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**Albania 2021 Report**

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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.

On 25 March 2020, the Council decided – and the members of the European Council endorsed this decision[1] – to open accession negotiations with Albania. The Council tasked the Commission to report on a number of issues to be addressed by Albania prior to the first Inter-governmental Conference on accession negotiations.

Overall, and despite the challenges posed by the COVID-19 pandemic, Albania has continued to show its commitment to EU oriented reforms and delivered tangible and sustainable results. It has fulfilled all the conditions set out in the Council Conclusions of March 2020 for the first Inter-governmental Conference.

In October 2020, the Commission adopted the enlargement package[2] and assessed that the condition related to the functioning of the Constitutional Court was close to being met, while all the other conditions to be fulfilled prior to the holding of the first Inter-Governmental Conference on accession negotiations were met. The Constitutional Court regained functionality in December 2020. Meanwhile, Albania has continued to meet all other conditions and has made further considerable, steady progress in addressing the other priorities highlighted by the Council.

The COVID-19 pandemic continued throughout the reporting period. By early October 2021, Albania had recorded 171,794 cases and over 2,710 deaths due to the COVID-19 pandemic. The Commission has redirected EUR 50.6 million in grants to meet the most immediate needs and provide a socio-economic response to the pandemic. The Commission also provided macro-financial assistance of EUR 180 million through a very favourable loan; the first instalment (EUR 90 million) was disbursed in March 2021.

Together with the donation of medical equipment, the continued delivery of EU-funded vaccines is a tangible sign of EU solidarity. Albania has a countrywide vaccination strategy. Around 26% of the population was fully vaccinated by early September. It received 143,910 Pfizer/BioNTech doses from the EU between May and August 2021, facilitated by Austria and funded by the EU4Health grant, and EU Member States delivered 310,000 doses by end September 2021. The EU supported COVAX initiative also delivered over 143,400 doses to Albania in the same period.

## 1.2. SUMMARY OF THE REPORT[3] [4]

As regards the **political criteria**, general elections were held on 25 April 2021, following the cross-party agreement of 5 June 2020 that led to a wide-ranging electoral reform, in line with

[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] COM(2020)660final of 6.10.2020 and SWD(2020)354final of 6.10.2020

[3] This report covers the period from June 2020 to June 2021. 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.

[4] For the state of play the report uses the following assessment scales: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. For progress made during the reporting period, the following scale has been used: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, also interim steps have been used.

OSCE/ODIHR recommendations. Electronic identification of voters was implemented in 97% of polling stations, while e-voting and e-counting was piloted successfully in 32 polling stations in Tirana. The OSCE/ODIHR final assessment found that elections were generally well organised. The new electoral administration gained the trust of most stakeholders. Concerns remained related to the misuse of public resources or official functions, to allegations of vote buying, and to the leaking of sensitive personal data covering the political preferences of citizens. These cases are being investigated. Parliament continued to work under the restrictions brought in due to the pandemic. With regard to EU oriented reforms, Parliament adopted a number of significant pieces of legislation, in areas such as asylum, the population census, and the efficiency of the judiciary. Throughout the reporting period, the government maintained a focus on reforms required for the country's path towards the EU, despite the challenge of addressing the negative social and economic impact of the COVID-19 pandemic. In the new legislature, the majority and the opposition will need to improve political dialogue and work together with all parts of society to further advance the EU reform agenda and accession negotiations. Coordination within the administration needs to be improved, notably regarding EU integration. The territorial administrative reform should be further consolidated as part of the wider decentralisation agenda. This is particularly necessary to guarantee local fiscal autonomy and empower municipalities to provide good quality public services. Limited progress has been made to implement the roadmap on creating an enabling environment for civil society. Nonetheless, Albanian civil society has been able to provide support and services to most vulnerable people affected by the COVID-19 pandemic.

Albania is moderately prepared with the reform of its **public administration**. Some progress was made in building capacity in line ministries to implement regulatory impact assessments, adopting guidelines for public consultations, setting up the IT systems for integrated planning, increasing the implementation rate of the National European Integration Plan, increasing the number of e-services, and completing the testing phase to automate the payroll system. Implementation of the 2015-2022 public administration reform (PAR) and the 2014-2022 public financial management (PFM) reform strategies has continued despite the impact of the pandemic.

Albania's **judicial system** is also moderately prepared. Albania has continued to implement the comprehensive justice reform, resulting in good progress. In particular, it reached an important milestone at the end of 2020, with the appointment of three new judges to the Constitutional Court. With seven judges in office, the Constitutional Court regained its necessary quorum of minimum six members to hold plenary sessions, thus being fully operational and *meeting the related outstanding condition for the first IGC, which continues to be fulfilled*. The Constitutional Court has started to fully exercise its functions, including by adjudicating on constitutional disputes between state institutions about respective competences. Progress also continued on High Court appointments. The High Court regained its quorum in March 2020. With the promotion by the High Judicial Council of six new judges in March and July 2021 it has reached nine sitting judges, which make it fully operational - *a condition for the first IGC, which continues to be fulfilled*. Further appointments to the High Court are expected. The Parliament adopted amendments to ten laws aiming to further strengthen the efficiency of the judicial system and its capacity to tackle corruption and organised crime.

The temporary re-evaluation of all judges and prosecutors (**vetting process**) has advanced steadily, continuing to deliver tangible results - *a condition for the first IGC, which continues to be fulfilled.* Under the aegis of the European Commission, the International Monitoring Operation has continued to oversee the process. As of 15 September 2021 the vetting

institutions had completed 437 cases at first instance, including all priority files. Of the 437 decisions, 298 are final (i.e. after appeal). Overall, 62 % of the vetting files processed so far have resulted in dismissals and terminations largely due to resignations by the assessees. The vetting institutions are expected to continue to refer to the prosecution services all cases 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**), are operational - *a condition for the first IGC, which continues to be fulfilled*. While the 2021 budget foresees the appointment of 20 prosecutors, the SPO has reached the first target of 15 prosecutors, including the Chief Special Prosecutor. The first round of recruitment for NBI investigators resulted in the appointment of 28 investigators, who, after an intense training programme, are now operational. A second round to recruit an additional 32 investigators was opened in April 2021 and is expected to be concluded before the end of the year.

Albania has some level of preparation in the **fight against corruption**. It made some progress in strengthening the fight against corruption - *a condition for the first IGC, which continues to be fulfilled*. Overall, the implementation of the Inter-sectoral Strategy against Corruption is on track. Although the vetting of the members of the judiciary is an administrative process, it is yielding results in the fight against corruption as judges and prosecutors dismissed, as a result of vetting, are brought to justice. Albania has made further efforts to create a solid track record in the fight against corruption, although it remains an objective that requires political will and further structured and consistent actions. Convictions in cases involving high-level officials still remain limited, fostering a culture of impunity within the higher levels of the State. The specialised structures against anti-corruption (SPAK and the anti-corruption and organised crime courts) should significantly strengthen the country's overall capacity to investigate and prosecute corruption. Overall, corruption is prevalent in many areas of public and business life and remains an issue of serious concern.

Albania has some level of preparation in the **fight against organised crime**. It made good progress to meet last year's recommendations. It achieved tangible results in the fight against organised crime, including by stepping up cooperation with EU Members States and Europol - *a condition for the first IGC, which continues to be fulfilled*. The country continued to implement the Financial Action Task Force (FATF) Action Plan to improve effectiveness in the field of anti-money laundering and the package of temporary preventive measures to boost its capacity to counter criminal organisations (Operation Force of Law) throughout the year. Exchange of qualitative information and joint police operations involving international partners further intensified. Albania has continued to show its commitment to counter the production and trafficking of drugs, as air monitoring by EU member state law enforcement services has continued. The new specialised system against organised crime and corruption enables reinforced cooperation between police and prosecution services. Financial investigations need to accompany systematically criminal proceedings. Efforts need to continue to increase the number of prosecutions and final convictions, especially at high-level. Albania adopted a new national cross-sector **counter-terrorism strategy** and action plan in December 2020 and made very good progress in implementing the bilateral arrangement with the EU on operationalising the Joint Action Plan on counter-terrorism for the Western Balkans. More efforts are needed to tackle cybercrime, trafficking in human beings and money laundering cases.

On **fundamental rights**, Albania complies with international human rights instruments and has ratified most international conventions related to the protection of fundamental rights.

Albania has pursued efforts to meet its obligations under these instruments. As regards the adoption of the remaining implementing legislation related to the 2017 framework law on the protection of national minorities, it adopted an additional by-law on minority education in December 2020, which brought the number of adopted by-laws to eight. The remaining implementing legislation, including on self-identification and use of minority languages, has yet to be adopted. Efforts are ongoing to implement a comprehensive land sector reform and to consolidate property rights. A population census law was adopted. Albania has some level of preparation / is moderately prepared in the area of **freedom of expression.** There was no progress over the reporting period. The atmosphere of verbal attacks, smear campaigns and acts of intimidation against journalists has not improved. Tensions between political actors and journalists have increased during the COVID-19 crisis and in the context of the parliamentary elections. The reported attacks against journalists have not resulted in any final convictions. Self-regulation in online media needs to be ensured. Steps to make the audio-visual regulatory authority fully operational need to be taken in a way that ensures its independence and legitimacy. The public service broadcaster's independence, professional standards and financial sustainability need to be strengthened. Following the unfavourable opinion of the Venice Commission and wide criticism on draft amendments to the media law aimed at regulating online media and some aspects of defamation, representatives from the ruling majority publicly committed to ensure that any new legislation on media would be in line with the Venice Commission recommendations and submitted to consultation with media organisations. The government reconsidered the matter and the Assembly did not revert to the issue. The parliament and government resulting from the 25 April elections must uphold the commitment to ensure that any possible changes to the media law would be in line with the Venice Commission Opinion and submitted to proper consultations. On **gender equality**, the implementation of the national strategy and action plan 2016-2020 on gender equality was hampered by a persistent funding gap. A new strategy on gender equality 2021-2030 was adopted in June 2021. Albania should make efforts to ensure adequate state funding to implement it at central and local levels. Efforts are also required to ensure that all national strategies at central and local level are gender mainstreamed and apply gender responsive budgeting.

On **migration**, the legal framework on migration is largely aligned with the EU *acquis* but needs updating in line with recent developments. In February 2021, Albania adopted a new law on asylum. Strategies on an integrated border management and on the diaspora were adopted in 2020. Implementation of the national migration strategy and action plan for 2019-2022 as continued, providing a clear framework for managing and coordinating migration flows and the Commission has issued four monitoring reports. Despite border closure during March-May 2020, Albania continued to experience a growing influx of irregular migrants, mostly from Greece and leaving Albania after a few days, on the way to other EU countries. The number of irregular migrants apprehended in Albania in 2020 increased by 13% compared with 2019.

The number of **Albanian citizens lodging asylum requests** in EU Member States decreased by 66% in 2020 compared to 2019, from 20,415 to 6,935 applications, according to Eurostat data. The COVID-19 pandemic contributed in large part to this sharp decrease, but it can be noted that the average decrease of applications from the rest of the world to the EU is much smaller (-33%). The 'recognition rate' in 2020 was around 4.4% compared with 5.3% in 2019. Since applications peaked in 2017 in the most affected Member State, the number of applications has fallen from 12,130 in 2017 to 2,985 in 2020. Three Albanian police liaison officers are deployed in the EU and a liaison officer from the EU works in Tirana to help with exit checks. The issue of Albanian nationals making unfounded asylum applications to EU

Member States and Schengen-associated countries still requires substantial efforts from the Albanian authorities. In addition to information campaigns, thorough border checks, awareness-raising on rights and obligations under the visa-free regime, identifying and addressing the underlying reasons, dialogue and cooperation with the countries most affected have continued. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

As regards the **economic criteria**, Albania made some progress and is moderately prepared in terms of developing a functioning market economy. Hit by the double shock from the earthquake of November 2019 and the COVID-19 pandemic, GDP contracted in 2020, although by less than initially expected. The pandemic-related domestic lockdown and international travel restrictions caused significant losses for the tourism and manufacturing sectors, but the economy started to rebound in the second half of the year. Within the limited fiscal and monetary policy space available, the government and the central bank took swift and appropriate actions to support business, households and the health sector. This cushioned the impact on the labour market and maintained macroeconomic and financial sector stability. It also pushed up the public debt and deficit ratios and increased the country's vulnerability to external shocks. Dealing with the double shock stretched the capacity of the administration, but it largely maintained business continuity, and work continued on most ongoing reforms and legislative initiatives.

Albania made some progress and has some level of preparation in its **capacity to cope with competitive pressure and market forces** within the EU. It has made improvements on energy and transport infrastructure, the use of digital communication and on education outcomes, but significant gaps remain in comparison to its regional and European peers. 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 low spending on R&D. Pre-existing and significant gaps in skills and education have probably widened due to COVID-19 related lockdowns and distance learning, which is not accessible to all. Regional integration and exports increased, but remained below potential. The lack of product and geographical diversification in Albania's exports compound its vulnerability to external shocks.

On **public procurement**, where Albania is moderately prepared, the country has made good progress, in particular by adopting the new law on public procurement. On **statistics**, where Albania is also moderately prepared, it made some progress on aligning with ESA 2010 standards, faster publication, and the adoption of the Population Census Law. Albania is moderately prepared in most areas on **financial control**, where the country made some progress, notably on public internal financial control and external audit.

Albania is moderately prepared in most of the areas of the **internal market**, namely the free movement of goods, services and capital, competition policy, and financial services. It has made some progress in particular by adopting a law on compulsory insurance in transport and in further aligning its banking legislation, 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 no progress on health outside its COVID-19 response. Albania needs to implement the One Health approach and to ensure that everyone has quality healthcare coverage. This policy cluster is key for Albania's preparations to meet 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 has achieved a moderate level of preparation in many areas linked to **competitiveness and inclusive growth**, namely information society and media, taxation,

economic and monetary policy, enterprise and industrial policy, education and culture, and the customs union. The country has some level of preparation in social policy and employment, and in science and research. Albania has made some progress in particular with the Smart Specialisation Strategy and in its participation in the Horizon 2020 research programme, but progress was limited on economic and monetary policy and customs union during the reporting period. Socio-economic reforms must be pursued to help address the existing structural weaknesses, low competitiveness, high unemployment, and the impact of the pandemic.

Albania is moderately prepared in most areas related to the **Green Agenda and sustainable connectivity**, namely the trans-European networks, energy, and environment and climate change. It has some level of preparation in the area of transport policy. The country has made some progress in most areas in particular through revised transport planning and energy connectivity. More efforts are needed to improve the performance of ships under the Albanian flag and to enforce energy and environmental legislation, not least in the protected areas. The green transition and sustainable connectivity are key to economic integration within the region and with the European Union, facilitating cross-border trade within the region and creating real benefits for businesses and citizens. 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 good progress in the area of fisheries, having reactivated the vessel monitoring system (VMS). It has made some progress on financial and budgetary provisions, on agriculture and rural development, and food safety, veterinary and phytosanitary policy, but the farm register needs to be set up. It has made limited progress on regional policy and the coordination of structural funding 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**. As regards the external relations chapter of negotiations, Albania made good progress and reached a good level of preparation, not least by adopting and ratifying additional protocols to the Central European Free Trade Agreement and by certifying first authorised economic operators (AEO). It has worked on extending the Green Lanes/Corridors with EU Member States. The country has also delivered policy measures on humanitarian aid and on development aid. The country held a successful chairmanship of CEFTA. As regards the EU's Common Foreign and Security Policy, it continued to maintain full alignment with all relevant EU decisions and declarations. The country held the OSCE's chairmanship-in-office in 2020, demonstrating its commitment to multilateral cooperation. Albania continued to participate in EU crisis-management missions and operations.

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

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

### 2.1.1 Democracy

General elections were held on 25 April 2021, following the cross-party agreement of 5 June 2020 that led to a wide-ranging electoral reform. Electronic identification of voters was implemented in 97% of polling stations, while e-voting and e-counting was piloted successfully in 32 polling stations in Tirana. The OSCE/ODIHR final assessment found that elections were generally well organised. The new electoral administration gained the trust of most stakeholders. Concerns remained related to the misuse of public resources and functions, to allegations of vote buying, and to the leaking of sensitive personal data covering political preferences of citizens. These are being investigated.

Parliament work continued under restrictions imposed by COVID-19 pandemic. With regard to EU oriented reforms, Parliament adopted a number of significant pieces of legislation, amongst others on asylum, the population census, or the efficiency of the judiciary. The Albanian government maintained a focus on reforms on the country's EU path, despite the challenge of addressing the negative social and economic impact of the COVID-19 crisis and the consequences of November 2019 earthquake. The majority and the opposition will need to improve political dialogue and work together with all parts of society to further advance the EU reform agenda and accession negotiations.

**Elections**

On 6 September 2020, the President of the Republic decreed 25 April 2021 as the date of the next General Parliamentary Elections. Elections took place in the aftermath of Electoral Code amendments adopted on 23 July 2020 codifying the wide, cross-party agreement of 5 June 2020, in line with OSCE/ODIHR recommendations[5] - *a condition for the first IGC, which continues to be fulfilled*.

On 30 July 2020, Parliament passed additional amendments to the Constitution, to allow for preferential voting. These changes, unrelated to OSCE/ODIHR recommendations, required further amendments to the Electoral Code, which were eventually passed on 5 October 2020. Political parties discussed the second set of amendments in the Political Council, but without reaching consensus before Parliament voted on them. The extra-parliamentary opposition decried these amendments as unilateral. The President questioned their constitutionality and addressed the Venice Commission for an urgent opinion. The Venice Commission rejected the urgency of the request and on December issued a joint opinion with OSCE/ODIHR. The joint opinion concluded that there was no ground to challenge the validity of 30 July amendments and the subsequent changes to the Electoral Code, albeit considering the process hasty and underscoring the importance of more comprehensive consultations.

On 5 October 2020, the election management body was also reformed in line with 5 June agreement, consisting of a State Election Commissioner, a Regulatory Commission and a Complaints and Sanctions Commission.

In November 2020, Parliament adopted amendments to the law on Political Parties to bring it in line with the Electoral Code. These provisions regulate public funding to parties participating in elections and electoral campaigns, the handling of private donations and loans, and prohibit the use of public resources to support electoral subjects. Provisions also address reporting and disclosure procedures, the auditing of campaign funds and expenses, and sanctions. Further technical amendments pursuant to the 5 June Agreement were adopted in December 2020. The Central Election Commission issued by-laws complementing this legal framework. A broader reform on political party financing, which is not part of the

[5] OSCE/ODIHR specified on 26/04/2021 that the areas in which recommendations remained outstanding included: suffrage rights of people with intellectual or psychosocial disabilities; criminal liability for defamation; use of party campaign materials in the news; and equal rights of party and citizen observers.

OSCE/ODIHR recommendations on electoral reform, should be carried out during the new legislature.

Following a tense electoral campaign, the elections were held on 25 April 2021, implementing the new electoral framework, which is in line with the recommendations of OSCE/ODIHR. Restrictions were imposed by the pandemic, including on suffrage rights. The Albanian authorities further followed up on all key aspects covered by the OSCE/ODIHR recommendations. For the first time, electronic identification of votes was used in all 5199 polling stations, with less than 150 polling stations having to rely on paper-based identification. In addition, an e-voting and e-counting project was successfully tested in one constituency with 32 polling stations in Tirana and did not encounter any significant hurdle. The implementation of out of country vote was not possible, mostly due to the limited time available.

In its final assessment of the electoral process, the OSCE/ODIHR Limited Election Observation Mission (LEOM) acknowledged that the elections were generally well organised by the election administration. Stakeholders had sufficient confidence to participate in the elections and the reformed Central Election Commission (CEC) oversaw the election process in an organised and transparent manner. According to OSCE/ODIHR, there remained concerns related to the misuse of State resource and functions by the ruling party and other public figures, including pervasive allegations of vote buying and the leaking of sensitive personal data covering political preferences of citizens. The CEC' Sanctions and Complaints Committee reviewed a number of cases of alleged electoral irregularities. Electoral results for nine constituencies were challenged in front of the Electoral College for a final review, which has ruled in all cases upholding the preliminary results. Separately, the prosecution offices have initiated criminal proceedings in more than 50 cases notably for pressure on electoral subjects, falsification of election material or results, and breach of secrecy of the vote. 38 cases are directly handled by the special anti-corruption structures, and the data leak case by the Public Data Commissioner (*see Chapter 23 – Judiciary and Fundamental Rights*). The LEOM also noted that the main parties all attempted to augment the role and visibility of women as candidates in the campaign, and the mandatory 30% quotas in candidate lists were respected and, in most cases, exceeded. CEC data confirm that of the elected members of parliament 92 are men (65.7%) and 48 women (34.2%). Of the 1871 candidates registered, 732 were women. The electoral legislation needs to further clarify the sequencing of women candidates in lists to enhance their presence in winning positions and the representation of women in the election administration remains insufficient, with only 3 of the 12 CEC members. The new Parliament elected a woman as its Speaker on 10 September.

Regarding the allegations of vote buying and offences committed in previous elections, four defendants were found guilty of electoral offences committed in the context of the general elections of 2017, four defendants were found guilty of falsification of election material and election results in the local elections of 2019, and punished by imprisonment. In June 2021, 21 polling station workers were sentenced to imprisonment for electoral crimes committed in 2017.

**Parliament**

The Parliament continued working under restrictions imposed by COVID-19 pandemic. Most committee work took place virtually, while plenary sessions were conducted in person. The work of the parliamentary committees was livestreamed through a dedicated TV channel and on social media. During the reporting period, Parliament adopted a total of 280 legal acts, out

of which 149 laws - mainly in view of April 2021 elections - and rejected 21 presidential decrees returning laws for review.

As regards its **role in EU integration**, 16 of the laws passed in Parliament were aimed at alignment with the *acquis*. The National Council for European Integration still has to consolidate its role and guarantee its broader involvement in EU integration issues. With regard to EU oriented reforms, Parliament adopted on 23 March 2020 a broad set of amendments aimed at increasing the efficiency of the judiciary.

With regard to Parliament's **oversight function**, members of parliament made use of the instruments at the disposal of the opposition, tabling 18 'interpellations', of which three were responded by the Prime Minister, showing an increasing trend from previous year.

During the reporting period, Parliament appointed a new Head of the Supreme State Audit in July 2020, and two members of the Constitutional Court. In addition, Parliament appointed members of the Competition Authority, Financial Supervisory Authority, and filled vacancies on the steering board of the public broadcaster.

On **transparency and accountability**, Parliament attempted to restrict physical access of reporters in the meetings of standing committees, and revised that decision later, following consultation with journalists. Parliamentary documentation, such as minutes of plenary sessions and committee meetings, leaves room for greater transparency. In addition, Parliament established a platform for the consultation of draft laws. Nevertheless, public consultation with civil society and interest groups remained formal and limited in its impact.

The administration's performance is still poor when it comes to implementing recommendations from the **Ombudsman**, showing a decreasing trend in the reporting period. (*see more under Public Administration Reform*)

**Governance**

The Albanian Government maintained a focus on reforms on the country's EU path, despite the challenge of addressing the negative social and economic impact of the COVID-19 crisis and the consequences of November 2019 earthquake. Coordination within the administration needs to be improved, especially regarding their involvement in EU integration processes. The territorial administrative reform should be further consolidated as part of the wider decentralisation agenda. This is particularly necessary to guarantee local fiscal autonomy and empower municipalities to provide good standard quality public services.

In September 2020, the Prime Minister replaced the Minister for Education, Youth and Sports, while in December 2020, two waves of government reshuffle took place leading to the replacement of four ministers, including the Minister for Europe and Foreign Affairs. On 18 September 2021, a new government was sworn in following the 25 April elections. It comprises 12 women out of 17 members. Six of the ministers did not seat in the previous government.

