point in Vërmicë. Albania has continued to support the EU-facilitated Belgrade-Pristina dialogue.

Relations with **Montenegro** remained good overall. In December 2021, the Foreign Minister of Montenegro visited Albania. Cross-border cooperation was strengthened, in particular after the opening of the joint border point Grabom-Zatrijebačka Cijevna.

Relations with **North Macedonia** remained good, including with frequent high-level visits from both sides. In February 2022, new joint border crossing points between Albania and North Macedonia were opened. The agreement between the government of North Macedonia and the Council of Ministers of Albania on mutual recognition of approvals for Authorized Economic Operator for Security and Safety (AEOS) has been signed in December 2021.

Relations with **Serbia** remained good. In November and December 2021, the Prime Minister of Albania and the Serbian President paid reciprocal visits in the context of the Open Balkans initiative (OBI). In the context of tensions on agricultural trade due to Russia's war in Ukraine, Serbia announced its decision to export 30,000 tonnes of wheat to Albania and in return, Serbia would use the port of Durrës to import oil from the Gulf countries.

Relations with **Türkiye** have continued to strengthen, as notably reflected in the exchange of high-level visits. The President of Türkiye, accompanied by seven ministers, visited Albania in January 2022. A number of bilateral agreements were signed in the fields of law enforcement, culture, youth, and natural disaster management. In December 2021, Albania's Speaker visited Ankara, and in March 2022, the Prime Minister of Albania subsequently visited Istanbul. Türkiye continues to exercise pressure on Albania to deliver on dismantling the so-called Gülen movement in the country.

Relations with **Greece** remained good with continued political dialogue. Greek minority rights, in particular, property rights of the Greek minority remain a subject of disagreement in the

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

bilateral relations. On the issue of the delimitation of the maritime border, both sides agreed to jointly refer the case to the International Court of Justice .

Relations with **Italy** remained very good. Political dialogue intensified with high-level visits on both sides. In November 2021, the Prime Minister of Albania visited Rome. The cooperation in the field of defence, civil emergencies, justice and home affairs further strengthened, including the fight against cybercrime, trafficking in human beings, illegal migration and asylum. As of 2022, Albanian immigrants that have worked in Italy will be able to receive pensions based on their Italian contributions.

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 5); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28). This cluster is key for Albania's preparations for the requirements of the EU's internal market and is of high relevance for early integration and the development of the Common Regional Market.

Albania is moderately prepared in most of the areas of the internal market, namely the free movement of goods, services and capital, intellectual property law, competition policy, and financial services, whereas its preparations are at an early stage on consumer and health protection. Albania has some level of preparation regarding freedom of movement of workers, with some progress registered with the adoption of a new law on foreigners. Good progress was made in intellectual property thanks to the adoption of legislation on copyright, as well as on industrial property rights. There was also good progress on financial services by the implementation of the non-performing loan (NPL) resolution strategy, leading to their reduction. Albania has made some progress in particular by implementing legislation on compulsory insurance in transport and in fulfilling some of the recommendations of the Moneyval report, but the State Aid Commission needs to be made independent and sufficiently resourced. Preparations are at an early stage on consumer and health protection, as the country made limited progress; it needs to align to EU health *acquis* and learn lessons from the COVID-19 pandemic to strengthen health emergency preparedness.

Chapter 1: Free movement of goods

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

Albania has **some level of preparation/is moderately prepared** in the area of free movement of goods. There was **limited progress** overall and on last year's recommendations, notably on alignment with the EU "new and global approach" product *acquis*. Despite progress on the general principles and on structures related to the quality infrastructure, last year's recommendations 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;
- further strengthen the enforcement capacity of the Market Surveillance Inspectorate.

General principles

Albania removed the remaining measures in place that affected the **production, distribution, and marketing of industrial products** in the previous reporting period. Plans for further alignment with the EU *acquis* are set out in the 2022-2024 national plan for European integration adopted in February 2022, and in the current consumer protection and market surveillance strategy.

Non-harmonised area

Albania still has no action plan for screening national technical regulations for compliance with **Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU)**.

Harmonised area: quality infrastructure

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

On **standardisation**, Albania adopted implementing legislation in November 2021 designed to align with the EU *acquis*. Albania's General Directorate of Standardisation (GDS) is a full member of the European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC), and an associate member of the International Electrotechnical Commission (IEC). It applied to become a full Member of CEN/CENELEC in July 2021. National standards are adopted in conformity with European standards (CEN, CENELEC and ETSI standards). During the reporting period, 2 225 European and international standards were adopted (including 844 CEN, 454 CENELEC, 400 ETSI ones, as well as 336 ISO, and 191 IEC standards). 100 % of the harmonised European standards were adopted as harmonised Albanian Standards in implementation of technical harmonised Directives and Regulations.

Albanian legislation on the accreditation of **conformity assessment** bodies is partially aligned with the EU *acquis*. Staff at the General Directorate of **Accreditation** (GDA) increased from 14 to 20 employees, but two positions are still vacant. There are 97 accredited conformity assessment bodies (47 testing laboratories, 4 medical laboratories, 1 calibration laboratory, 6 certification bodies of management system, 11 certification bodies of persons and 28 inspection bodies). GDA is a signatory of the European Cooperation for Accreditation Multilateral Agreement (EA MLA) in the fields of inspections and management systems certification, testing and certification of persons, a full member of the International Laboratory Accreditation Organisation Mutual Recognition Agreement (ILAC MRA) in the field of inspection, and has a mutual recognition agreement with ILAC. The General Directorate of **Metrology** (GDM)

maintained its capacity of 104 employees and is fully operational. It is a full member of the International Organization of Legal Metrology (OIML), European Association of National Metrology Institutes (EURAMET) and International Measurement Confederation (IMEKO), and an associate member of the European Legal Metrology (WELMEC) and International Bureau of Weights and Measures (BIPM-CGPM).

The state inspectorate for **Market Surveillance** (SIMS), which was restructured in June 2020 with an increase of the number of possible employees from 69 up to 80 staff (currently employing 65 staff), should continue to increase actual staff numbers, including inspectors. In the reporting period, SIMS carried out more than 1 700 inspections, leading to 152 administrative measures, including 86 fines and 25 urgent measures. In total, 31 different products (3 697 units), have been taken off the market.

Harmonised area: sectoral legislation

In the area of **‘new and global approach’ product legislation** Albania adopted implementing legislation in the reporting period designed to be fully aligned with the EU *acquis* on personal protective equipment. It also adopted a law that only allows pyrotechnical articles that have fulfilled conformity procedures and have the CE marking affixed to be placed on the Albanian market. However, alignment has not yet started on cableways, gas appliances, simple pressure vessels, outdoor equipment noise emissions, explosive atmospheres equipment, construction products, recreational craft, or on eco-design and energy labelling.

As regards the **‘old approach’ product legislation**, Albania evaluates that its legislation is partly aligned with the EU *acquis* on pre-packaging, textiles, footwear, crystal glass, aerosol dispensers, and units of measurement. Its legislation is designed to be fully aligned on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), on chemical classification, labelling and packaging (CLP) and on detergents. Implementing legislation was adopted in June 2021 designed to be aligned with the EU *acquis* on measuring bottles. Albania is not aligned on Good Laboratory Practice (GLP).

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, crystal glass, footwear, textile labelling and mixtures, and the pricing of medicinal products. Albania remains partially aligned with the EU *acquis* on defence and security procurement, on defence products, and on the return of **cultural objects unlawfully removed from the territory of a Member State**.

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 2021 report’s recommendations regarding free movement of family members of EU citizens, strengthening of social security bilateral agreements and the development of the IT system for mapping job seeker vacancies that is preparing the implementation of the European network of employment services (EURES) upon accession. In the coming year, Albania should:

→ continue the development of the IT system to enable connection to EURES;

- adopt the implementing legislation for the new law on foreigners’;
- continue negotiating and implementing new bilateral agreements on social security, notably with EU Member States.

As regards **access to the labour market**, Parliament adopted a new law on foreigners, enabling simplified procedures for EU citizens settling in Albania, in line with the EU *acquis* in this area. Further steps need to be taken to finalise the adoption of the related implementing legislation.

In preparation for joining the **European network of employment services (EURES)**, Albania has established an integrated database for its employment services that will 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 continue to be developed.

On the **coordination of social security systems**, Albania has bilateral agreements in place with Austria, Belgium, Czechia, Germany, Hungary, Luxembourg, North Macedonia, Romania, and Türkiye. The agreement with Kosovo was ratified by Albania in March 2022. The negotiations with Bulgaria for a new agreement were concluded in 2021, and its entering into force was postponed to 2023. Exchanges on coordinating social security schemes have taken place with Croatia, Greece, Serbia, and Montenegro. A technical cooperation agreement is in place to continue negotiations for a bilateral agreement with Italy. Negotiations and implementation of new bilateral agreements on social security between Albania and further EU Member States have yet to be fostered.

Chapter 3: Right of establishment and freedom to provide services

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

Albania is **moderately prepared** in the right of establishment and freedom to provide services. **Some progress** was achieved in the reporting period, in particular in the field of postal services through the legal alignment made in the area of cross-border parcel delivery services. The screening exercise of the legislation to be aligned with the Services Directive continued and its scope was widened. The country should focus on fully implementing the Commission’s recommendations from 2021 which still remain valid.

In the coming year, Albania should in particular:

- finalise the screening of the existing legislation to identify barriers to the freedom of establishment and free movement of services with a view to further aligning its legislation with the Services Directive;
- step up efforts to align its legislation with the EU *acquis* and ensure appropriate institutional capacity in the area of mutual recognition of professional qualifications.

On the **freedom of establishment and the free movement of services**, the screening of the existing legislation - to identify barriers with a view to aligning it with the Services Directive - continued during the reporting period. So far, the exercise was completed for 20 sectors involving the review of 151 pieces of legislation, which resulted in identifying 80 pieces of legislation that will need to be revised to remove provisions that are contrary to the Services

Directive. In total, 18 sectors are still in the screening process. The National Business Centre functions as a one-stop-shop for registering businesses and issuing licences, authorisations and permits. The e-Albania.al governmental portal serves as a single contact point for electronic public services and as of May 2022, almost 95% of services are offered online.

On **postal services**, the national legislation is aligned with the EU postal acquis. Albania is aligned with the Postal Services Directive since 2017, when the postal market was opened to competition, and with the Regulation on cross-border parcel delivery services since January 2022. Supporting bylaws were adopted in June 2022, as regards, for example, parcel delivery services and transparency on cross border tariffs. Albania also adopted a new policy document on postal services, setting objectives to improve future postal sector performance in line with the EU postal *acquis*. There is currently one universal service provider (Albanian Post S.A.) designated for a period of 5 years, starting from July 2020, and 33 other postal service providers on the market.

No progress was made during the reporting period on aligning the professional qualifications framework with the EU *acquis* on the **mutual recognition of professional qualifications**. A roadmap on professional qualifications is yet to be finalised. Institutional capacity in this area still needs to be strengthened.

Chapter 4: Free movement of capital

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

Albania is **moderately prepared** in the area of free movement of capital. **Some progress** was made on the implementation of Moneyval recommendations and of the FATF Action Plan, but limited progress was made on enabling EU citizens to acquire land. There was also progress on increasing financial literacy and in implementing the national payment system legislation.

In the coming year, Albania should in particular:

- finalise the implementation of the FATF Action Plan and continue to address the Moneyval recommendations;
- avoid jeopardising the progress in this area by adopting a tax and criminal amnesty against the advice of the EU and Moneyval;
- progress in the adoption of the relevant legislation that would provide EU citizens with the right to acquire land, which is outstanding since 2016.

On **capital movements and payments**, Albania is late in delivering on its commitment under the 2006 Stabilisation and Association Agreement (SAA) to amend the arrangements for the acquisition of property by EU nationals/entities, a step due since 2016. Provisions regulating the acquisition of agricultural real estate by foreigners remain unchanged and uncertainties over ownership rights continue to discourage investment.

On **payment systems**, foreign banks can open branches and agencies in Albania and offer cross-border payments. In October 2021 Albania adopted legislation to partly align with the EU *acquis* on direct debits and credit transfers. The measures introduced by BoA in the context of COVID-

19 restrictions in March 2020 to reduce the costs of payment systems services and to promote home banking remain in place.

The National Payment System Committee, which is open to representatives of non-bank financial institutions and payment system operators, is implementing the national retail payments strategy (NRPS) 2018-2023. The law on payment services, designed to be aligned with the EU Payment Service Directive II (PSD II) provisions on transparency conditions and information requirements for payment services, came fully into effect in July 2022. Implementing legislation for this law was adopted in the reporting period, regulating the public register of payment service providers, amending the existing regulations on licensing of payment institutions and electronic money institutions, regulating the banking activities of banks and foreign banks' branches. It also sets strong customer authentication requirements and common and secure open communication standards. In May 2022, the scope of application of the regulation on International Payment Account Number was extended to other payment service providers beyond banks in cases when the IBAN is used. The financial literacy of the Albania's adult population is increasing (67 % now have a payment account of which 55 % are held by men, 45 % by women, compared to 40 % in 2014), as is the use of electronic payments (12 electronic transactions *per capita* per adult, compared to 4 in 2016).

On the **fight against money laundering**, Albania continues its efforts to address the deficiencies in technical compliance identified by the 2018 Moneyval mutual evaluation report. Albania is still on the Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring. There was steady progress in the implementation of its FATF Action Plan, though its completion is overdue since February 2022. The final pending action items from the Action Plan relate to sanctions with regard to beneficial ownership information/transparency obligations and increased convictions and confiscations. Amendments to the law on money laundering designed to align it with the EU *acquis* were adopted in December 2021. The Register of beneficiary owners became operational at the end of June 2021 with data registered by businesses and NGOs, though amendments extended the registration deadline to June 2022.

Albania has legislation in place on risk management standards and licensing requirements of financial institutions, including non-banks and foreign exchange bureaus, following the Moneyval recommendations. The latest Moneyval report (June 2022) noted improvements on technical compliance with FATF recommendations and led an upgraded rating for three of them, i.e., the transparency of beneficial ownership of legal persons, supervision of financial institutions, and the legal framework for mutual legal assistance with foreign counterparts on non-conviction-based confiscations. Although the IMF reiterated in May 2022 its advice to Albania not to engage in a possible tax amnesty, given concerns about its impact on tax compliance as well as money laundering and governance risks, in June the government published for consultation a draft law on fiscal and criminal amnesty to those who will do voluntary assets disclosure. The adoption of such a law against the advice of the EU and Moneyval could jeopardise progress in this area – *see also chapter 24 – Justice Freedom and Security and 16 – Taxation*. The Albanian Financial Intelligence Unit (FIU) has increased its staff, and trained its employees on financial investigation techniques, asset tracing, seizure and confiscation, risk-based implementation techniques, and cybercrime prevention indicators. The head of the FIA was changed twice in a short period by the government.

In 2021 the BoA increased its inspections on foreign exchange offices (FEO) by 22 % to (90 FEOs inspected, compared to 74 in 2020). Substantial discrepancies were identified in 26 FEOs,

which led to 12 license revocations – the others received recommendations and penalties. The Public Oversight Board carried out three thematic inspections focused on preventing money laundering and the financing of terrorism, identified irregularities were referred to the Finance Intelligence Unit. In 2021, the Financial Supervisory Authority started an assessment on the Virtual Assets and Virtual Asset Service Providers and regulations on cryptocurrencies in order to adjust them according to the FATF recommendations. The Albanian Financial Intelligence Unit (FIU) received 1 581 suspicious transaction reports in 2021, 12 % more than in 2020; 247 of which were referred to law enforcement agencies, slightly less than in 2020.

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. **No progress** was made in the reporting period, therefore the recommendations of last year 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 makes 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** areas, there was no legislative progress in the reporting period. Further alignment is needed with the 2019 company law *acquis* on the use of digital tools and on cross-border operations, as well as with rules on the encouragement of long-term shareholder engagement. 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 offered only online through the e-Albania electronic service window, in particular since May 2022. Electronic exchange of data between the Albanian business register and EU Member State's business registers is possible, while proper integration among these databases requires further development.

On **transparency**, the 2020 Law on capital markets provides specific transparency rules for listed companies in areas related to initial reporting and financial reporting including fines in case of non-compliance. A regulation concerning listed companies aiming at further alignment with the relevant EU *acquis* on transparency requirements was drafted and published for consultation.

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 (NAC) monitors the enforcement of financial reporting and accounting standards. On non-financial reporting, there are only guidelines to comply with the EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups. On **statutory audit**, the Public Oversight Board (POB) is the independent competent authority for quality assurance (with its own budget). Since June 2021, the POB conducted 9 inspections of statutory auditors/audit firms

Albania should further strengthen POB capacity and 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) and of copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Albania has **some level of preparation/is moderately prepared** on intellectual property rights. **Good progress** was made during the reporting period, in particular with the adoption of the National Strategy for Intellectual Property 2022 – 2025 and the legislative alignment with the EU *acquis* in the areas of copyright and other related rights as well as industrial property rights. 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 collective management organisations and the payment of royalties to right holders;
- further align legislation on industrial property rights and the IPR enforcement system.

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

In April 2022, the Parliament adopted amendments to the “Law on copyright and other related rights”, which further aligns the legal framework with the EU *acquis* in the areas of a) certain permitted uses of orphan works; b) 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 c) on the term of protection of copyright and certain related rights. The amendments also regulate the functioning of Collective Management Organisations (CMOs) including the distribution manner and percentage of the fee as well as the remuneration collected by the CMOs.

On **industrial property rights**, a law on trade secrets was adopted in July 2021 to align the legal framework with the EU *acquis* in this area. The new National Intellectual Property Strategy 2021 – 2025 passed the phase of public consultation.

In 2021, there were 1 404 national and 2 107 international applications for registration of trademarks (compared to, respectively, 1 164 and 2 936 in 2020). In 2021, 49 applications for registration of industrial designs were submitted to the GDIP (compared to 15 in 2020). The number of applications for national patents amounted to 23 for 2021, almost the double of the applications recorded in 2020.

The State Inspectorate for Market Surveillance (SIMS) is responsible for the monitoring of the **enforcement** of intellectual property rights. In 2021, the Copyright Division of the SIMS carried

out 501 inspections resulting in 80 administrative measures (53 fines and 27 warnings). The SIMS industrial property division carried out 11 inspections, resulting in 8 administrative measures (7 fines and one warning) in 2021.

In 2021, the customs administration suspended the release of 3 000 products suspected of infringing IPR (compared to over 23,000 such products in 2020).

Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and also include rules on concentrations between companies which would significantly impede 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 has **some level of preparation** / is **moderately prepared** in competition policy. There was **limited progress** during the reporting period, in particular with the adoption of guidelines by the Albanian Competition Authority (ACA) on best practises in the area of merger procedures. However, no progress was made in 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. Recommendations from the previous year were not met and remain valid.

In the coming year, the country should in particular:

- ensure the operational independence of the SAC and significantly increase the administrative capacity of 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, regional and local authorities in order to ensure prior notification of aid measures and strengthen the enforcement of State aid rules.

Antitrust and mergers

Albania's **legislative framework** is broadly in line with the EU *acquis* and the Stabilisation and Association Agreement (SAA). The Law on the protection of competition is largely aligned with Article 101 TFEU (restrictive agreements) and Article 102 TFEU (abuses of dominant position). It also provides for prior control of mergers, in line with the Merger Regulation. Implementing legislation is broadly in line with the relevant EU regulations and Commission guidelines. In the reporting period, the Albanian Competition Authority (ACA) approved guidelines on best practices in cases of implementation of procedures for the control of concentrations, in line with the EU best practices in this area.

As regards the **institutional framework**, the ACA is responsible for implementing the Law on the protection of competition. It is an operationally independent authority reporting to Parliament. It can adopt implementing legislation, impose fines and remedies, prohibit mergers or authorise them, with or without conditions. Parties may appeal against the ACA's decisions before the courts. As regards **enforcement capacity**, the ACA has maintained its number of staff to 46 and its staff has benefitted from relevant training. On **implementation**, in 2021 the ACA took 94 decisions, including 28 on prohibited agreement, 16 on abuse of dominant position, 33

authorising concentrations. In the first half of 2022 ACA took 37 decisions, including 3 on prohibited agreement, 4 on abuse of dominant position and 24 authorising concentrations. In the reporting period, the ACA concluded sector enquiries in the hospital services market, fertilisers and LNG instruments. The ACA should continue its positive efforts to strengthen the enforcement of competition rules.

State aid

On **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.

As regards the **institutional framework**, the State Aid Commission (SAC) is responsible for implementing the Law on State aid. Its operational independence, which is required by the SAA, remains to be ensured given that it still depends on the Ministry of Finance. The SAC can order the recovery of illegal and incompatible aid but has not done so to date. Its decisions are subject to court appeal.

The **enforcement capacity** of the SAC remains insufficient as the staffing of its secretariat needs to be significantly increased. On **implementation**, the track record on State aid control remains very poor. The State Aid Commission approved only one decision in 2021 and 3 decisions in the first half of 2022 on the authorisation of State aid. No negative or recovery decision was taken. Advocacy activities among aid 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 at ensuring 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 **moderately prepared** in the area of financial services. **Good progress** was made on last year's recommendation on further alignment with Basel III, the resolution plans and the retail payments, and by the partial implementation of the policy guidance on non-performing loans (NPL), leading to a reduction in NPLs. Progress was also made on the operationalisation of the bankruptcy legislation, and on compulsory insurance and collective investments.

In the coming year, Albania should:

- finalise the drafting and adopt the strategic documents on financial education and on capital market development;
- improve collateral execution, including through solving the impasse on private bailiff services;
- increase the use of the national currency.

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

designed to be aligned with the EU *acquis* on the internal liquidity adequacy assessment process, which provides 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 were both amended in order to further align with the EU *acquis* on new credit risk requirements, the latter enters into force on 1 January 2023. National legislation designed to further align with the EU *acquis* was also adopted on establishing and operating asset management companies, and on the conditions for the types of agreements to be protected in partial asset transfers and liabilities of banks under resolution. For the first time since the establishment of the Resolution Authority and in line with regulatory deadlines, BoA completed resolution plans for all banks.

The non-performing loan (NPL) ratio continued to decrease, to 5.42 % in April 2022 compared with 7.9 % in April 2021, and remained at a similar level in the second quarter of 2022. BoA adopted a decision on consumer credit and mortgage credit in September 2021 to ensure fair market practices with regards to interest rates, commissions and penalties applied on loan products, especially by non-bank financial entities. It amended national legislation on the functioning of its credit registry and on conditions and procedures on information and data use and revision, but further action on credit scoring is still needed. National legislation was amended in November 2021 on transparency of banking and financial products and services to align with the worldwide reform on reference indexes, including the EU's. While the full implementation of the bankruptcy law enables further execution of the NPL Resolution Strategy, part of the collateral execution system is currently subject to court proceedings, which reduces its efficiency.

Albania has a system to identify systemically important banks that is similar to EU practice, and the BoA has an investment policy for the financial assets of the resolution fund. New national legislation on the leverage ratio of banks and on the net stable funding ratio of banks, designed to further align bank legislation with Basel III, entered into force in January 2022. In response to the impact of the COVID-19 pandemic, BoA also temporarily suspended the 2019 and 2020 dividend distribution for banks, in order to boost capital and support lending. It renewed this decision in January 2022.

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*, the law provides for voluntary implementation of the *bonus malus* system by insurance agencies. Implementing legislation was adopted during the reporting period enabling full implementation of the Law, including an application for personal injury calculation in cases of road accident. The insurance market continues to be dominated by the non-life insurance companies (8 out of 12 companies). In February 2022, the Albanian Financial Supervisory Authority (AFSA) lifted measures taken to ensure financial sustainability during the COVID-19 pandemic to require insurance companies to suspend the distribution of profits for 2020 via dividends or other forms of payment. In March 2022, the AFSA became a member of the International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding, an international supervisory cooperation and information exchange agreement

Regarding the **financial market infrastructure**, the Albanian Stock Exchange, which is a private entity, continues to only trade government bonds. Following its suspension in April 2022, the public stock exchange is no longer registered as a licensed financial subject 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. The agreement between BoA and AFSA, stipulates that BoA is responsible for minimising the systemic risk, and AFSA is responsible for investor protection. Since March 2021, ALREG is an indirect participant in the BoA's Albanian Interbank Payment System. The guarantee fund's regulation was adopted by the Board of AFSA. This means that the post-trade infrastructure is fully operational. Albania's legal framework on capital markets is partially aligned with MiFID II, as well as the EU *acquis* on transparency, market abuse, prospectuses, settlement and central securities depositories. Albania's capital market consists of two segments: i) government securities and ii) bonds issued through private placement. During the reporting period, AFSA has licensed two banks to perform investment services. Currently there are 13 entities which operate in the capital market, mainly banks, and one central securities depository and one securities exchange. Implementation of the compliance and risk-based supervision of the collective investment undertakings will be based on the manual adopted by AFSA in May 2022. Relevant entities are required to increase the frequency of their reporting to AFSA on net redemptions and liquidity indicators.

The expiry period of the privatisation vouchers was extended until December 2023. Regarding **securities markets and investment services**, AFSA continues to supervise regulated markets in accordance with the Law on capital markets.

Chapter 28: Consumer and health protection

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

Preparations are at an **early stage** in the area of consumer and health protection. There was **limited progress** on last year's recommendations with the adoption of the new policy framework for health 2022-2030. The policy addresses not only emergency preparedness but all aspects of the health 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, as revealed by the COVID-19 pandemic. There was some progress on alternative dispute resolution of consumers.

In the coming year, the country 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 allocations of financial and human resources in the health sector, specifically in primary health care, and use the lessons learnt from the COVID-19 pandemic to strengthen all-hazard health emergency preparedness, including threats beyond communicable diseases and responses both at central and local level, and increase quality and consistency of data;
- guarantee equal access to quality health services for vulnerable populations, including Roma and Egyptian minorities, older people, people with pre-existing mental health problems, with disabilities, rural or remote populations, notably for women and girls belonging to these groups who are often subjected to multiple forms of discrimination.

Consumer protection

On **horizontal aspects**, in the reporting period Albania's Consumer Protection Commission (CPC) met seven times and took five decisions related to misleading/unfair commercial practices. During the same period, CPC received 65 complaints (58 by individual consumers, consumer organizations or local government, 7 from businesses). 30 complaints were resolved, 28 were referred to competent authorities, and the others are being processed. Implementing legislation adopted in July 2021 completes the legal basis for the General Directorate on Alternative Dispute Resolution of consumers, setting the criteria for the functioning of structures for alternative dispute resolution.

National legislation is partially aligned with the EU *acquis* on **product safety**. In the reporting period the State Inspectorate for Market Surveillance (SIMS) carried out more than 1 700 inspections, checking more than 7 000 products of which 441 were found in non-conformity, leading to 152 administrative measures (51 warnings, 86 fines and 25 urgent measures). In total, 31 different products (3 697 units), have been banned from trading. On **non-safety-related issues**, progress was made towards partial alignment to the EU *acquis* on distance marketing of consumer financial services by the adoption of implementing legislation in December 2021 designed to improve the rules on the information to be provided to consumers by traders.

Public health

On **public health**, a new policy framework covering the period 2021-2030 was adopted in April 2022 and the 2020-2025 action document on primary health care is being implemented. Public spending on health remains low overall, with disproportionate allocations for primary health care, especially maternal and child health. Further investment is needed to progressively ensure universal health coverage, especially to address the needs of hard-to-reach groups and the most disadvantaged. The mortality rate remains high, particularly neonatal, under 5, and infant mortality (at 8, 9, and 11 per 1 000 live births respectively). The quality of neonatal care is a particular concern. Health governance remains unclear, and the inadequate quality of primary health care services is a key bottleneck. Among cases reported in 2021 by the State Supreme Audit Institution to the prosecution, one case involved a former Minister of Health. Albania has ratified most international conventions related to the protection of fundamental rights, but obstacles persist across the country on the right to health and to sexual and reproductive health services, particularly for vulnerable groups. Abortion care is guaranteed by law, but women from vulnerable groups, especially Roma and Egyptians, face barriers getting it.

The Ministry of Health and Social Protection (MHSP) and the National Agency of Information Society (NAIS) are responsible for **e-health**. MHSP implements and operates an electronic system for collecting and reporting health information of medical records based on European Core Health Indicators (ECHI), but the system is still not operational. An **e-register** (available on the e-Albania portal), upgraded with more functions in 2021, is used for the identification of insured persons and the generation of health cards. It enables the registration of patients to healthcare centres and determines their benefit category based on its interaction with other institutional databases. A new hospital information management system, which will include an electronic database of patients' medical records, is being implemented in four regional hospitals. Despite progress in **statistical governance**, technological 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, events or provide feedback. On **tobacco control**, the law to protect public health against tobacco products, designed to be aligned with the EU *acquis*, is being implemented, 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 legislation with the EU *acquis*. In the field of **serious cross-border health threats including communicable diseases**, the COVID-19 pandemic has shown significant shortcomings. The legal basis for communicable disease prevention and control is designed to be in line with the EU *acquis*, but the implementing legislation has still not been adopted. Albania has an antimicrobial resistance (AMR) action plan. Though Albania strengthened its national alert, response and surveillance system for communicable diseases during the COVID-19 pandemic, no national plan for implementing international health regulations was in place when the pandemic broke out, and its impact was exacerbated by a lack of systemic preparation and low public health resilience.

During the **COVID-19 pandemic**, Albania made some progress on vaccine distribution and coordination, although the vaccination rate is lower than expected. The pandemic further stretched the health care system's capacities to provide immediate access to medical supplies, protective equipment, and the digital infrastructure required to maintain essential services and protect health care personnel and patients, showing it lacks resources. In 2021 Albania took adequate measures to respond to the pandemic, moving from a lockdown approach to a regulated one, with schools remaining open, although education was partially disrupted. Maternal and child health service delivery were negatively affected due to temporary shortages of health personnel. The pandemic highlighted weaknesses in the area of health emergency management and preparedness, especially in infection prevention and control (IPC) and epidemiological data. Albania should invest in epidemiological research and monitoring to capitalise on the lessons learnt from the COVID-19 pandemic, in terms of health system resilience and coordination, and in staff training. The capacities of the health personnel as well as system-related challenges in ensuring IPC standards were addressed through capacity-building interventions, and development of the IPC protocols officially endorsed by the Ministry of Health and Social Protection in March 2021. Albania continues to participate in the EU Health Security Committee as an observer, and, as a signatory, makes use of the EU Joint Procurement Agreement on medical counter-measures. 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), and is part of viral respiratory disease surveillance networks managed by European Centre for Disease Prevention and Control (ECDC) and reports to it on several communicable diseases, though it should improve the timeliness and completeness of the reported data it provides.

Albania's legislation on **patients' rights in cross-border healthcare** has not yet been 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 falsified medicine in the legal supply, although some provisions are in place. Additional efforts are needed to protect the public from falsified medical products and cross-border cooperation for sustainable access to medicines and their correct use. There were no developments or expertise available on paediatric medical products, medical products for the 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 services are in place, but a cancer registry has still not been established. A breast cancer screening programme is in place, which includes systematic examinations for 50-60 year old women, along with free clinical breast examinations. There is a national plan for cervical cancer screening, but health care service integration issues limit its effectiveness. COVID-19 severely impacted the prevention and control of non-communicable diseases, though essential treatment services were ensured.

On **nutrition and physical activity**, malnutrition is a critical issue, especially for children and pregnant women. Albania needs to develop a nutrition plan and raise awareness in schools and community centres on the risks of malnutrition. National legislation on the pricing of **medicinal products** is partly aligned with the EU common procedural framework and *acquis*. 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 for it to function fully.

On **health inequalities**, implementation of the 2020-2025 Primary Health Care Strategy should provide better access to health care services for vulnerable communities, as well as an increased community primary health care coverage, giving priority to vulnerable groups. The national community health care programme continues to provide residential health care mainly for marginalised Roma and Egyptian minorities. While there was an increase in the number of Roma and Egyptians in informal settlements benefiting from health services delivered by mobile teams and HIV awareness activities were conducted for Roma and Egyptians communities. Health insurance coverage for Roma and Egyptians remains, however, low. A National Plan for Equality, Inclusion and Participation for Roma and Egyptians 2021-2025 was approved in November 2021 to facilitate their access to healthcare. The health mediator should also help decrease healthcare barriers for Roma and Egyptians. Further efforts are needed to improve access to services for other groups, including women, people with disabilities and populations in rural or remote areas, and for mental health for children.

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 (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, economic and monetary policy, enterprise and industrial policy, education and culture. The same goes for the customs union, where the pan-Euro-Mediterranean area rules of origin are applied, and bodies involved in the fight against smuggling and counterfeit goods are strengthened and cooperate better. Albania has some level of preparation in social policy and employment, and research and innovation. Albania has made progress in particular with the adoption of the new National Strategy for Education and Action Plan 2021-2026, but progress was limited on the economic and monetary policy.

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 competitiveness, high unemployment, as well as the impact of both the COVID-19 pandemic and of the Russian war in Ukraine.

Chapter 10: Digital transformation and media

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

Albania is **moderately prepared** in the field of digital transformation and media. **Limited progress** was made on implementing the recommendations of the previous report. The 112 emergency number was activated in Tirana and resources were allocated for its extension to 12 additional regions. Further progress was made with the adoption of the 2022–2026 Digital Agenda and on e-government services. The Law on e-on Electronic Document, Electronic Identification and Trust Services in Electronic Business was adopted in 2021, fully aligning national legislation with the EU eIDAS Regulation.

In the coming year, Albania should in particular:

- complete the extension of the 112 emergency number to 12 additional regions;
- adopt relevant legislation in line with the new European Electronic Communications Code;
- improve the collection of statistical data on digital performance and digital competitiveness.

On **electronic communications and information and communications technologies (ICT)**, some progress was made in implementing the single European emergency number 112. As planned in the medium-term budget programme 2021-2023, the deadline for the unified emergency number 112 to be extended to 12 other regions of Albania is end of 2022.

In 2021, fixed internet broadband penetration covered 559 394 subscribers (508 254 household subscribers and 51 140 businesses), which is a 10 % increase from 2020. The penetration rate was about 20 % of the population with 58.7 % of the households being covered. The gap in fixed internet-broadband penetration between urban and rural areas remains. Rural areas account for 40 % of the population, but only 109 652 subscribers are connected to the fixed broadband, while in urban area 449 472 subscribers are connected. The mobile penetration rate at the end of 2021 was 73 % compared with 70 % at the end of 2020. In 2021, there were 2 million active users of mobile broadband, which is the same as in 2020. The volume of data usage during 2021 are 155 million GB from mobile network and 952 million GB from fixed network.

In the area of **information society services**, the National Agency of Information Society has finalised the 2022–2026 Digital Agenda of Albania, which was adopted in June 2022. The law on e-on Electronic Document, Electronic Identification and Trust Services in Electronic Business was adopted in 2021, fully aligning national legislation with the EU's eIDAS Regulation.

The revised Action Plan 2020–2022 of the Digital Agenda continued to be implemented and some of the completed activities included the digitisation of Archives for General Directorate of Civil Registry, the National Employment Service System “*Dua Pune*” (I need a job), the electronic platform e-Transport, the digitalisation of customs services, the e-Invoice system and the National Forest Information System.

Regarding the **on-line public services**, during the reporting period, 95 % of the applications for 1 217 public services were done online, with 6 295 567 e-sealed documents downloaded in 2021 by 2 537 042 registered users (2 336 510 citizens and 200 532 businesses) on the e-Albania portal. This adds up to 13 771 931 e-services uses in 2021.