In February 2021, the government adopted the National Plan for European Integration (NPEI) 2021-2023, currently under implementation. Greater efforts have been made in achieving a higher implementation rate of the NPEI during the reporting period, thanks to dedicated and effective steering and monitoring from the central government. However, EU integration features lower in the priorities set out in new government's programme presented in September 2021.Consultations and stock taking on EU related matters continued between governmental and parliamentary actors with relevant stakeholders, including civil society organisations, under the framework of the National Council for European Integration, but remain unsystematic. Despite recent attempts to improve the overall governance

arrangements on public consultations, the consultation on policies and legislation need to be more substantive so as to further enhance the inclusiveness and transparency of the reform process, in particular on issues related to EU oriented reforms (*see Public Administration reform).*

In the reporting period a Chief Negotiator for negotiations with the EU assumed a novel role in the country's EU related structures. Additional efforts are needed to improve further the coordination and streamlining between the EU negotiations structures, responsible for country's preparation for accession negotiations, and other bodies. This concerns the roles of the team of the Chief Negotiator, the Ministry for Europe and Foreign Affairs, and their cooperation with structures responsible for sectoral policy planning, EU assistance, and monitoring. For the conduct of accession negotiations with the EU, the country needs to increase dedicated human and financial resources on EU accession across the administration and more importantly on the communication on the EU. A methodology should be in place to ensure that the EU is systematically consulted by the relevant authorities when drafting legislation in the remit of the EU *acquis*.

The **territorial administrative reform** needs to be further consolidated as part of the wider decentralisation agenda. A systematic monitoring and evaluation of the implementation of the national cross-cutting decentralisation and local governance strategy 2015-2022 is needed. The last such exercise was the strategy's mid-term review including the period until 2018.

While municipalities have been given greater policy making powers, **local government units** (LGUs) still lack sufficient financial resources and administrative capacity to exercise them effectively. Women representation in local government needs improvement. Although 44 per cent of local councillors' seats were won by women in the last local elections, only eight of the 61 municipalities are run by women. Municipalities need continued capacity building for their staff. LGUs' fiscal autonomy is at risk, as most of their budget is dependent on national transfers. As a result, although the municipalities are getting better at collecting own revenues, the overall ability of local institutions to deliver quality public services remains limited. Their financial situation has been made ever more complicated by the pandemic, with resources available to LGUs further shrinking.

Implementation of the Civil Service Law remains to be improved at the local level. Temporary contracts for civil service positions, although decreasing, continue to be rather frequent in the LGUs. 70 court rulings were issued during 2020 for reinstating of civil servants, bringing the total up to 222, with the percentage of decisions enforced decreasing from 59% in 2019 to 49.1% in 2020. The career development mechanism such as lateral transfer and promotion show for the first time signs of improvement.

Despite the pandemic, municipalities have encouraged public participation in their decision-making through organising online Council meetings open to the public and other innovative means. However, the institutional framework for effective and inclusive participation needs further strengthening. Local-level implementation of the Law on public consultation remains unsatisfactory. On transparency, some improvement is noted as all 61 municipalities are now publishing online their Council's decisions.

Five municipalities have adopted and piloted integrity plans with measures to combat corruption at local level. Their implementation should be closely monitored and adoption of integrity plans in other municipalities encouraged.

The Consultative Council operated as the main forum for institutional dialogue and coordination between central and local governments. The efficiency and effectiveness of its work needs to be strengthened. The process of implementing the Prime Minister's order on

‘matrix of competences’ which looks at responsibilities between level of governance while addressing the gaps or overlaps, is ongoing. No clear track record is available to date.

The network of EU local coordinators has strengthened the LGUs’ involvement in the EU accession process, raising awareness of EU policies, the EU *acquis*, funds and programmes. 60 municipalities have implemented the Decision of the Council of Ministers from July 2018 institutionalising and upgrading the municipal "EU desks" into "EU Units".

The Ministry of Europe and Foreign Affairs and the Ministry of Finance and Economy drafted a Decision of the Council of Ministers to ensure co-financing and avoid other obstacles for Albanian municipalities to access funding from the Instrument for Pre-Accession (IPA); it is yet to be approved.

On **territorial planning**, the pandemic as well as the November 2019 earthquake raised the need to revise local plans to account in particular for civil protection elements. Coordination of the national sectoral strategies with local plans is weak.

**Civil society**

Limited progress has been made on the implementation of the roadmap on an enabling environment for civil society. The adoption of the Law on registration of Non Profit Organisations brings some improvements. The National Council for Civil Society remains weak and should be reformed to provide for appropriate representation of the Albanian civil society. Substantial efforts are needed to ensure meaningful and systematic consultations with civil society as part of an inclusive policy dialogue for reforms. The COVID-19 pandemic has further weakened the financial stability of the civil society, already weak due to unfavourable legal and fiscal framework. Despite this challenge, Albanian civil society has provided support and services to most vulnerable people affected by the COVID-19 pandemic, complementing or sometimes replacing state interventions.

Albania’s legal and regulatory framework on the right to freedom of assembly and association is generally in line with international standards. However, since the beginning of the COVID-19 pandemic, temporary rules and protocols aimed at preventing the spread of the infection brought limitations to the freedom of assembly.

The law on registration of Non-Profit Organisations, adopted in June 2021 aims at introducing an electronic register, which will ease the registration process and increase transparency and accuracy of the register of non governmental organisations (NGOs). It also aims at fulfilling the FATF Action Plan (*see Chapter 24 – Justice, Freedom and Security*).

The roadmap on an enabling environment for civil society remains strongly dependent on donors’ support. The implementation of its measures is slow and no impact on the sector has been noticed so far. Additional efforts and resources are required to accelerate its implementation, in order to create a more conducive environment for the civil society to operate and to contribute to the adoption of sound policies and laws. 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 artificial exercises. In addition, the scope of the law needs to be extended to government decisions. The guidelines and monitoring framework for public consultation adopted in January aim to improve governance arrangements for a better implementation of the law (*see also Public Administration reform*).

The ability of the National Council for Civil Society to voice priorities of civil society organisations (CSOs) in policy-making processes is still weak. The Law on the National Council has 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, but its budget was reduced by 40% in 2020, making public funding insufficient to sustain CSOs' activity, in particular in social services.

There is yet no evidence of successful VAT refund with regard to the implementation of the instruction on VAT reimbursement for CSO beneficiaries of EU funding and other donor grants. Tax incentives for corporate donations do not promote donations to CSOs and there are no tax incentives for individual donations.

### 2.1.2. Public administration reform

Albania is **moderately prepared** with the reform of its public administration. **Some progress** was made in delivering on last year's report recommendation by building capacity of line ministries to implement regulatory impact assessments, adopting guidelines for public consultations, establishing the IT systems for the integrated planning, increasing the implementation rate of the National European Integration Plan, increasing the number of e-services, and completing the testing phase of the automation of the payroll system. Implementation of the public administration reform and public financial management reform strategies has continued despite the impact of the COVID-19 pandemic. Some progress was made on all the Commission's 2020 recommendations, which remain partially valid.

In the coming year, Albania should in particular:

→ upgrade the regulatory framework on integrated policy planning and increase the capacities for policy planning and monitoring, by rolling out the integrated policy-making system;

→ activate the mechanism foreseen in the law on the Organisation and Functioning of the State Administration by preparing the monitoring report on the status of the subordinated institutions;

→ Encourage the merit-based implementation of the civil service law at all levels, especially at the local level where de-politicisation of civil service and also better training are needed, and adopt a salary policy for civil servants and extend the automation of the payroll system through the human-resource-management information system.

Strategic framework for public administration reform

Throughout 2020, the government continued to monitor the implementation of the 2015-2022 **public administration reform (PAR) strategy** and the 2014-2022 **public financial management (PFM) reform strategy**. Despite the COVID-19 crisis, Albanian institutions have done substantive efforts in maintaining a good implementation record of the public administration reform strategy. More needs to be done to achieve results-oriented monitoring, including analysis of performance. Political responsibility for PAR is assigned to the Deputy Prime Minister and technical support continues to be provided by the Department of Public Administration and the Department on Good Governance. However, the link between technical and political support for PAR needs to be strengthened. **Financial sustainability** needs to be improved, as the overall reform of public administration depends on external donor funding.

Policy development and coordination

The legal basis and the institutional set-up for a coherent **policy making system** are partially in place. Progress was made in rolling out the IT tool for an Integrated Planning System to automate the link between strategic policy planning and budgeting and increased number of

trainings and trained civil servants in the area of strategic planning from previous year. Strengthened monitoring of and reporting on the annual analytical plan show an improved rate of implementation compared to the previous year. However, full integration and use of the IT pillars require further training and improvement of data collection and processing. Authorities need to upgrade the existing regulatory framework on medium-term policy planning, improve coherence between policy planning and budgeting, establish a dedicated central quality control function for policy planning and implementation. The quality of performance, relevance, inclusiveness and regularity of the integrated policy management groups mechanism varies across sectors and their role in policy coordination needs improvement.

Further efforts are needed to upgrade the administrative capacity in both line ministries and the Prime Minister's Office as well as to better define and implement policy planning and monitoring functions (*see Chapter 32 Financial control*). The Prime Minister's Office rulebook remains to be adopted.

In 2020, substantial progress was made in monitoring the execution of the National Plan for European Integration and the timely approval of the new plan for 2021-2022. The National Plan for European Integration implementation rate has improved to 87% from 60% in the previous year. Stronger coordination between the Prime Minister's Office, Ministry of Europe and Foreign Affairs and Ministry of Finance and Economy is needed to further support line ministries in the process of planning and costing more credibly the National Plan for European Integration and alignment with the annual analytical plan.

On **inclusive and evidence-based policy and legislative development,** the administration needs to strengthen its capacity. Further progress was achieved in increasing the usage and monitoring of regulatory impact assessments for legislative proposals and increased trainings in this area across the administration. The government needs to continue efforts in the institutionalisation of regulatory impact assessments, while also improving the central quality control function.

Regarding **public consultation,** the electronic web-portal is operational and the regulatory framework improved through adoption of guidelines for preparing annual plans as well as reports in January. The number of legal acts passing public consultation and usage of electronic register has increased. The quality control function on public consultation needs to be strengthened to focus more on the content rather than on the process.

**Public scrutiny of government work** remains limited. The role of parliamentary oversight of government performance, including sub-ordinated agencies, remains ad-hoc and needs to be increased. Most government policy reports continue to present implemented activities rather than results. Communication to the citizens of the ongoing reforms needs to be enhanced.

Public financial management

The Ministry of Finance and Economy leads the **public financial management reform**. Several posts remain unfilled in the Ministry. The extended PFM strategy for 2019-2022 was revised to address the impact of the pandemic and to gradually return, in the medium-term, to the original reform path. The revised strategy was approved and published in March 2021. The PFM monitoring report for 2020 is pending approval and publication.

During the reporting period, the medium-term budget programme 2021-2023 was prepared, using the newly developed Albanian financial management information system, and duly adopted. The 2021 budget and the execution of the 2020 budget were in line with the revised Organic Budget Law. The draft medium-term revenue strategy is pending finalisation.

Following public consultations, in November the first-ever public procurement strategy 2020-2023 and in December, a new public procurement law were adopted. All arrears are now recorded in a specific treasury account, and arrears reports are produced directly from the system. The Albanian supreme audit institution and the public procurement commission have newly appointed chair persons. (*See also Chapters 5, 16, 29 and 32*).

**Budget transparency** remains satisfactory with the publication of all key budget documents, such as the annual budget, the citizens' budget, and a list of public investments, including public-private partnerships (PPPs), under the medium-term budget programme. More timely publication of the budget execution reports, in particular reporting on arrears. Transparency across government continues to show varying levels. Public participation in the budget process needs to be further strengthened.

Public service and human resources management

Progress so far in **merit-based recruitment, promotion and dismissal** needs to be consolidated, in particular by addressing the fragmentation of the legislative framework, and applying uniform standards across the entire public administration. All the planned vacancies in 2020 were filled compared to 95% in 2019. However, line ministries need to report more accurately and timely on any open vacancies to the Department of Public Administration, for their inclusion in the overall annual recruitment plans.

Better compliance is needed with the legal provisions regulating the organisation of recruitment procedures and the merit principle regarding for senior ranks and pooled recruitment for entry positions. Across the administration, job descriptions remain to be fully harmonised in accordance with the categories set out in the civil service law. Ad-hoc selection procedures continue to be used to hire young graduates in the public administration. Proper implementation of the civil service law requires more efforts, particularly at the local level. In 2020, the number of **dismissals** of civil servants decreased to 635 from 896 in 2019, but most continue to be justified by restructuring of institutions or reclassifying personnel as no longer part of the civil service. In the reporting period, the backlog in implementing court decisions confirming dismissal of civil servants as unlawful has been further reduced.

The **human resources management** information system continues to be filled, but does not cover the entire public sector yet and remains to be extended to the local level. The government is putting measures in place for a coordination mechanism for the monitoring and evaluation of human resource management between central and local level. The Commissioner for Oversight of the Civil Service monitors the implementation of the civil service law at central and local level, but would need more staff and financial resources to better fulfil its oversight responsibilities.

The **remuneration system** is based on a job classification system that requires further reform. The lack of a salary policy based on clear criteria for pay supplements and salary increases impairs the fairness and coherence of the system. The automation of the payroll system through human resources management information system needs to go beyond the testing phase and cover the entire public sector.

The Albanian School of Public Administration training programmes continued to adapt the training programmes related to **professional development** of civil servants to the restrictions linked to the pandemic, resulting in an increase of training courses to previous year. The quality management cycle of the training offer remains to be established. The professional administrative capacity of local-level civil servants needs to be strengthened. The regulatory framework is in place to prevent corruption and to ensure the **integrity** of public officials and

civil servants, but the institutional capacity for verifying assets and assessing conflict of interest declarations should be reinforced (*see also Chapters 23 and 24*).

Accountability of the administration

The legal framework for the organisation of the central administration does not establish coherent **accountability** lines and governance arrangements between supervisory and subordinated bodies. In recent years, subordinated bodies have been created without strategic planning, and led to the transfer of civil servants into employment under the labour code. Given the insufficient monitoring on status of subordinated agencies, the Department of the Public Administration should activate the mechanism foreseen by the Law on the Organisation and Functioning of the State Administration for preparing regular monitoring reports on the status of subordinated institutions. Additionally, policy making institutions do not always monitor policy implementation by their subordinated agencies and the latter do not always report on their performance. Future legal changes should improve the definition of functions in policy making and include requirements for planning and performance reporting by subordinated bodies and supervisory ministries. State administration workflow and decision making processes need to be improved. Managerial accountability within institutions is still focused on processes rather than the achievement of results, and not much decision-making is delegated from top to middle management.

**Citizens' right to good administration** needs enhancement. The implementation rate of Ombudsman recommendations has slightly decreased in the reporting period from 62% to 55% and the Assembly needs to strengthen efforts in supporting the activities of the Ombudsman and of other public independent institutions with an oversight role. The Law on the Right to Information regulates **citizens' right to access public information**. An increasing number of public authorities have adopted and published their transparency programmes. The role of the coordinators for the right to information within the public authorities should be strengthened by appointing senior officials in this role. In 2020, the number of public authorities having installed the electronic register of requests and responses doubled compared to the previous year.

A legislative framework is in place for the **right to administrative justice**. The capacity of both the administrative court system and of the appeal panels to deal with the cases is limited, leading in 2020 to an increased time needed to solve the cases and increased backlog, respectively. Legislation is in place for protecting the **right of citizens to seek compensation** and is applied in practice in judicial cases. A lack of data collection makes it very difficult to assess the effectiveness of the liability regime.

Service delivery to citizens and businesses

Institutions and laws on public service delivery are in place to ensure **user-oriented administration.** In 2020, the number of one-stop-shops and e-services increased, even if at different levels of automation, and information to citizens on public services became more accessible. The roll-out of "front desks" delivering administrative services at local level now covers 59 of the 61 municipalities, and activities started to expand front desks to administrative units. National minimum standards for services still have to be established. An overall policy should be elaborated to guide the extension and integration of on-line and face-to-face services. Citizens' data should be protected, following the highest standards of data protection.

The Code of Administrative Procedures provides the legislative framework for **simplifying administrative procedures** in line with international standards. An action plan for implementation of the Code is in place. Despite higher training in civil service on the Code,

legal uncertainty for citizens and businesses persists, as there were delays in harmonising sectoral laws and by-laws with the Code.

## 2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

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

Albania has **some level of preparation**/is **moderately prepared** in implementing the EU acquis and European standards in this area. **Good progress** was made, in particular through continued implementation of the comprehensive justice reform. The Constitutional Court has regained full functionality with the appointment of three new judges. The High Court has increased its efficiency with the appointment of six additional judges. The vetting process continued to deliver tangible results. The legislative framework has been further strengthened to ensure a more efficient delivery of justice. Operational efforts against corruption are bringing some results. Additional efforts are needed to further increase seizure and confiscation of assets stemming from corruption, and to develop the track record in high-level cases. Regarding fundamental rights, there was progress in most areas, albeit efforts should continue on implementation. On property rights, progress should be made on further first registration of properties and transitional ownership processes, in a transparent and inclusive manner. As regards the protection of persons belonging to national minorities, Albania needs to adopt the remaining implementing legislation related to the 2017 Framework Law.

**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 and the vetting process, which advanced steadily, despite the impact of the COVID-19 pandemic. An important milestone was reached at the end of 2020, with the appointment of three new judges to the Constitutional Court. With seven judges in office, the Constitutional Court has regained its necessary quorum of minimum six members to hold plenary sessions, thus being fully functional and meeting the related *condition for the first IGC*. Progress also continued on High Court appointments, with the promotion by the High Judicial Council of six new judges in March and July 2021. The Parliament adopted amendments to 10 laws aiming to further strengthen the efficiency of the judicial system and its capacity to tackle corruption and organised crime. The vetting process has continued to deliver concrete results, under the thorough supervision of the International Monitoring Operation (IMO). To date, 62% of the vetting dossiers processed have resulted in dismissals, resignations or termination of mandate. Magistrates dismissed by the vetting bodies are being prosecuted by the Special Prosecutor Office. The SPAK Court has seized assets of a former Prosecutor General as well as of two former Constitutional Court and one former High Court judges. The self-governance bodies of the judiciary have continued to fulfil their mandates. Limited progress was made on the recommendation to improve the case management system, which remains outstanding.

Recommendations for the coming year:

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

→ continue to consolidate the capacity of the judicial system and the governance institutions, including by further strengthening the legal education system and by finalising and implementing the new judicial map;

→ take decisive steps towards a roll-out of a new integrated case management system, and ensure its inter-operability across the entire justice system, in line with European Commission for the Efficiency of Justice (CEPEJ) methodology.

The comprehensive transitional re-evaluation of all judges and prosecutors (vetting) advanced steadily and delivered tangible results despite the challenges posed by the COVID-19 pandemic. The International Monitoring Operation (IMO), deployed under the aegis of the European Commission, continued to exercise independent oversight.

As of 15 September 2021 the vetting institutions have completed 437 vetting cases at first instance, including all priority files. Of the 437 decisions, 298 decisions are final (i.e. after appeal). Overall, about 62 % of the vetting dossiers processed so far have resulted in dismissals and termination due to resignations by the assessees or reaching the retirement age. The breakdown of first instance decisions is as follows: 176 dismissals, mostly for issues relating to unjustified assets; 161 confirmations in office; 96 decisions on termination of the vetting proceedings; 2 decisions to suspend the assessees, with an obligation to attend training. The first-instance vetting body (IQC) has formally initiated investigations in all 766 pending vetting cases. The International Monitoring Operation (IMO) has continued to perform its oversight role in the vetting process and issued opinions on first-instance assessments, including 18 recommendations for appeal and two dissenting opinions. The vetting institution of Public Commissioners has followed all recommendations for appeal.

In March 2021, 12 additional legal advisors were appointed to the IQC and six additional legal officers to the Special Chamber of Appeals, which has had a positive impact on the pace of proceedings. The continuity and completion of the vetting process by the vetting bodies must be ensured, in the light of the constitutional mandate of the IQC members and Public Commissioners.

On 9 February 2021 the European Court of Human Rights (ECtHR) has ruled in the case of Xhoxhaj v. Albania, finding that the vetting process against the former Constitutional Court judge had been in line with the general principles and rights enshrined by the European Convention on Human Rights (ECHR) and overall proportionate. The ruling became final on 31 May 2021.

The vetting institutions are expected to continue to refer to prosecution services cases where there are indications of criminal offences. To date 23 files have been submitted to the Special Prosecution Office (SPO), including 10 cases involving former judges of the High Court and the Constitutional Court. Out of the 23 cases, 21 investigations are ongoing, one investigation has been closed and one has resulted in a conviction. 10 additional cases have been referred to the competent district prosecutors' offices. Asset investigations are underway in all ongoing cases.

Strategic documents

The cross-sectoral 2017-2020 justice strategy and action plan have been updated and remain in force until the end of 2021. The Ministry of Justice has established the necessary inter-institutional coordination structures to support the implementation of the reform. The Strategy and its Action Plan 2021-2025 need to be adopted timely.

Coordination mechanisms across the justice institutions, communication and transparency should be further enhanced.

New specialised bodies

he Specialised Structure for Anti-Corruption and Organised Crime (SPAK), comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), are established and operational. The 2021 budget foresees an increase to a total of 20 prosecutors for the SPO. The first round of a transparent and merit-based recruitment process for NBI investigators resulted in the appointment of 28 investigators, who after an intensive three-

month training, are operational. A second call for recruitment of an additional 32 investigators was opened on 6 April 2021 and is well under way. As foreseen by law, the development of the NBI continues to be followed by an International Commission comprised of two criminal justice experts nominated by the EU and two by the U.S. Government.

On 23 March 2021, the Parliament adopted amendments, as part of a set of legislation on judicial efficiency, extending SPAK jurisdiction to all terrorist offences and removing petty corruption from their remit. Amendments on remuneration for staff of the NBI were also adopted. The first and second Instance Special Anti-corruption and Organised Crime Courts (SPAK Courts) continued hearing cases prosecuted by the SPO.

Judicial governance institutions

The institutions for the self-governance of the judiciary, continued to be fully functional and operated effectively throughout the reporting period, including the High Judicial Council (HJC), High Prosecutorial Council (HPC) and the Justice Appointment Council (JAC). The HJC progressed with the appointments of judges in vacant positions created by the vetting process across the Courts and approved a considerable number of by-laws regulating activities of the judicial system and courts. The HPC has continued with the promotions of district prosecutors. The HJC needs to ensure the adoption of detailed regulatory acts and the HPC should ensure close cooperation with the General Prosecution in a more transparent manner.

Independence and impartiality

The legal and institutional framework put in place by the 2016 justice reform ensures strong independence and impartiality guarantees for magistrates.

However, attempted internal and external interference with the judicial system continues to remain an issue of concern. Integrity and judge-craft should continue to remain the focus of training of magistrates.

The random allocation of cases within the prosecution system still remains to be implemented as a matter of priority. Decisive and swift steps need to be taken towards the rollout of a new integrated case management system, to increase the efficiency and transparency of the justice system.

Accountability

The High Justice Inspector (HJI) has been fully performing its functions during the reporting period, notably by initiating and conducting disciplinary investigations against magistrates. Additional staff, premises and an increased budget has been allocated to HJI. The recruitment of additional inspectors is still required, as well as targeted measures to address the backlog of cases and allow the HJI to perform regular thematic inspections.

During the reporting period, HJI has received 3 054 complaints of which 1 347 were inherited from the previous Inspectorate. HJI has handled 173 complaints and started eight investigations.

The HJC and the HPC are responsible for approving and monitoring the ethics rules and code of conduct. The HJC has improved evaluation forms and adapted them to the new legal standards. It is important that evaluations be regularly conducted and the backlog is steadily reduced. The HJC dismissed two judges on the basis of HJI investigations and requests. The HPC should swiftly finalise the rules and procedures for evaluation of prosecutors. The HJI's request to dismiss one prosecutor has been rejected by the HPC.

HPC, HJC and HJI have regularly published their decisions and the minutes of their plenary meetings. Open access to reasoned court decision must be ensured, in compliance with data protection rules.

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. Constitutional and legal changes have reduced political influence during the appointment process, ensuring a merit-based career system.