Regarding the establishment of a multiannual radio spectrum policy program, the deadline to free up the 700 MHz for 5G networks initially set up for 30 June 2022, was postponed because the National Frequency Plan is not yet finalised. The new draft national frequency plan was approved in November 2021, introducing important changes to the spectrum available for new services and technologies, mobile broadband including bands for 5G. The process for spectrum coordination with neighbouring countries is not yet finalised; Montenegro, Italy and Croatia are still pending. A Memorandum of Understanding on **5G** for digital transformation in the Western Balkans was signed in Tirana on 2 November 2020 by ministers of Western Balkans and in 2021, a draft 5G roadmap was prepared by the Albanian authorities but still needs to be adopted.

The National Authority on Electronic Certification and Cybersecurity has taken some new steps to align further the Law on **cybersecurity** with the EU Directive on the security of network and information systems. Albania has established a list of critical information infrastructures and the necessary implementing legislation. The National Strategy for Cyber Security 2020–2025 and its Action Plan are in place since 2020.

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

On **audio-visual policy**, in February 2022, the parliament filled 6 vacancies out of the 7 members of the audio-visual regulatory authority (AMA), thus making the authority fully operational and ending a long institutional deadlock. The independence of some of the members has been questioned due to their alleged political links.

Chapter 16: Taxation

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

Albania is **moderately prepared** in the area of taxation. **Limited progress** was made, in particular by addressing last year's recommendations, including compliance with agreed payment schedules for VAT refunds and reducing the stock of arrears in VAT refunds, the approval of a new calendar on tobacco excise, and consultation of the draft medium term strategies which includes proposals to address tax expenditures. The adoption of a tax and criminal amnesty against the advice of the EU and Moneyval could jeopardise progress in this area – *see also chapter 4 – Free Movement of Capital and 4 – Justice Freedom and Security.*

In the coming year, Albania should in particular:

- Implement measures to reduce tax expenditures, in particular due to exemptions;
- simplify the taxation system to further encourage enhanced tax compliance;
- provide the needed capacities and undertake the measures to ensure the effective implementation of the automatic exchange of tax information with EU Member States in line with the OECD Global Standard

On **indirect taxation**, the standard VAT rate is 20 % and the reduced rates are 6 % and 10 %. In 2021, Albania restricted its VAT exemption on the import of machinery and equipment to apply only where said imports exceeded a value of approx. EUR 4.2 million. The quarterly stock of VAT refund arrears is regularly published. Repayment of large taxpayers and faster VAT refund payments resulted in a stock reduction to EUR 4 million by end-2021 as compared to EUR 80 million by end-2020. The COVID-19 response remains in place until 2029, according to which only taxpayers with annual turnover above EUR 81 750 (the previous threshold was EUR 16 350) are subject to VAT and those with annual turnover above EUR 40 870 can opt to be subject to VAT.

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 November 2021, a new calendar on tobacco excise rates was approved. It envisages a 15 % increase over four years to approx. EUR 65 per 1 000 cigarettes by 2026, thus gradually aligning with the EU minima. Small producers of alcoholic beverages continue to enjoy reduced tax rates.

Regarding **direct taxation**, financial institutions are legally required to calculate, withhold, and declare income tax on income from savings. Following changes made in direct taxation in 2020 to support taxpayers affected by the COVID-19, since January 2021, taxpayers with a total annual income up to ALL14 million (approx. EUR 115 000) are subject to a 0 % rate on profit tax, while those whose total annual income exceeds the threshold are subject to a 15 % rate. Albania has a partially aligned framework with the Merger Directive. Anti-corruption measures continue to have a limited impact in tax administration, which remains a particularly vulnerable area in this respect.

On **administrative cooperation and mutual assistance**, Albania is yet to conclude double taxation agreements with Denmark, Cyprus, Lithuania, Portugal, Slovakia, and Finland. The law on automatic exchange of information on financial accounts is partially aligned with the relevant 2014 EU Directive. For the first time, in 2021, Albania had reciprocal automatic exchange with 17 jurisdictions.

As regards **operational capacity and computerisation**, the personnel structure of the tax administration has been kept stable at 1 450 since March 2020. As of April 2022, the number of vacancies was further reduced, yet still high, to 155 (10.7 %) as compared to 168 (11.6 %) in last year's report. The annual training programme is needs-based and 1 370 employees of the GDT participated in trainings in 2021, including on the new fiscalisation process. In addition to electronic invoices for cashless transactions between businesses and government (since January 2021), those between businesses (since July 2021), and between businesses and consumers (since September 2021) became mandatory in an effort to increase tax compliance and reduce informality.

Albania does not yet have the technical capacity to facilitate the efficient exchange of information for tax purposes with the EU countries. The electronic tax administration system is operational, but there are no deadlines to achieve interconnection and interoperability with EU systems.

Chapter 17: Economic and monetary policy

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

Albania is **moderately prepared** in the area of economic and monetary policy and has made **limited progress** on last year's recommendations to improve government's policy coordination and consultation mechanism with non-governmental stakeholders. Although the Bank of Albania's governor was re-appointed for his second mandate and monetary policy was appropriate and effective, no progress was made in fully aligning the Law of the Bank of Albania with the EU *acquis*. There was some progress in providing data required for the calculation of the macroeconomic imbalances procedure (MIP) indicators, in aligning government and national accounts to ESA2010, and Excessive Deficit Procedures notifications, which Albania regularly submits on a best-effort basis. However, significant improvements are still needed to achieve full compliance with ESA 2010.

Albania should therefore:

- align the legislation on the personal independence of the Bank of Albania's governor and council members as well as regarding the possible monetary financing of the public sector with the EU *acquis*;
- improve the government's economic policy planning capacity and its coordination and consultation mechanism with non-governmental stakeholders;

In the area of **monetary policy**, the central bank's primary objective, set out in the Law on the Bank of Albania (BoA), remains to achieve and maintain price stability. The BoA is financially independent, with sufficient instruments, competence and administrative capacity to function effectively and to conduct an efficient monetary policy. It has a fully operational supervisory council, appointed by and accountable to the parliament. 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. The Albanian legislation allows the BoA to provide limited financing to the government under certain conditions, which is not in line with the EU *acquis*.

In view of increased inflationary pressures due to global price increases, the BoA started the normalisation of its monetary policy since March 2022 by increasing the main policy rate from its record low 0.5% (unchanged since March 2020) in steps to 1.75% in August 2022, in addition to raising the rates for overnight deposit and lending facilities by 0.65pps and 1.85pps respectively. The BoA continued to provide liquidity to the economy, and to publish quarterly its interventions in the money market.

The BoA updated and extended its Medium-Term Development Strategy for 2022-2024, which includes the objective to strengthen the Bank's independence to conform with the gradual approximation of the EU legislation. The strategy foresees to enhance the effectiveness and pass-through of the BoA's monetary policy by developing the financial market (interbank money market, forward market, more SWAP instruments, secondary market for government securities). The BoA also announced to gradually conclude its intermediary activity in buying and managing the Albanian Government's securities accounts within 2022 and to further improve its statistics.

In the area of **economic policy**, further alignment with the EU *acquis* on budgetary frameworks is needed. Albania has a set of fiscal rules, which it complied with since their adoption in 2016, except in 2020 when the escape clause was activated due to the state of emergency following the outbreak of COVID-19. A new numerical rule to achieve a neutral or positive primary balance from 2023 was added to the budget legislation in 2020, which considerably strengthens the fiscal rules framework. However, in July 2021 the application of this rule was postponed to 2024 and the other fiscal rules were suspended by a normative act, which accompanied a budget amendment to increase the fiscal deficit. Albania has no independent fiscal institution to monitor compliance with its fiscal rules and the quality of its forecast. However, it is obliged by law to use the IMF's forecast for nominal GDP as basis for calculating the public debt-to-GDP ratio, which the debt rule requires to be lowered every year until the prescribed ceiling of 45% is reached. Albania used normative acts to amend its 2021 budget six times to address the economic fall-out of the COVID-19 pandemic. The frequency of budget amendments and the use of normative acts instead of the regular legislative process highlights weaknesses in planning capacity and compromises the credibility of the budget preparation process.

The presentation and publication of the annual budget includes a medium-term fiscal framework with a horizon of more than 3 years on a rolling basis, a forecast of government debt and of the macroeconomic development. This framework is not always updated and published when the annual budget is amended. The government presents fiscal risk statements and tax expenditure reports with the support of technical assistance. The budgetary framework needs to be more comprehensive and would benefit from an improved macro-fiscal analysis, a more detailed and consistent breakdown of budget headings and the addition of long-term fiscal sustainability indicators. Albania regularly submits most of the Excessive Deficit Procedure notification tables to Eurostat on a best-effort basis, but the data are not yet fully in line with the European System of National and Regional Accounts (ESA2010) requirements, and the questionnaires are not complete. Work on the delineation of the public sector in line with ESA2010 and data on extra-budgetary units is in progress, but not yet complete. The budget preparation involves all governmental units, but the expenditure plans of local governments are not detailed in the framework.

The budget planning is not based on estimates of last year's actual fiscal outcome but on the previous year's budget plan, which requires a first budget revision shortly after parliamentary budget approval, when the fiscal implementation and debt data become available. Albania submitted its Economic Reform Programme (ERP) 2022-2024 on time but its fiscal framework was not based on up-to-date budget figures, and it did not include any proceeds from consultations with non-governmental stakeholders, because these are not using the new online public consultation platform to which the consultation of the ERP was restricted. Albania remains in need of effective stakeholder consultation processes as well as of strengthening its inter-institutional coordination mechanism for comprehensive strategic policy planning and its capacities to ensure the efficient implementation of reforms.

Chapter 19: Social policy and employment

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

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

quality and effectiveness of labour market institutions and providing employment services to the most vulnerable groups. During 2021, Albania continued restructuring its employment governance. The social care reform is progressing, but financial and administrative efforts need to be stepped up to strengthen the local level capacities for service delivery and the links to active labour market measures. Albania needs to address the coverage and financial allocation of the Social Fund, ensure implementation of legislation on public procurement of social services and of the management information system for social care. The triple shock stemming from the 2019 earthquake, the COVID-19 pandemic, and the consequences of the war against Ukraine has negatively impacted the most vulnerable categories, which needs to be assessed and mitigated.

In the coming year, Albania should:

- adopt the 2023-2030 strategy for employment and skills, incorporating the objectives of the decent work agenda, the Youth Guarantee scheme, as well as green and digital transition and provide adequate human and financial resources for its implementation;
- increase budget allocation for the Social Fund to finance social care services and improve operational modalities for distribution and implement the legal framework on procurement of social care services;
- adopt the action plan and the costing of the Youth Guarantee scheme in line with the EU model and guidance, incorporating its objectives in the new strategy on Employment and Skills.

Regarding the **labour law**, the implementation of the amended Labour Code is under way. Twenty-five (25) EU regulations in the field of occupational safety and health have been transposed as well, covering areas such as: safety at work, equal treatment between women and men etc.

After the significant slowdown of inspection activities during the COVID-19 pandemic, the number of inspections has significantly increased in 2021 (from 5 994 in 2020 to 7 039 in 2021, and over 184 000 jobs verified). Progress was made on the promotion on the e-inspection platform. In 2021, the restructuring of the State Labour Inspectorate and Social Services (SLISS) entered into force both centrally and at local level, with 165 positions overall (+11 compared to the previous year), but further steps are needed to strengthen its capacities on human resources, regular training and adequate means to perform duties. In particular, it is essential to enhance the tripartite collaboration among SLSSI, trade unions and business organisations in designing and conducting the company visits and in addressing issues impacting the observance of the labour relations and working conditions in companies and institutions.

On child labour, the system for monitoring child labour and other forms of exploitation, as well as the coordination of law enforcement between the Agency for the Protection of Children's Rights and the Labour Inspectorate still need to be strengthened.

On **health and safety at work (OSH)**, a new policy framework has to be adopted based on a gap analysis and in line with the new EU OSH strategic priorities, with a focus on strengthening institutional capacity to effectively enforce compliance with the legislation.

On bipartite **social dialogue**, some progress was made with the ratification of the ILO Convention 190 on "Violence and Harassment in the World of Work". It is important that the government undertake concrete measures and revise the legislation in alignment with the ILO

convention. Regarding tripartite social dialogue, good progress was made to strengthen the capacities of the newly assigned staff of the National Labour Council (NLC) Secretariat. The NLC met only once during 2021. The mandate of the former NCL ended in 2021 and the new NCL needs to be established and convened. There is currently no meaningful dialogue at any level.

On **employment policy**, Albania is implementing the last year of the National Employment and Skills Strategy (NESS) 2014-2022 and already started the preparation of the new policy framework 2023-2030.

Labour force participation for the 15-64 year olds reached 69.3 % in 2021, a 0.2 percentage point higher compared to the same period in 2020 and reflects the ongoing slow recovery from the COVID-19 pandemic and other external shocks. The female labour force participation rate reached 63.2 % at the end of the year, whereas for men this indicator is 77.7 %. The male labour force participation rate is 15.9 percentage points higher than women, showing a systemic gender gap that should be structurally addressed.

Major losses were registered in the agriculture sector, with a decrease in employment by 5.3 %.

The **unemployment rate (15–64 years)** is 11.5%, decreasing by 0.2 percentage points compared to 2020. The rate was 11.3 % for males and 11.8 % for females, showing that there is still a gap between the two groups. Due to the effects of the prolonged pandemic and the fragile economic system, unemployment increased more among vulnerable groups including women, young people, Roma and Egyptians, and people with disabilities.

In 2021, job creation remained one of the major cross-sectoral priorities of the government, along with structural measures aimed at expanding social protection and preserving jobs in the context of recovery from the COVID-19 pandemic and under the pressure of increased commodity prices and inflation.

In 2021, 24,158 registered unemployed jobseekers found a job through labour offices compared to 17 934 in the previous year, reflecting the labour market conditions still affected by the challenges resulting from the COVID-19 pandemic and the impact of external shocks over the Albanian economy.

The employment rate for the population aged 15-64 years old is 60.9 % in 2021, slightly improving by 0.2 % of points compare to 2020. The employment rate for females is 53.8 % and for males 68.2 %. The gender gap in employment for this age-group is 14.4 percentage points. The major improvement is registered in the industrial sector (+7.5 %), followed by services (+7.2 %). The major losses were registered in agriculture, with a decrease in employment by -5.3 %. The long-term effects of the COVID-19 pandemic, increase of commodity prices in international markets and higher overall imported inflation, risk to moderate the pace of recovery and impact the employment rate, especially of informal workers and the most vulnerable groups. The capacity and staffing of the National Agency for Employment and Skills (NAES), still needs to be increased.

Public employment services made further progress in establishing and following performance indicators and procedures, improved visibility and outreach services for vulnerable groups.

In 2021, Albania continued the implementation of the reformed Employment Promotion Programmes (EPPs) packages in all regions with a focus on the most vulnerable ones. A total of 4835 jobseekers benefited from the EPPs during 2021 (60.2 % women and 39.8 % men).

During 2021, 326 former beneficiaries of social assistance benefited from the employment promotional programmes. Close monitoring of this programme alongside with the employment promotional measures will be crucial to ensure a long-term solution for beneficiaries of the economic aid scheme.

According to the Labour Force Survey of 2021, the percentage of young people neither in employment, nor in education or training (NEET) in 2021 is 26.1 %. In February 2022, the government established an inter-ministerial working group responsible for providing guidance and overseeing the process of implementation of the Youth Guarantee scheme in Albania. As a starting point, Albania has drafted an action plan for the implementation of the Youth Guarantee and steps need to be taken for its costing and adoption by the Government. The plan will become part of the new strategy on Employment and Skills (2013-2030). It is critical that Albania prepares the adequate institutional framework and allocates human and financial resources to ensure the implementation of this plan.

Long-term unemployment remains a challenge that Albania should address through more flexible, tailored and integrated policy interventions.

There were no developments as regards preparations for the **European Social Fund**. (*See Chapter 22 - Regional policy and coordination of structural instruments*).

On **social protection and inclusion**, there is some positive progress on the implementation of the strategy on social protection, in particular regarding the roll-out of the reform on the biopsychosocial assessment of people with disabilities and outreaching more beneficiaries through social care services. Another positive step during 2021 was made on the establishment of the legal framework for the Order of Social Workers, which will help speed up efforts to strengthen social care and social protection workforce. However, public spending on social care services programmes for Albania continues to be modest and there is yet no mechanism for monitoring the situation of those who are vulnerable and with no access to such services.

According to SILC 2020, published by INSTAT (Institute of Statistics) in December 2021, the ratio of population at-risk of poverty rate in Albania, in 2020, is 21.8 % compared with 20.6 % 2019, This remains below the EU 27 average. Changes in the Law on Social Assistance, adopted in in December 2021 aim to increase the targeting of poor families and children by increasing the amount of cash assistance. Cash transfers continue to constitute about 95 % of the social protection sector's overall budget. There has been an expansion in service delivery with eleven new municipalities during 2021 providing - for the first-time social care services, bringing the total of 16 social care services funded through the Social Fund. However, there are still 2 municipalities which do not provide any social care services.

The Ministry of Health and Social Protection and Ministry of Finance and Economy signed a joint order to establish coordination and a referral mechanism with a view to integrate in the labour market the beneficiaries of the economic aid of active working age. Furthermore, a protocol for integrated case management between employment offices and local social care services is established and started its implementation in Elbasan municipality.

60 municipalities out of 61 have adopted social care plans with the support of donors and civil society organisations.

Monitoring of implementation of the local social plans, budget allocation to social services from the local government and guidance to local government are crucial. The social care services

National Electronic Register (NERSCS) is not yet fully operational and the procurement processes associated with installing the register have been delayed.