An important milestone was reached at the end of 2020, with the appointment of three new judges to the Constitutional Court. With seven judges in office, the Constitutional Court has regained its necessary quorum of minimum six members to hold plenary sessions, thus being fully functional and meeting the related *condition for the first IGC*. The appointments process for the remaining Constitutional Court positions is ongoing, and is expected to be finalised as soon as half of the High Court judges will have been appointed. From December 2020 until mid-June 2021, the Constitutional Court has adopted 27 decisions following plenary sessions, out of which 14 applications of non-constitutionality were accepted and 13 applications were rejected. The Court has started to fully exercise its functions, including by adjudicating on pending constitutional disputes of competence between state powers and institutions.

Progress continued on High Court appointments, with the promotion by the HJC of six new judges in March and July 2021. With nine judges in office, the High Court disposes of the necessary quorum to perform its jurisdictional functions, including by ruling on recourses against the decisions of Anti-Corruption and Organised Crime Specialised Courts and on unification of case law. Filing of the remaining10 judicial vacancies at the High Court should continue with outmost urgency.

The quality of initial and continuous training at the School of Magistrates (SoM) has improved. The HPC and HJC, in cooperation with the SoM, have approved the training calendar for the academic year 2020-2021. 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 SoM should simplify the application process for its continuous training activities. Further efforts are needed from the SoM to reinforce its academic staff and to ensure competitive and transparent recruitment procedures. The SoM should focus on further improvements to the quality of methodology and diversity of the substance of initial and continuous training. The SoM continued to be hosted in provisional premises. The SoM should take a more pro-active role in coordination of donors and CSOs' assistance. In 2020, 19 judges, two prosecutors and 12 legal assistants graduated the SoM. The SoM is an observer of the European Judicial Training Network (EJTN). It should benefit more proactively of the EJTNs activities and from the expertise within the network.

Quality of justice

Albania had 307 full-time judges (10.8 per 100,000 inhabitants) and 300 full-time prosecutors (10.5 per 100,000 inhabitants) in 2020. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 21 judges/12 prosecutors per 100,000 inhabitants. The 2020 budgetary allocation for the judicial system was EUR 44 million. This amounts to EUR 14.5 per inhabitant. The self-governance justice institutions and the vetting process are supported by a EUR 12 million budgetary plan. Court infrastructure remains poor overall and future budget allocations need to address the pressing needs of the judicial institutions with more determination. Between 2018 and 2020, the

average salary of judges and of prosecutors increased significantly by 40% and 73% respectively, which is a very positive development.

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

Efficiency

On 23 March 2021, the Assembly adopted amendments to 10 laws aimed to further strengthen the efficiency of the justice system and facilitate a better functioning of the courts, in line with EU standards. In particular, the legislative amendments provide for specific measures to facilitate the backlog reduction, speed up judicial proceedings, and strengthen the capacity of the new specialised bodies in the area of anti-corruption and organised crime to focus on high level corruption and serious crime. The quorum provisions for High Court appointments of Constitutional Court members was also amended, in consistency with the guidance of the Venice Commission.

Efficiency of the judicial system has been affected by the length of proceedings, low clearance rate and high backlog. Appeal courts have a high number of inherited cases and judicial vacancies, with only 40 out of 78 appeal judges in office. A new judicial map must be urgently adopted and implemented to re-distribute judges and resources within the judicial system. The average lengths for a case at appeal level is 998 days for criminal cases and 1742 for civil and commercial cases.

The Courts with the highest backlog are the High Court and the Administrative Court of Appeal. The latter has 15 178 cases of which 7 463 are older than two years. The clearance rate is 37%. The High Court has the highest backlog of 36 288 cases of which 27 843 older than two years (77%). However, following the new appointments to the High Court, the clearance rate increased considerably by 46% compared to the last year. The High Court has delivered 3690 decisions since it regained its functionality in March 2020 until June 2021. During the first quarter of 2021, the High Court has delivered 647 final decisions, out of which: 145 adopted by the administrative college, 241 by the civil college and 261 by the criminal college. In July 2020, the High Court adopted guidelines for the reduction of backlog and increase of efficiency for the High Court. Among the key measures are the recruitment of new administrative and legal research staff, improvement of working methods and increase of communication and transparency.

The collection and reporting of judicial statistical data has improved but further efforts are required. Decisive policy, planning and budgetary efforts are urgently needed to roll-out a new integrated case management system, and ensure its inter-operability across the entire justice system, in line with CEPEJ methodology.

The HJC has made progress on measurement of court efficiency by adoption of necessary regulation in 2021 and statistical charts for evaluation of the performance of the magistrates on the basis of CEPEJ indicators. HJC approved the guidelines on the collection of statistical data for courts and a pilot web-based satisfaction surveys. Standard rules and indicators on efficiency must be approved promptly by the HJC.

There are 29 cases pending before the Council of Europe Committee of Ministers for supervision of execution of final judgements of the European Court of Human Rights.

The use of alternative dispute resolution continues to be limited and needs to be further strengthened. Awareness of the citizens about the alternative dispute resolution service is low and needs to be enhanced.

**Fight against corruption**

Albania has **some level of preparation** in the fight against corruption. **Some progress** was made in strengthening the fight against corruption. The implementation of the Inter-sectoral Strategy against Corruption is overall on track. The vetting of members of the judiciary are bringing results in the fight against corruption. The Anti-corruption Task Force has over the past year been less effective and needs to be re-activated. The concrete impact of the recently established Anti-corruption Directorate in the Ministry of Justice on investigating, prosecuting and trying high-level corruption is yet to be seen. The creation of a network of anti-corruption coordinators in 17 institutions is a positive step in the fight against corruption. The recommendations of the last annual report were only partially implemented. Efforts and political will should increase towards consolidating a track record of seizure and confiscation of criminal assets, as well as establishing a solid track record in the fight against corruption. The Special Anti-Corruption and Organised Crime Structure (SPAK) contributed to an improvement in the seizure and confiscation of criminal assets in corruption-related cases. Overall, corruption is prevalent in many areas of public and business life and remains an issue of serious concern. Convictions in cases involving high-level officials remain limited, still fostering a culture of impunity within the higher levels of the State.

Recommendations for the coming year:

→ continue to strengthen the fight against corruption; further progress towards establishing a solid track record of investigations, prosecution, and adjudication of corruption cases, seizure and confiscation/recovery of criminal assets resulting from corruption-related offences;

→ ensure that the Special structure for Anti-Corruption and Organised Crime (SPAK), i.e. the Special Prosecutor's Office (SPO) and the National Bureau of Investigation (NBI), as well as the SPAK Courts, effectively address high-level corruption; ensure adequate resources, skills and cooperation between these new structures and other prosecutorial and judicial entities;

→ 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 GRECO and implement the related action plan within the given timeframe.

Track record

Further efforts were made as regards the track record of **investigations, prosecutions and convictions** in the fight against corruption, although it remains an objective that requires political will and further structured and consistent actions. The number of corruption cases sent to court was 413 in 2020 (643 in 2019), including 53 by the SPO. 270 persons (mid and high-ranking officials) were convicted at first-instance (262 in 2019) and 87 at appeal and final level in 2020 (246 in 2019). The overall number of referrals to the prosecution decreased slightly to 3 016 in 2020 (3 167 in 2019).

On convictions of **high-level state officials**, 73 cases were opened against high-level officials in 2020 (98 in 2019) and 11 indictments were issued involving 20 persons (compared to three indictments involving 10 persons in 2019). One defendant involved in high-level corruption was convicted with final prison sentence by the anti-corruption and organised crime courts. SPAK conducted criminal proceedings in several high-profile cases (one former Prosecutor General, nine former judges of the High Court and the Constitutional Court, one former Judge of the Special Appeals Chamber, a Deputy Chief of the State Police's Power of Law Operation, 20 election commissioners accused of electoral crimes during the elections of

2017 and a former Minister of Defence). Investigations have so far not resulted in a substantial number of final convictions of high-ranking state officials. Sustained efforts are needed to tackle the culture of impunity within the higher levels of the State.

The vetting of members of the judiciary continued to have a positive impact on the fight against corruption. To date, 62 % of the vetting dossiers processed have resulted in dismissals and resignations. Among the high-ranking magistrates, 10 former high-level judges of the High Court and the Constitutional Court have been dismissed through the vetting or have resigned. The SPO has started criminal proceedings against 10 former High Court and Constitutional Court judges and referred 10 other cases (not involving high-level judges) to the competent district prosecution offices. 45 out of 300 high level officials of the State Police, Guard of the Republic and Service for Internal Affairs and Complaints (SIAC) were vetted, leading so far to one dismissal and one resignation. The vetting process and its results remain crucial to restore public trust in the judiciary and law enforcement bodies of the State.

Reaching final convictions in high-level corruption cases remains an important priority. The data collection methodology for both corruption and organised crime cases should be further improved. A unified case management system for investigations, prosecutions and convictions is needed. Ensuring efficient operation of SPAK and NBI work remains of key importance to minimise the backlog of sensitive/high-level cases. District law enforcement authorities must be strengthened to efficiently deal with cases not covered by the SPAK and NBI mandates.

On **asset declarations by high-level state officials**, 12 cases were referred by the High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIDAACI) to the prosecution in 2020, none of which resulted in a conviction. In 2019, there were seven cases referred to prosecution that resulted in a conviction and a dismissal. In total, HIDAACI referred six low- and mid-ranking officials to prosecution services in 2020. No final convictions occurred. In 2019, there were 12 referrals and 12 final convictions. Investigation of 33 Conflict of Interest cases were performed in 2020, compared to 42 in 2019.

Seizure and confiscation of criminal assets are ordered and carried out more coherently in corruption-related cases since the establishment of SPAK. Risk assessments have increased within the central administration and a corruption risk assessment methodology has been approved.

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

Implementation of the Law on **whistle-blowing** and whistle-blower **protection** continued. In 2020, nine external reporting cases were registered and investigated by HIDAACI, compared to 14 in 2019.

On **internal control mechanisms**, the Anti-corruption Task Force was less effective in 2020. In 2020, 214 cases including 317 officials were referred to the prosecution compared to 250 cases involving 474 officials in 2019. The State Supreme Audit Institution referred 8 cases in 2020 involving 12 executives to the prosecution (compared to 28 cases involving 40 executives in 2019). The rate of implementation of the State Supreme Audit Institution's general recommendations by public institutions needs to improve. *(see also Chapter 32 )*

On **access to information**, a revised model for the institutional Transparency Programme as well as for the Register of Requests and Responses was approved in 2020. The Commissioner for Information and Data Protection received 715 complaints and issued 23 decisions, while 786 complaints were received in 2019. A system was established and

installed in 59 public institutions to record the overall number of requests made and to enable citizens to submit online requests for public information. Transparency has increased with all Ministries having approved and published their transparency programme. (*see also Public Administration reform)*

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

Institutional framework

*Prevention of corruption*

Effective inter-institutional coordination should be ensured between the new governmental structures involved in fight against corruption. The impact of anti-corruption structures on preventing public sector corruption remains difficult to measure. The institutional and operational capacity of the anti-corruption network in line ministries, at local level and in the Office of the National Coordinator against Corruption (NCAC) in the Ministry of Justice has slightly increased. The recruitment of staff in the separate Directorate for Anti-corruption in the Ministry of Justice has not been completed. The regulatory framework of the network of Anti-corruption coordinators in 17 institutions established to prevent and tackle corruption in state administration remains weak. Effective coordination should be ensured between the new structures at the Ministry of Justice, the Unit for Transparency and Anti-Corruption at the Prime Minister's office, the Special Unit for Anti-Corruption and Anti-Evasion established also at the Prime Minister's office, as well as the Integrated Policy Management Group for PAR and Good Governance.

The role of HIDAACI in detecting **conflicts of interest and checking asset declarations** was reinforced through the adoption of the Law on whistle-blowing and whistle-blower protection and the implementation of the vetting process. Human resources were not strengthened in the past two years.

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

The Council of Europe's Group of States against Corruption (GRECO) concluded in the addendum to its Second Compliance Report (fourth round) on Albania of October 2020 that Albania had dealt satisfactorily with nine of the 10 recommendations while one has been partially implemented. In the first report of the fifth round, dealing with the prevention of corruption and promoting integrity in central governments (top executive functions) and law enforcement agencies, published in December 2020, GRECO found that the legal framework for preventing corruption of members of the Council of Ministers and their political advisers, and of the police, is comprehensive, but overly complex.

Integrity-related secondary legislation is in place but an overall integrity risk-management system has yet to be established. Integrity plans have been approved in 2020 for the Ministry of Justice and the Albanian State Police, together with a corruption risk assessment methodology.

In 2020, 29 817 complaints were registered on the online portal to promote "co-governance" with citizens and businesses. 1 083 complaints related to corruption received on the online portal were transmitted to the Police but none resulted in criminal proceedings. 34

administrative measures were taken. In 2019, the portal had received a total of 23 605 complaints related to public administration of which 22 423 were addressed leading to 171 administrative measures and 20 cases to the Anti-Corruption Task Force. The number of electronic services on administrative matters increased to 1 021 in 2020 compared to 601 in 2019.

*Law enforcement*

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) – are now fully operational.

Legal framework

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

Further amendments to the Law on **political party financing** and the Electoral Code were adopted by the Parliament on 23 July 2020 *(see also section 2.1.1 Democracy)*. All the secondary legislation for the regulatory framework on integrity is in place but remains highly complex and fragmented, and effective implementation is lacking. Outstanding EU recommendations on the improvement of Political Party Financing and the Electoral Reform, which are not part of the OSCE/ODIHR recommendations, still need to be addressed. Incidents, which occurred during the election campaign, in particular related to vote-buying, have shown that there is a need of transparent political party finances.

Strategic framework

The implementation of the Inter-sectoral Strategy against Corruption is overall on track, although weaknesses remain. These weaknesses include the need to strengthen ownership, strengthen institutional capacities, improve proper budgeting of the strategy's activities. A new action plan for 2020-2023 for the implementation of the extended strategy was adopted in July 2020. A mid-term review of the Strategy has been undertaken. Consultations with relevant stakeholders before the approval of the reports have improved, including the use of the public consultation platform.

**Fundamental rights**

Albania complies overall with international human rights instruments and has ratified most international conventions related to the protection of fundamental rights. During the reporting period, there was progress on property rights as regards the registration, digitisation and implementation of the compensation scheme. On minority rights, an additional by-law was adopted on minority education but remaining by-laws are still pending adoption. The population census law was adopted. The legal framework on anti-discrimination further improved but the case-law has not yet substantially developed. Progress was made in other aspects of fundamental rights, for instance on the enforcement of the rights of persons with disabilities and on gender equality. In particular there was progress in ensuring adequate funding for the implementation of the dedicated strategy, and a new strategy on gender equality 2021-2030 was adopted in June. By-laws linked to the Law on Social Housing were adopted. Recommendations from last year have partially delivered on.

Recommendations for the coming year:

→ adopt pending by-laws on minority rights, in particular on self-identification and use of minority languages and increase the capacities of the State Committee on National Minorities;

→ continue the first registration of immovable properties and the implementation of the law on finalising transitional ownership processes, in a transparent and inclusive manner;

→ upgrade the security, and restrict access to and use of personal data stored in state-owned databases.

Albania complies overall with international **human rights instruments** and has ratified most international conventions. The signature of 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 is pending since 2019. Assessing the level of implementation of human rights legislation, policies, and strategies remains a challenge due to the absence of comprehensive monitoring and data. Albania has submitted its Fifth National Periodic Report on the implementation of Convention on the Elimination of all Forms of Discrimination against Women to the Committee on the Elimination of Discrimination against Women (CEDAW Committee).

Following the adoption of the Universal Periodic Review by the Human Rights Council (September 2019), national institutions engaged in a dialogue on human rights implementation in order to better integrate human rights in strategic and development policies and to identify focus areas. In December 2020 Albania appointed an Observer, an alternate Observer and a National Liaison Officer to the European Union Agency for Fundamental Rights.

Albania continues to ensure good cooperation with the **European Court of Human Rights**. As of 1 January 2021, there were 563 cases pending (104 communicated cases) before the ECtHR, many of which are related to property and due legal process in property related cases. In 2020 the Court delivered three judgments, all finding breaches of the ECHR.

The re-accreditation of the Ombudsman by the Global Alliance of National Human Rights Institutions (GANHRI) with “Status A” in December 2020, is a positive step. In 2020, the total of 256 recommendations submitted by the Ombudsman remained stable of which 69 were accepted, 24 were rejected, 34 went without response, and 49 are still being processed.

The Ombudsman significantly increased the number of cases handled ex-officio, and an increased number of recommendations were addressed to central and local governments to take concrete measures to respect fundamental rights and freedoms during the COVID-19 pandemic, in particular for vulnerable groups.

During the pandemic restrictions, the Ombudsman recommended to allow protests to take place while respecting COVID-19 protocols, which has been disregarded by the authorities. However, the request by the Ombudsman, to provide written information on the measures taken in the prisons and on the respect of fundamental rights of prisoners, was generally observed. The Commissioner for Protection from Discriminations (CDP) issued three main recommendations responding to COVID-19 situation: two for the expansion of the list of specific categories in need and one for proposed amendments to the Criminal Code related to domestic violence, disobedience to COVID-19 measures and violation of quarantine rules.

The effective implementation of the Ombudsman’s recommendations by public authorities has not improved enough to enhance public institutional accountability. The role of the CPD was strengthened through amendments to the law regulating its function and its organisation. For the second year in a row, the budget of the Ombudsman was lowered,

Concerning the **right to life**, in July 2020, the Albanian Parliament adopted amendments to the law on the Right to Information about the former State Security Documents of the Socialist People's Republic of Albania. The implementing legislation related to these amendments needs to be adopted. During the reporting period, the Prosecutor's offices failed to conduct any 'ex officio' investigation on missing persons cases during the communist era. The resolution of cases has remained low partly due to the lack of capacities and resources. Political will is needed to establish an efficient cooperation mechanism among relevant institutions and to enhance public awareness on this matter.

On the **prevention of torture and ill-treatment**, the National Preventive Mechanism conducted monitoring inspection visits in 10 Institutions of Execution of the Criminal Decisions, a marked decrease from the previous year due to COVID-19 pandemic. Out of the 85 recommendations from the Ombudsman aiming at improving prisons conditions and treatment of prisoners, 52 have been fully implemented, 22 are partly implemented and 11 are under implementation.

Following the Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) recommendations, further improvements are needed in the functioning of detention facilities.

The renovation of Lezha prison, as an intermediary facility to treat people with mandatory medical treatment, progressed. However, the conditions in Zaharia medical facility remain inadequate.

The action plan for the development of the **prison system** (2019-2022) is in place. The penitentiary legal package was approved by the Albanian Parliament and entered into force in August 2020. Six manuals for education staff for rehabilitation programmes for prisoners have been approved in 2020. From June 2020 to March 2021, 782 staff from the prison system have been trained.

The use of alternatives to custody continued to increase in 2020. The establishment and functioning of the Probation Service, as part of the reform in the system of execution of criminal sentences, has significantly improved restorative justice in Albania since 2019. This service is fully operational all over the country and foresees alternative to imprisonment including for juvenile offenders. The increase in numbers of alternative sentences contributed to a reduction in prison overcrowding.

Across the country, the number of inmates is now under the capacity of the prison system by 19.4%. The use of electronic monitoring remains suspended since 2017 because of an unresolved legal dispute.

On the **protection of personal data,** efforts are ongoing to align the personal data protection legislation with the General Data Protection Regulation 2016/679 and the Police Directive 2016/680. In December, a Decision of the Council of Ministers approved in principle the 2018 Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data, which paved the way for its signature. Seven additional staff have been hired at the office of the Information and Data Protection Commissioner (IDP) in 2020. Additional staff needs to be allocated to the Commissioner in order for it to fulfil the increased duties foreseen in the legislation on personal data protection expected to be adopted in the next reporting period. In 2020, the Commissioner received 308 complaints from data subjects which is a comparable level to 2019. The Commissioner carried out 60 inspections and issued 20 recommendations, 18 decisions and 37 administrative sanctions. This represents a decrease of activity, which can be explained by the COVID-19 pandemic. The IDP launched an *ex-officio* administrative inquiry after the

leaking of sensitive personal data including political preferences emerged during the campaign for the 25 April general elections. The IDP released its report, which includes findings of breach of data protection rules. The IDP addressed recommendations to relevant authorities on updating security protocols, and limiting access to and use of personal data stored in state-owned databases. One decision was issued imposing a sanction to the tax authorities for non-cooperation. These recommendations need to be swiftly followed up, without prejudice to other proceedings by competent authorities aimed at assessing the integrity of the election process.

**Freedom of thought, conscience and religion** was generally upheld. Despite the economic restrains related to COVID-19 crisis and to the earthquake aftermath, the government maintained the same level of financial support to religious communities in the country. In June 2020, it allocated EUR 884,000 to the five official religious communities with a core support dedicated to religious education Ahead of the 25 April elections, religious leaders called on the population to distance themselves from vote buying practices. The restitution of properties belonging to religious groups and taken by the state during Communism remains an unresolved issue.

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**Freedom of expression**

The country has **some level of preparation / is moderately prepared** in the area of freedom of expression. There was **no progress** over the reporting period. Following an unfavourable opinion of the Venice Commission and criticism from local and international media organisations on draft amendments to the Media Law, the government indicated that they had reconsidered the adoption of the draft amendments and the Assembly did not revert to the issue. 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. The atmosphere of verbal attacks, smear campaigns and acts of intimidation against journalists has not improved over the reporting period. Tensions between political actors and journalists have increased during the pandemic and in the context of the parliamentary elections. Steps to make the audio-visual regulatory authority fully operational need to be taken in a way that ensures its independence and legitimacy.

In the coming year, Albania should:

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

→ ensuring 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;

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

Intimidation of journalists

Serious concern persists among media freedom organisations over political pressure, use of intimidating language, threats and violence against journalists. The reporting period also saw an increased number of defamation lawsuits or strategic lawsuits against public participation against media outlets or individual journalists, coming from powerful companies and politicians intended to censor and intimidate critical media. As of August 2020, there were

more than 20 lawsuits against journalists, mainly for defamation. In October 2020, an explosive charge detonated in front of a local journalist's house, causing material damage. A criminal proceeding was registered, but the case remains pending.

In December 2020, police exerted unwarranted excessive force and detained two journalists who were covering protests that erupted in Tirana following the death of a 25-year-old man shot by police enforcing a COVID-linked curfew.

In April 2021, the ECtHR issued an interim decision imposing a security measure to prevent the seizure of servers and computer data of an online media outlet, which had disclosed a database containing the personal information of more than 910,000 voters in the Tirana electoral region, allegedly created by the Socialist Party for electoral purposes,. Questioned by the Special Anticorruption Prosecutor's Office (SPAK), the two owners of the news portal Lapsi.al refused to share the source of their information and the database itself with the SPAK. Following the ECtHR interim decision, in May 2021, the Special Court of Appeals repealed a first instance court decision for the seizure of servers, computers and telephones of the Lapsi.al journalists.

Legislative environment

The ruling majority pledged to reconsider the adoption of the amendments to the media law, aiming to regulate online media and some aspects of defamation. The amendments were adopted by the Parliament in December 2019, but returned back to the Parliament for review by a presidential decree. Representatives from the ruling majority publicly committed to follow up on the guidance of the Venice Commission Opinion on the amendments adopted in June 2020. The parliament and government resulting from the 25 April elections must uphold the commitment to ensure that any possible changes to the media law would be in line with the Venice Commission Opinion and submitted to proper consultations with media organisations.

Defamation remains a criminal offence which does not carry prison sentence. Albania still needs to introduce legislation to strengthen transparency in public advertising. Access to information about procurement contracts, audits and salaries of officials still needs to be strengthened. Decisions of the Commissioner on the Right to Information are not-binding on public administration officials.

Implementation of legislation/institutions

Marking a positive and a long expected step, the Audio-visual Media Authority (AMA) announced having concluded the digital switchover at the end of 2020.

As a national audio-visual regulator, AMA is currently operating with limited human resources. All positions of its steering board, with the exception of the Chairperson, became vacant between 2019 and 2021. In accordance with the audiovisual media law, the members with an expired mandate will remain in office until the Parliament fills the vacancies. In July 2021, Parliament elected the new Chairperson of the institution. Local and international media organisations and opposition have raised concerns over the appointment process as well as regarding the political impartiality of the newly elected head of the regulatory body. The new Parliament needs to fill these vacancies and make AMA fully operational. In doing so, it is important that the new appointments ensure the independence and legitimacy of the regulatory authority.

The government established in September 2021 an Agency for Media and Information. In this respect, it is important to ensure the media's direct and transparent access to governmental institutions and their activities as well as to non-partisan public information.

Public service broadcaster

From December 2020 to May 2021, the Parliament replaced all board members of the public broadcaster whose mandates had expired, including the Chair, thus making the body fully functional. In May, through a rather hasty process, the steering board dismissed the incumbent director whose mandate expired earlier the same month, without launching the call for the new director, as required by law.

Economic factors

The strong influence of politics and business over the media remains a key source of concern for freedom of expression in the country. The map of the media landscape continues to indicate further market and audience concentration in the hands of few owners, who use their media channels to push their economic interests and political agendas forward. Transparency of media funding remains a key objective to improve media freedom in the country. Economic insecurity due to a lack of enforceable labour contracts leads many Albanian journalists to resort to self-censorship, severely harming their independence. The COVID-19 pandemic resulted in the worsening of the economic situation of media, which were hit by a critical reduction of advertising revenues.

Internet

Media freedom organisations reports indicate that political actors increasingly use social media networks to communicate with voters, while restricting access to reporters and bypassing critical media – reducing the role of public watchdogs holding power accountable.

Freedom of artistic expression

Due to COVID-19 related pandemic, the government banned all the cultural activities including theatre, opera, ballet, exhibitions, biennials and festivals as well as cultural activities in open spaces, cultural activities for children, visits in museums, parks and cultural heritage sites.

Professional organisations and working conditions

The already precarious economic situation of journalists suffered significantly due to COVID-19 outbreak, putting them at risk of self-censorship and owner interference. The government did not provide for any support scheme for media workers hit by economic burdens during the COVID-19 crisis, although the Albanian Journalists' Union called for the media sector to be included in a financial relief package for businesses. Due to pressure from the unions, the government included field reporters in the priority vaccination scheme.

Albanian media increased their efforts to self-regulate, through the creation of the Alliance for the Ethical Journalism, a self-regulating mechanism that has united actors pledging to comply with the Code of Ethics, especially those online.

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**Freedom of assembly and association** are provided for in the Constitution and legislative framework and are broadly in line with international standards. Assemblies are regulated by the Law on Assemblies, which, although largely in line with the Guidelines on Freedom of Peaceful Assembly of the OSCE/ODIHR, still needs to be amended to address the right to spontaneous assemblies and counter–assemblies. Following a decision of the Constitutional Court in May 2021, a prior authorisation for the organisation of gatherings is no longer required and, therefore, it no longer constitute a criminal offence. During the reporting period, due to the COVID-19 pandemic, freedom of assembly was temporarily limited to prevent the spread of the infection. During the pandemic restrictions, the police broke up

dozens of protests and hundreds of citizens criminally charged for organising or participating in protests, including members of the press.

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

On **property rights,** there was progress as regards the registration, digitisation and compensation. Following the entry into force of the Law on finalising transitional ownership processes in Albania in May 2020, the State Cadastre Agency initiated the process of first registration for eight cadastral zones in the Himara municipality. The process has been facilitated through a public information campaign and with the establishment of three local offices where citizens, in addition to being informed, may submit documentation. First registration is also ongoing in other parts of the country. Out of the total of 3 057 cadastral zones comprising around 4 million properties, first registration has been completed in 2 717 cadastral zones comprising around 3 540 000 properties. In 2020 and during the first half of 2021 registration has continued with an average of around 2000 properties per month. As of April 2021 just under 1 783 000 files had been digitised.

The Agency for the Treatment of Property (ATP) continued assessing requests and distributing funds for compensation of properties. It registered 122 new applications and executed 106 decisions resulting in the distribution of around EUR 6.9 million from the financial fund and an area of around 100 hectares from the land fund (value of approximately EUR 1.6 million). At the beginning of the year, second, third and fourth instalments were distributed for 148 applications from the years 2016–2019.

On **non-discrimination**, the legal and policy framework is generally aligned with EU standards and was further improved with amendments to the Law on protection against discrimination. The amendments introduced a number of improvements, including terminology used, the categories of discrimination to be mentioned and procedures. The implementation of the anti-discrimination legal framework still needs to be further strengthened through the provision of specialised training to judges and prosecutors. In 2020, the Commissioner for Protection from Discrimination (CPD) continued to handle a stable number of cases of alleged discrimination, mostly in the areas of employment and services. Laws on hate speech are in line with international standards. Wider awareness raising is needed to eliminate hate speech, particularly in rural and remote areas.

**Gender equality**

The new strategy on Gender Equality 2021-2030 was adopted in June 2021. Albania pursue its efforts to ensure adequate state funding to effectively implement the new strategy at central and local level. Efforts are required to ensure that all national strategies at central and local level are gender mainstreamed and apply gender responsive budgeting.

The overall Gender Equality Index for the Republic of Albania published in 2020 reached 60.4, indicating a gender gap of 7.4 points below the EU average (67.4). The largest gaps in comparison with the EU average are in the domains of knowledge, money and time, while scores are similar in the domains of work and health. The second EU Gender Index is planned to be published during the second half of 2021.

The Law on Reproductive Health still lacks to foresee referral mechanisms between different levels of care; training for health care providers; youth friendly services; and outreach to vulnerable groups.

Efforts to strengthen the legislation that addresses gender-biased sex selective abortion have been taken by the Ministry of Health and Social Protection. Efforts should continue to ensure monitoring of the practice

Regarding gender-based violence, during the period January-December 2020, 4 701 cases of domestic violence were identified and processed. Among these, 1505 cases have been referred to the Prosecution office, 535 perpetrators have been arrested. In2020, there were seven murders in family relationships, six out of seven were women.

In 2020, efforts were made to increase public funding for victims of domestic violence with the creation of four shelters and of the national helpline for victims of domestic violence. Specialised and reintegration services for victims should be provided and the work on case management should be further strengthened.

Local referral mechanisms for reporting gender-based violence have now been established in all 61 municipalities compared to 52 in previous year.

The COVID 19 crisis has disproportionately increased the burden of unpaid domestic and care work for women, especially the most vulnerable. To mitigate the effects of the pandemic on vulnerable groups the government has doubled unemployment benefits and cash assistance and relief packages for categories in need.

Albania has advanced in setting up a legal framework governing the **rights of the child**. Institutional capacities have been strengthened to address difficulties in the implementation of child rights. However, the lack of implementation and means of appropriate redress for rights violations remain of concerns.

During the year 2020, the Child Protection Units managed 2 193 cases of children in need of protection. In Albania, 60% of all sexual abuse cases are committed against children. Refugee and migrant children, and children with disabilities are extremely vulnerable to violence, exploitation, stigmatization and abuse. Currently, there are only 223 child protection workers (52% of the planned number and a decrease from last year). The adoption in September 2020 of the National Action Plan on De-Institutionalisation of children from residential care is a positive step.

The adoption of Law on 'Rights and Protection of the Child' and changes to the Domestic Violence Law in 2020 improved the protection for children. The practice of child marriage is still present in Albania, particularly in the Roma, Egyptian and rural communities. There is a critical lack of data and reporting on child poverty.

Increasing evidence of risks of abuse and exploitation due to the use of the internet by children is of serious concern. One in 10 children reported at least one unwanted sexual experience through the internet.

The policy framework and institutional capacities to improve juvenile justice remained largely insufficient in 2020 despite some progresses to set up dedicated free legal aid centres.

The legal framework of the Juvenile Code and the Juvenile Justice Strategy 2018-2021 is in place, however much remains to be done to harmonise and effectively implement the legislation. The justice system (rules, procedures, services, capacities, standards) is not yet friendly nor accessible to children. There is a critical lack of services (psychologist, mediation/restorative justice), including coordination and training of the professionals engaged in juvenile justice services)

Albania's framework legislation on **the rights of persons with disabilities** is partially compliant with the UN Convention on the Rights of Persons with Disabilities. Further steps

need to be taken to further align in the last year. Albania still has not ratified the Optional Protocol to the Convention on the Rights of Persons with Disabilities. The implementation of the National Action Plan for people with disabilities 2016-2020 has not produced much visible impact. A new national plan for people with disabilities 2021- 2025 was adopted in May 2021. Persons with disabilities were among the most impacted by the COVID-19 pandemic. During the April 2021 elections, persons with disabilities encountered barriers and difficulties to vote. Further efforts are needed, to address violence against persons with disabilities, improve overall accessibility (including services and information), to promote employment, and to collect statistical data on their situation. Children with disabilities are still placed in residential care centres. The quality of education for disabled children, especially deaf children, remains a cause for concern. The number of assistant teachers for children with disabilities in the pre-university education system increased by 21% in the past year. Additional efforts are needed to provide training on inclusive education approaches for all teachers and on early detection.

Discrimination against **lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons** remains pervasive and dominant in the Albanian society, especially regarding access to health care, education, justice, employment and housing. Cases of physical aggression against members of the community still occur and hate speech continues, particularly in social media, Albania does not have legislation recognising civil cohabitation and same-sex marriage, which would require amendments to the family code. The national action plan for LGBTIQ persons, which came to end in 2020, did not produce visible results, due to the lack of financial resources and political will.

However, the inter-ministerial team responsible for monitoring the action plan has not held any meeting since May 2019. Police officers, prosecutors and gender 'focal points' in line ministries continued receiving training on preventing discrimination on the basis of sexual orientation and gender identity. The shelter for LGBTIQ persons has continued to provide care, support and advocacy to homeless LGBTIQ individuals. The support from state budget has increased, covering up to 40% of the core budget of the shelter, but continued dependence on donors creates uncertainty on the continuation of services. Public awareness and acceptance of LGBTIQ persons remain low, particularly in rural areas. Hate speech and discriminatory language continue to be a problem in the media, especially online media, and from politicians. Violence and discrimination against members of the trans-community is still a worrying phenomenon in the country.

On **procedural rights**, two additional by-laws were adopted in August 2020 on free legal aid, completing the set of by-laws foreseen in the free legal aid law of 2018. Additional staff were recruited in the free legal aid Directorate of the Ministry of Justice and two more centres have opened in the country acting as direct free legal aid providers, bringing the total to seven operational centres. Free legal aid assistance remains however predominantly delivered by civil society organisations. Efforts should continue to make available an effective free legal aid and ensure quality control of the support provided. Awareness campaigns on the free legal need to be developed. Concerning other procedural rights, clearer guidance and standards for interviewing children in conflict with the law need to be developed. On the right to information in criminal proceedings, the refusal or failure to grant access to a case file should be subject to judicial review, with effective remedies. On access to a lawyer, courts, prosecutors' offices and the police should ensure that there are adequate facilities for confidential client-lawyer consultations. On the presumption of innocence, there should be a clear legal prohibition on public references to guilt made by public authorities.

As regards the adoption of the remaining implementing legislation related to the 2017 framework law on the **protection of national minorities**, an additional by-law on minority education was adopted in December 2020, which brought the number of adopted by-laws to eight. The remaining implementing legislation, including on self-identification and use of minority languages has yet to be adopted. The implementation of all the implementing legislation will require strengthening the capacity of the State Committee on National Minorities and providing sufficient financial resources. In November 2020, the Population Census Law was adopted in line with international standards, including on the self-identification of ethnic minorities. The census questionnaire has been published for consultations. With regards to concerns raised by the Greek minority in relation to property rights in the southern coastal region, the initial registration of properties started in May 2020 is ongoing.

The 2016-2020 national action plan for the integration of **Roma** and Egyptians came to end, While overall, the progress was very limited, some positive results were noticed in the areas of civil registration, housing, education and employment. The new action plan, covering the period 2021-2025 was prepared, following consultation with civil society and relevant stakeholders, and in line with the Declaration of Western Balkans Partners on Roma Integration (Poznan Declaration) and with the EU Strategic Framework for Roma 2020 - 2030[6]. A new chapter on anti-gypsism was introduced to address this increasing phenomenon. Additional efforts and resources are required to accelerate integration of Roma and reduce the gap with the rest of the population. Following the endorsement of the Poznan Declaration, the first regional ministerial meeting was held in Tirana in October 2020, hosted by the Ministry of Health and Social Protection. The structure of the Ministry of Health and Social Protection, in charge of the coordination of Roma-related policies needs to be strengthened. The overall positive trend of the past years regarding the participation of Roma and Egyptian children in the education system was negatively affected by distant learning and quarantine measures imposed during they COVID-19 pandemic. As a result, the gap between Roma/Egyptians and other non-Roma children living in the same areas has remained very large. Roma children continue to benefit from free textbooks and transportation to remote schools. Segregation in schools remains an issue that should be systematically addressed. The overall employment and labour force participation of Roma already very low, was further worsened by the COVID-19 crisis. Health insurance coverage for Roma in Albania remains low preventing in some case the members of the community to benefit from necessary care in the COVID crisis context. Regarding the implementation of the Law on Social Housing, Roma and Egyptians continue benefitting from the 5% quota foreseen by the law.

On **citizenship rights**, a provision of the Law on Citizenship adopted in July 2020 may still lead to the establishment of an investors' citizenship scheme. Such schemes pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime and are 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. EU Member States also cooperate with Albania in the fight against organised crime and terrorism, and in judicial, police and custom matters and are supported by the EU Justice*

[6] In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups (e.g. Roma, Sinti, Kale, Gypsies, Romanichels, Boyash, Ashkali, Egyptians, Yenish, Dom, Lom, Rom, Abdal…) without denying the specificities of these groups.

*and Home Affairs Agencies.*

Albania has **some level of preparation**/is **moderately prepared** to implement the EU *acquis* in this area. **Some progress** was made as the Special Prosecution Office and National Bureau of Investigation started operating and the Albanian State Police increased their staff. Financial investigations should be to further developed when tackling organised crime. Albania has continued to increase its engagement with all EU justice and home affairs agencies. Referrals to asylum procedure and return procedures should follow the legal framework in place. The issue of unfounded asylum applications lodged by Albanian nationals in EU Member States and Schengen-associated countries requires continuous and sustained efforts. Albania should keep addressing the phenomenon of unaccompanied minors. Albanian visa policy should be aligned with the EU's.

In the coming year, Albania should in particular:

→ further increase the systematic use of parallel financial investigations when dealing with organised crime, illicit trafficking, terrorism, and money laundering and continue building the track record of final convictions in the cases of organised crime, corruption, trafficking and money-laundering;

→ complete the implementation of the action plan agreed with the Financial Action Task Force on preventing money laundering and countering terrorism financing;

→ implement the new asylum law and resume referrals to asylum procedure; align return procedures with existing legal framework; continue to address the issue of unfounded asylum applications.

**Fight against organised crime**

The country has **some level of preparation** in implementing the EU *acquis* in this area. **Good progress** was made in meeting last year's recommendations. Tangible results were achieved in the fight against organised crime, including through an increased cooperation with EU Members States, Europol and Eurojust. Exchange of qualitative information and joint police operations involving international partners have further intensified. Albania has continued to show commitment to counter the production and trafficking of drugs. Albania has allowed air monitoring by EU member state law enforcement services to detect the production of narcotics. Efforts need to continue to ensure increased prosecutions and final convictions, especially at high-level. More efforts are needed to tackle cybercrime, trafficking in human beings and money laundering cases. The phenomenon of child sexual abuse online remains a concern.

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; the number of Albanian law enforcement agencies that have access to SIENA should be further expanded;

→ establish without delay or designate an asset recovery office/agency in line with the EU *acquis* that is in charge of the identification and tracing of criminal assets, as foreseen by national legislation;

→ strengthen effective law-enforcement response on cybercrime to increase detection, investigation and prosecution.

Institutional set-up and legal alignment

The Albanian State Police (ASP) has a total of 11 802 employees, equivalent to 260 officers per 100 000 inhabitants, compared with an EU average of 326 (Eurostat, 2017). In 2020, a significant increase of 587 police officers was added to the staff of the ASP to strengthen its operational capacities, while in 2021 the increase was 157 police officers. Staff rotations are frequent, affecting the ASP operational capacity. Following the establishment of the SPAK at the end of 2019 and the transfer of some of the former Serious Crime Prosecution Office's competences to local prosecution offices, judicial police officers are in need of further training to investigate in particular financial crime, money laundering and serious trafficking offences. Albania should provide the relevant institutions with adequate resources in order to ensure continuity in the fight against organised crime.

The Special Anti-corruption and Organised Crime Structure (SPAK) comprising the Special Prosecution Office (SPO), and the National Bureau of Investigation (NBI), as well as the First and Second Instance Anti-Corruption and Organised Crime Courts (SPAK Courts) are operational. In March 2021, the Assembly adopted amendments to the SPAK law, extending its jurisdiction to all terrorism offences, reinforcing its focus on high-level corruption and introducing targeted career development measures

The **legal framework** was further aligned with the EU *acquis.* A law on beneficial ownership register entered into force in September 2020. Business and non-governmental organisations had to register by the end of June 2021. Sanctions areapplied for those who have not done so. In December the law on the central register of bank accounts was adopted and the register became operational at the end of July 2021. The implementation of the special package introducing temporary preventive measures to enhance its capacity to fight organised crime and terrorism (referred to as the anti "grab-what-you-can" package, or operation Force of Law) adopted in January 2020 continued. The measures include targeting assets through seizure and confiscation, limiting the movements of suspected criminals, and restricting their economic activities. In January 2021 some of the structures established under the special package were replaced by the new Investigative Directorate within the ASP. A memorandum of cooperation between the General Prosecution Office and the Minister of Interior was adopted to increase the effectiveness of investigations related to money laundering, terrorist financing and financial crimes as well as the seizure and confiscation of criminal assets. A register of track records for money laundering offences has been set up by the General Prosecutor's Office and connected to the ASP to support the district prosecution offices and regional and district police offices.

Albania has a robust legal framework for confiscating criminal proceeds. The Law on the administration of seized and confiscated assets, adopted in 2019, provides for an asset recovery office (ARO) to be set up, as required by the EU *acquis*. At the end of 2020, a new structure and all necessary implementing acts for the Agency were approved and an electronic system for sequestrated and confiscated assets was conceived. However, the ARO in charge of identifying and tracking criminal assets, as provided for in the recently adopted legislation and in line with the EU *acquis* remains to be set up. In May 2021, a working group for the evaluation and establishment of the ARO was set up and meets regularly.

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 **Law on weapons** is partially aligned with EU provisions. Albania further amended this law in December 2020, transposing part of the EU regulatory framework into its national legislation.

As regards the **strategic framework**, Albania adopted a new 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. Furthermore an Action Plan on the Prevention and crackdown on criminal activity for cultivation of narcotic plants for 2021 was adopted.

Implementation and enforcement capacity

Albania pursued its efforts towards building a **track record** on fighting *organised crime.* In 2020 there were 22 new cases referred to prosecution (compared to 79 in 2019); 15 indictments for a structured criminal group in 2020 (compared to 13 in 2019) and five successful cases were closed with 13 persons convicted at appeal level (compared to one case in 2019).

Notable progress was made in the fight against organised crime, including through cooperation with EU Members States, and through the implementation of the action plan to address the FATF recommendations. The implementation of the package of temporary preventive measures to enhance Albania's capacity to counter criminal organisations (Operation Force of Law continued throughout the year. In 2020, this resulted in 181 police operations involving 802 suspects (of whom 630 were arrested/detained, 82 wanted and 85 investigated at large). 35 criminal groups were dismantled (an increase of 46% compared to 2019), 125 members of criminal groups were arrested and almost 15 million EUR worth of assets and bank accounts were seized. The Special Prosecution Office (SPO) initiated 200 criminal proceedings – 42 for organised crime and 158 for corruption – in 2020. During the same period, 39 criminal procedures for corruption and 16 procedures for organised crime were sent to trial.

As regards the **track record** for *serious crimes*, there was an increase in 2020 with 2 785 new cases referred to prosecution, compared to 2 323 in 2019; 66 cases on trafficking in human beings, 417 cases on money laundering and 2 086 cases on drugs production (compared to 1 805 in 2019). Of the total referrals for serious crimes, 577 cases resulted in indictments in 2020, compared to 507 in 2019. As for case with final convictions, there were 188 in 2020 (in addition to 185 convictions at first instance), compared to 308 in 2019. Narcotics related cases accounted for 81% of the total in 2020 compared to 68% in 2019, followed by money laundering, trafficking in vehicles, money counterfeiting and forgery, and trafficking in human beings.

Albania has taken further steps to strengthen **international police cooperation**. The Europol liaison officer deployed in Tirana since June 2019, the only one to operate in the Western Balkan region, has helped to strengthen cooperation between Albania and EU Member States' police forces in the fight against organised crime, including drug trafficking, and to enhance the police's capacity to assess the main organised crime threats. During 2020 119 police operations have been carried out in cooperation with international partners, which represents a 27% increase compared to 2019. 95 operations were related to narcotics. 25 of these operations involved Europol, compared to 5 in 2019. Since the deployment of the Europol Liaison Officer, Albania joined five additional Europol analysis projects (APs), bringing its participation to a total of 16 APs. Albania has a liaison officer posted at Europol's headquarters in The Hague.

Albania is sharing more and more information with EU Member States and Europol through the secure information exchange network application (SIENA). The quality of the information improved. In January 2021 an agreement was signed between the Albanian State Police and the General Directorate of Customs which should allow the latter to also have access to SIENA in due course. In June 2021, the Ministry of Interior agreed with Europol to add the Special Prosecutor Office and the National Bureau of Investigation in the Annex to the Europol Cooperation Agreement listing entities which can access SIENA. The General Directorate of Taxation and the Financial Intelligence Unit should take the necessary steps to also be granted access.

Albania participates in six EMPACT priority activities under the EU policy cycle and was appointed national coordinator for the organised property crime priority. Albania should appoint a National EMPACT Coordinator.

Albania's participation in joint investigation teams (JITs) has increased. In 2020, Albania participated in 7 JITs supported by Eurojust related to drug trafficking (7) and organised crime (5). Albania has yet to step up the use of special investigation techniques and proactive investigations. The cooperation with Interpol has continued to be yield positive results, in terms of information exchanged and operations to execute extradition arrest warrants. Cooperation between Albania (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 has full access to the CEPOL Exchange Programme as well as to the free of charge electronic learning system of CEPOL. As regards the Security Academy, which is supported by an EU twinning project, the recent development bringing the Academy back under the Albanian State Police and limiting the academic independence, are of concern.

On **domestic operational capacity**, legal and institutional reforms have strengthened the capacities of the ASP's Operational Directorate, which is responsible for special investigative measures throughout the country. During 2020 proactive investigations were conducted using special investigative tools in the framework of 630 proceedings for trafficking of narcotics, persons, weapons and ammunition, including also money laundering and other related crimes under the competence of the district prosecution offices, resulting in i.a., arrests/detention of 709 suspected persons. To further increase the efficiency of investigation a cooperation agreement between the Special Prosecution Office and the Prosecutor General was signed in December 2020, with view to unify some inter-institutional administrative and procedural activities. Albania should continue to use and develop the use of special investigation techniques and proactive investigations.

In September 2020, special sections for the investigation of money laundering, financial crime, and property investigations were established in seven prosecution offices of general jurisdiction with a section headed by prosecutors and officers of judicial police. All prosecution offices have either a special section or a prosecutor appointed for money laundering, financial crime, and property investigations. The appointed prosecutors have a minimum of four years of experience in investigating financial crimes and they are working in coordination with the judicial police officers of the services in the special structures of the State Police.

Law enforcement authorities' response to organised crime, notably the investigation of large criminal networks, needs to be more proactive and systematic. Special task force police and prosecutors have access to 40 national registers, but they still lack direct access to the electronic register of mobile phone subscribers and IP addresses from internet service providers. An instruction of the Prosecutor General foresees the technical modalities for

using currently connected registers databases and connecting further law enforcement agencies in future.