The total fund disbursed for the local government by the Social Fund during 2021 is EUR 1.5 million allocated to 16 municipalities for 16 new and ongoing social care services. During 2021, there are 339 social care services provided compared to 229 in 2019. In spite of positive progress, the government needs to step up efforts in further consolidating the mechanism of the Social Fund ensuring adequacy, equity and transparency of the implementation of the fund, alongside the increased budgeting of the social fund in the midterm budget in order to ensure sustainability of services.

Regarding people with disabilities, the accessibility and availability of public services, such as, socio-health, employment and vocational education and in particular of specialised services in the area of disability, is still limited.

On **non-discrimination in employment and social policy**, in February 2022 the Albanian Parliament ratified the ILO Convention 190, “On Violence and Harassment”. However, the implementation requires revising legislation in line with the convention.

As regards **equality between women and men in employment and social policy**, according to 2021 there is a gender employment gap of 14.4 percentage points. According to INSTAT’s women’s labour force participation for the group age 15-64 years old, according to the LFS (2021) continues to be lower by 15.9 percentage points compare to males. The gender pay gap in 2021 is 4.5 percentage decreasing by 2.0 percentage points, compared to 6.6 percent in 2021.

According to the 2022 World Economic Forum’s gender gap index report, Albania ranked 18 out of 146 countries (compared to 25 out of 153 countries for 2021), reflecting the continuous consequences created by the earthquake and the COVID-19 pandemic. The changes to the Labour Code introduced more measures to support gender equality in the labour market; however, there is no monitoring of the implementation of these changes in practice. Furthermore, there is still a need to harmonise legislation with the EU work-life balance directive.

Chapter 20: Enterprise and industrial policy

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

Albania is **moderately prepared** in the area of enterprise and industrial policy. **Some progress** was made by the adoption of the Law on micro, small and medium enterprises, the adoption of the Law on start-ups and establishment of the Start-Up Council, and continuation of the assistance programmes to provide business support services and access to finance in line with the business and investment development strategy (BIDS), adopted in July 2021. The measures to reduce informal business activities and corruption continued to yield results although with limited impact on the business environment.

In the coming year, Albania should, in particular:

- address the main challenges to the business environment, by reducing the regulatory burden, enhancing the participation in the available funding programmes for businesses strengthening the efforts to tackle informality and corruption, increase business support services, and implement the Law on start-ups;

- 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 as stressed in the joint recommendations of the Economic Reform Programmes of 2022-2024.

Albania finalised and adopted its 2021-2027 business and investment development strategy (BIDS) in July 2021. The BIDS sets the strategic framework for Albania's **enterprise and industrial policy**, covering SME skills development, innovation, sustainable growth, and conditions for attracting foreign investment. It also adopted a 2020-2024 programme for inclusive and sustainable industrial development (ISID), with three main pillars: industrial competitiveness and market access; productive employment and entrepreneurship development; and sustainable energy for productive uses and environmental management.

Albania is implementing its 2017 national Strategy on Innovation and Technology. A programme on Urban Partnership Acceleration was also adopted to connect Albanian innovation organisations, including universities, industries and start-ups that are committed to solving urban challenges. After several delays, Albania adopted the Law on start-ups in March 2022 and in April 2022 a Law on micro, small and medium enterprises (MSMEs), followed by the adoption of a grant scheme for start-ups in July.

Albania follows the implementation of the Small Business Act and has reflected upon its recommendations on policy formulation as regards the BIDS, the Law on start-ups and the Law on MSMEs. SMEs identify their main challenges as the informal economy (particularly in tourism), corruption and lack of transparency in public procurement (especially as regards Public Private Partnerships (PPPs)), the need for stable state institutions, unclear ownership of property titles, and the need to enforce the rule of law. Despite some improvements in the business environment, the COVID-19 pandemic highlighted structural challenges, and the global price increase due to ongoing Russian military-aggression on Ukraine is revealing weak export diversification and a high dependency on imports. Enhancing good governance and the quality of institutions and product diversification, while maintaining macro-economic stability, are crucial to supporting economic growth. However, businesses also face obstacles related to a lack of workforce skills and financial resources, as well as challenges to adjust to modernisation, digitisation, and e-commerce. Albania is focused on combatting 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 sector and the re-construction programme, yet without considering the administrative burden and formalisation incentives. Sectors identified with the highest exposure to informal employment are trade and tourism (almost 50 % of total identified cases) followed by manufacturing (20 %) and construction (18 %).

Albania continued to privatise state assets, partly through privatisation vouchers. The validity of privatisation vouchers, due to expire in December 2021, was extended until December 2023. A law on the establishment and operation of economic zones exists, though none has been established. A Technological Economic Development Area (TEDA) with an industrial processing plant is still in its development phase. The 2015 Strategic Investments Law was extended until the end of 2023 due to delays in the adoption of the unified investment law. Since its adoption, 22 investment projects have been adopted (10 during the reporting period), dominated by domestic investors that received 'strategic investment' status, mostly in the

tourism, agriculture and energy sectors. In spite of a noteworthy overall FDI inflow, cluster-like linkages and trade in high technology remain weak relative to peers.

In the area of **enterprise and industry policy instruments**, the Albanian Investment Development Agency (AIDA) launched an online access to finance platform to enable businesses to access information on available financing opportunities. Access to finance remains a serious challenge for Albanian businesses. No state funds were distributed by AIDA during 2020-2021, as they were re-oriented to measures to alleviate the impact of COVID-19 on businesses. An advisory instrument that provides training and advisory services to MSMEs has been available since February 2021, providing opportunities for small grants to help businesses to adapt to the impact of COVID-19. Extraction industry companies were given a three-year royalty tax exclusion to boost pre-export mineral processing. The Albanian information society agency offers “TechSpace”, a creative environment for start-ups for training on technology, innovation and entrepreneurship activities. The “Roadmap to Silicon Valley” pilot programme for start-ups offers an incubation phase at TechSpace, in cooperation with public universities, and public and private vocational high schools.

The Albanian legislation on late payments was further aligned with the EU *acquis* in May 2021 - full alignment should be ensured as soon as possible, including issues related to title retention, and recovery procedures for unchallenged claims. Albania’s SMEs definition is partly aligned with the EU definition as regards the number of employees, however, national capacity in the field of SME policies and support remains very limited. Formal negotiations on an Association Agreement with Albania to participate in the EU Single Market Programme (SMP) started in June 2022.

On **sectoral policies**, Albania continues to implement the 2019-2023 national strategy and action plan for sustainable development and tourism. In March 2022, the government adopted a resilience package to help cope with the consequences of the Russian military-aggression against Ukraine, which includes support packages for economic operators in the transport and agriculture sectors. Albania continued to implement incentives for agro-processing industry, however the demand in this sector seems to be for more budget support and subsidies. Work continued on drafting the Smart Specialisation Strategy (S3), completing both the qualitative and quantitative analysis phases, but the Entrepreneurial Discovery Process remains to be launched. A cross-sectoral strategy and Action Plan 2022 – 2026 on “Digital Agenda of Albania” was adopted in June 2022.

Chapter 25: Science and research

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

Albania has **some level of preparation** in the area of science and research. **Some progress** was made over the reporting period, with the establishment of the Inter-Institutional Working Group for monitoring the implementation of the 2017–2022 National Strategy for Scientific Research, Technology and Innovation. 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 and adopt the law on scientific research;
- produce statistics and reliable data on science and technology, including the indicator on gross domestic expenditure on Research and Innovation

On **research and innovation policy**, an inter-institutional working group was established in 2021, to monitor the implementation of the National Strategy for Scientific Research, Technology and Innovation 2017–2022. The new strategy on Research has to be developed and adopted.

As for scientific research funds, various estimates indicate that Albania allocated 0.2 %-0.4 % of GDP to research and development for 2021, which is far below the targeted 1 % of GDP by 2022 (state budget funds for the Ministry of Education and Science (MoES) for research were in the amount of 0.05 % - 0.06 % of GDP).

Albania needs to step up investments in scientific research and associated measures to strengthen research and innovation capacity at national level, also given the relevance of innovation to the Economic and Investment Plan for the Western Balkans and its direct relevance for the country's economic recovery, while helping address the issue of brain drain of researchers and young people.

The methodology to establish funding for research and science remains to be developed. In 2021, the National Statistical Institute of Albania conducted surveys in four sectors (private businesses, non-profit organizations, government institutions and higher education institutions) to collect administrative data on the budget funds allocated for R&D, but data collection was unsatisfactory as both public and private entities did not report data, or values were not representative.

Efforts are still needed in the development of innovative policies aimed at promoting better links between academia, industry and government, and in the fields of open access and open data.

Both qualitative and quantitative analysis phases were completed on the development of a **Smart Specialisation Strategy (S3)** but the Entrepreneurial Discovery Process remains to be finalised.

As regards **EU framework programmes**, Albania is fully associated to Horizon Europe. Its participation in the programme in 2021 has been the best ever since Albania has been participating in the EU's Framework Programmes for Research and Innovation (9 projects with a total funding of EUR 1.9 million). Private sector participation in the programme continues to remain low. A positive trend is the new national support measure facilitating academia-business cooperation. Albania should continue its efforts to raise the awareness on participation in the new Horizon Europe programme.

On integration into the **European Research Area**, Albania should improve its linkage with European partners to engage in international cooperative research. There is already active engagement in European Cooperation in Science and Technology with impressive increases over the past two years. However, we are still to see the results of Albania's recent participation in EUREKA.

Albania needs to continue to make further efforts to produce statistics and reliable data on science and technology, including the indicator on gross domestic expenditure on Research and Innovation. Its inclusion in the European Innovation Scoreboard (in 2022 for the first time) is already a tangible outcome of these efforts.

Chapter 26: Education and culture

The EU supports cooperation in education and culture by funding programmes and the coordination of Member State policy through the open method of coordination. The EU and the EU 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 the adoption of the 2021-2026 National Strategy for Education and the related action plan; the strengthening of the new National Agency for Employment and Skills; the continued restructuring of the National Agency for Education, Vocational Training and Qualifications; and the implementation of the Albanian Qualification Framework and the Vocational Education and Training Law. Further efforts are required to strengthen quality and inclusiveness of education, with a special focus on the proper implementation of the competence-based approach and digitalisation. Appropriate resources should also be allocated to ensure the implementation of the new policy reform. Further efforts are required to finalise the implementing legislation of the Law on Cultural Heritage and Museums.

In the coming year, Albania should in particular:

- ensure the optimisation of the VET system to develop services and competences in line with the needs of the labour market;
- improve professional development and training of teachers and trainers, with a specific 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 2022-2029 National Youth Strategy.

On **education and training**, 2021 was a year of adjustment and planning after the shocks due to the 2019 earthquake which damaged 24 % of educational facilities and the impact of the COVID-19 pandemic. As a consequence of the earthquake, 21 000 children in 11 municipalities were moved to host schools and attended classes in shifts, straining resources and affecting the quality of teaching. At the end of 2021, 87 schools damaged by the quake reverted to normal.

As last year report notes, both the consequences of the earthquake and the prolonged COVID-19 had an impact on the educational system, which was not equipped with adequate teachers' training and teaching practices to ensure effective blended education. The results of the skills gaps analysis conducted in 2021 show that 60 % of the teachers still lack the necessary IT skills to ensure meaningful digitalisation. Albania started training 2 362 teachers in 2021 out of 30 000, but more efforts are needed to increase the level of investment in teachers' ICT education. In terms of equipment, on average, Albania provides one computer for 26 pupils according to UNICEF, which is inadequate to ensure digitalisation and remains much lower than the EU average of five pupils on one computer.

With regard to quality in education, progress was made with the adoption of the new National Strategy of Education and Action Plan 2021-2026 with clear pillars on quality, inclusiveness and

equity in education, and covering all levels, from primary education to university. Despite these objectives, Albania's budget allocation to education in 2021 remains low, estimated at 3.6 % of GDP, only 0.9 pps. higher than in 2020. Overall, more resources are needed to modernise the educational system and ensure quality, equity and inclusiveness in education for all pupils. The school financial autonomy has not progressed in 2021, as the sublegal acts and provisions for providing actual financial autonomy in the school were not developed, despite legislation exists since 2018. Anti-corruption measures continue to have a limited impact in education, which remains a particularly vulnerable sector in this respect.

Albania has adopted a new competence-based curriculum and developed a set of textbooks from grade 1 to 12 in pre-university education system to match the new content and methodology, which were successfully implemented in 2021. The number of students benefiting from free textbooks increased during the year to 260 953, including vulnerable children.

On inclusive education, the 2020 guidelines on assistant teachers decreasing the ration teacher/pupil with disabilities to 1 for 2 to 3 pupils, at national level is under implementation but there is still an insufficient number of teaching assistants in regions where the number of pupils with disabilities per teacher is higher, such as Tirana, Tirana District, Durrës and Kamëz. Meanwhile, additional efforts are also needed to shift from a system with dual education towards a system where children with disabilities are integrated into inclusive mainstream schools.

No progress was registered for the implementation of **preschool reform**. Resources remain inadequate with only 0.5 % of GDP allocated for pre-primary education in 2021. ICT standards for teachers were quickly developed and over 600 teachers benefitted from ICT training in 2021. Furthermore, partnership with local authorities is essential, to avoid school disruption and ensure useful cooperation in education.

Enrolment rates in the pre-university education system decreased to 72.9 %, with a notable decrease of 9 % in the preparatory/pre-school education for five to six years old, most probably due to the persistent impact of the COVID-19 crisis. 286 486 pupils are currently enrolled in basic education 158 528 in primary education, and 127 958 in lower secondary education. Attendance in basic education dropped by 2.5 % compared to the previous academic year.

Although already very low, the participation rates of Roma and Egyptian children declined in both pre-university (13 086 against 14 515 in 2019-2020) and early childhood education (2 514 against 2 996 in the year 2019-2020) and care. The gap in access to education between Roma and Egyptian children and other children living in the same areas remains very large. The situation has worsened due during the COVID-19 crisis and the lack of possibilities to follow online classes. The measures planned to facilitate access to universities (a quota system and university fee waivers) are in general not implemented.

Implementing legislation on establishing sectoral skills committees is in place and an ICT skills committee was initiated. The first meeting took place in April 2022. Albania has also prepared the referencing of its National Qualifications Framework to the European Qualifications Framework. This is a step forward on aligning the Albanian Qualification System with the European Qualification System. In May 2021, the National Catalogue of the Professional Qualifications was approved for the levels 2-5 of the AQF, including 122 professional qualifications. Validation of non-formal and informal learning has so far been confined to pilot projects.

Regarding **Vocational Education and Training (VET)**, the legislation implementing the 2017 VET Law is still not yet fully adopted, and the legislation on financial autonomy of VET providers still needs to be adopted. The government consolidated the VET institutional framework, by further reinforcing the National Agency for Employment and Skills, keeping restructuring the National Agency for VET and Qualifications, including through provision of additional human resources to cover the function of continued professional development. Nevertheless, further efforts are needed to finalise the VET related staffing of both agencies, to reinforce the quality assurance framework and to strengthen planning, monitoring and evaluation functions at central level.

The Optimisation Plan of VET providers, endorsed in 2020, is not yet implemented. Albania has to adopt the implementing legislation on organisation, functions and activities of VET providers as well as on their financial autonomy, and fully implement this Plan by 2023 to ensure the rationalisation and modernisation of the VET offer. In 2021, 66 VET teachers received “basic didactics” training, covering pedagogical, assessment, soft and digital skills, from 22 teachers in 2020. Further training is required in 2022 and 2023 to ensure the implementation of digital education and ensure digital competences for online teaching in VET. Despite promotional activities and support to students from rural areas in following VET education, participation in VET is low with only 17.7 % of upper secondary students enrolled in vocational schools in 2021 (18 279 students out of 103 467), 0.5 pp less than the previous year.

Albania benefits from the international dimension of the Erasmus+ programme. The ring-fenced support for the four Western Balkan countries non-associated to the programme provided by the Instrument for Pre-Accession assistance III (IPA) amounts to EUR 374 million for 2021-2027 programme period.

Albania continued to participate actively in EU programmes, in particular Erasmus+ and the European Solidarity Corps.

Regarding the **culture** sector, the national strategy 2019-2025 is under implementation, focused on cultural education for child and youth; creative industry in music and dramaturgy; and international cooperation. During 2021, the ministry adopted implementing legislation regarding the creation and administration of the database of stolen cultural assets, rules of monitoring and evaluation of entities that have cultural assets under administration. From June to December 2021, 108 internal projects were carried out, while for 2022, 185 projects are approved.

In March 2022, Albania ratified the agreement to participate in the new EU Creative Europe programme 2021-2027, for which the Ministry of Culture has established the adequate administrative structures.

The remaining bylaws were approved for the implementation of the law on **youth** but further efforts should be made for the establishment of relevant youth structures. No new youth centres have been established during 2021.

The Ministry of Education, Sports and Youth has to finalise and adopt the National Youth Strategy for the period 2022-2029 and the action plan.

Chapter 29: Customs union

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

Albania is **moderately prepared** in the area of the customs union. **Limited progress** was made, notably by applying the transitional rules of origin in the pan-Euro-Mediterranean area and by strengthening capacities and improving cooperation among bodies involved in the fight against smuggling and import of counterfeit goods, Authorised Economic Operators obtaining validation by CEFTA, and digitalising of services. Some of last year's recommendations were not fully addressed and remain valid. In the coming year, the country 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 through strengthening administrative capacities and improving cooperation among the bodies involved;
- accede to the FCTC Protocol to Eliminate Illicit Trade in Tobacco Products.

As regards **customs legislation**, Albania's customs code is broadly aligned with the EU *acquis*. However, the levying of "scanning fees" per customs declaration continue to contravene the Stabilisation and Association Agreement which prohibits customs duties or charges having equivalent effect on trade between the EU and Albania. Preparatory work for the development of the New Computerised Transit System continued through cooperation with international experts in this area. Albania is implementing its authorised economic operator (AEO) programme with the first eight registrations in 2021, and successful validation of safety and security standards in line with CEFTA Additional Protocol 5. Awareness raising activities regarding the benefits, procedures and programmes continued.