**Financial investigations** are not systematically accompanying criminal proceedings from the start, and their effectiveness remains limited. Some progress was noted in 2020 with 133 referrals with 141 subjects for property investigations, compared to 123 referrals in 2019. Financial investigation techniques of police and prosecutors still needs improvement. Albania reported estimated seizures of criminal assets worth about EUR 4.8 million under the anti-mafia law in 2020, compared to about EUR 56.1 million in 2019. Assets worth about EUR 150 000 (estimated) were confiscated in criminal proceedings under the same law in 2020, compared to only about EUR 780 000 in 2019.

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

Albania is a source, transit and destination country for **trafficking in human beings**. Albanian women and children are subject to trafficking for sexual and labour exploitation to neighbouring countries and EU Member States. The Prosecutor's Office registered 28 new criminal proceedings for trafficking in human beings in 2020, compared to 25 in 2019. The number of cases with final convictions remained very low with two cases with three final convictions, compared to three cases with five final convictions in 2019. The national referral mechanism for (potential) victims of trafficking remained functional. Assistance was provided on all cases. In 2020, 86 victims were identified and assisted, compared with 92 in 2019. The National action plan against trafficking in persons 2021 – 2023 should be adopted, adequately funded and implemented. NGO-run shelters remain underfunded. Victim-centred investigations and prosecutions are not conducted consistently. Albania should increase efforts on the early identification of victims and potential victims in particular in mixed migration flows and intensify cross-border cooperation with neighbouring countries and international cooperation. Successful reintegration remains difficult because core protection, care and social services from the state are insufficient.

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, has yet to be implemented. Police, prosecutors and judges should receive dedicated training on these changes and the rights of victims. A new law on the protection of victims of trafficking introducing in particular a state-funded compensation scheme would be needed.

On **illicit 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 14 new criminal cases registered at the Prosecutor's Office in 2020, compared to 12 in 2019 and 16 cases with 18 final convictions in 2020, compared to 13 cases and 16 cases with final convictions in 2019. Albania actively participated in EU Policy Cycle/EMPACT operational action plan on firearms. It adopted an action plan 2019-2021 on small arms and light weapons and explosives control and appointed a firearms focal point. It should adopt standard procedures and mechanisms to counter the illicit trade of small arms and light weapons by

air. The criminal law framework remains to be fully aligned with the requirements of the UN Firearms Protocol.

The Central Firearms Unit (CFU) is composed of 6 members (experts) from all the State Police departments and is headed by an official from the Criminal Police. The CFU enables the administration, collection, analysis, registration, exchange and use of information (criminal and ballistic) regarding firearms and their trafficking.

The track record on **fighting cybercrime and internet fraud** in 2020 remains limited with 52 cases referred to the Prosecutor's Office compared to 47 in 2019. There were three convictions at first instance level in 2019 and four in 2020. In 2020, Albania adopted a new strategy on cyber security and an action plan for 2020-2025, which cover the relevant priorities in the field. 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 should increase its capacity to deal with such cases. In the last years, the ASP has received every years between 5.000 and 20.000 referrals for online child sexual abuse materials from international law enforcement agencies. However only 12 cases have been investigated by the police in the last three years. The 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 (see chapter 4 for more details on this and on amendments to the law on money-laundering). Albania continues to implement timely the commitments by the set deadlines, despite the COVID-19 pandemic. In July 2020 a memorandum of cooperation was signed among the General Prosecutor Office, the Ministry of Interior and the Ministry of Finance and Economy "On increasing the effectiveness of investigations related to money laundering, terrorist financing, financial crimes, seizure and confiscation of criminal assets.

As also reported on in Chapter 4, amendments to the law on money-laundering to align it legislation on anti-money laundering with the EU acquis have been prepared by the Council of Ministers. The beneficial ownership register has been set-up and is in the process of being populated with data from businesses and non-governmental organisations. A centralised bank account register has also been established and is operational since July 2021. Both registers will provide increased transparency and useful tools in the hand of law enforcement authorities to track down money-launderers. The law regulating virtual assets should be amended to ensure adequate supervision of all virtual assets service providers. A proper supervision system regulating real estate agents remains to be adopted and enforced. In 2020, 280 cases of money laundering were referred to prosecutors, against 232 in 2019. The number of persons with final convictions for money laundering remains low (eight in 2019 and four in 2020). During 2020, the Counter-Terrorism Directorate (CTD), whose financial investigation unit became fully operational in 2020, referred 2 cases for "Terrorism Financing", provided by Article 230/a of the Criminal Code.

The ASP's **witness protection** programme has worked satisfactorily. In 2020, 19 witness protection operations were performed, compared to 20 in 2019.

**Cooperation in the fight against drugs**

Institutional set-up and legal alignment

The Ministry of the Interior and the Ministry of Health and Social Protection/Institute of Public Health are the main lead bodies in the fight against drug trafficking and drug abuse respectively. Part of the 2021-2025 Strategy against Organised Crime adopted in December 2020 covers activities against drug trafficking and drug abuse. The strategy foresees to improve the legislation on psychoactive substances and precursors and to update the list of prohibited psychoactive substances by 2022. Despite a Council of Ministers' Decision from 2011, which requires the establishment of a National Centre of Information on Drugs (National Drug Observatory), such an institution is yet to be established. Equally, Albania has not yet established an Early Warning System on the information exchange about new psychoactive substances (NEWS). Albania works together with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) on increasing its reporting capacity on drug-related issues and to bring it in line with EMCDDA guidelines/protocols. It will have to make the necessary efforts to secure sufficient national funding to maintain on-going data collection for all drug-related indicators. A new national drug control plan (2019-2023) and action plan still need to be adopted.

Implementation and enforcement capacity

Albania continued to build **track record on fighting drugs** in 2020, as the police referred 2 086 cases of drug production, cultivation and trafficking to prosecutors, involving 3 205 alleged offenders with a slight increase in the number of referrals (5%) but quite a significant increase in the number of alleged offenders (+18,5%). Of the 2 086 cases, 1 802 (86%) were registered by the prosecutors. There were 499 indictments and 218 offenders received final convictions at appeal level (290 in 2019). As in previous years, none of the cases referred to prosecutors concerned the production and manufacture of narcotic and psychotropic substances.

The Albanian authorities continued their fight against cannabis cultivation and trafficking in 2020. Increased cooperation with EU Member States' law enforcement authorities brought tangible results. 233 police operations against narcotics were conducted in 2020 of which 95 in cooperation with international partners. 143 police operations against illegal trafficking were also led, including 21 with international partners.

Albania is 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 and monitor cannabis plantations in Albania. In addition, ASP started monitoring by drones. The quantity of cannabis seized in Albania fell from about 6.3 tons in 2019 to 4.3 tons in 2020. There was almost no hashish seized in 2020. Since 2021, with EU support, some municipalities started providing financial support to offer alternatives to cannabis related activities to local communities.

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.

Albania carried out some law enforcement operations in relation to the trafficking of cocaine and heroin, some in cooperation with police authorities from neighbouring countries. Overall, cocaine seizures fell from almost 145 kg in 2019 to 6 kg in 2020, while the heroin seized increased from 38.1 kg to 51.6 kg. Large seizures of narcotics occurred in 2021. In April 2021, 200 kg of cocaine were seized in the port of Durres in banana containers coming from

Ecuador. In May, 400 kg of cannabis were seized on a speedboat on its way from Vlora to Italy. These operations took place in the framework of the joint operation operation with the European Border and Coast Guard Agency (Frontex) "Albania Sea 2021", launched in March 2021. In June, 300 kg of cocaine were seized in a truck in Durres port.

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

### Fight against terrorism

Institutional set-up and legal alignment

Albania has a comprehensive **legal framework** for preventing and combatting the financing of terrorism and is fairly advanced in aligning with the main building blocks of the EU *acquis*. 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 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 terrorism financing in the NGO sector has started with a risk assessment of all NGOs by the general tax authority, and now needs to be taken up by other services (*see also Civil Society, under Democracy*).

The government adopted a new national cross-sector **counter-terrorism strategy** and action plan in December 2020. The national action plan on countering violent extremism has expired and a new strategy and action plan should be adopted. Albania has made very good progress in implementing the bilateral arrangement with the EU on operationalising the Joint Action Plan on counter-terrorism for the Western Balkans. In February 2021, it submitted its second interim report on the implementation of the arrangement.

The ASP's Counter-Terrorism Directorate is the lead body on counter-terrorism. Other agencies active in the field are the State Intelligence Service and the Defence Intelligence and Security Agency. In addition, the ASP's community policing personnel are involved in preventing and countering radicalisation leading to violent extremism and terrorism. The jurisdiction for all terrorist offences was again centralised at the level of the SPAK Special Prosecution Office and Special Courts in March 2021. The Coordination Centre for Countering Violent Extremism (CVE), headed by the national CVE coordinator, is charged with capacity-building, coordinating CVE activities across government institutions and overseeing the implementation of the national CVE strategy.

Implementation and enforcement capacity

In 2020, there were 12 investigations into allegations of terrorist activity, compared to 16 in 2019. One person received a final conviction. The authorities repatriated six adult women and 18 minors from the camps in Syria in October 2020 and August 2021. Their return, reintegration and rehabilitation have been prepared and accompanied by an inter-institutional working group, with leading roles for the CVE Coordination Centre and the ASP's Counter-Terrorism Directorate. All relevant information has been shared with Europol. Around 50-60 Albanian nationals are estimated to remain in Syria, 68 returned to Albania and at least 45 are believed to have died in the conflict zone. No Albanians left for Syria in the reporting period.

The authorities continue to seek to return the remaining women and children from the camps in Syria.

The Counter-Terrorism Directorate has proven to be an effective police force, but its operational and logistical capacity remain limited and should be strengthened. During 2020, it referred 18 criminal offences to the Special Prosecution Office against Corruption and Organised Crime (SPAK) and the Judicial District Prosecutions, of which six offences for terrorist purposes. The CVE Coordination Centre has engaged with several institutions at local level for raising awareness on the PCVE and assessed the work done by the relevant municipalities in establishing and operating the Local Safety Councils (LSC), which include front-line actors, such as teachers, psychologists, sociologists, community policing officers, religious communities, etc. It expanded its outreach to prisons' staff and individuals under probation. Albanian authorities have enhanced efforts to address online radicalization, through a "whole of society" approach. The CVE Coordination Centre put in place a proactive usage of Europol's tools and its European Counter-Terrorism Centre. The CVE Coordination Centre should be given sufficient funding, staff and political support to fulfil its tasks, which have further increased with the returns from Syria.

Regional cooperation and the exchange of sensitive information with international partners remains satisfactory. In cooperation with Interpol and the Italian police, the Albanian authorities arrested an Albanian national and extradited him to Italy on charges of participation in a terrorist organisation in 2020. 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. Albania should also continue to investigate links between organised crime and terrorism. It actively participated in the implementation of the Western Balkan counter-terrorism initiative.

**Legal and irregular migration**

Institutional set-up and legal alignment

The Ministry of the Interior is the main actor in the field of migration. The main bodies under its supervision responsible for implementing migration policies are the Department of Border and Migration in the ASP General Directorate and the Directorate of Anti-Trafficking and Migration at the Ministry of Interior. The National Agency for Employment and Skills and its regional directorates 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 readmission agreement with the EU and readmission protocols in place with 12 Member States. A draft additional protocol was sent to the Greek authorities in July 2020 for their consideration. Negotiations on readmission agreements (to return migrants with no right to stay to their country of origin) are ongoing with Russia, while new draft agreements were submitted to the authorities in Algeria India and Pakistan.

The implementation of the national migration **strategy** and action plan for 2019-2022, providing a clear framework for managing and coordinating migration flows continues and four monitoring reports have been issued. A renewed 2021-2025 national diaspora strategy was adopted in July 2020.

Implementation and enforcement capacity

Despite border closure during March-May 2020, Albania continued to experience a growing influx of migrants irregularly crossing the border, mostly coming from Greece and leaving Albania after a few days, on the way to other EU countries. The number of irregular migrants apprehended in Albania in 2020 increased by 13% compared with 2019 (11,970 in 2020 compared to 10,557 in 2019[7]). The nationalities represented most were Syrian, Afghan, Moroccan and Iraqi.

The migrant reception capacity increased slightly in 2019 and 2020 with 18 additional beds added in Kakavija border crossing point by the International Organisation for Migration with EU support. However, the poor condition of the National Centre for Asylum Seekers in Tirana, after years of poor maintenance, has remained unaddressed. Only 30 beds are available out of 180 places. As of 20 August 2020, Albanian reception facilities hosted 20 persons. The only closed reception centre for **irregular migrants** in Karreç, with a total capacity of 100 beds, also requires refurbishment. Albania has a total capacity of approximately 500 beds. Albania does not have separate facilities for unaccompanied minors. Albania should adopt a contingency plan for a possible substantial number of arrivals of migrants and asylum seekers, with a budget and clear modalities for its triggering.

The overall **staffing** of the ASP's Department for Border and Migration is limited (1 638 employees) and needs to be increased. Comprehensive training and joint exercises have been organised for key border officials and frontline officers. However, permanent training structures should be established in compliance with basic training standards for EU border guards. The high turnover of officers continues and should be addressed. Border and Migration Police officers should increase their capacities to identify migrants with specific needs. Coordination with child protection and anti-trafficking departments should also improve. In 2020, there was one case of voluntary return of a Libyan citizen, assisted by the IOM. Reports of migrants being returned to Greece outside a legal and/or procedural framework, without 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 the fully respecting 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 2020, 9 760 Albanian nationals were returned from an EU Member State out of 2 3150 who were ordered to leave (a return rate of 42%). Since EU Member States report good cooperation, this decrease may be due to the processing of exceptionally large volumes of decisions, a backlog in previous years and possibly secondary movements. Cooperation between Albania and Frontex on return operations is very good. In 2019, Frontex coordinated 73 return operations, returning 2 414 Albanian citizens. About 1 565 Albanian citizens were readmitted and returned in January and February 2020. Albania should train more police officers to escort returnees to Albania, step up its efforts to provide reintegration support for returned nationals and improve the training of staff working at the migration desks and regional employment offices.

In August 2021, Albania started temporarily hosting evacuees/refugees from Afghanistan. Following a Council of Ministers decision adopted on 25 August 2021 under the asylum law as of end September close to 1150 were granted protection for one year pending security screening. They are hosted in open facilities in various locations in Albania, with the

[7] UNHCR data

understanding that they would further be resettled in the United States under a specific visa regime.

**Asylum**

Institutional set-up and legal alignment

A new law on Asylum was adopted in February 2021, bringing the legislation closer to the EU acquis. The law introduces an accelerated procedure for relevant cases and offers additional safeguards for vulnerable groups. Efforts should now focus on a swift and comprehensive implementation of the new law. Internal guidelines should be adopted to guide competent authorities and additional capacity building should be provided.

Albania has the necessary institutions in place to handle asylum claims. Appeals may be lodged with the National Commission for Refugees and Asylum, which was reactivated in 2020 and has since taken four decisions. Judicial appeals may be lodged at the administrative courts. Resources should be allocated for full-time qualified interpreters during and after pre-screening. Although the law on asylum provides refugees rights to access public services at the same level as Albanian citizens, lack of coordination with other legislation prevent their effective access.

Implementation and enforcement capacity

In 2020, 2 102 persons made a claim for asylum with the Border and Migration Police, which represents a very substantial drop compared to 6 677 in 2019[8], while the number of apprehended migrants increased. After the reopening of borders in June, only 50 asylum referrals were recorded until the end of 2020. Access to asylum procedures should be improved.

As most asylum seekers leave the country after a few days, most asylum claims are not pursued. In 2020, 17 applications were formally lodged. No applicant was granted refugee status but four 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 and Migration also needs capacity and training assessing individual claims, particularly the information on country of origin and cases involving vulnerable people. A database for managing registrations and allowing for follow-up of individual cases became operational in 2019. Data management still needs to be strengthened, especially to connect the register of foreigners with the national registry in order to provide a personal ID number to refugees.

Shortcomings have been noted in the use of pre-screening form and return procedures at the border with Greece. The new pre-screening instruction should be swiftly approved by the Ministry of Interior and implemented and asylum procedures improved The European Asylum Support Office agreed on a Roadmap for cooperation with Albania in January 2021.

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.

[8] UNHCR data

**Visa policy**

The Commission's August 2021 fourth report under the visa suspension mechanism concluded that Albania continues to meet the visa liberalisation requirements[9]. However, Albania's visa policy is not fully aligned with the EU's, as regards the lists of countries whose nationals require an entry visa, and has further deviated in the reporting period. Albania has visa-free arrangements with Armenia, Azerbaijan, Belarus, China, Guyana, Kazakhstan, Kuwait, and Turkey, which are not on the EU's visa-free list. In addition, in March, Albania granted a visa exemption to foreign citizens who have a valid permit of stay in the United Arab Emirates. The application of visa free regimes with Belarus and Guyana entered into force in 2020. In addition, Albania lifted its visa requirement for nationals of Bahrain, Egypt, India, Oman, Qatar, Russia, Saudi Arabia and Thailand, from April until the end of 2021. Egypt and India are new countries in this list, and the period is extended compared to previous practice limited to the touristic season, from April to October. This temporary lifting of visa requirement is not in line with the EU *acquis*. Albania needs to ensure full alignment with EU visa policy. Albania has launched an e-visa system which is used to register all foreign nationals applying for a visa when entering Albania. Albania should refrain from adopting an investor citizenship scheme on the basis of the new Law on Citizenship.

Albania stepped up actions to tackle irregular migration and continued to strengthen operational cooperation with the Member States most affected by irregular migration from Albania. It also strengthened efforts to raise awareness among the population on the rights and obligations of the visa-free regime as well as penalties for their violations.

The issue of Albanian nationals making unfounded asylum applications to EU Member States and Schengen-associated countries still requires substantial efforts from the Albanian authorities. In addition to information campaigns, thorough border checks, awareness-raising on rights and obligations under the visa-free regime and identifying and addressing the underlying reasons, dialogue and cooperation with the countries most affected by the issue of unfounded asylum applications lodged by Albanian nationals.. Three Albanian police liaison officers are deployed in the EU and a liaison officer from the EU works in Tirana to help with exit checks. The Commission is monitoring the trend very closely in the framework of the post-visa liberalisation monitoring mechanism.

According to Eurostat data, the number of Albanian citizens lodging asylum requests in EU Member States decreased by 66% in 2020 compared to 2019, from 20,415 to 6,935 applications. The COVID-19 pandemic contributed in large part to this sharp decrease, but it can be noted that the average decrease of applications from the rest of the world to the EU is much smaller (-33%). The 'recognition rate'[10] in 2020 was around 4.4% compared with 5.3% in 2019. Since a marked peak of applications in 2017 in the most affected Member States, the number of applications has been divided by four, from 12,130 applications in 2017 to 2,985 in 2020.

In 2020, 6,180 Albanian nationals were refused permission to exit Albanian territory at border crossings compared with 14,224 in 2019 (a reduction of about 56%). This is due to the COVID-19 pandemic but is also to the measures put in place by the Albanian authorities and the awareness raising campaigns rolled-out on the rights and obligations associated with visa-free travel in the Schengen area.

[9] COM(2021) 602 final and SWD(2021)206 final

[10] Recognition rate refers here to the proportion of successful applications, i.e. of first instance decisions granting refugee and subsidiary protection status, on all first instance decisions issued; source: EASO

There was a sharp increase in the number of seized forged documents, including EU passports, used mostly by Albanian nationals to reach destinations in the EU. Unaccompanied minors travelling from Albania to EU Member States remain a source of concern. The Albanian authorities should continue to work closely with the Member States most affected. Greater attention should be given to the successful reintegration of returnees, especially the most vulnerable, such as Roma and Egyptians. The reintegration of returnees should improve with clear attributions of responsibilities among national and local actors. Little data exist on the number of returnees in Albania.

**Schengen and external borders**

Institutional set-up and legal alignment

The amendments to the Law on border control on Advance Passenger Information and Passenger Name Record (PNR) made in March 2020 were not in line with the EU *acquis*. In December 2020, Albania adopted two related by-laws to mitigate the consequences of the amendments departing from the acquis. The implementation of the memorandum of cooperation on PNR with the US, signed in May 2020, requires further analysis as regards its implications for Albania's alignment with the EU *acquis*. The **legislative framework** for the management of Albania's external borders is not yet fully in line with EU standards. In December 2020, Albania adopted a new integrated border management strategy (2021-2027) and action plan (2021-2023) which are broadly in line with European standards.

Implementation and enforcement capacity

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

**Inter-agency cooperation** improved. The Navy, Coast Guard and Border and Migration Police conducted regular joint, integrated 'blue' border patrols. Cooperation between the Border and Migration Police and customs should be formalised in an agreement providing for structured information exchanges and mutual access to databases. The border police's investigative powers need to be strengthened, in particular to detect cases of people-smuggling and trafficking in human beings. Albania is the first of the Western Balkan countries to have signed a Status Agreement with the European Union allowing the deployment of teams of the European Border and Coast Guard standing corps with executive powers. In March 2021, Frontex and Albania concluded a new working arrangement. In January 2021, a second Frontex liaison officer to the Western Balkans was deployed with a base in Tirana and a mandate covering Albania, Kosovo*, and North Macedonia. Another liaison officer is based in Belgrade, Serbia, since 2017. The Frontex joint operation at the Greek-Albanian border, which was the first joint operation launched outside of the EU in May 2019, continued to prove successful in strengthening border controls, enhancing security at the EU's external borders and combating migrant smuggling. In March 2021 a sea border

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

operation near Durres was added to this joint operation. In March 2021 a new working arrangement was signed with FRONTEX and will last until January 2022.

Albania participated actively in the Western Balkan risk-analysis network. **Operational cooperation with neighbouring countries** continued to be good, although it should step up its efforts to improve bilateral cooperation. In January 2021 Albania signed an agreement with Greece on the establishment of a police and customs cooperation centre. 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 2020, the Department for Border and Migration issued 10 serious disciplinary measures against border police for corruption and abuse of office including at very senior level. Seven officers were relieved of duties.

**Judicial cooperation in criminal and civil matters**

The deployment of an Albanian Liaison Prosecutor to Eurojust in January 2021 further facilitated the implementation of Albania's cooperation agreement. This is an important step to ease judicial cooperation between EU and Albanian practitioners in fighting against transnational organised crime.

The law on judicial cooperation in criminal matters with foreign jurisdictionswas amended in July 2021 to simplify procedures for rogatory letters, allows for direct Court to Court relations and accelerate mutual legal assistance with foreign jurisdictions.

On judicial cooperation in civil matters, in 2020 Albania received 262 requests for mutual legal assistance and sent out 97 requests, compared to 250 and 124 respectively in 2019. On judicial cooperation in criminal matters, in 2019 it received 981 requests and sent out 1,182 requests (774 and 770 in 2019).

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

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

## 2.3. ECONOMIC CRITERIA

| Albania - Key economic figures | 2012-17 average | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **GDP per capita** (% of EU-27 in PPS)[1)] | 30 | 30 | 31 | 31 |
| **Real GDP growth** | 2.3 | 4.0 | 2.1 | -3.8 |
| **Economic activity rate of the population aged 15-64** (%), total | 63.9 | 68.3 | 69.6 | 69.1 |
| *female* | *54.8* | *59.7* | *61.7* | *61.2* |
| *male* | *73.2* | *76.9* | *77.6* | *77.1* |
| **Unemployment rate of the population aged 15-64** (%), total | 15.9 | 12.8 | 12.0 | 12.2 |
| *female* | *14.4* | *12.3* | *11.8* | *12.4* |
| *male* | *17.0* | *13.2* | *12.2* | *12.1* |
| **Employment of the population aged 15-64** (annual growth %) | 2.5 | 2.1 | 2.4 | -1.9 |
| **Nominal wages** (annual growth %)[2)] | 2.5* | 3.1 | 3.8 | 2.7 |
| **Consumer price index** (annual growth %) | 1.8 | 2.0 | 1.4 | 1.6 |
| **Exchange rate against EUR** | 138.45 | 127.57 | 123.01 | 123.77 |
| **Current account balance** (% of GDP) | -9.0 | -6.8 | -8.0 | -8.8 |
| **Net foreign direct investment, FDI** (% of GDP) | 8.3 | 8.0 | 7.5 | 6.9 |
| **General government balance** (% of GDP) | -3.6 | -1.6 | -1.9 | -6.9 |
| **General government debt** (% of GDP) | 68.9 | 67.7 | 65.8 | 76.1 |

*Notes:*
*1) Eurostat*
*2) average gross monthly wages, average of 2015-2017*
*Source: national sources*

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

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

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

Albania has made **some progress** and is **moderately prepared** for developing a functioning market economy. Hit by the double shock from the earthquake of November 2019 and the COVID-19 pandemic, GDP contracted in 2020, although by less than initially expected. Pandemic-related domestic lockdown and international travel restrictions caused large losses to tourism and manufacturing, but economic conditions started to improve in the second half of the year. Within the limited fiscal and monetary policy space, the government and the central bank took swift and appropriate actions to support business, households and the health sector. This cushioned the impact on the labour market and preserved macroeconomic and financial sector stability. It also pushed up the public-debt and deficit ratios and increased the country's vulnerability to external shocks. Dealing with the double shock stretched the capacity of the administration, but it largely ensured business continuity and continued work on most ongoing reforms. As last year's recommendations to improve the functioning of the

market economy were partly addressed, in the coming year Albania should in particular:

→ foresee in the medium-term fiscal plan a gradual reduction of the public debt ratio starting in 2022 and the return to a positive primary balance as of 2023, and begin implementing the medium-term revenue strategy;

→ implement the reform of public investment management procedures;

→ develop a comprehensive strategy to tackle all aspects of informality and establish a regular monitoring of informality and of the strategy's implementation.

Economic governance

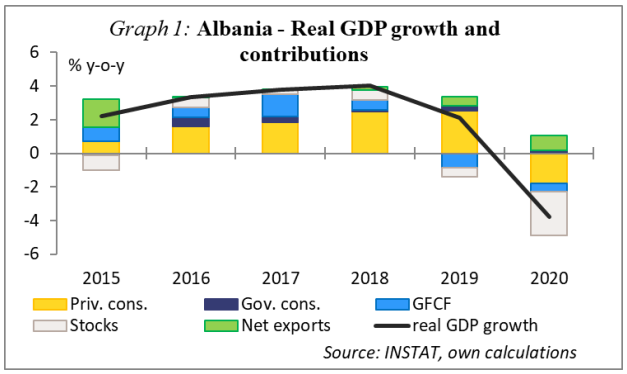
**Albania's public debt and deficit increased sharply due to the COVID-19 pandemic in 2020 and are set to remain at elevated levels in 2021.** In response to the double shock from the November 2019 earthquake and the pandemic, the 2020 budget was amended four times and resulted in a large increase of debt and deficit. In 2020, the government declared a state of emergency and applied the escape clause of the organic budget law[11], to allow for an increase of the debt-to-GDP ratio and the deficit. In July 2021, the government amended the 2021 budget for the 3rd time by normative act to increase mainly capital expenditure and the deficit, extended the application of the escape clause to 2021 without extension of the state of emergency and postponed the new primary balance rule to 2024.

To cover the increased external and budgetary financing needs, including the swift but moderate pandemic-related support to business and households, the government requested and received financial support from the IMF (EUR 174 million from the Rapid Financing Instrument) and from the EU. The EU disbursed the first EUR 90 million instalment of the EUR 180 million of macro-financial assistance on 31 March 2021 (the second instalment can be requested upon fulfilment of policy conditions before November 2021). In addition, Albania issued a EUR 650 million Eurobond in June 2020 and is preparing the placement of another EUR 500 million Eurobond in 2021. Albania has partially implemented the policy guidance jointly agreed at the May 2020 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey.

Macroeconomic stability

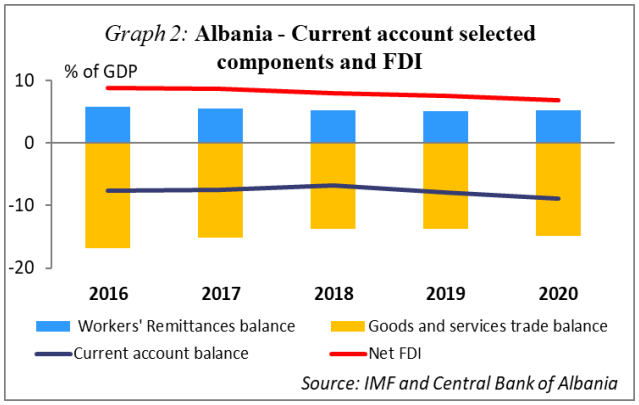
**The economy contracted by 3.84% in 2020 in the wake of the COVID-19 crisis, less than initially projected.** Economic growth averaged 3.1% in 2015-2019, driven by exports - in particular tourism, and by private consumption, propelled by employment growth in the thriving services sector, but also in manufacturing. In 2020, the pandemic hit these growth drivers and private consumption fell by 2.3%. Exports and imports dropped significantly by 25.6% and 20 % respectively, mainly because international travel restrictions caused large losses in tourism. Nevertheless, the economy proved more resilient than initially expected because of the growth of agriculture, post-earthquake reconstruction and increased role of regional tourism, as well as timely support to business and households. A moderate recovery which began in the second half of 2020, strengthened in 2021 to 5.5% GDP growth in the first quarter, supported by high hydro-electricity production, construction and a recovery of manufacturing. Short-term indicators signal that a rebound of tourism-related services in response to strong demand from regional and domestic tourists reinforced the recovery in the second quarter.

[11] The organic budget law requires under normal circumstances an annual reduction of the debt to GDP ratio until it reaches 45%.




**Fiscal and monetary policy support limited the social and economic impact of the COVID-19 pandemic, and post-earthquake reconstruction expenditure has helped the economic recovery since the second half of 2020.** The government and the central bank took swift actions, including financial and liquidity support equivalent to 2.65% of GDP, to support business, households and the health sector, which cushioned the impact of COVID-19 on the labour market and preserved macroeconomic and financial sector stability. The Bank of Albania (BoA) lowered its record-low policy rate from 1% to 0.5% in March 2020, and provided liquidity to the economy. A moderate recovery took hold in the second half of 2020, supported by increasing public expenditure on reconstruction and recovering exports. Per-capita GDP (at purchasing power parity) increased from 29% of the EU average in 2016 to 31% in 2019. This still represents a very slow rate of convergence.

**The drop of services exports and remittances widened the already high current-account deficit significantly in 2020, which was partly financed by portfolio investment inflows.** In 2015-2019, rising service exports and remittances helped the current-account deficit to narrow from an average 10.9% of GDP in the five-year period 2010-2015 to an average of 7.6% in the 2015-2019 period. Following the drop in services exports (i.e. tourism), falling income of short-term workers abroad and lower remittances from non-residents, it widened to 8.9% of GDP in 2020 and 9.5% of GDP in the first quarter of 2021. Foreign direct investment (FDI) inflows already started to decrease from their peak above 8% of GDP in the 2013-2018 period to 7.5% of GDP in 2019 due to the completion of a few large energy projects, before they fell to 6.9% of GDP in 2020. In the last five years, FDI fully financed the current account deficit, but in 2020, debt-creating capital inflows (incl. the EUR 650 million sovereign Eurobond issued in June 2020) contributed to its financing.



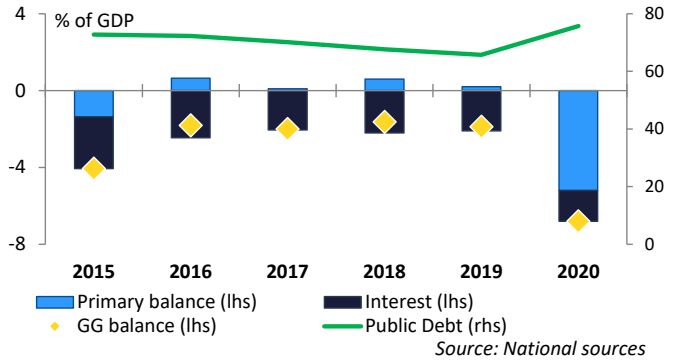

**External debt increased, but foreign exchange reserves provided a sufficient safeguard and the exchange rate remained stable.** External debt, mostly consisting of long-term government debt climbed from 60% to 65.8% of GDP in 2020, and is set to increase again as the government is preparing a new EUR 500 million placement in 2021 and announced annual placements of Eurobonds in future. Foreign exchange reserves decreased slightly to EUR 3.9 billion in June 2021, equivalent to 7.5 months of imports, and continued to provide an adequate safeguard against adverse shocks. Despite a short-lived depreciation at the beginning of the COVID-19 pandemic, which triggered a temporary intervention by the central bank, the exchange rate of the Albanian lek lost only about 0.6% of its value against the euro in 2020, but returned in the second quarter of 2021 to its pre-2020 trend of continuous appreciation since 2016.

**Inflation rose slightly, but remained far below target and the central bank kept its very accommodative policy stance, unchanged since March 2020.** Annual inflation averaged

1.7 % over the last five years but rose slightly from 1.4% in 2019 to 1.6% in 2020, mainly due to rising food prices, but declined again in the first half of 2021 to 1.4%. The monetary and exchange rate policy framework has not changed. The BoA, which operates under an inflation-targeting regime (currently 3%) coupled with a floating exchange rate, kept its very relaxed policy stance unchanged since March 2020 in view of the continuing economic impact of the pandemic and the large gap to the inflation target.

**High revenue loss and extraordinary expenditure led to rising fiscal deficit and public debt ratios in 2020, erasing the gains of several years of fiscal consolidation efforts.** In 2020, high capital expenditure on post-earthquake reconstruction and on other infrastructure projects (+35.9% year-on-year) in addition to the pandemic-related support measures, pushed the expenditure ratio from the average 29% of GDP between 2015 and 2019 to 33.2% of GDP. Tax revenue[12] performed well from 2016 to 2018, but its growth had already stalled in 2019, before it dropped by 6.5% year-on-year in 2020, which led the tax revenue ratio to drop to 24.6% of GDP, down from an average of 25.4% of GDP in 2016-2019. The fiscal deficit remained below 2% of GDP in 2016-19, supported by increasing revenue and decreasing interest expenditure. The public debt ratio decreased moderately but continuously, from 72.7% in 2015 to 65.8% at the end of 2019.

*Graph 3:* **Albania - Fiscal developments**




*Source: National sources*

**Plans for fiscal consolidation and the recommended broadening of the tax base have been postponed.** In 2020, the fiscal deficit climbed to 6.8% of GDP and, coupled with public guarantees of 3.1% of GDP, pushed the debt-ratio to 76.1% of GDP. The declining trend in public external debt also reversed as it rose to 36.1% of GDP in 2020 from 30.4% in 2019. In the first half of 2021, the rebounding tax revenue by 20% helped to decelerate debt and deficit growth, despite expenditure growth of 10% compared with the first half of 2020. The 2021-2023 medium-term fiscal framework, which was first submitted in October 2020, originally foresaw a significant debt and deficit reduction starting in 2022, underpinned by a new fiscal rule requiring the primary balance to be zero or positive with effect from 2023. However, due to the budget amendment of July 2021, which increased the deficit target for the year and postponed the application of the primary balance rule to 2024, the medium-term fiscal consolidation plan may have become obsolete, though it was not updated. The long foreseen medium-term revenue strategy was postponed and the raising of the VAT registration threshold as of 2021 narrows the tax base instead of broadening it.

**Fiscal risks persist, but their monitoring improved, whereas reforms of public investment management stalled.** Since 2019, a fiscal risk statement has accompanied the budget proposal. Its scope was gradually expanded to also cover public private partnerships (PPPs). However, despite continuing training and assistance to improve public investment management, long-agreed institutional reforms like the unification of the selection and approval process of public investment projects were not implemented. As a result, some areas of public investment, including reconstruction funds, are not subject to the usual evaluation criteria and procurement rules. The necessary increase of staffing in the Ministry of Finance

[12] Including social insurance contributions

and Economy in order to implement these important tasks is still pending and overall the efficiency of the strongly increasing public investment expenditure shows little improvement.

**Considering the limited fiscal and monetary policy space, the macroeconomic policy mix in response to the double shock has been appropriate.** The expenditure increase was timely and prudent, but the high level of debt severely limits the fiscal space to deal with shocks in the near future. The BoA's further relaxation of the already loose monetary policy stance in March 2020 was appropriate in view of the weak economic activity and the persistently below-target inflation rate. Its provision of liquidity and its temporary money market intervention supported financial and external stability. The macro-fiscal policy mix in response to the pandemic and the post-earthquake reconstruction needs has been generally appropriate and supportive to economic stability.

Functioning of product markets

*Business environment*

**The increasing digitalisation of public services helps to lower the administrative burden on businesses as well as corruption and informality.** Albania has continued to facilitate business registration procedures and licensing through the e-government portal. Online tax payments reduced opportunities for corruption e.g. by having less face-to-face meetings with tax officials. The Bank of Albania waived fees for home banking transactions and the government paid the crisis assistance funds preferably on bank accounts in order to reduce movement and contacts during the pandemic. Both led to an increase of online financial services and financial inclusion, which usually help to reduce informality. . The implementation of electronic invoicing ("Fiscalisation") in 2021 reinforces this development. Nevertheless, the informal economy remains large – it is estimated to account for about one third of GDP[13].

**Progress on improving legal certainty for businesses has been mixed, while concerns about the effective implementation of legislation and strategies persist.** The adoption of the new Unified Law on Investment, which has been postponed from 2020 to 2021, meant that the expected improvement of legal security of investors has been delayed. The implementing legislation for the Bankruptcy Law was completed in 2020, and the National Bankruptcy Agency is fully operational. The implementation of the previous business investment development strategy (BIDS), which ran until 2020, progressed only slowly and most business surveys indicate that reforms have slowed down in the past 2-3 years. The Ministry of Finance and Economy is developing a new BIDS for 2021-2025, which is to provide the basis for the government's support to SMEs and investment. Businesses highlighted problems[14] in finding skilled staff and still considered corruption and informality (despite the latter's perceived decline) to be widespread. Other major concerns raised by the business community include a failure to implement legislation effectively, *ad hoc* regulatory and taxation changes, and the controversial use of public procurement procedures. The increased pace of VAT refunds by the tax administration help the liquidity position of small businesses, but the payment of large VAT refunds in instalments, without interest, undermines the credibility of the revenue administration.

[13] 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.

[14] *Albania – enterprise survey 2019*; www.enterprisesurvey.org

*State influence on product markets*

**To address the impact of COVID-19, the government provided about 2.6% of GDP to support businesses, households and the healthcare sector in 2020.** This included minimum wages disbursed to 38 993 small businesses and self-employed, affected by the 3-month lockdown, lump-sum grants to 172 890 retrenched workers of small businesses in sectors affected by continuing mobility restrictions (e.g. tourism) and double benefits to 60 788 recipient households of economic assistance or unemployed registered prior to the lockdown measures. The government encouraged informally employed people to register in order to receive support by active labour market policies. . The government also provided liquidity to businesses in the form of sovereign guarantees under which the equivalent of 1% of GDP was contracted by March 2021 through 850 loans via the 12 banks in Albania. The government also granted postponement or relief of profit and corporate income tax payments for affected business in 2020. The Ministry of Finance and Economy published the eligibility conditions for the support and the progress of disbursement. Applications were processed via established institutional channels and non-affected business and high-income individuals were excluded from the support.

**The state's footprint in the economy and reported state aid levels are relatively low but incomplete reporting makes it difficult to evaluate effects on competition.** According to newly established sector accounts, the public sector's share of gross value added of the economy was about 11% in 2017. Public sector employment[15] decreased from 16.3% of total employment in 2014 to 14.3% in 2017 and increased again from then on to a 15.8% in June 2021. In 2019, Albania reported state aid increasing to 0.3% of GDP. This is probably underreported, given the lack of capacity and independence of the State Aid Commission. Most of the support targeted employment promotion, tourism and research in form of tax exemption, tax deferral, tax rate reduction and deduction of social security contribution. The Albanian Investment Corporation, which is owned and funded by the state to develop investment projects of public interest, was established in July 2020.

Privatisation and restructuring

**There are about 170 extra-budgetary units and public corporations that lack effective oversight and their reliance on state funding pose fiscal risks.** Using ESA 2010 methodology, the Institute of Statistics distinguishes between 154 extra-budgetary units of the central and local government (regulators, universities, football clubs, about 24 goods producers, water supply, sewerage and waste disposal companies) and 16 non-financial public corporations (4 in the energy and mining sector, the post, ports and fruit markets) and 1 public financial corporation. Albania has extended its improved monitoring of fiscal risks from state-owned enterprises in the energy sector to the water and sewerage utilities of local governments. In accordance with the national privatisation plan 2017-2020, 12 assets were privatised for a total value of about EUR 5.7 million in 2020, through public auction procedures, giving the former landowners priority to purchase the assets.

Functioning of the financial market

*Financial stability*

**Liquidity injections and regulatory forbearance supported the stability of the financial sector during the crisis.** In view of the impact of the COVID-19 pandemic, the BoA temporarily facilitated the deferral of loan instalments between March and August 2020, and extended the use of relaxed provisioning and loan restructuring rules so far until mid 2021.

[15] As share of total employment of the 15-64 year old acc. to LFS (INSTAT)

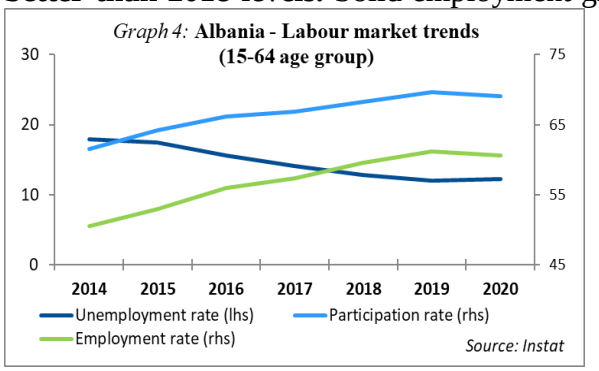
These rules are also applicable by the small but growing non-bank financial sector of about 32 institutions[16]. The ratio of NPLs to total loans remained stable in 2020 and slightly declined to 7.8% in May 2021, but it remains influenced by the regulatory exemptions. Overall, the banking sector closed 2020 with 15% lower profits than 2019 (return on equity fell to 10.7%), and the banking sector's capital adequacy and liquidity ratios dropped by 1pp to 18.1% and 3.5pps to 12%, respectively, in the first quarter 2021 compared with 2020. The BoA's stress tests of end 2020 confirmed the banking sector's resilience against macroeconomic and liquidity shocks for 2021/22, but the banks' relatively large exposure to government securities (averaging 25% of their assets) and to loans and deposits in euro (though decreasing to just below 50% of the total), continue to pose risks to the banking sector.

*Access to finance*

**Favourable financing conditions, improving payment systems and growing trust in the banking sector improved access to finance.** Lending to the private sector[17] grew 7.7% in both 2019 and 2020, increasing the average credit-to-GDP ratio from 34% in 2019 to a still low 37.8% in 2020, partly on account of the lower GDP denominator. In addition to favourable financing conditions and the relaxed loan provisioning and restructuring rules, the sovereign guarantee schemes, the increasing share of domestically owned banks in total banking system capital[18], and the growing public trust in the financial system have helped the lending performance. Albania has continued to align its legislation with EU Directives on financial instruments, payment systems, and anti-money-laundering (see chapter 4). The new capital market law, adopted in May 2020 (see chapter 9), contributes to the development and integrity of the very small capital market, which does not yet offer alternative financing channels to business.

Functioning of the labour market

**After years of continuous improvements in participation, employment and unemployment rates, all labour market indicators deteriorated in 2020, but remained better than 2018 levels.** Solid employment growth averaging 3.7% in the 2015-2019 period helped lower the unemployment rate (15-64) from 17.5% to a record-low 12%. Rising labour-force participation (from 64.2% in 2015 to 69.6% in 2019 for the age group 15-64) has driven growth in labour supply, despite a decreasing working-age population due to lower fertility rates and emigration. Since 2018, the decrease of the working age population accelerated reaching almost 1% in 2020 while total population declined by 0.6%. In the wake of the COVID-19 pandemic, the unemployment rate increased only slightly in 2020, by 0.2 pps year-on-year, partly because of the government's support measures and partly because the 1.9% fall in employment was coupled with lower participation in the labour (15-24) market due to the higher number of discouraged workers. After a strong




[16] Including 11 insurance companies, 5 investment funds and 3 pension funds with a share in total financial sector assets of 7.5 % in 2019.

[17] Annual average growth adjusted for written-off loans and exchange rate impacts

[18] Domestic banks' share of capital in total banking sector assets increased from 21.6 % in 2019 to 31 % in February 2021, partly because the share of EU banks in the market further decreased with the departure of the last Greek bank in the country (Alpha bank).

increase in the first quarter of 2021, the unemployment rate recovered to 12.1% in the second quarter supported by strong growth of public employment. Compared with 2019, employment decreased by 2.8% in agriculture, 5.3% in services, and 0.5% in industry in 2020.726.5%. The gap between the participation rates of men and women remained in 2020 unchanged from 2019 at 15.9 pps but slightly increased in the first half of 2021.

**Nominal wage growth in 2020 decelerated by 1 pp. to 2.7%, as wage indices of most sectors dropped (though data might be influenced by informal practices).** The nominal wage growth decelerated more strongly from the third quarter of 2020 on, and annual average real wage growth fell to 1.1%, less than half of the 2019 growth rate. The practice of under-stating wages in the contracts has seemingly increased in recent years, according to a survey[19], in which almost half of Albanian respondents either had no written contract or had a lower wage in their official contract than what they actually receive. Informal employment is estimated at 32.2% of non-agricultural employment[20] but the low capacity of the labour inspection directorates only allowed for an inspection of about 7% of companies and only 5% of those were fined in 2019[21].

### 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** in its capacity to cope with competitive pressure and market forces within the EU. Energy and transport infrastructure, the use of digital communication as well as education outcomes have improved, but significant gaps to regional 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 low spending on R&D. The pre-existing significant skills and education gaps have probably widened due to the COVID-19 related lockdowns and distance learning. 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 2019 recommendations to improve competitiveness and to sustain long-term growth have only been partly implemented, in the coming year Albania should in particular:

→ develop a Youth Guarantee Implementation Plan and institutionalised tools to monitor skills needs in the labour market;

→ establish effective consultation mechanisms with businesses and social partners and enhance business support services to improve access to finance and entrepreneurial know-how;

→ re-orient public expenditure composition towards development of human capital and innovation, and incentivise the link between innovative businesses and academia.

Education and innovation

**The number of higher education graduates increased, but progress on vocational training is limited and funding for education and research remained low.** The share of university graduates among the 25-29 age group increased hugely over the last decade, to

[19] SELDI policy brief no. 11, November 2020, Hidden economy in the Western Balkans 2020: Trends and policy options

[20] ILO 2021: *Overview of the informal economy in Albania*, based on 2019 labour force survey data.

[21] OECD competitiveness in Southeast Europe 2021

40.8 % in 2019, but labour market transition remains challenging. Albania lacks tools to monitor skills needs of the labour market regularly, thus curricula are not well adapted to business requirements, and skills mismatches persist. Although medium and large enterprises ranked an inadequately educated workforce as the third of their top three business obstacles[22], they are not able to absorb the increasing number of graduates.

The proportion of companies investing in R&D (about 18%) was the second lowest in the region[23] and the 0.03% of GDP public spending on research remained insufficient to strengthen the link between business and academia. At the same time, the share of young people not in employment, education or training (NEET) further increased in 2020, as a result of the crisis induced by COVID-19 (27.9% of the 15-29 year old) 27.9, while the vocational training and remedial education offer for the lower educated young and middle-aged work force remains limited, underfunded and unattractive. A modernisation of the legislative framework to provide vocational education and training (VET) is on its way, but implementation of the reforms is hampered by a lack of staffing at the responsible Ministry of Finance and Economy as well as at the newly established National Agencies for Employment and Skills (NAES) and for VET and Qualifications.