The Customs Code contains rules of non-preferential origin and Albania applies the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin. Since September 2021, Albania has been the first country in the region to apply the new transitional rules of preferential origin of the PEM Convention for bilateral trade with the EU, as an alternative to existing rules.

The customs code's provisions on valuation are aligned with EU rules. The risk management system is automated and compares import, export and transit data against active risk profiles. The legislation on customs enforcement of intellectual property rights (IPRs) is harmonised with the EU *acquis*. Cross-border smuggling of tobacco products and other illicit activities in the border regions continue to be an important area, where further improvements in cooperation and antifraud tools are needed. As part of the antifraud effort, the accession to the WHO Framework Convention on Tobacco Control (WHO FCTC) Protocol to Eliminate Illicit Trade in Tobacco Products is recommended. The national rules on cash and goods transported in travellers' baggage still differ from the EU *acquis* as regards amounts to be declared and the declaration form. ACA can impose sanctions for non- or mis-declarations of cash at the border.

On **administrative and operational capacity**, five officials of the Customs authority were certified by EUROPOL as users and trainers for the SIENA platform, following the completed optical fibre connection with the police for access to SIENA for exchange of information. The launch of a national customs enforcement network (nCEN) database resulted in an increased registration of seizures in the system and is supporting analyses and reporting. In November 2021, the INES+ system became operational for managing cases of infringement of intellectual property rights with a view to stepping up fight against imports of counterfeit products. By end 2021, 34 out of 41 customs services were accessible online through the e-Albania portal. A new customs organisational structure entered into force in May 2022 to address observed challenges,

such as reporting lines of the anti-corruption coordinator. In an effort to improve transparency, Customs published in April for the first time a “green book” reporting on progress in 2021, and highlighting priorities for the following year.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport policy (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27). Albania is moderately prepared on energy and environment and climate change. It has some level of preparation in the areas of transport and of trans-European networks. The country has made limited progress in these areas and ongoing efforts to address issues with Flag State Control and to align legislation need to continue, while nature protection requires attention.

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 and the Green Agenda for the Western Balkans.

Chapter 14: Transport

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

Albania has **some level of preparation** in the area of transport policy, with **limited progress** achieved in the past year. The recommendations from last year have been partly addressed with implementing legislation in the rail sector and with further measures to improve the quality and performance of the vessels under the Albanian flag. Efforts to further align the legislation and to move the Albanian flagged fleet out of the black list of the Paris Memorandum of Understanding on port state control need to continue. The recommendations of last year remain partly valid.

In the coming year, Albania should in particular:

- adopt the new National Transport Strategy 2021-2025 and prepare 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 and ensure full operability of the network;
- accelerate concrete measures to improve the performance of maritime transport vessels under the Albanian flag.

As regards the **general transport *acquis***, the new National Transport Strategy and its Action Plan for 2021-2025 still needs to be adopted. The strategy is expected to be finalised by the end of 2022 and should be reflected in the mid-term budget programme 2022-2024. During the reporting period, there was no progress on alignment of the transport policy with public-service obligations and the *acquis* on public-service contracts. Continued efforts are required to fully implement the intelligent transport systems (ITS) directive, foster multimodality and implement relevant national laws in compliance with the Transport Community Action Plans. Albania has started the preparation of a national ITS strategy for rail and maritime modes. On combined

transport, Albania has yet to provide references to national legislation alignment with the EU *acquis*.

Administrative capacity needs strengthening throughout the transport sector, particularly in the rail sector. Several capacity-building initiatives took place on transport of dangerous goods, railway and asset management plans. Legislative updates are required to complement the reform of the Albanian Road Authority. The law on the establishment, organisation and functioning of the National Investigation Authority for Rail and Maritime Accidents and Incidents was adopted on 1 July 2021. The Authority was set up but is not yet operational. Available funds for road and railway infrastructure maintenance remain insufficient, resulting in continued deterioration of infrastructure conditions. Among cases reported in 2021 by the State Supreme Audit Institution to the prosecution, one case involved a former director of the Port of Dürres. Continued efforts are required to support the 2018-2022 rail maintenance plans.

Albania made further progress in aligning its national legislation on **road transport** by adopting a piece of implementing legislation on technical inspection of motor vehicles in November 2021. This piece of legislation is designed to fully align with the EU *acquis*. In April 2022, an agreement was signed with Germany on the mutual recognition of driving licenses. The Road Code was amended in December 2021 to improve the procedures for obtaining a driving license after rehabilitating from alcohol or psychotropic substances. The rules on electric scooter and bicycle traffic were unified to strengthen road safety of such new category of vehicles on the road. Further efforts are needed to align with the EU *acquis* on electronic road toll systems and on road fee enforcement. Road Safety remains a serious concern. Although the number of fatalities fell between 2019 and 2021, work is needed to tackle the discrepancy between the national statistics and the significantly higher WHO estimate. During 2021, the fatalities per 100 000 inhabitants increased by 8.8% compared to 2020. Albania should intensify efforts to improve its road safety through effective policies and measures. Albanian authorities have yet to prepare and adopt a new Road Safety Strategy and its Action Plan 2021-2030, in compliance with the Transport Community Road Safety Regional Action Plan for the Western Balkans. Albania completed the alignment of its legislation on periodic roadworthiness tests, but still has to further strengthen its inspection capacity. Some efforts were made regarding road safety education. Some road safety interventions have been implemented to improve safety on road intersections. On the implementation of the law on dangerous goods, Albania has adopted two pieces of implementation on drivers certificates and safety advisers certificates.

As regards **railway transport**, the National Accidents Investigation body for Rail and Maritime was established. Albania needs to ensure full operability of the rail network and complete the institutional framework of the four new rail companies (infrastructure manager, passenger transport operations, freight transport operations and maintenance) based on the law adopted in July 2021. In this respect, Albania needs to finalise and adopt the strategic framework for implementing ITSs on the core rail network. No progress was reported on passenger rights. Albania has published its Network Statement in 2022 both in Albanian and in English. Albania needs to complete the establishment of the Electronic Register of Vehicles and the Rail Infrastructure Asset Management System (RIAMS) needs to be established. Some progress was achieved on regional cooperation with the signature of a memorandum of understanding by Western Balkans infrastructure managers and with a Declaration on Rail at ministerial level.

On **maritime transport**, Albania approved a regulation on the organisation and functioning of the flag state control, which is designed to be fully aligned with the *acquis* on flag state

requirements and flag state control of the 2006 Maritime Labour Convention. Continued efforts are required to substantially reduce the detention rate of Albanian-flagged vessels in order to leave the current “Black List” of poor flag performance, considered at high risk, and to resume the country’s application for membership of the Paris Memorandum of Understanding on port state control. Full alignment with the *acquis* on EU vessel-traffic monitoring and information system (VTMIS), based on the strategic framework for implementing ITSs on the core maritime network still needs to be ensured. Alignment with the *acquis* on ports and enactment of legislation based on the EU Port Services Regulation still needs to be put in place. There were no new developments regarding **inland waterway transport**, which is limited to two lakes shared with neighbouring countries, and regulated by bilateral agreements.

On **aviation**, Albania needs to address the findings raised by the European Union Aviation Safety Agency (EASA) during the standardisation inspection in 2022 in the domain of air traffic management (ATM) and air navigation services (ANS), in order to comply with the requirements for the first transitional phase under the European Common Aviation Area Agreement (ECAA). It should take immediate actions to reinforce the regulatory capacities of the Civil Aviation Authority (CAA) of Albania – including on the availability of competent staff - to ensure effective oversight of the air navigation service provider (Albcontrol). The transposition of EU ATM/ANS *acquis* is not completed. The new management of CAA Albania appointed in late 2021 is expected to address these issues. The government adopted a decision on the investigation and prevention of accidents and incidents in civil aviation, designed to fully align with relevant EU regulation. In addition, the government adopted in May 2022 an order on civil aviation incident reporting, which is partially aligned with the EU *acquis*.

On **combined transport**, there is a slight improvement of legislation in this area. The definition of multimodal transport in the 2016 Railway Code is partly in line with the EU *acquis* and the National Transport Strategy 2021-2025, which contains parts of combined transport, is yet to be adopted.

Albania should increase efforts to align with and implement EU **passenger rights** legislation in all modes of transport. Further progress is needed on adopting relevant legislation and setting up systems for electronic freight transport information exchange.

Chapter 15: Energy

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

Albania is **moderately prepared** in this area. There was **limited progress** on the reform of the electricity market and connectivity measures in the renewables and gas sectors and on regional interconnection lines, as well as in diversifying from hydropower generation to other renewable energy sources. In the context of the global energy crisis, such 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 made some progress on the legal framework for energy efficiency (EE) but still needs to adopt all missing bylaws. No new energy efficiency funding mechanisms have been put in place. The energy efficiency agency’s role, capacities, and operations need further improvement. Albania has adopted its National Energy and Climate Plan 2030, to be implemented in 2022.

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

- ensure the Power Exchange (ALPEX) and day-ahead electricity market are fully operational and continue strengthening the electricity transmission network;
- complete the functional unbundling of energy operators and ensure full access to the liberalised market for all customers connected to 20kV in 2022, as well as the progressive extension of this access to all customers;
- implement the updated National Energy and Climate Plan (NECP) 2020-2030, including renewable energy and energy efficiency action plans, ensure all enabling institutional and legislative as well as funding and certification and audit measures are in place, including by shifting renewable electricity production away from hydropower, taking into account the energy crisis.
- Utilize benefits in the Energy Community guarantees of origin and sign direct agreement with the service provider to use national electronic register for issuance, cancellation and trade of guarantees of origin, in line with the EU standards.

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

Albania's electricity system has been connected with systems in Greece and Montenegro since 2014. The Power Exchange (ALPEX) is established and is expected to be fully operational in 2022. The construction works of the interconnector with North Macedonia are expected to start at the end of 2022. In 2021, Albania's electricity distribution losses in the power grid remained at 20 %, the same level as in 2020

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 enhance the country and the regional energy security. The decision for licencing Albpetrol as a gas supplier was approved by the Energy Regulatory Authority (ERE) in August 2021, while Albgas is expected to fulfil all conditions on ownership unbundling to be certified as Transmission System Operator at the end of 2022 (partly fulfilled by ERE decision of January 2022.) (*see also Chapter 21 – Trans-European networks*).

On the **internal energy market**, the complete unbundling of the distribution system operator OSHEE SA is still pending.

Electricity prices are not fully liberalised. Since 1 January 2021, all distribution customers connected to 35kV benefit from an unregulated market. The next step of de-regulating supply at all voltage levels, except the 0.4 kV level, remains to be completed. The electricity market is dominated by the regulated wholesale contract between state-owned generation company KESH and OSHEE companies (distribution and supply). This contract is to end after ALPEX becomes operational in 2022. Given the global energy crisis, a transitional mechanism has been put in place to allow Kesh to purchase electricity abroad and a price cap on electricity for domestic customers has been introduced from Autumn 2021.

The Energy Regulatory Authority (ERE) legal framework is in line with the EU *acquis*, except for the regulator's right to impose measures to promote competition, to require transmission and distribution system operators to change their terms and conditions, and to raise the level of the penalties that ERE can impose. ERE still needs to develop its capacity to address shortcomings in the energy markets. The approval in 2021 of REMIT rules is a necessary but insufficient step forward.

Albania's legislation is partly aligned with the **hydrocarbons** licensing directive. It has not harmonised with the directive on the safety of off-shore oil and gas installations.

On **renewable energy**, Albania adopted amendments to the 2017 law in January 2021. The feed in tariff (FIT) support scheme has been transformed into a contract for difference (CfD), while a renewable energy operator (REO) should be established. The CfD support scheme implementation regulation and the REO are expected to be in place by the end of 2022. A pricing methodology for consumers with installed capacity up to 500kW was adopted in 2021 and should be implemented by the end of 2022. The establishment of an agency responsible for renewable energy has not yet been accomplished. The National Agency of Natural Resources was appointed to perform this role for the time being.

The target of the National Consolidated Renewable Energy Action Plan (NCREAP) for 2019-2020, extended to 2021, of a 38 % renewable energy sources share in total consumption throughout 2020 was not reached. Two contracts for solar photovoltaic farms were signed, which will become operational in 2023, and an auction on wind farms has been launched in 2021, while an auction is planned for Hybrid Photovoltaic To accelerate renewable electricity production and facilitate the transition from hydropower to other renewables, more auctions should be conducted. Financing agreements for two renewable energy flagship projects under the EU Economic Investment Plan for the Western Balkans have been signed in 2021 and Albania could therefore accelerate the development of renewable energy projects.

Albania depends almost exclusively on hydropower for electricity generation, making it vulnerable to climate impacts. It is a net importer of electricity at a rate of 30 % per year, as hydroelectricity is not sufficient to cover its needs. Progress in power interconnection with neighbouring countries and setting up an integrated regional energy market is needed to strengthen the 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 energy system vulnerability to climate impacts. Albania plans to use more photovoltaic and renewable energy from wind and this trend should be pushed forward given the NECP 2030 targets and the energy crisis.

The concession contracts for hydroelectric power plants (HPP) are not sustainable for Albania. The small HPPs have a significant impact on the biodiversity and local communities, notably in protected areas where around 100 concessions are located or planned. Plans for hydroelectric power plants have been challenged, questioning the regularity of concession processes and the validity of environmental impact assessments (EIAs). Moreover, no strategic environmental assessments (SEAs) have been conducted. Two large HPPs on the Vjosa River and the Drin River have generated opposition from communities. Such investments require full compliance with the national legislation and the environmental and Energy Community *acquis*, notably with regards to public consultations and the quality of EIAs and SEAs. Further efforts are needed on framing HPP developments and on strictly enforcing environmental legislation.

The implementation of the national **energy efficiency** action plan (NEEAP) 2017-2020, extended to 2021, has not met its targets in terms of 6.8% energy saving by 2021. The Energy Efficiency Agency, operational since 2018, is still not fully operational. No EE incentives are in place and EE financing mechanisms still need to be promoted. Nevertheless, some progress has been made towards compliance with the Energy Community *acquis* by amending the energy efficiency law in March 2021 to align with the Energy Efficiency Directive, and several procedural and legal acts have been adopted in the area of energy performance of buildings. Pending implementing legislation related to the Energy Efficiency and Energy Performance of Buildings Directives should be adopted in 2022, the certification of energy auditors and managers should be continued, and financing incentives and mechanisms for energy efficiency should be put in place. Energy efficiency projects should also be accelerated, given the targets and the ongoing energy crisis.

Albania has adopted in December 2021 its National Energy and Climate Plan (NECP) 2020-2030. This Plan complements the Energy Strategy 2018-2030 and is to replace the National Energy Efficiency Action Plan (NEEAP) and Regional Energy Efficiency Action Plan (REEAP), setting new short and medium-term EE and RE targets and measures. Therefore, Albania needs to ensure that implementable RE and EE action plans are adopted within the scope of the NECP2030. Albania still needs to make sure that a fully operational energy agency is in place in 2022, to implement promptly the measures of the plan.

Albania has made no further progress on **nuclear energy, nuclear safety and radiation protection**.

Chapter 21: Trans-European networks

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

Albania has **some level of preparation** in the area of trans-European networks. **Some progress** was made in developing transport and energy networks. Albania needs to make further efforts to address the recommendations of last year which remain valid.

In the coming year, Albania should in particular:

- continue developing the core transport and energy networks in line with: (i) the national strategies for transport and energy; (ii) the infrastructure investment prioritisation under the single project pipeline; and (iii) the Economic and Investment Plan for the Western Balkans while contributing to the Green Agenda;
- continue to harmonise the legal framework with EU *acquis* and the regulations on TEN-T (trans-European transport networks) and TEN-E (trans-European energy networks), including full harmonisation of guidelines for trans-European energy infrastructure and continue implementing Transport Community Treaty action plans on road, road safety, rail and transport facilitation and strengthen the institutional framework and administrative capacity to develop and monitor TENs.

Albania has made some progress on its strategic framework for **transport networks**. It continued to harmonise its legal and institutional framework with the EU trans-European transport networks (TEN-T) regulation and the Transport Community Treaty (TCT). The

Albanian authorities are encouraged to strengthen their close cooperation in the framework of the TCT and to progress with implementing the action plans on road, road safety, rail and transport facilitation. Albania has continued its active involvement in the EU strategy for the Adriatic and Ionian region (EUSAIR) and has chaired its Governing Board since 1 June 2021.

The National Transport Strategy for 2021-2025 and its Action Plan have been prepared by the Ministry of Infrastructure and Energy and need to be adopted (*See Chapter 14 - Transport*). Albania has further aligned the national legal framework with TEN-T Regulation through an additional implementing decision.

Albania has made progress in repairing and maintaining its core road infrastructure as road maintenance practices have been implemented throughout the country's national roads network. Work for the preparation of road, rail and port infrastructure projects, especially along the Adriatic-Ionian Corridor and Corridor VIII (Varna–Durrës) has shown progress. The Vlora bypass has been permanently open for traffic in July 2022. Concerning rail, works for the rehabilitation of the Durrës-Tirana rail line and for the construction of a new line to the international airport started in October 2021. The design study for the segment Durrës-Rrogozhine, in Rail Corridor VIII, was completed in October 2021.

The government decided to relocate the cargo activities of the ports of Durrës and Vlora. In the context of a 10-year agreement on economic cooperation with a third country (*See also Chapter 5 – Public Procurement*), in June 2021, the Council of Ministers decided to change the designation of Porto Romano, transforming it from a MBM (multi-buoy mooring) port to an open port for international cargo traffic. In December 2021, the Port of Durrës Authority signed a service contract to prepare the detailed design for cargo activities in another location at Porto Romano, transferred from Durrës Port.

The Kukës airport in the north of Albania started normal operations in July 2021, focusing on low-cost airlines. After an interruption, flights resumed in February 2022. In November 2021, the government inaugurated the works for the construction of a commercial airport within the Vjosa-Narta protected landscape, which raises important concerns due to threats to the environment, the habitat, migratory birds and other living species.

Albania is partially aligned with the *acquis* on a single European railway area, railway system interoperability and rail freight corridors for competitive freight. Progress has been made for adopting the roads ITS strategy. Nevertheless, further efforts are needed to align the country with the ITS directive, develop a national strategy on the deployment of ITS and prepare for its implementation.

Albania should ensure that its transport network projects are aligned with the TEN-T regulatory framework and the TCT action plans, while contributing to the Green Agenda for the Western Balkans. Investments need to be implemented in accordance with cost/benefit analyses carried out in line with EU best practice. Projects are channelled through a single project pipeline, confirming the country's strategic orientation towards TENs. Serious measures on road safety should be taken, particularly to eliminate 'blackspots' identified on stretches with high accident rates, which lead to fatalities and injuries. The road core network is now covered by 5 year maintenance programmes. Adoption of the multiannual maintenance plans for rail core network remains a challenge taking into consideration the state of rail infrastructure.

On **energy networks**, further efforts are still necessary to adopt the strategic environmental assessment (SEA) and project identification plan under the gas master plan. This will help the development of TEN-E projects. The agreement signed in July 2021 for the construction of the TAP Fier exit point is key for the implementation of the above pipelines, as well as for the development of a gas market in Albania. The planned development, and interconnections of a LNG terminal in Vlora to regional gas pipelines (Trans-Adriatic Pipeline TAP, Ionian Adriatic Pipeline IAP, Kosovo gas interconnector pipeline ALKOGAP) would increase regional energy security.

Progress was made on the improvement of the infrastructure for electrical power transmission. Kosovo entities joined the Kosovo-Albania control block and participate in the Albanian Energy Exchange (ALPEX). This should become operational by November 2022, further to the successful tendering of the platform operator.

Concerning the construction of a 400kV interconnection line between Fier in Albania and the North Macedonia border, works are expected to start in the second half of 2022, with completion scheduled in third quarter of 2023.

Albania's participation in the EU Strategy for the Adriatic-Ionian Region (EUSAIR), remains a priority for both transport and energy networks. It contributes to strengthening ties through its action plan composed of four pillars: blue growth, connecting the region, environmental quality and sustainable tourism.

Chapter 27: Environment and climate change

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

Albania shows **some level of preparation** in this area. **Limited progress** was made in further aligning the policies and legislation with the EU *acquis*, in areas such as water management, chemicals and environmental crime. Albania made progress in the area of civil protection and is ready to join the Union Civil Protection Mechanism. Albania needs nevertheless to continue working on further improving its civil protection system. Significant efforts are needed on implementation and enforcement, especially on waste management, water and air quality and climate change.

The 2021 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 and the new strategy for water supply and sewerage 2021-2030, and approve a national road map on utilities aggregation; substantially increase the budgetary resources and implementation capacity of its key national water agencies; finalise and adopt the River Basin Management Plans (RBMP) for the Ishem, Erzen and Mati rivers and complete the initial stage for Vjosa River;
- take immediate measures to review and improve environmental and strategic impact assessments on existing and planned projects, plans and programmes, especially in the hydropower, construction, tourism, transport and mining sectors; take immediate measures to fight environmental crime and increase policy and law enforcement for nature and biodiversity protection, especially in the protected areas;

→ adopt a new national disaster risk reduction strategy and action plan, and set up flood vigilance mechanisms and risk management plans in all river basins; implement the National Strategy on Climate change and 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 horizontal issues

Albania needs to step up efforts to achieve full alignment and implementation in most areas. The implementation of the Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) Directives needs to be significantly improved with regard to concrete projects before construction and operation, in particular for HPPs. The EIA quality and processes have to improve. Recommendations from EIAs are rarely implemented, and should be enforced and monitored. The EIA for Vlora Airport was widely criticised by civil society and other stakeholders *inter alia* for not considering the protected area status of the selected site. In some cases, the EIA was approved after the construction was already underway. Public participation and consultation in decision-making need to be improved, particularly at local level. Implementation of the EU directive on protection of the environment through criminal law has to be improved, although environmental crimes convictions increased to 65 from 45 in 2020. These crimes relate in particular to deforestation, illegal logging, arson, hunting and sale of wildlife and protected species, gravel extraction from riverbeds, and dumping of waste in rivers. 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 capacities should be rapidly strengthened, especially to address environmental crimes more effectively. The state budget for environment and climate change remains very limited in 2022, and not sufficient to implement the EU *acquis*. Frequent staff turnover and hiring of staff without necessary expertise has further eroded the capacity of the central administration in this area. The Specialised Anti-Corruption Structure (SPAK) arrested in mid-December 2021 the former Minister of Environment, on corruption charges during the award procedures for the construction concession of the incinerator in Elbasan. SPAK has also requested the arrest of two directors of concession companies. It arrested, in April 2022, the former Secretary General of the Ministry of the Environment on charges of corruption during the award procedures for the Fier waste incinerator.

More efforts are needed to align with the **air quality** *acquis*, including on 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. It focuses mostly on transport measures, while air monitoring continues to be not in line with the EU standards on air quality. The implementation of the action plan for air quality and of Directive (EU) 2016/802 on sulphur content in certain liquid fuels are ongoing, while the implementation of Directives 94/63/EC on the control of volatile organic compound (VOC) emissions and 2009/126/EU on stage II petrol vapour needs to start.

The legal framework for **waste management** is partially aligned and substantial efforts to achieve alignment are needed. Closing of non-compliant landfills and dumpsites, as well as littering, remain a significant challenge. Separate collection of waste streams and economic instruments to promote recycling, reuse and to 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 on the waste hierarchy and recycling targets. Moreover, the waste management policies do not aim to reach EU 2030 recycling targets. Albania should promote circular economy and should incentivise preventing, reducing and recycling waste, especially composting, to cut down landfilling. 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, with appropriate staffing and budget. In March 2022, Albania adopted a legislation that bans the use of certain categories of plastic bags, and has partially aligned with the directive on single-use plastics. Further alignment with this directive is needed, by banning the other single-use plastic items.

On **water quality**, the level of alignment remains incomplete and two laws on water resources and marine waters should be adopted in 2022. Directive specific implementation plans for the Drinking Water Directive and Urban Wastewater Treatment Directive, where major investments are required for compliance, are under preparation. Following the 2020 adoption of the Drini-Buna and Semani River Basin Management Plans, Albania should proceed with the completion and adoption of the remaining five RBMPs: the Ishem, Erzen, Mati, Shkumbini and Vjosa. In line with the Green Agenda for the Western Balkans, Albania should increase efforts in strengthening transboundary basin management with neighbouring countries, which concern to Drini-Buna and Vjosa river basins. A transboundary approach with Greece is encouraged during the future development of the Vjosa RBMP, acknowledging the high ecological value and eco-tourism potential of the river, in 2021 through a natural river park status.

To ensure progress with regards to the EU water *acquis* as outlined above, Albania needs to substantially increase the budgetary resources and implementation capacity of the key national water agencies and adopt a capacity development plan. In addition, the water quality and quantity monitoring is insufficient compared to the current compliance, management and protection needs. The Water Resources Management Agency (AMBU), together with the National Environment Agency (NEA) and other water monitoring agencies, should urgently programme and implement a national water monitoring programme with sufficient resources.

The performance of the water supply and sewerage services sub-sector remains globally low.

Albania should amplify and accelerate further the water reform measures. The new law on water supply and sewerage, the new national strategy for water supply and sewerage 2030, and the revised water code should be adopted and implemented in 2022, and Albania should approve a road map on aggregation. There is also a need to ensure full alignment with the urban wastewater treatment directive, extend sewerage networks, license and apply adequate tariffs for all wastewater treatment plants and build new ones, in particular in urban and coastal areas with high tourism development. The AKUM strategic institutional development plan, needs to be adopted and implemented to drive and support the implementation of the water reform and new strategy 2030.

Alignment with the *acquis* in the field of **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 large tourism and industrial investments in protected areas. Construction works for the new Vlora Airport within the Vjosa-Narta Protected Area started in December 2021, in contradiction with national laws and international biodiversity protection conventions that have already been ratified. The government declared in December 2021 the status of Vjosa River as a Protected Area of protection, as one of Europe's last wild rivers

(excluding however its tributaries). Good progress was made with the adoption of the set of rules for the management of revenues generated by fees paid in Protected Areas, and the establishment of the Special Fund for Protected Areas. An acceleration in the implementation of the set of rules should be considered. In January 2022, the government of Albania approved the revised delimitation of 34 protected areas. Although the total of the area under protection has increased to 21 % of the territory, this increase has happened in the interior of the country, while the coastal area under protection has shrank. Albania does not adequately ensure enforcement of the forest and logging laws, and prosecuted records of offenders and arsonists are little, considering the high number of intentional and unintentional fires in 2021 and 2022. No convictions on these cases have been reported. The moratorium on hunting was extended by an additional 5 years but, for conservation purposes, a law and plan enforcing the moratorium should also be adopted. Capacity for prevention and inspection of wildlife crimes should be ensured.

The Skavica hydropower plant project under preparation is expected to have a large environmental and socio-economic impact on the area, and impact the Balkan lynx populations that use this corridor for migration between Albania and North Macedonia. Therefore, adequate attention should be brought to the project design and EIA quality to minimise these impacts. Investments in the road sector rarely implement the obligatory planting and restoration of road slopes, and no wildlife crossing has so far been planned and implemented in Albania.

Albania joined in February 2022 the High Ambition Coalition for Nature and People, pledging to protect at least 30 % of land and seas and promote nature-based solutions within the UN framework convention on climate change.

Alignment with the 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), the implementing legislation remains to be adopted and adequate administrative structures to be established.

Albania performed urban **noise** monitoring in several cities and municipalities in line with the national monitoring programme and according to WHO and national standards. It 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 June 2022, the Prime Minister submitted to the European Commission the government's expression of interest to join the UCPM, demonstrating its commitment for contribution to the Mechanism and further progress on civil protection. The country should nevertheless work on further improving its civil protection system. considering the multiplication of national disasters in the last decade and the increased impacts of climate change, Albania should adopt a new national strategy and national plan, review the emergency plans, and substantially enhance 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 in order to increase the country's resilience to natural disasters and crisis. The country should improve the management of flood risks in accordance with the EU floods directive, and towards formulating new measures for the reduction in damage caused by flooding. The country should boost implementation by developing and adopting flood risk management plans in all basins. It should

further enhance flood forecast and sustainability of national monitoring stations network, and urgently regulate its early warning and hydrometric-meteorological services. Albania is also encouraged to develop river basin droughts management plans, and forest fires risk assessments and management plans. Albania should also proceed with establishing 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 November 2021, in line with the EU ambition. It also joined the Global Methane Pledge. Good progress was done by adopting a revised National Determined Contribution (NDC) in October 2021, increasing the ambition from 11.5 % to 20.9 % of emissions reduction for the period 2021-2030, and by adopting a National Energy and Climate Plan (NECP) in December 2021. However, the emission reductions foreseen for 2021-2030 in the NECP go up to 18.7%, lower than the pledge in the revised NDC. The plan relies significantly on sequestration of CO₂ by forests, however there are very limited financial means and capacities allocated to the protection of forests and to forest management including reforestation and forest fires risks management measures. This should be urgently tackled. An overall lack of a specific administrative structure for handling climate change issues remains a matter of serious concern. Significant efforts are also needed to green the transport sector.

The National Strategy on Climate Change will require updating 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 in charge of environment. Capacities in the public administration to understand the climate change impacts on Albania and to mainstream climate change in sectoral strategies and plans remain very limited, and capacity building is very much needed in this regard. No emissions register is in place.

Substantial investments 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 is expected to increasingly affect people substantially, public infrastructures and economic activities. Climate risks management plans need therefore to be adopted at all levels and large and vital infrastructures to be climate-proofed in order 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 (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

Albania has some level of preparation in most areas linked to resources, agriculture and cohesion, namely agriculture and rural development, veterinary and phytosanitary policy, fisheries and financial and budgetary provisions. It is moderately prepared as regards regional policy and coordination of structural instruments. Albania has made good progress in agriculture and rural development, notably with the establishment of a farm register and better administrative capacity for rural development. Good progress was also observed on fisheries, with the operationalisation of the Vessel Monitoring System (VMS) and allocation of human

resources to monitor and report on the activities of fishing vessels. Progress was however limited on food safety, veterinary and phytosanitary policy, on regional policy and coordination of structural instruments while some progress was made on financial and budgetary provisions.

This cluster comprises policies linked to sustainable and inclusive territorial development as well as the EU's funding system, requiring particular preparation for developing the capacities to assume responsibilities of a future Member State.

Chapter 11: Agriculture and rural development

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

Albania has **some level of preparation** in agriculture and rural development. **Some progress** was achieved with regard to the establishment of a farm register and the development of administrative capacities for the preparation of the instrument for pre-accession assistance for rural development programme (IPARD III). Some of the Commission's recommendations from 2021 were not fully implemented and remain valid.

In the coming year, Albania should in particular:

- complete the farm register and adopt an implementation plan for the establishment of the farm accountancy data network (FADN) to provide validated data for policy-making;
- Ensure the administrative capacity required to submit for entrustment relevant measures available under IPARD III programme;
- complete the legal frameworks on wine quality schemes and organic production; ensure the institutional and administrative capacity for their implementation.

As regards **horizontal issues**, continuous capacity building of the IPARD authorities is required to receive entrustment for implementation of new measures under the IPARD programme.

The strategy for agriculture and rural development 2021-2027 was adopted providing strategic background for implementation of national policy and IPARD III.

A farm register is being put in place. Registration of farms is required and performed both under national schemes and under relevant IPARD measures and is performed by the advisory services. The farm register is an important first element of the future integrated administration and control system (IACS) and it will support the implementation of the IPARD III programme. There was no progress in establishing a land parcel identification system (LPIS). For the establishment of the FADN an implementation plan with a concrete timeline and resource allocation remains to be adopted.

Direct payments under national schemes remain coupled to production and not subject to cross-compliance rules. The national agriculture budget continues to be low, and IPARD should not be used as a substitute to national support. A strategic Action Plan was adopted to implement the reform of the advisory system.

There was no progress on the establishment of a **common market organisation (CMO)**. Legislation on wine remains to be adopted. Institutional capacity is still at a low level.

On **rural development**, IPARD implementation continued in a satisfactory manner in terms of contracting targets. It implemented a 4th call for applications under IPARD II. However, efforts are needed to avoid de-commitments in 2022 and in 2023, due to delays in project implementation.

Legislation on **quality policy**, is partly aligned with the EU *acquis*. On **organic farming**, additional effort is needed to bring the legislation on organic production in line with the recent reform of the EU organic legislation. Albania continued the 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 quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

Albania has **some level of preparation** in the area of food safety, veterinary and phytosanitary policy and made **limited progress**. Albania has not made significant steps to design and adopt a coherent sector policy. Albania has initiated the alignment with the EU *acquis* on official controls, animal health and plant health but the progress is modest so far.

Some of the Commission's recommendations from 2021 were not fully implemented and remain valid, as more progress is needed.

In the coming year, Albania should in particular:

- adopt a consolidated national food safety policy and align relevant laws on official controls, animal health and plant health under this framework;
- complete the staffing of the veterinary service to make the service fully operational in line with tasks and functions defined by relevant regulations; establish an effective surveillance capacity on main infectious animal diseases including rabies;
- continue to efficiently implement the rabies vaccination programme covering 2023.

On **general food safety**, the National Food Authority has carried out regular official controls in accordance with the annual risk-based plan. There is some progress regarding the preparation of an improved risk assessment methodology. Albania needs to enhance official controls by adopting the upgraded methodology and train sufficient staff to implement the annual inspection plans. The National Authority has yet to improve the quality of the inspection statistics, not limiting it to the number of inspections or measures taken on infringements. Data management needs to be improved to increase efficiency, and reduce the administrative burden for planning and reporting on risk based official controls and ensure transparency of national data.

There was some progress on convening the Board for National Food Authority and establishment of the Scientific Panel from June 2022. As regards the **veterinary policy**, there was progress by National Veterinary and Plant Protection Authority (NVPPA) on recruitment of veterinarians. The reform of the veterinary sector should be completed by filling all vacancies and by establishing the necessary capacities on passive and active surveillance including reliable assessments of the prevalence of diseases, thorough data analysis and appropriate design, planning and implementation of effective systems for disease prevention and/or eradication.

The Government approved in May 2022 the re-organisation of the Ministry of Agriculture and Rural Development by establishing directorates dealing with food safety, veterinary and

phytosanitary. Albania needs to ensure the establishment of a structure coherent with the EU *acquis*, with a clear chain of command, line of communication and reporting.

The programmes for the monitoring of brucellosis and tuberculosis in cattle herds with more than 10 heads, anthrax, lumpy skin disease in bovine have continued. During 2021, vaccination campaigns against rabies for the period 2020-2022 were completed including post monitoring of vaccination. Albania should take full ownership of these vaccination campaigns and transition to using its own means for such future vaccination campaigns, in line with obligations to harmonise with the relevant EU *acquis*. Countrywide verification and registration of the number of animals in Albania has continued. From October 2021, official controls have been implemented, by the National Veterinary and plant Protection Authority, in live animal markets and slaughterhouses, thus improving reporting animal disease and animal movement. The animal register needs to include more information on other animals, such as swine, equine, poultry and other animals as referred to in the EU *acquis*, to ensure that solid traceability systems are established for food of animal origin.

With regard to the **placing on the market of food, feed and animal by-products**, the National Residue Monitoring Plan including veterinary medical products, pesticide residues, heavy metals and mycotoxins in live animals and products of animal origin has been launched. Nevertheless, Albania should implement in full the National Residue Monitoring Plan by using validated screening methods to ensure the reliability of results for the relevant species and commodities. The laboratory network of Albania should be improved including management, capacities, accreditation and validation of methods within a consolidated framework.