Physical capital and quality of infrastructure

**Overall investment levels declined over the last five years but digital infrastructure improved.** Overall investment in the economy in terms of real gross fixed capital formation (GFCF) fell from 24.5% of GDP in 2015 to 22.9% of GDP in 2020, because of contracting real growth of GFCF since 2019. This was mainly due to declining private investment from 19.1% of GDP in 2015, to 17% in 2019, and 16% in 2020, and a decreasing level of FDI-inflows**.** Annual public investment, on the other hand, remained broadly stable over the 2015-2019 period, averaging 5.4% of GDP (incl. local government investments), but jumped to est. 7.3% of GDP in 2020, mainly because of post-earthquake reconstruction of housing and public buildings. Despite continuous relatively high levels of public investment, Albania's infrastructure remained below the level of regional peers. On the positive side, water and electricity distribution progressed and digital infrastructure improved, with a growing proportion of households having internet access.

**Reforms of the energy sector regulation advanced and first steps were taken towards diversification of the energy mix**. Since 2018, Albania has successfully promoted investments into solar power to begin diversifying its energy mix, so far dominated by hydropower, which is dependent on rainfall, a resource that is forecasted to decline, due to climate change. In May 2020, Albania amended the Power Sector Law, which improved compliance with the EU energy legislation and allowed for the effective separation of the electricity distribution system operator from the production operator. Consequently, Albania's ranking in the Energy Transition Index climbed from 52nd in 2020 to 25th is 2021. In February 2021, Albania adopted a new Energy Efficiency law, and has begun drafting the legislation for the energy certification of buildings. However, the third National Energy Efficiency Action Plan has expired without being fully implemented and a strategy for increasing industrial energy efficiency is missing.

Sector and enterprise structure

**During the pandemic, the shift to services and manufacturing stalled, and agriculture and construction gained relative significance.** Although the relative weight of the agricultural sector in the economy declined from almost 19.8% of GDP in 2015 to 18.4% in

[22] World Bank 2019

[23] World Bank / European Investment Bank / OECD, *Enterprise survey – Albania* (2019).

2019, it remained larger than in all other countries in the region. In 2020, agriculture gained 1 pp. weight due to its growth and the low performance of almost all other sectors, while construction recovered from its 2019 low to 9.2% of GDP. The increase of the share of services stalled at 48.5% of GDP, due to the contraction of the accommodation, food-related services and retail trade sectors, and manufacturing lost ground slightly from 6.3% in 2019 to 6.2% of GDP in 2020. The business registry[24] reflects this shift in an increasing share of goods producers (due to an increasing registration of agricultural enterprises) and a decreasing share of services producers from 2019 to 2020. The overall number of registered non-agricultural enterprises slightly decreased by 0.4%.

**SMEs' contribution to employment and value added increased in 2019.** SMEs are 99.8 % of all enterprises (1-249 employees), while large enterprises (250+ employees) only account for 0.2 %[25]. These shares are the same as the EU average, though the share of medium size enterprises with 50-249 employees is slightly higher in Albania than in the EU. In contrast to the EU, Albanian SMEs account for a much larger share of employment (81.6% vs 66.7%) and value added (72.4% vs 56.5%), in particular the 37% of employment by micro enterprises in Albania (29.9% in EU). Microenterprises are the largest employment contributors and account for the largest share of employees, in particular in the accommodation and food services, and trade sectors, which have been most hit by the COVID-19 pandemic. These sectors' employment importance is not matched by their contribution to investments, which is the lowest of the four groups of enterprises, reflecting their sectoral focus, but also indicating their low productivity and growth potential. However, SMEs' contribution to employment and value added increased in 2019 compared with 2018, while large enterprises only contributed positively to investment. Enterprises continued to increase their use of the internet. The share of businesses using social media for marketing increased by 7 pps to 89.7%, but computer use for internal business processes remained low.

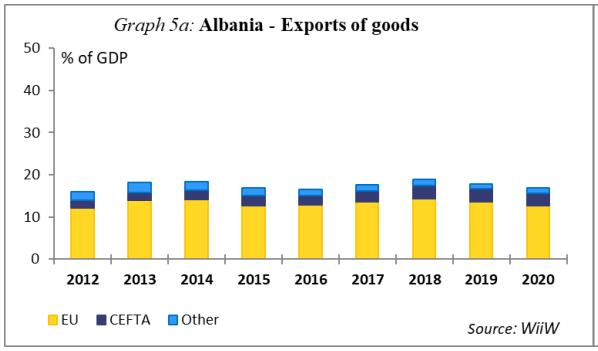
Economic integration with the EU and price competitiveness

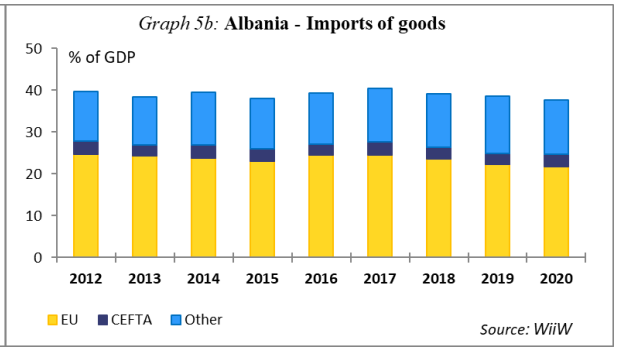
**The EU remained the main trading partner and source of FDI for Albania but overall trade and FDI fell sharply due to the COVID-19 pandemic.** The trend for overall trade has been decreasing slightly since 2017, but the pandemic caused a notable drop from 77.1% of GDP in 2019 to 61.8% of GDP in 2020 (in real terms). The COVID-19 pandemic caused the exports of Albania's goods to the EU to drop by 11.4 % in 2020, about 2 pps more than total exports, while imports of merchandise from the EU dropped by 6.4%, 1 pp less than total imports. The difference, partly due to base effects, means that the EU absorbed a slightly lower share of Albania's goods exports (74.7%, compared to 76.3% one year earlier), while its share in Albania's imports slightly increased to 58%. Italy remained Albania's largest trade EU partner for both imports and exports. The shares of trade with CEFTA countries increased by 0.6pps to 17.8% for exports and by 1 pp to 6.5% for imports, and the share of trade with the rest of the world increased too, both indicating a gradually increasing diversification in trade partners. The largest goods export categories remained commodities and processed goods with low value added such as metals, minerals, footwear and textiles. The export base remains limited and service exports continued to dominate Albania's foreign sales, accounting for 79% of all exports in 2019. Hit by the impact of the pandemic on travel and tourism, they dropped by 34.5% year-on-year in 2020. In 2019 (2020 data not yet available), the EU was the destination of 66% of Albania's service exports and more than half of the total exports to the EU were services. The EU's share in Albania's FDI inflows

[24] INSTAT, Statistics based on business register 2020.

[25] INSTAT, Structural Survey of Enterprises for 2019, classification of size in line with EU definition, not including agricultural and fishing activities.

increased in 2020 to 52.8 %, despite the exit of the UK, and its share in the FDI stocks increased to 54.9%. In terms of annual change, FDI flows from the EU fell much less (-7.5 %) than FDI inflows of the rest of the world (-18.3%) in 2020. The index of the real effective exchange rate (REER) of the Albanian lek continued to appreciate, by 1.8% in 2020 (3.5% in 2019) as well as in the first half of 2021, mainly as a result of the lek's nominal appreciation against the Turkish lira and the euro.




## 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, in particular by adopting the new law on public procurement and the public procurement strategy following extensive public consultations. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle. The Commission's recommendations from 2020 were largely implemented. The recommendation on adequate administrative capacity was reflected in the public procurement strategy 2020-2023 and now requires follow-up.

In the coming year, Albania should in particular:

→ adopt the remaining legislation to implement the new public procurement law;

→ develop and implement the electronic contract management system and the electronic registry of complaints for improved monitoring and transparency;

→ ensure that conditions of intergovernmental agreements concluded with third countries comply with *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 2004 EU directives on public procurement and procurement of utilities as well as relevant administrative and budget provisions. In December 2020, further partial alignment with the 2014 EU public procurement directives was achieved through the adoption of a new law on public procurement following wide public consultation. Part of the necessary secondary legislation remains to be adopted to ensure implementation of the new law. Following the new law on defence and security procurement adopted in April 2020, bylaws were adopted in December 2020, thus largely aligning the framework in this area with the relevant EU Directive. The

Law on concessions and public-private partnerships (PPPs) is partly aligned with the EU Directive on the award of concession contracts. In response to the Covid-19 situation, procurement procedures were conducted mostly under the rules of competitive procedure, direct award procedure, and negotiated procedure without prior publication alongside instructions to delay or cancel non-essential procurements. The strategic framework for public procurement 2020-2023 was adopted in November 2020 following public consultation.

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. Its staffing remains at 44 posts, three of which are vacant.

Implementation and enforcement capacity

Albania's **public procurement market** represented about 9.4% of GDP in 2020 compared to 4.8 % in 2019. The increase was largely driven by post-earthquake reconstruction and a decline in GDP due to COVID-19 economic impact. In 2020, the average number of bids per tender was 2.57 as compared to 2.37 in 2019 and 3.05 in 2018. The planning and preparation of public procurement procedures are generally transparent, and efficient principles and public procurement forecasts are published regularly.

The new public procurement law, in line with EU directives, foresees the use of the most economically advantageous tender. However, simplified procurement regime for social services, and innovation partnership procedure still require the adoption of bylaws as well as capacity building in contracting authorities.

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 2020, not considering COVID-19 and reconstruction (to 151, from 192 in 2019, and 531 in 2018). In 2020, the number of negotiated procurement procedures without prior publication related to COVID-19 and post-earthquake reconstruction amounted to 191 and 74, respectively, accounting for 1.45% and 1.47%, respectively, of value of all procurements in that period. The use of framework agreements remained high in terms of numbers (677 in 2020, compared to 763 in 2019 and 627 in 2018) with further increase in value procured through framework agreements (approx. EUR 216 million in 2020, compared to approx. EUR 166 million in 2019 and approx. EUR 86 million in 2018).

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

By the end of 2020, the concessions registry contained information on 226 PPPs, two of which had been signed in 2020. Although required by law, value-for-money analysis is still not systematically carried out before approval of all PPPs. The Ministry of Finance and Economics made attempts to establish regular monitoring and reporting on PPPs. The

technical skills and capacity to design and assess concessions and PPPs require further development.

The PPA applies a monitoring system to assess procurement performance, procurement compliance and, since 2019, contract implementation, with information available for 2,888 contracts (as compared to 1,006 in 2019). The monitoring system is based on a variety of performance indicators. There is still a need for: (i) further support for contracting authorities; (ii) a strengthening of the e-procurement system; (iii) monitoring of contract implementation; and (iv) analysis of market trends in public procurement.

The contracting authorities lack the **capacity to manage public procurement processes** effectively. In this respect, in 2020 training was provided to more officials in contracting authorities than in the previous year (970 in 2020 as compared to 526 in 2019). Compliance is still generally weak, especially in more complex procedures. 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. Based on a smaller sample than in previous years, the State Audit Institution (SAI) reported irregularities in public procurement, with an estimated loss to the state budget of around EUR 2.8 million (as compared to EUR 13.9 million in 2019 and EUR 9.4 million in 2018).

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. However, the complainant must pay a fee, which is refunded once the complaint has been fully or partially been accepted by the Public Procurement Commission (PPC). For refused complaints, the fee is transferred to the state budget.

The PPC is an independent review body dealing with complaints related to public procurement procedures. Its decisions can be challenged before the Administrative Court of Appeals. The new public procurement law provides the possibility to file a complaint to the contracting authority and the PPC at the same time. The processing of complaints within the legal time limit improved in 2020 to 78% (as compared to 71% in 2019) with a lower number of complaints received (741, as compared to 1,052 in 2019) but still needs to be further strengthened. An electronic database for PPC decisions would improve the transparency of the review system.

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

## Chapter 18: Statistics

*EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.*

Albania is **moderately prepared** on statistics. **Some progress** was made, notably on the alignment with ESA 2010 standards, faster publication of statistics, and increased transmission to Eurostat. With regard to last year's recommendation, the appointment of the General Director of INSTAT was ensured, and the action plan was prepared, however it

needs to be finalised, and the other recommendations remain valid. The Population Census Law was adopted. 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. Communications with stakeholders needs to be improved.

In the coming year, Albania should in particular:

→ implement the Population and Housing Census in line with the relevant EU legislation and international standards;

→ finalise the action plan and the detailed estimated budget for the 2024 census of agriculture;

→ implement the amended Law on Official Statistics and continue to improve its role as the coordinator of the national statistics and expand the number of statistical agencies.

With regard to **statistical infrastructure**, Albania's national law on official statistics is in line with the European Statistics Code of Practice, and most classifications are in line with EU standards. The revised statistics Annual Plan 2020 and the Annual Plan 2021 have been approved and work continues on the implementation of Albania's 5-year programme on the official statistics for 2017-2021.

The Institute for Statistics (INSTAT) continued its organisational restructuring following the 2018 amendments to the national law on official statistics, and the appointment of the General Director of INSTAT has been finalised. However, INSTAT's budget and staffing continued to be insufficient for fully implementing the EU *acquis* in the field of statistics. INSTAT needs to continue to make further efforts to fill its remaining vacancies, reduce staff turnover, and ensure that its staff is trained on 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). The data transmission to Eurostat has gradually improved in terms of timeliness and regarding the length of time series for annual national accounts. However, significant improvement is still needed to achieve full compliance.

Regarding the Gross National Income (GNI) resource, further progress was made on alignment with ESA 2010 standards, but Albania still needs to further improve compliance and to start drafting the GNI Inventory, on the basis of the existing description of sources and methods used to compile its national accounts.

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

As regards structural **business statistics**, data collection and production have further improved. Albania carried out an industrial production survey, although data is not collected by the PRODCOM list in force, nor transmitted to Eurostat. In addition, Albania is partly compliant for all Short Term Statistics domains (industry, construction, retail trade and other service), but some important indicators are still not transmitted to Eurostat, in particular the industrial production, industrial turnover and the services producer prices. A special

publication was finalised in cooperation with the Bank of Albania on the main tourism indicators for the period 2014-2018 and Albania has completed the data collection for the enterprise tourism survey "Accommodation structures survey", which was published in May 2021. INSTAT has good relationships with respondents, and achieves quite high response rates in both business and household surveys.

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

In 2020 INSTAT published the gender equality index for Albania for the first time. The index measures gender equality in six core domains: work, money, knowledge, time, power, health, and two additional domains: intersecting inequalities and violence. Statistics on external migration and asylum are partly aligned with the EU legislation. Crime statistics are published on a quarterly basis.

The population and housing census has been postponed to 2022 due to the impact of the COVID-19 pandemic and the national elections. The law on population and housing census has been adopted. Albania should ensure funding for its full implementation, to carry out a second pilot census and take the opportunity to explore the use administrative of data.

**Agricultural statistics** are partially aligned with the EU *acquis*. It is essential to improve the quality of the data of the administrative registers, such as the farmer register, individual register of animals and the animal holding registers, among others. INSTAT should finalise the strategic document for the census of agriculture holdings, planned for 2024, including a corresponding action plan and the budget. INSTAT is working to introduce the possibility to move from a system based on an expert estimates to survey-based agriculture statistics.

**Environmental statistics** are in line with the EU *acquis* to a very limited extent, while **energy statistics** are moderately aligned. INSTAT produces the balance of electricity on a quarterly basis and publishes the general energy balance produced by the National Agency of Natural Resources. Short-term energy statistics are still produced as volume data for electricity only.. Air emission accounts and material flow accounts are partially in compliance with the EU requirements. Albania shall improve the collection of environmentally related taxes by economic activities and waste statistics (generation and treatment). Data on packaging waste are increasingly important as they are the basis for a new EU Budget own resource on non-recycled plastic packaging waste. Data on municipal waste are collected.

## 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 this area. **Some progress** was made during the reporting period, especially with the approval of a policy document for the strengthening of public internal financial control (PIFC), instructions on delegation of financial responsibilities, guidelines for the monitoring and reporting on follow-up of internal audit recommendations, and revision of external audit quality control and quality assurance procedures. The proper

and effective functioning of internal control is not yet ensured across budget entities. Since only partial progress was made with the Commission's 2020 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 improve 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 PFM and PAR Strategy 2019-2022, and further defined in a PIFC policy document 2021-2022 approved in December 2020. Clear institutional responsibilities in the central government are required for steering PIFC reforms in a coordinated approach with public administration reforms, and strengthened efforts are needed on implementation of PIFC reforms beyond the Ministry of Finance and Economy.

**Managerial accountability** is not yet fully enshrined in the legislation and administrative practice. The adopted instructions on the delegation of financial responsibilities need to be implemented and accompanied with a wider reform on delegation of operational and administrative responsibilities in order to have a comprehensive approach on managerial accountability. A very small number of administrative decisions are delegated in practice. Reporting focuses mainly on financial performance, however with an increasing number of institutions also reporting on performance against objectives. The reoccurrence of and increase in arrears is an indicator for not yet fully effective attribution of responsibilities and commitment controls. The law on state administration, law on civil servant and relevant laws on integrated policy planning and the budget system law need to be assessed and if necessary amended to ensure a consistent basis for implementation of managerial accountability. (*See also Public administration reform*).

The legislation on **internal control** is largely in line with international standards. Declarations of assurance are systematically signed by senior management, but in the absence of a delegation framework, this remains more of a formal exercise. Books of business processes need to be drafted throughout the public administration in order to reinforce PIFC, including the clarification of roles and responsibilities in the different procedures, the definition of objectives and outputs, the specification of tasks to be delegated, the reporting lines, and identification of risks specific to procedures.

In December 2020, changes to the methodology were approved for assessing the performance of the internal control systems in the units of general government. Sub-ordinated agencies and local government units remain the weakest institutions as regards functioning of internal control systems. At all levels, risk management is still at an early stage and needs to be better incorporated in the management of financial and operational processes. Particularly, risk registers and risk strategies need to be developed by budget users at central and local level and integrated in the management process of public entities The budget inspection function is

centralised within the Ministry of Finance and Economy performs ex-post activities upon request. The number of requests introduced by internal audit units remains relatively low.

The legislation on **internal audit practice** is in line with international standards. In 2020, the number of certified auditors in the public sector was largely maintained. The internal audit function still does not issue audit opinions on the effectiveness of the internal control systems across budget entities. The internal audit quality control procedures still need to become generally compliant with the standards and fully operational. In October 2020, the Ministry of Finance and Economy approved guidelines and instructions for improving the monitoring and reporting of the implementation of internal audit recommendations.

The **central harmonisation unit** (CHU) provides methodological guidance and monitors the performance of internal control and internal audit in the public sector on the basis of quality reviews and self-assessment reports from institutions. In 2020, the CHU carried out 19 quality assessments of internal audit and completed further 12 by June 2021. In 2021, the CHU started quality assessments for internal control in five institutions. The capacity of CHU needs to be strengthened. The annual PIFC report is presented to the Council of Ministers and discussed in the Parliament.

External audit

In line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI) Albania's **constitutional and legal framework** provides for independence of the State Audit Institution (SAI). Adoption of proposed legal amendments is pending to strengthen the scope of the audit mandate to cover all public entities.

In accordance with its 2018-22 strategic development plan, the SAI is implementing actions to improve its **institutional capacity**. A working group has been established in order to improve current legislation and among others ensure continuity after the end of mandate of the SAI chair. In recent years, the SAI has taken measures to improve the professional development of its audit staff. In 2020, detailed tasks in the field of ethics and integrity were defined. The SAI continued to raise awareness among academia and civil society on the importance of external audit.

The **quality of audit work** needs to be further improved to fully comply with the INTOSAI standards. In June 2020, regulations of audit procedures were revised to improve quality control and assurance procedures. The SAI audit objectives have shifted from compliance and regularity audits towards audits. The SAI follows a risk-based external audit approach. The number of performance audits has increased accounting for approximately 11% of all conducted audits in recent years. Due to the COVID-19 situation, about 50% of the annual audit plan 2020 could not be performed; yet, audits on COVID-19 related emergency procurements were and are conducted.

The **impact of audit work** has shown some progress. ALSAI compiles annual reports on their performance and those are published on its website and reported to the Parliament. The 2017 Memorandum of Understanding between the SAI and the Ministry of Finance on monitoring the follow-up of audit recommendations resulted in the creation of a technical secretariat with representatives of both parties, which became fully operational in 2020. The monitoring of the effective and timely implementation of audit recommendations has improved. In 2020, ALSAI reported that 75% of its recommendations are in the process of being implemented, and some of them have been fully implemented. Despite a high rate of recommendations being accepted by institutions, the rate of fully implemented recommendations needs to be improved. The electronic platform for the follow-up of audit

recommendations is functional since end 2019, and in June 2020 the corresponding manual has been approved.

Protection of the EU's financial interests

Albania has ensured some level of ***acquis* alignment**, yet still needs to fully harmonise with the EU Directive on the fight against fraud to the EU's financial interests by means of criminal law. The national **anti-fraud coordination service** (AFCOS) is a unit within the Directorate of Financial Inspection in the Ministry of Finance and Economy. An AFCOS network, involving other relevant authorities, has been set up and it meets regularly. In January 2021, the newly created SPAK has been added to the AFCOS service reporting network. A manual for the management of irregularities in EU funds was adopted during the reporting period. Albania **cooperates with the European Commission** during investigations and reports to the Commission on irregularities and suspected fraud cases. In 2020, Albania has reported four cases via the online irregularity management system out of which one as suspected fraud. Albania should adopt a national anti-fraud strategy. Although cooperation on investigations has improved, Albania needs to step up its efforts in developing a solid track record on cooperation on investigations and reporting of irregularities.

Protection of the euro against counterfeiting

In November 2019, Albania ratified the 1929 International Convention for the Suppression of Counterfeiting Currency. Albania is partially **aligned with the *acquis*** regarding the definition of counterfeiting banknotes and coins, as well as the procedures for gathering, storing and withdrawing them from circulation. **Technical analysis** is performed by the national analysis centre of the Bank of Albania and the Scientific Police Institute. However formal cooperation between Bank of Albania, State Police in Interior Ministry and General Prosecutor Office has still not been established. In 2020, Albania seized 307 euro coins and banknotes totalling EUR 6 000, representing 18 % of all seized counterfeit currencies. **Cooperation** at the national and international level is ongoing. In August 2018, the Bank of Albania joined the Europol platform for experts. A cooperation agreement between European Commission and the Bank of Albania on coins is in place, while an agreement on banknotes with the European Central Bank is pending. Albania participates in the actions of the Pericles 2020 programme.

## 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 number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), Energy Community, Transport Community, the South East European Cooperation Process (SEECP) and the Regional Cooperation Council[26]. As of January 2021, Albania holds the Chairmanship-in-Office of the Black Sea Economic Cooperation Organisation (BSEC).

The Covid-19 pandemic has accelerated the ambition to enhance regional integration, by displaying the important links between markets in the region as well as between the EU and the six Western Balkans economies. Given the European perspective of the Western Balkans,

[26] Albania actively participates in around 35 regional organisations and initiatives.

the EU has continued to treat the region as privileged partners by associating them with the Union's mechanisms and instruments, including an exemption from temporary EU export restrictions of medical equipment. Albania has approved the Joint Proposal prepared by the Permanent Secretariat of the Transport Community and the CEFTA Secretariat to facilitate the transport and trade of essential goods within the Western Balkans, creating the Green Corridor, an initiative to facilitate the transport of priority products during the COVID-19 pandemic period. In this respect, Albania has worked on extending the Green Lanes/Corridors with EU Member States, namely with Greece at the Kapshtica - Kakavija border crossing point.

At the Sofia Summit on 10 November 2020, the six Western Balkans leaders adopted the Declaration on the Common Regional Market and the Declaration on the Green Agenda for the Western Balkans. This followed upon previous commitments taken at the EU-Western Balkans Zagreb summit in May 2020 and the recognition of the role of deepened regional economic integration to support the economic recovery of the Western Balkans.