As regards animal by-products legal basis there was no progress.

Concerning **food safety rules**, Albania has continued to align with the EU *acquis* on microbiological criteria of food products; specific hygiene requirements for meat and meat products; establishment of detailed rules concerning the market standard and trade in eggs; maximum level of pesticide residues in fruits, vegetables, fresh and/or processed seeds; on food additives.

On the **phytosanitary policy**, the Ministry of Agriculture and Rural Development has continued approving active substances of plant protection products in line with the EU *acquis*. The National Veterinary and Plant Protection Authority (NVPPA) has performed the monitoring and verification of the phytosanitary condition for any plant pests in the country, supervising the use of hazardous plant protection on products posing high risks to human health and environment, and issuing phytosanitary certificates for export. National Food Authority has also performed inspections on plant protection and agriculture inputs.

With regard to legislation on **feed or genetically modified organisms**, there is no progress. The legislation on genetically modified organisms (GMOs) needs to be adopted.

Chapter 13: Fisheries

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

Albania has **some level of preparation/is moderately prepared** in fisheries. Albania made **good progress**, specifically on maintaining operational the Vessel Monitoring System (VMS)

and allocating human resources to monitor and report on the activity of fishing vessels. There was progress on recruitment of inspectors; but the administrative capacities of the inspectorate and central administration should be further enhanced. Albania as a contracting party of the General Fisheries Commission for the Mediterranean (GFCM) is fully implementing its recommendations to control the fishing effort. The Commission's recommendations from 2021 were adapted to reflect new specific priorities.

In the coming year Albania should in particular:

- build up the necessary administrative capacity of the fishery sector, notably by completing the staffing, strengthening data collection and scientific advice, implement national policies in line with EU Common Fisheries Policy (CFP) and international agreements;
- take concrete steps for implementing the Regional Plan of Action for small-scale fisheries;
- participate actively in the GFCM inspection scheme in the Adriatic Sea.

Regarding **resource and fleet management and structural actions**, the vessel register and fishery production data are regularly maintained and updated. A number of legal acts were issued to regulate the management of commercial fishing capacities. The agreement between Albania and North Macedonia for joint fisheries management in Lake Ohrid and Lake Prespa is in force. Ministerial orders have been issued in line with the recommendations of GFCM for sustainable exploitations of fish stocks. With regard to small-scale fisheries, no significant step has been taken since the amendments to the Fishery Law in 2019. The government has introduced new financial supporting measures to fishery sector as part of national funding programme for agriculture and rural development 2022.

Inspection and control capacity has improved. The vessel monitoring system (VMS) is fully functional as of May 2021. In addition, tests on a pilot electronic reporting system (ERS) started. The legal basis on the establishment of the full ERS system remains to be prepared. The Ministry of Agriculture has recruited six system operators who monitor and report on the activity of fishing vessels in addition to the Fishery Monitoring Centre (IMOC). Progress took place on recruitment procedures of the new fishery inspectors. The total number of inspectors increased from 21 to 28 into four ports offering the service 24/7.

As part of the May 2022 re-organisation of the Ministry of Agriculture and Rural Development, adequate human resources in the Directorate of Fisheries and Aquaculture Policies and Programmes has to be ensured. The capacity to interpret and implement the national legislation or the EU Common Fisheries Policy (CFP) remains weak and has consequences on data collection, which needs further strengthening, in particular in terms of scientific capacity and data management.

The government approved the first plan of allocated zones for aquaculture (AZA) in Saranda region. The Government needs to adopt such plans also for the remaining Shengjin, Durrës and Vlora AZAs. Efforts on preparation of AZA for inland waters have started.

On **market policy**, a wholesale market for the fishery products in Shengjin fishing port has been completed. The legal basis for the transfer of market management has been drafted. The construction of the wholesale fish market in Vlora was completed. On **State aid**, support is made available for replacement of fishing vessels and equipment (50 % co-funding).

Regarding **international agreements** for fisheries management, a cooperation agreement between Albania and North Macedonia is in force. Albania is a contracting party of GFCM and has fully implemented its recommendations to control the fishing effort. Albania should continue to actively participate and implement actions and recommendations of GFCM, notably the implementation of the multi-annual management plans for the conservation and sustainable exploitation of small pelagic and demersal fishing activities in the Adriatic Sea and by increasing activities to implement the regional plan of action for small-scale fisheries in the Mediterranean and the Black Sea (RPOA-SSF).

Chapter 22: Regional policy and coordination of structural instruments

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

Albania is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Limited progress** was made over the reporting period, particularly with the adoption of the implementing legislation to the Law on Regional Development and Cohesion.

The recommendations for 2021 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 the requirements of the future structural/cohesion funds in the institutional set-up, the financial management and control systems, and the administrative capacity, ensuring that all its instruments and funds are gradually made compliant with EU requirements in terms of programming and partnership principles;
- proceed with the national strategy and plan for regional development and cohesion (2021-2027) and complete the regional development plans (2021-2024) which should foster the development potential through decentralised interventions based on local and/or regional integrated plans and strategies; finalise and approve the National Strategy for Development and Integration 2020-2030;
- clarify responsibilities between central and local authorities in line with the progress achieved on decentralisation, and further strengthen the administrative capacity of central, regional and local bodies, especially at central level, in particular by ensuring adequate staffing and revising the local government salary structure and keeping fiscal decentralisation high on the agenda.

As regards the **legislative framework** for regional policy, following the approval of the Law on Regional Development and Cohesion in September 2020 and 26 consultative meetings, five implementing acts were developed, including on defining development regions in Albania and their prerogatives. The other acts, still pending approval, are to establish the policy for regional development and cohesion, the national committee as well as the regional boards, and the procedures for drafting the national and regional plans. The drafting of by-laws for the managing authority and for the establishment of the database and monitoring system for regional development and cohesion is ongoing.

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 actors involved. In

terms of indirect management of EU funds, decisions on the appointment of institutions and bodies that will implement the EU's Instrument for Pre-accession Assistance (IPA III) should be made taking into account their future role in cohesion policy. (*See above under Political Criteria - Governance*).

Albania also needs to address issues with strategic planning, implementation and monitoring capacity of infrastructure projects financed under the Economic and Investment Plan.

On **administrative capacity**, the staff of the structures involved in indirect management continued to receive training and this should remain a focus. The administrative capacity for coordinating and monitoring sectoral reform through the 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.

As regards **programming**, efforts are needed to develop autonomous programming capacity in the period ahead (2023-2027). The national project pipeline of investments, including those for regional development, is not yet fully aligned with the medium-term budget programme and the planning and management of nationwide public investment. A key element for the success of the regional development process will be to build ownership of public and private actors at national and sub-national levels.

Albania continues to gain experience in programming and implementation of regional policy territorial cooperation through the participation in cross border cooperation and transnational and interregional cooperation programmes. Albania participates in the EU Strategy for the Adriatic Ionian Region (EUSAIR) which promotes cooperation and synergies among the participating EU and non-EU countries.

On **monitoring and evaluation**, the sectoral monitoring committee issued operational recommendations for all IPA sectors, however SASPAC should ensure adequate monitoring of all programme activities on a daily basis. The support offices of the National Authorising Officer and the National IPA Coordinator has yet to establish a list of key performance operators to evaluate the performance.

On **financial management, control and audit**, an evaluation of IMBC under IPAlI found that the 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 needs to ensure that its management declaration adequately reflects the results of its supervision and monitoring of management and control systems. The Officer's support office has yet to establish procedures to ensure immediate dissemination, and the implementation throughout the institutions, regarding internal control by the Commission. Irregularities are still 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. EU Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Albania has **some level of preparation** in the area of Financial and budgetary provisions. **Some progress** was made in aligning with the EU *acquis* in the underlying policy fields that affect the functioning of the EU funding system. Albania continued to regularly publish the Gross Domestic Product and Gross National Income Indicators following ESA 2010 methodology and methodological improvements continued as regards the alignment with ESA 2010 standards, however 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 (European System of Accounts), and improving the comprehensiveness of data transmission to Eurostat including on Excessive Deficit Procedure (EDP);
- align its legislation with the EU provisions on VAT and customs duties and strengthen the efforts to tackle fiscal evasion.
- enhance the administrative capacities and co-ordination mechanisms among key stakeholders in the own resources system.

There was some progress in the underlying policy areas indirectly affecting the own resources system (*for progress in these areas, see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union, and 32 – Financial control*).

With regard to **traditional own resources**, Albania has structures in place for levying customs duties at the point of import. It operates a national **VAT** system. However, the mid-term revenue strategy (MTRS) that was planned to be adopted in 2020 still needs to be finalised.

As regards the **Gross National Income** (GNI) resource, Albania continued its efforts to align its legislation with ESA 2010 standards and in publishing the inventory of resources and methods used in the national accounts. However, further efforts are needed to improve compliance with ESA 2010 and to start the work on establishment of the GNI Inventory in full alignment with Eurostat recommendations. Due to the COVID-19 pandemic, the benchmark revision of national accounts planned to be adopted in 2020 was postponed to 2024. INSTAT has continued its work in improving the EDP data, following the ESA 2010 and the manual on government deficit and debt, and pilot estimations were transmitted to Eurostat. In May, INSTAT released the publication on Generation of Income Accounts by Institutional Sectors for the year 2019, while data series for the period 2013 – 2019 are transmitted based on ESA 2010 Transmission program.

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 on illegal activities and fiscal audit, was implemented. Efforts to improve the exhaustiveness of national accounts estimates are being undertaken. The general tax directorate and the general customs directorate have continued their work on identification of fiscal evasion and fraud. Staff continued to receive training through the

Fiscal Academy, including on fiscalisation process, and since January 2022 a special Anti-Informality Unit is established in the Ministry of Finance and Economy. However, continued efforts are needed to ensure formalisation of the informal economy, improve the exhaustiveness of the national accounts and GDP/GNI calculations and combat fiscal evasion and customs duty fraud.

On **administrative infrastructure**, the Ministry of Finance and Economy has overall responsibility for financial and budgetary issues. Albania will need to continue to work on establishing the relevant institutions involved in the own resources system, an own resource coordination body and implementing rules. These are needed to ensure that, upon accession, it will be able to calculate, forecast, account for, collect, pay, control, and report to the EU, on own resources in line with the EU *acquis*.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30); foreign, security & defence policy (Chapter 31). Albania has a good level of preparation in both. As regards the latter chapter, 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 restrictive measures following Russia's unprovoked aggression against Ukraine. As a non-permanent member since January 2022, Albania has been actively engaged in the UN Security Council in promoting and defending the rules-based international order.

For the external relations chapter, which covers the EU's common trade and commercial policy towards third countries as well as its humanitarian aid and its development policy, Albania made some progress and reached a good level of preparation. Albania has in particular continued alignment of legislation in the field of dual use goods and to implement CEFTA additional protocols.

Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Concerning the *acquis* on external relations, Albania has a **good level of preparation**. **Some progress** was made during the reporting period, particularly as regards continuation of alignment of the legislation in the field of dual use goods with the relevant EU *acquis*.

Last year's recommendations were not fully implemented and remain largely valid:

- align the relevant legislation with the EU *acquis* on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment;
- establish a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries in line with EU policies and principles ;
- further implement CEFTA Protocol 6 on trade in services, and conclude and adopt CEFTA Protocol 7 on dispute settlement.

On the **common commercial policy**, Albania continued to coordinate its positions and align its policies closely with those of the EU, including within the World Trade Organization (WTO) as regards the dispute settlement understanding (DSU), proposed mechanisms of the DSU and the Joint statement on Services Domestic Regulation. With regards to the later, in November 2021 Albania notified the WTO on the revised schedule of specific commitments. The order on prohibition of export of medicines and medical equipment linked to the COVID-19 pandemic were lifted in July 2021.

In November 2021, Albania amended its national control list of dual-use goods in line with the EU regulation on control of exports, transfer, brokering, and transit of dual-use goods and technologies. A specific unit dealing with dangerous goods, dual use and illegal trafficking was set up in the anti-trafficking directorate of the General Directorate of customs. During the reporting period the export control authority carried out verification procedures together with customs authority and issued fines for 10 companies for non-compliance with the legislation on dual use goods. Albania has yet to align its legislation with the EU *acquis* on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

There is no progress in the area of **export credit** guarantee while the 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.

As regards **bilateral agreements with third countries**, Albania is negotiating with China a memorandum of understanding concerning investment cooperation in the digital economy and with India an agreement on establishing the inter-governmental Commission on economic cooperation.

Albania continued to implement CEFTA commitments related to additional protocols (AP) 5 and 6. Albania continued its awareness campaign with private sector representatives as regards the Authorised Economic Operators (AEOs) application procedures and benefits, and has registered 16 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 AP 7 on dispute settlement.

Albania has no **development policy** framework for cooperation/aid or agency for development cooperation. The country is encouraged to establish a legal framework covering international cooperation and development policy as well as humanitarian aid towards non-EU countries, in accordance with EU policies and principles.

The 2001 Law on Non-Profit Organisations recognises 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 of Council of Ministers were adopted in March and June 2022 to address humanitarian aid issues for Ukrainians coming to Albania due to the Russia's aggression on Ukraine, and on the financial aid to be provided to the Ukrainian government for country's reconstruction.

Chapter 31: Foreign, security and defence policy

EU 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 its track-record of full alignment with the EU's common foreign and security policy, including with the EU restrictive measures following Russia's unprovoked aggression against Ukraine. Furthermore, as a non-permanent member since January 2022, Albania has been actively engaged in the UN Security Council in promoting and defending the rules-based international order, in particular in the context of Russia's war of aggression against Ukraine. Some progress was made on implementing the national strategy on small arms and light weapons, and on aligning with the EU *acquis* in this field, but Albania remains both a destination and a transit country for light firearms.

In the coming year, Albania should in particular:

- maintain its full alignment with the EU foreign, security and defence policy;
- continue to implement the 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 CFSP dialogue at political directors' level. Albania has expressed its support for the EU 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 (CFSP)** while the Ministry of Defence deals more specifically with the common security and defence policy. When invited, Albania aligned with all relevant Council Decisions and High-Representative declarations on behalf of the EU, including on restrictive measures, despite increasing pressure from third parties. Albania continues to align 100 % with the EU foreign and security policy. This is a strong signal of the country's strategic commitment to its EU path. Albania notably aligned with the EU position in the UN General Assembly (UNGA) when co-sponsoring or voting on resolutions regarding Russia's aggression against Ukraine and its humanitarian impact. Albania also voted for the suspension of the Russian Federation in the UN Human Rights Council.

On **restrictive measures**, Albania implements EU sanctions. The authorities have cooperated with the EU in strengthening their capacity to implement and enforce international sanctions.

Albania's priorities as a non-permanent member of the UN Security Council in 2022-2023 are in line with important EU priorities, including women, peace and security, human rights and international law, countering violent extremism, and climate and security. It has closely cooperated and coordinated with the EU, respectively EU Member States in the UN Security Council, including on the international response to Russia's aggression against Ukraine.

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.

Concerning **non-proliferation**, Albania continued to implement its national strategy on small arms and light weapons (SALW) adopted in February 2019. A new action plan to implement the strategy in 2022-2024 was adopted in December 2021. The action plan's implementation has begun. Albania also remained actively engaged in the implementation of 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. In May 2022, Albania initiated its membership of the Organisation for the Prohibition of Chemical Weapons (OPCW) Executive Council (2022-2024), actively contributing to the effective implementation of the Chemical Weapons Convention.

Albania continued active **cooperation with international organisations** and maintained a robust presence in a number of NATO missions, including some of strategic importance to the EU, and contributed to the United Nations Mission in South Sudan.

In terms of **security measures**, a by-law on the selection and installation of equipment that processes classified information was adopted by the Council of Ministers in April 2022. Albania continued to participate in EU crisis management missions and operations under the **common security and defence policy (CSDP)**, notably EUFOR Althea in Bosnia and Herzegovina. The country pledged to contribute to the EU battle groups in 2024.

Regarding **hybrid threats**, Albania completed the EU's hybrid risk survey with the objective of identifying systemic vulnerabilities which should be addressed. In July 2022, a large-scale cyberattack took place in Albania, which led to the disruption of most public online services and government e-mail systems. In September 2022, the Albanian government attributed the attack to Iran and, consequently, decided to sever its diplomatic ties with that country.

ANNEX I – RELATIONS BETWEEN THE EU AND ALBANIA

The **Stabilisation and Association Agreement (SAA)** between Albania and the EU came into force in April 2009. The transitional period of the SAA ended on 31 March 2019 and that since 1 April 2019, Albania is thus fully associated with the EU. In the reporting period, Albania continued to implement its commitments under the SAA. Regular political and economic dialogue has continued through the relevant joint bodies under the SAA. The Stabilisation and Association Parliamentary Committee met on 23-24 February 2022. The Stabilisation and Association Committee took place on 15 February 2020. Discussions focused on progress in SAA implementation as well as of the most important reforms developments. The Stabilisation and Association Council did not meet during the reporting period.

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’. Albania is a WTO member since 2000, and joined the Central European Free Trade Agreement (CEFTA) in 2007. The EU is the main trading partner of Albania, followed by CEFTA countries. Trade integration with the EU is high. In 2021 the EU remained the main trading partner of Albania, accounting for 60% of Albania’s total trade in goods (72% of total exports and 54% of total imports). EU-Albania trade rose by 27.3% in 2021, demonstrating a recovery from the impacts of the COVID-19 pandemic. Albania’s total trade in 2021 was worth €10 billion. The country’s trade deficit with the EU amounted to EUR 1.6 billion in 2021. In comparison, Albania’s trade with CEFTA represented around 10.1% of total trade, a similar level to 2020, which demonstrates ongoing regional integration.

Albania is a candidate country since 2014. In 2018, the Commission issued an unconditional recommendation to open **accession negotiations**. On 26 March 2020, the European Council endorsed the Council’s decision to open accession negotiations with Albania. On 12 May 2021, the Commission informed the Council that all conditions to be fulfilled prior to the holding of the first Inter-Governmental Conference of accession negotiations were met, since the Constitutional Court regained functionality in December 2020. On 19 July, the Intergovernmental Conference on accession negotiations took place with Albania. The Commission launched the screening process on the same day.

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 August 2021 fourth report under the visa suspension mechanism²⁵ concluded that Albania continues to meet the visa liberalisation requirements.

Albania is the only country from the region that has signed cooperation agreements with all justice and home affairs agencies of the EU. A Europol liaison officer was deployed in Tirana until February 2022. This further intensified the cooperation with Europol. A liaison prosecutor was deployed to Eurojust in the Hague in January 2021. The first Frontex joint operation outside the EU deployed at the Greek-Albanian border in May 2019 was supplemented in March 2021 with a sea border joint operation deployed near Durrës. In March 2021 a new working arrangement was signed with FRONTEX. A second FRONTEX liaison officer to the Western Balkans with a mandate covering Albania, Kosovo, and North Macedonia was deployed in

²⁵ COM(2021)602 final and SWD(2021)206 final

Tirana in January 2021. Albania continues to cooperate with EMCDDA under the working arrangement signed in March 2019 on drug related issues. Albania was granted Observer Status to EU Fundamental Rights Agency by decision of the EU-Albania Stabilisation and Association Council in November 2019. Albania appointed an Observer to the Agency in 2020 and a positive engagement with Albanian stakeholders started.

Albania has continued to fully align with all EU **common foreign and security policy** positions and declarations. Albania continued to actively participate in EU crisis management missions and operations under the common security and defence policy, notably EUFOR Althea in Bosnia and Herzegovina.

Under the **Instrument for Pre-accession Assistance 2021 – 2027 (IPA III)**, a first financing decision of EUR 64.9 million was adopted at the end of 2021, providing support for EU accession and post-country's COVID recovery and enhancing the country's reforms in the areas of rule of law, nature protection, green growth and innovation. This first set of programmes complemented by a significant package of multi-country programmes and the rural development programme IPARD II, 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.

The new activities will complement the on-going programmes under IPA II (2014-2020), which 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, capacities of the justice and law enforcement agencies in the fight against corruption, organised crime and 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.

In response to the COVID-19 outbreak, EUR 50.65 million was reprogrammed from the IPA 2019 and 2020 envelopes, to allow provision of urgent medical supplies and support for the mitigation of socioeconomic impact of the crisis. Other programmes were also reoriented to help reduce the impact of the pandemic and Albania signed a loan of EUR 180 million in Macro Financial Assistance, of which the 1st tranche of 90 million were disbursed on 31 March 2021 and the balance in November 2022.

The Commission set aside 70 MEUR in grants from IPA II for the Western Balkan partners to reimburse the Member States for the resale of doses they obtained under the EU Advance Purchase Agreements with COVID-19 vaccine producers or bilateral orders of EMA authorised vaccines, of which Albania received EUR 11.2 million. Albania has received just over 1 million doses via the use of the IPA grant, including over 188 000 via COVAX initiative, which is significantly supported by the EU. COVAX also delivered a further over 143 000 doses to Albania by the same date.

Following the November 2019 earthquake, the EU pledged EUR 115 million, which have been translated into two programmes.

While the recent focus has been on mobilising and delivering support to Albania in response to the triple shock of the 2019 earthquake²⁶, the COVID-19 pandemic, and the consequences of the aggression against Ukraine, IPA has also continued to help the country to deliver on key reforms such as the justice reform, for instance in the process of reevaluation of judges and prosecutors (“vetting”), and in supporting the specialised structures against corruption and organised crime.

Furthermore, Albania benefits from the IPA multi-country and regional programmes and participates in five cross-border cooperation programmes, as well as in transnational cooperation programmes. Albania participates with IPA support in the EU programmes Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME), Justice, Europe for Citizens and EU Fundamental Rights Agency (FRA) (observer).

²⁶ The EU4Schools programme supports reconstructing and rehabilitating education facilities damaged by the earthquake. The EU4Culture supports the rehabilitation of the cultural heritage sites gravely damaged by the earthquake, as well as related economic activities to support the tourism related to these sites

STATISTICAL DATA (as of 01.09.2022)
Albania

Basic data	Note	2009	2016	2017	2018	2019	2020
Population (thousand)		2 936 s	2 876 s	2 877 s	2 870 s	2 862 s	2 846 s
Total area of the country (km ²)		28 750 w	28 748 w	28 748 w	28 748 w	28 748 w	28 748 w

National accounts	Note	2009	2016	2017	2018	2019	2020
Gross domestic product (GDP) (million national currency)		1 143 937	1 472 479	1 550 646	1 636 731	1 691 903	1 644 077 p
Gross domestic product (GDP) (million euro)		8 662	10 720	11 559	12 828	13 754	13 283 p
GDP (euro per capita)		2 960	3 730	4 020	4 480	4 820	4 680 p
GDP per capita (in purchasing power standards (PPS))		6 654	8 387	8 770	9 155	9 524	9 109 p
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		27.7	29.7	29.9	30.2	30.4	30.4
Real GDP growth rate: change on previous year of GDP volume (%)		3.4 d	3.3	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 (%)		19.4	22.6	21.8	21.1	21.0	22.0 p
Industry (%)		10.9	14.0	12.8	14.1	13.8	12.6 p
Construction (%)		17.3	10.2	10.5	10.3	9.8	10.3 p
Services (%)		52.4 s	53.2 s	54.9 s	54.6 s	55.4 s	55.2 ps
Final consumption expenditure, as a share of GDP (%)		91.9	92.2	91.1	90.4	91.3	92.4 p
Gross fixed capital formation, as a share of GDP (%)		32.7	24.4	24.6	23.9	22.3	22.8 p
Changes in inventories, as a share of GDP (%)		1.8	0.9	0.5	0.0	0.7	0.4 p
Exports of goods and services, relative to GDP (%)		25.2	29.0	31.6	31.6	31.3	22.7 p
Imports of goods and services, relative to GDP (%)		49.9	45.8	46.6	45.2	45.0	37.2 p
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2009	2016	2017	2018	2019	2020
Industrial production volume index (2015 = 100)	1)	41.8 w	82.0 w	81.4 w	96.6 w	95.5 w	89.5 w
Number of active enterprises (number)	2) 3)	70 890 w	98 262 w	97 352 w	97 272 w	93 563 w	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	4)	13.8 w	19.5 w	15.3 w	12.5 w	10.8 w	10.4 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) 3)	82.7 sw	81.4 sw	80.5 sw	80.2 sw	81.2 sw	:
Value added by SMEs (in the non-financial business economy) (EUR million)	2) 3)	1 383 sw	2 276 sw	2 520 sw	2 881 sw	3 263 sw	:
Total value added (in the non-financial business economy) (EUR million)	2) 3)	1 994 w	3 388 w	3 687 w	4 187 w	4 511 w	:

Inflation rate and house prices	Note	2009	2016	2017	2018	2019	2020
Consumer price index (CPI), change relative to the previous year (%)		:	1.5 w	3.2 w	1.8 w	1.7 w	2.2 w
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2009	2016	2017	2018	2019	2020
Balance of payments: current account total (million euro)		:	- 811.5	- 870.6	- 865.7	- 1 089.2	- 1 153.3
Balance of payments current account: trade balance (million euro)		:	- 2 602.5	- 2 823.1	- 2 869.7	- 3 144.1	- 2 982.1
Balance of payments current account: net services (million euro)		:	796.5	1 086.8	1 110.3	1 263.8	1 056.2
Balance of payments current account: net balance for primary income (million euro)		:	174.0	18.3	- 13.6	- 180.3	- 227.6
Balance of payments current account: net balance for secondary income (million euro)		:	820.4	847.5	907.2	971.3	997.1
Net balance for primary and secondary income: of which government transfers (million euro)		:	47.8	69.6	67.1	67.1	58.2
**3 year backward moving average of the current account balance relative to GDP (%)		:	:	- 7.9	- 7.3	- 7.4	- 7.8
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		688.7 w	935.4 s	992.4 s	1 023.6 s	1 037.1 s	893.6 w
Foreign direct investment (FDI) abroad (million euro)		28.2 w	58.0	23.4	69.1	114.2	76.6 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	9.9 w	14.6 w	32.4 w	39.1	28.6 w
Foreign direct investment (FDI) in the reporting economy (million euro)		716.9 w	994.4 w	1 017.0 w	1 092.1 w	1 150.5 w	970.2 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	163.0 w	404.7 w	248.0 w	649.4	535.6 w
**Net international investment position, relative to GDP (%)		:	- 44.3 w	- 47.1 w	- 49.4 w	- 50.1 w	- 55.0 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		9.1 sw	5.7 s	5.5 s	5.2 s	5.1 s	5.1 ps

Public finance	Note	2009	2016	2017	2018	2019	2020
General government deficit / surplus, relative to GDP (%)		- 7.1 w	- 1.8 w	- 2.0 w	- 1.6 w	- 1.9 w	- 6.8 w
General government gross debt relative to GDP (%)		55.7 w	68.7 w	66.9 w	64.9 w	63.3 w	72.7 w
Total government revenues, as a percentage of GDP (%)		26.1 w	27.6 w	27.8 w	27.5 w	27.2 w	26.3 w
Total government expenditure, as a percentage of GDP (%)		33.2 w	29.5 w	29.8 w	29.1 w	29.1 w	33.2 w

Financial indicators	Note	2009	2016	2017	2018	2019	2020
Gross external debt of the whole economy, relative to GDP (%)		41.5 sw	73.5 s	68.8 s	65.1 s	59.9 s	64.3 ps
Gross external debt of the whole economy, relative to total exports (%)		164.4 w	253.5 w	217.6 w	205.8 w	191.3 w	283.8 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		2 154.4 w	3 170.1 w	3 440.8 w	3 752.1 w	4 259.5 w	5 149.2 w
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		4 378.2 w	5 365.1 w	5 508.2 w	5 732.2 w	6 160.4 w	6 967.3 w
Money supply: M3 (M2 plus marketable instruments, million euro)		6 599.0 w	9 198.2 w	9 444.2 w	9 906.4 w	10 717.6 w	11 771.8 w

Total credit by monetary financial institutions to residents (consolidated) (million euro)		3 192.2 w	4 046.4 w	4 086.0 w	4 223.7 w	4 514.3 w	4 760.5 w
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)	5)	5.51 w	1.49 w	1.34 w	1.24 w	1.10 w	0.73 w
Lending interest rate (one year), per annum (%)	6)	12.46 w	5.89 w	5.98 w	5.66 w	6.27 w	6.10 w
Deposit interest rate (one year), per annum (%)	7)	6.78 w	0.80 w	0.75 w	0.73 w	0.49 w	0.40 w
Euro exchange rates: average of period (1 euro = ... national currency)		132.060	137.360	134.150	127.590	123.010	123.770
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)		1 646.2 w	2 945.0 w	2 995.9 w	3 399.0 w	3 359.6 w	3 942.4 w

External trade in goods	Note	2009	2016	2017	2018	2019	2020
Value of imports: all goods, all partners (million euro)		3 259	4 169	4 648	5 026	5 269	4 860
Value of exports: all goods, all partners (million euro)		780	1 771	2 026	2 431	2 426	2 190
Trade balance: all goods, all partners (million euro)		- 2 479	- 2 399	- 2 622	- 2 596	- 2 843	- 2 670
Terms of trade (export price index / import price index * 100) (number)		102.3 sw	96.9 sw	99.8 sw	103.6 sw	99.2 sw	104.1 sw
Share of exports to EU-27 countries in value of total exports (%)		79.2 s	77.7 s	77.0 s	75.9 s	76.4 s	74.7 s
Share of imports from EU-27 countries in value of total imports (%)		64.0 s	62.4 s	60.8 s	60.0 s	57.7 s	57.9 s

Demography	Note	2009	2016	2017	2018	2019	2020
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		4.7	3.6	3.0	2.5	2.3	0.2
Infant mortality rate deaths of children under one year of age (per thousand live births)		10.3	8.7	8.0	8.9	10.3	10.0
Life expectancy at birth: male (years)		:	77.1	77.1	77.4	77.6	75.2
Life expectancy at birth: female (years)		:	80.1	80.1	80.5	80.7	79.6

Labour market	Note	2009	2016	2017	2018	2019	2020
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		69.6 ew	73.3 ew	73.9 w	74.8 ew	75.9 ew	75.3 ew
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		60.4 ew	62.1 ew	63.9 w	65.6 ew	67.1 ew	66.3 ew
Male employment rate for persons aged 20–64 (%)		73.2 ew	69.4 ew	72.1 w	73.9 ew	74.7 ew	74.0 ew
Female employment rate for persons aged 20–64 (%)		48.9 ew	55.0 ew	55.6 w	57.4 ew	59.7 ew	58.8 ew
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		48.9 ew	54.8 ew	55.5 ew	58.2 ew	60.4 ew	60.3 ew
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	40.2 ew	38.2 ew	37.4 ew	36.4 ew	36.1 ew
Industry (%)		:	12.8 ew	12.5 ew	12.7 ew	13.1 ew	13.4 ew

Construction (%)		:	6.5 ew	6.9 ew	7.0 ew	7.0 ew	7.0 ew
Services (%)		:	40.5 ew	42.4 ew	42.9 ew	43.5 ew	43.5 ew
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	15.6 ew	16.4 ew	15.9 ew	15.3 ew	15.5 ew
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	84.4 ew	83.6 ew	84.1 ew	84.7 ew	84.5 ew
Unemployment rate: proportion of the labour force that is unemployed (%)			13.8 ew	15.2 ew	13.7 ew	12.3 ew	11.5 ew
Male unemployment rate (%)			12.2 ew	15.9 ew	14.6 ew	12.7 ew	11.6 ew
Female unemployment rate (%)			15.9 ew	14.4 ew	12.6 ew	11.9 ew	11.4 ew
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)			27.2 ew	36.5 ew	31.9 ew	28.3 ew	27.2 ew
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)			9.1 ew	10.1 ew	8.9 ew	8.3 ew	7.0 ew
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)			10.3 ew	11.8 ew	11.2 ew	9.2 ew	8.6 ew
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:		13.3 ew	11.7 ew	11.5 ew	9.7 ew

Social cohesion	Note	2009	2016	2017	2018	2019	2020
Average nominal monthly wages and salaries (national currency)	8) 9)	40 874 ew	47 522 ew	48 967 ew	50 589 ew	52 380 ew	53 662 ew
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)	9)	:	100 ew	101 ew	102 ew	105 ew	105 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 (%)		35.5 ew	19.6 ew	19.6 w	17.4 w	16.3 w	15.6 w

Standard of living	Note	2009	2016	2017	2018	2019	2020
Number of passenger cars relative to population size (number per thousand population)		95.8 sw	152.0	147.0	161.0	176.0	191.0
Number of mobile phone subscriptions relative to population size (number per thousand population)	10)	1 444.0 ew	1 836.2 w	1 934.4 w	1 445.6 w	1 183.8 w	1 176.2 w
Mobile broadband penetration (per 100 inhabitants)	10)	:	:	:	:	62.7 w	70.4 w
Fixed broadband penetration (per 100 inhabitants)	10)	:	9 w	11 w	13 w	15 w	17 w

Infrastructure	Note	2009	2016	2017	2018	2019	2020
Density of railway network (lines in operation per thousand km ²)		13.9 sw	11.6 sw	11.6 sw	11.6 sw	5.9 sw	7.8 sw
Length of motorways (kilometres)		:	:	:	:	:	22

Innovation and research	Note	2009	2016	2017	2018	2019	2020
Public expenditure on education relative to GDP (%)		3.3 sw	3.1 sw	3.1 sw	3.2 psw	3.3 psw	3.3 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 (%)		:	:	:	84.0	85.0	87.0

Environment	Note	2009	2016	2017	2018	2019	2020
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		90.0 w	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		239.7	217.4	219.2	209.4	204.2	196.3
Electricity generated from renewable sources relative to gross electricity consumption (%)		70.7	82.1	91.0	92.5	93.0	100.0
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2009	2016	2017	2018	2019	2020
Primary production of all energy products (thousand TOE)		1 251	1 961	1 642	2 015	1 736	1 494
Primary production of crude oil (thousand TOE)		577	1 056	959	911	1 005	758
Primary production of solid fuels (thousand TOE)		2	2	76	161	52	69
Primary production of gas (thousand TOE)		7	35	37	32	58	41
Net imports of all energy products (thousand TOE)		1 007 s	464 s	920 s	503 s	753 s	793 s
Gross inland energy consumption (thousand TOE)		2 171	2 271	2 375	2 366	2 355	2 183
Gross electricity generation (GWh)		5 202	7 782	4 526	8 553	5 206	5 313

Agriculture	Note	2009	2016	2017	2018	2019	2020
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		1 200.9	1 181.7	1 174.1	1 174.0	1 174.1	1 165.7
Livestock numbers: live bovine animals (thousand heads, end of period)		:	497.0 p	475.2	467.3	415.6	362.6
Livestock numbers: live swine (thousand heads, end of period)		:	183.6 p	180.1	184.1	183.9	158.4
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	2 912.7 ps	2 858.6 s	2 781.0 s	2 621.2 s	2 332.2 s
Raw milk available on farms (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		629.9	698.4	:	678.2	666.1	684.0
Harvested crop production: sugar beet (thousand tonnes)		:	29.6	0.0	27.5	30.7	27.0
Harvested crop production: vegetables (thousand tonnes)		:	1 129.0 w	1 157.1 w	1 166.3 w	1 258.0 w	:

Source: Eurostat and the statistical authorities in Albania

: = not available

d = definition differs

e = estimated value

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. 1.1. Coverage is Divisions 10 to 74.
- 3) Based on NACE Rev. 2. Coverage is Divisions 05 to 82 and 95.
- 4) 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.
- 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.