The Common Regional Market is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industrial policy. This makes it the most ambitious regional integration effort to date in the Western Balkans. The Common Regional Market builds on EU rules and standards and represents a stepping-stone to integrate the region more closely with the EU Single Market already before accession.

The Common Regional Market 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. It is therefore important that all parties play a constructive role in building the Common Regional Market and deliver on their joint commitments. Albania has played a pro-active part in the process, hosting related summits in Tirana on 10 November 2020 and 10 June 2021.

The Green Agenda for the Western Balkans aims at reflecting the European Green Deal in a proportionate and adapted manner in the Western Balkans. The objective is to turn environmental and climate challenges, similar in the region, into opportunities. Given that natural resources and climate change do not know any border, the Green Agenda foresees joint actions, which will contribute to the sustainable socio-economic development and the green recovery of the entire region in the post-pandemic period. Albania should contribute to successfully implement this joint regional vision, with a high level of ambition. The Berlin Process summit on 5 July 2021 was an occasion for the Commission to announce targeted assistance related to combating the COVID pandemic and post-pandemic recovery, as well as the preparations of a 2021 financial package under WBIF for the implementation of the Economic and Investment Plan. The participants also took stock of the achievements of the connectivity agenda with the region, which now includes 45 investment projects, supported by EUR1 billion in EU grants that have leveraged EUR 3.8 billion EUR in loans. Regrettably, despite good technical progress, the Western Balkan partners were not able to conclude several important agreements related to the Common Regional Market and CEFTA, because of bilateral and status issues. The participating Member States and the Commission called for a constructive approach to making progress on the Common Regional Market, which will help the region take full advantage of the Economic and Investment Plan. In July 2021, the regional agreement on roaming fees signed at the April 2019 Western Balkans digital summit in Belgrade entered into force, enabling "roam like at home" (RLAH).

On 29 July political leaders from Albania, North Macedonia and Serbia, met to launch the Open Balkan Initiative, aiming to remove economic barriers between the three countries by 2023. Two memorandums were signed one on trade facilitation and movement of persons, the second on steps towards a single labour market.

Albania has continued to engage in a constructive way in dialogue with neighbouring countries to address bilateral issues and to ensure good neighbourly relations. During the COVID-19 pandemic, Albania sent 30 doctors and nurses to Italy to assist in coping with the pandemic. In December 2020, Albania provided monetary support to Croatia after the earthquake. In March 2021 during the shortage of vaccines against COVID-19, Albania offered the Kosovo government to vaccinate in the Kukesi municipality the doctors from the Pristina hospital.

Relations with **Bosnia and Herzegovina** are friendly and without open issues. In October 2020, the Chairman of Bosnia and Herzegovina's Presidency visited Albania. In 2020, Bosnia and Herzegovina expressed its intention to open a resident Embassy in Albania.

Albania's relations with **Kosovo** remain good overall. In October 2020, both governments met and signed 14 agreements, mainly on economic cooperation and connectivity. In December 2020, the Acting Kosovo President visited Albania. Albania continues to support the resumption of the EU-sponsored Kosovo-Serbia dialogue.

Relations with **Montenegro** remain good politically. The two countries cooperate on EU enlargement, NATO, the Berlin Process, the Trilateral Initiative Albania–Montenegro–Croatia, and other regional and international initiatives. Albania concluded a cultural agreement with Montenegro regarding the Marubi museum in Shkodra.

Relations with **North Macedonia** remained good, including with frequent high-level visits from both sides. In December 2020, the Prime Minister of North Macedonia, together with the Minister of Education of North Macedonia, visited Pustec, an Albanian village. A cultural and information centre opened in Tirana at the end of 2020, implementing a bilateral agreement signed with North Macedonia in April 2019.

The relation with **Serbia** remains good. In January 2021, the bilateral agreement signed in November 2020 on the free movement of citizens with biometric ID cards entered into force. Trade reached a volume of €233 million in 2020.

Albania has considerably strengthened its relations with **Turkey** over the reporting period. During his visit to Turkey in January 2021, the Prime Minister signed a joint political declaration on the establishment of the High-Level Strategic Cooperation Council with the Turkish President, thus upgrading the bilateral relations at the level of strategic partnership. In addition, five bilateral agreements were signed with a focus on security and fight against terrorism, education and cultural heritage as well as cooperation in the health field. Turkey provided support to the country in facing the COVID-19 pandemic. In April 2021, a new hospital funded by the Turkish Government in the Fier area was inaugurated with much publicity. The Turkish Government supported the construction of 522 apartments in the aftermath of the November 2019 earthquake in Albania. Turkey continues to exercise pressure on Albania to deliver on dismantling the so-called Gülen movement in the country.

Relations with **Greece** remained generally good with both sides agreeing to refer the issue of delimitation of the maritime border to the International Court of Justice in The Hague. In October 2020, both sides agreed to formally upgrade bilateral relation beyond the Treaty of Friendship and Cooperation (in force) with a Declaration of Strategic Partnership. In January 2021, the Prime Minister of Albania visited his counterpart in Athens. In January 2021, Greece and Albania signed an agreement establishing a new joint centre on the land border

between the two countries, aimed at strengthening cooperation between police forces and customs offices to tackle irregular migration and fight against cross-border crime. In January 2021, both parties signed an agreement on the €2.5 million donation from Greece to rebuild a vocational school in Tirana as the contribution of Greece to the post-earthquake reconstruction. Greek minority rights in general and more particularly property rights of this minority remain a subject of disagreement in the bilateral relation.

Relations with **Italy** remained very good. Political dialogue intensified with high-level visits on both sides. In November 2020, both sides signed an agreement establishing a Permanent Joint Committee and foreseeing closer economic cooperation, including on energy, tourism, transport, infrastructure, agriculture. In March 2021, the Prime Minister of Albania visited Bari to mark the 30th anniversary of the first 'exodus', when a first wave of Albanian migrants crossed the Otranto strait to Italy after the fall of communism. Bilateral cooperation in the field of justice and security, as well as in the fight against illicit trafficking and narcotics remains good.

## 4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

### CLUSTER 2: INTERNAL MARKET

his 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, competition policy, and financial services, whereas its preparations are at an early stage on consumer and health protection. Albania has made some progress in particular by adopting of a law on compulsory insurance in transport and in further aligning its banking legislation, 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 no progress on health outside its COVID-19 response. Albania needs to implement the One Health approach and to ensure that everyone has quality healthcare coverage.

### 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. Progress was **limited** over the reporting period on alignment with the EU "new and global approach" product *acquis*. While there was progress regarding the general principles and on structures related to the quality infrastructure, last year's recommendations remain valid, as efforts are needed to ensure more legislative alignment and to strengthen enforcement.

In the coming year, the country should in particular:

→ 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**. Over the reporting period, measures regarding (i) price of products, (ii) import licences or permits for imported goods and (iii) the obligation to have storage facilities in specific areas, were all repealed. Plans for further alignment with the EU *acquis* are set out in the 2019-2021 national plan for European integration, and the 2020 consumer protection and market surveillance strategy.

Non-harmonised area

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

Harmonised area: quality infrastructure

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

On **standardisation**, the General Directorate of Standardisation (GDS) is a full member of the European Telecommunication Standards Institute (ETSI), an affiliate member of the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC), and an associate member of the International Electrotechnical Commission (IEC). National standards are adopted in conformity with European standards (CEN, CENELEC and ETSI standards). In the reporting period, 2 449 European and international standards were adopted (including 899 CEN, 486 CENELEC, 500 ETSI ones, as well as 389 ISO, and 175 IEC standards). In total, the GDS has adopted about 95 % of all standards issued by CEN and CENELEC.

National legislation on the accreditation of **conformity assessment** bodies is partially aligned with the EU *acquis.* It regulates the functioning of the General Directorate of Accreditation (GDA), its accreditation board, its technical committees and various procedural matters. The General Directorate of **Accreditation** (GDA) was restructured in January 2021, with an increase in the number of staff from 14 to 20 employees. There are now 88 accredited conformity assessment bodies (37 testing laboratories, 4 medical laboratories, 1 calibration laboratory, 6 certification bodies of management system, 12 certification bodies of persons and 28 inspection bodies). The GDA is a signatory of the European Cooperation for Accreditation Multilateral Agreement (EA MLA) in the fields of inspections and management systems certification, testing and, since 26 May 2020, certification of persons. It is also a full member of the International Laboratory Accreditation Organisation Mutual Recognition Agreement (ILAC MRA) in the field of inspection and has a mutual recognition agreement with ILAC. The General Directorate of **Metrology** maintained its capacity of 104 employees.

The state inspectorate for **Market Surveillance** (SIMS) was restructured in June 2020; this envisages an increase from 45 up to 80 staff. It should continue to increase staff numbers, including inspectors. During the reporting period SIMS carried out 819 inspections, leading to 55 administrative measures, including 13 fines, 11 warnings and 37 urgent measures

(prohibition of trading and destruction of products). In total 8 057 products were controlled, of which 118 had non-conformities; 9 products (978 units) were banned from trading.

Harmonised area: sectoral legislation

Albania's **'new and global approach' product legislation** is designed to be fully aligned with the EU *acquis* on non-automatic weighing instruments, medical devices and low voltage equipment (following government decisions adopted in the reporting period). However, alignment has not yet started on cableways, gas appliances, simple pressure vessels, outdoor equipment noise emissions, explosive atmospheres equipment, construction products, recreational craft, eco-design and energy labelling.

As regards the **'old approach' product legislation**, Albania finalised a legal gap analysis on alignment with the EU old approach *acquis* and the procedural measures. National legislation is partly aligned with the EU *acquis* on detergents, pre-packaging, textiles, footwear, crystal glass and units of measurement, and is designed to be aligned with Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and on chemical classification, labelling and packaging (CLP) it is aligned with the United Nations Globally Harmonised System of Classification and Labelling of Chemicals. It is not aligned on Good Laboratory Practice (GLP) or medical product pricing. Progress was made in the reporting period to ensure partial alignment with the EU *acquis* on aerosol dispensers.

Albanian legislation is not aligned on **drug precursors**, though the list of controlled substances tallies with the relevant lists in the EU *acquis*. On **procedural measures**, Albania is partly aligned on firearms, textile labelling and mixtures, and the pricing of medicinal products. Albania also made some progress towards partial alignment with the EU *acquis* on defence and security procurement. The legislation on defence products and the return of **cultural objects unlawfully removed from the territory of a Member State** is partly aligned with the EU *acquis.*

**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 implementation of the 2020 report's recommendations regarding free movement of family members of EU citizens, conclusion of new social security bilateral agreements and the development of the IT system for mapping job seekers 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;

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

As regards **access to the labour market**, EU citizens are eligible to work in Albania without a work permit, in line with the law on foreigners under which nationals of an EU Member State or Schengen country, legally residing in Albania do not need a work permit or business registration certificate. Immigration admission policies do not present obstacles to the permanent settlement of EU workers' family members. Parliament adopted in 2020 an amendment to the law on foreigners, enabling family members of EU citizens, irrespective of

their citizenship, to work in Albania without a work permit in line with the EU *acquis* in this area.

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

On the **coordination of social security systems**, Albania has bilateral agreements in place with Austria, Belgium, Czechia, Germany, Hungary, Luxembourg, North Macedonia, Romania, and Turkey. The agreement with Kosovo is under revision. The negotiations with Bulgaria for a new agreement were concluded in March 2021, expected to enter into force in 2022. Exchanges with Croatia, France, Spain and Montenegro, on coordinating social security schemes have taken place. A technical cooperation agreement is in place to continue negotiations for a bilateral agreement with Italy. Negotiations and implementation of new bilateral agreements on social security between Albania and EU Member States 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 through initiating the screening exercise of the legislation to be aligned with the acquis in some sectors. The country should focus on fully implementing the following Commission's recommendations from 2020, which still remain valid. In the coming year, the country should in particular:

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

→ 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 Albanian legislation is broadly in line with the Services Directive when it comes to mining. The legislation on the veterinary sector still requires amendment, notably to allow for the licensing of private veterinary clinics and hospitals. The legislation regulating the legal profession (lawyer, notary and mediator) is partially aligned with the EU *acquis* while remaining restrictions apply in particular to public notaries and private bailiffs. The screening of legislation is managed and monitored by the Ministry of Finance and Economy (MOFE), which follows a sector-by-sector approach whereby it has identified 34 service sectors and around 125 subsectors. Currently, the process is focusing on sectors covered by MOFE, the Ministry of Agriculture and Rural Development and the Ministry of Tourism and

Environment. In December 2020, Albania concluded the first stage of screening of selected 11 sectors out of 20 identified sectors. On the **freedom to provide cross-border services**, the National Business Centre functions as a one-stop-shop for registering businesses and issuing licences, authorisations and permits. It operates through service desks throughout the country and virtual desks on the government`s e-Albania portal. As defined in the law on services, the e-Albania.al governmental portal serves as a single contact point for electronic public services.

On **postal services**, the national legislation is aligned with the EU Postal Services Directive since 2017, when the postal market was opened to competition. Partial alignment with the Regulation on cross-border parcel delivery services has recently been completed. Albania is preparing a new strategy on postal services 2021-2025 setting objectives to improve postal sector performance in line with EU acquis. There is one designated universal service provider (Albanian Post S.A.), for a period of 5 years starting in July 2020, and 25 other postal service providers on the market. The Electronic and Postal Communication Authority (AKEP) is the independent national regulatory authority for the postal sector.

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 road map on professional qualifications is planned to be finalised in 2022. Albania needs to strengthen institutional capacity in this area.

### Chapter 4: Free movement of capital

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

Albania is **moderately prepared** in the area of free movement of capital. **Some progress** was made in the reporting period, particularly by the implementation of the 2020 payment systems legislation that entered into force in January 2021. As regards last year's recommendations, Albania continued to implement the action plan on fulfilling some of the Moneyval report recommendations. There was no progress in enabling EU citizens to acquire agriculture and pasture land.

In the coming year, Albania should in particular:

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

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

As regards **capital movements and payments**, the expiry date for the law on strategic investments which provides special protection to foreign investments was extended until December 2021. The unified law on investments has yet to be adopted and the acquisition of real estate by foreigners still remains subject to restrictions: foreigners, including EU citizens, are not allowed to acquire agricultural land, forests, meadows or pasture lands. Albania is therefore 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 real estate by foreigners remained unchanged and uncertainties over ownership rights, in addition to the negative impact of the COVID-19 pandemic, continued to discourage investment.

On **payment systems**, foreign banks can open branches and agencies in Albania and offer cross-border payments. The Bank of Albania (BoA) Regulation governs non-cash payments on the payment system and instruments. Payment transactions can be carried out not only by banks but also by non-bank financial institutions and savings and loans associations. The measures that the BoA put in place in March 2020 due to COVID-19 lockdown to reduce the costs of payment systems services and promote home banking, remain in place. The legal and regulatory framework for electronic payments in Albania remains the same for national and cross-border payments.

The National Payment System Committee is open to representatives of non-bank financial institutions and payment system operators, and it is implementing Albania's national retail payments strategy (NRPS) for 2018-2023, notably via with the adoption of the 2020 law on payment services, which aims at alignment with the Payment Service Directive II (PSD II). The law, which will bring the full implementation effects to the market by July 2022, follows the PSD II approach on transparency conditions and information requirements for payment services. One of the objectives of the strategy yet to be achieved is the increase of financial literacy in Albanian population, with adult account ownership ratio of 70% by 2023.

s regards the **fight against money laundering**, Albania continues its efforts to address the deficiencies in technical compliance identified in the 2018 Moneyval mutual evaluation report on Albania. Albania is on the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring since February 2020. Albania made a high-level political commitment to implement the FATF action plan, which will allow Albania's removal from this list. The action plan covers inter alia the identification of money laundering risks, registration of properties, transparency of beneficial ownership and increased convictions and confiscations. Amendments to the law on money-laundering to align it legislation on anti-money laundering with the EU *acquis* have been prepared by the Council of Ministers. The beneficial ownership register has been set-up and is in the process of being populated with data from businesses and non-governmental organisations.

Albania is working towards further alignment of its legislation with the EU *acquis* on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. Albania continues to implement the "Moneyval package" which covers i) the prevention of money laundering and financing of terrorism, ii) measures against terrorism financing, iii) tax procedures and iv) the National Registration Centre and the adoption of a new law on the administration of seized assets. A new law on international restrictive measures was adopted in November 2020.

Albania has in place the Bank of Albania regulatory package that strengthened the risk management standards and licensing requirements of financial institutions, including non-banks and foreign exchange bureaus, following the Moneyval recommendations. In April 2021, Moneyval adopted its second enhanced follow-up report on Albania, which granted Albania an upgrade of its rating on one of the FATF recommendations. A study on the establishment of the Asset Recovery Office was finalised in July 2020. After the law on the Register of beneficiary owners was adopted in July 2020, the register became operational at the end of June 2021, with data registered by businesses and NGOs. The Albanian Financial Intelligence Unit is in the process of increasing its staff from 39 to 45.

The BoA carried out inspections of 74 foreign exchange offices (FEO) in 2020, of which 4 led it to proposing license revocation and 16 revealed substantial discrepancies. This led the BoA to take administrative measures, including fines, and to provide relevant recommendations and/or assistance to 11 FEOs. Albania ratified the International Convention for the Suppression of Counterfeiting Currency in November 2019. In 2021, the Financial

Supervisory Authority started an assessment on the regulations related to Virtual Assets (VA) and Virtual Asset Service Providers (VASPs) and cryptocurrencies in order to adjust them according to the FATF recommendations. The Albanian Financial Intelligence Unit (FIU) received 1 409 suspicious transaction reports in 2020, slightly lower than in 2020; 268 cases were referred to the law enforcement agencies, similar to 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. **Some progress** was made in the reporting period, in particular, by improving the transparency of company financial statements in the business register, and further alignment of its framework with the EU *acquis* in the area of non-financial and corporate governance reporting. There was no progress however on the company law recommendation.

In the coming year, Albania should in particular:

→ review the existing legislation in the area of company law with a view to identifying amendments needed to complete alignment with the EU *acquis*,

→ further align the legal framework on accounting 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, including on takeovers and cross-border mergers, 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. The National Business Centre is responsible for company registration, allowing free online registration and online access to data (some services related to registration of legal entities are offered only online on the e-Albania electronic service window since 1 January 2020 and the work is ongoing to enable other services). Since February 2020 Albania is part of the commercial register in the South Eastern Europe Regional Business Registries Portal (BIFIDEX), which has launched its first set of data services in May 2021.

On **transparency**, the Law on capital markets, which entered into force on 1 September 2020, provides specific rules on transparency for listed companies in areas related to initial reporting and financial reporting including fines in case of non-compliance.

In the area of **corporate accounting**, the Law on accounting and financial statements is partially aligned with the EU Accounting Directive (e.g. on company size, management report requirements, exemptions for small companies from the obligation for detailed disclosures, and rules for large and public interest economic entities active in the extractive or logging industries). The National Accounting Council (NAC) monitors the enforcement of financial reporting and accounting standards. In June 2020, it adopted guidelines on non-financial reporting in line with the Commission communication in this area to comply with the EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups. In December 2020, it published recommendations on the quality of corporate governance reporting following the relevant Commission recommendation. Albania also took some steps to ensure transparency of financial statements. Since 2019, the National Business Centre has an electronic reporting system for filing and publishing financial statements. In 2020, the Law on the Register beneficiary owners was adopted and the register

was populated with data by businesses and NGOs by the end of June 2021. On **auditing**, the Public Oversight Board (POB) is the independent competent authority for quality assurance (with its own budget). In the reporting period, the Investigation and Disciplinary Commission of statutory auditors issued 10 disciplinary measures (nine fines and one temporary licence suspension). Albania should further strengthen POB capacity and align 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. **Limited progress** was made during the reporting period, in particular with the legislative alignment with the EU *acquis* in the area of copyright and other related rights. Recommendations from the previous year were only partially met and remain valid.

In the coming year, Albania should in particular:

→ further align its legislation on copyright and neighbouring rights with the EU *acquis*;
→ 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, consisting of five members appointed by the Minister for Culture, is responsible for certifying the tariff methodology. The staff recruitment of the Copyright Directorate was completed in February 2021.

In the reporting period, draft amendments to the law on copyright and other related rights were prepared, which aim to further align the legal framework with the EU *acquis* and regulate the functioning of Collective Management Organisations (CMO). Furthermore, the Minister of Culture issued guidelines, which aim at improving the process of issuing of licenses for all categories of right holders not represented by CMO. The functioning of the collective management system and the payment of royalties to right holders needs to be further improved.

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.

In 2020, the number of applications for registration of trademarks continued to rise, amounting to 1,164 national applications and 2,936 international applications. As for patents, 898 patent applications were filed at the GDIP in 2020, of which 12 (double compared to 2019) were national patent applications with Albanian national applicants, and 885 patent applications were patents issued by the European Patent Office seeking protection in Albania. The GDIP participated in 18 court proceedings during 2020.

The Copyright Division of the State Inspectorate for Market Surveillance (SIMS) carried out 384 inspections resulting in 28 administrative measures (13 fines and 15 warnings). The SIMS Industrial Property Division carried out 12 inspections and issued 2 administrative

fines.

The customs administration suspended the release of more than 23,000 products suspected of infringing IPR. The high number of counterfeit products in the country remains a cause for concern.

## Chapter 8: Competition policy

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

Albania has **some level of preparation /** is **moderately prepared** in competition policy. There was **limited progress** during the reporting period, in particular with the adoption several guidelines by the Albanian Competition Authority (ACA), including the ones on effective enforcement and ensuring the proper functioning of the market. However, no progress was made in improving 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.

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 effective enforcement and ensuring the proper functioning of the market, further aligning the framework with the *acquis* in this area, as well as on best practices for the submission of economic evidence and data.

As regards the **institutional framework**, the ACA is responsible for implementing the Law on the protection of competition. It is an operationally independent authority reporting to Parliament. It can adopt implementing legislation, impose fines and remedies, prohibit mergers or authorise them with or without conditions. It can conduct sector enquiries and, on its own initiative, issue opinions and recommendations on draft laws that may affect competition. A leniency programme is in place for companies providing information on cartel cases. Parties may appeal against the ACA's decisions before the courts. As regards **enforcement capacity**, the ACA has maintained its number of staff to 46 and its staff

benefitted from training on international best practices. On **implementation,** in the reporting period ACA took 131 decisions, including 11 on prohibited agreement, 8 on abuse of dominant position and 29 authorising concentrations. In the reporting period, the ACA concluded sector enquiries in the higher education and hospital services sectors and continued investigations in the following sectors investigations, including dawn raids, in the following sectors: printing services, liquid gas, fuels, fertilisers, medical devices, and non-banking financial entities. The ACA should continue to strengthen the enforcement of competition rules.

State aid

The **legislative framework** on State aid is broadly in line with the EU *acquis* and the SAA. The Law on State aid largely reflects Articles 107 and 108 TFEU. The implementing legislation is partially aligned with the EU *acquis* 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. Under the Law on State aid, new aid measures must be notified to the SAC, which must find them compatible before they can be put in place. The SAC can order the recovery of illegal and incompatible aid but has not done so to date. Its decisions are subject to court appeal.

The **enforcement capacity** of the SAC remains insufficient as the staffing of its secretariat needs to be significantly increased. On **implementation**, the track record on State aid control remains poor. In the reporting period the SAC adopted eight decisions on notified State aid schemes, three of which related to COVID-19 measures. No negative or recovery decision was taken. It is important to step up advocacy activities among aid grantors to ensure prior notification of aid measures. The SAC needs to ensure the implementation of the State aid rules also in large projects involving Albania and other countries.

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 between and the stability of financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.*

Albania is **moderately prepared** in the area of financial services. **Some progress** on last year's recommendations was made by the adoption of the Law on compulsory insurance in the transport sector and in further aligning the legislation on bank recovery, resolution and supervision and on post-trading. There was limited progress on the implementation of the non-performing loan resolution strategy.

In the coming year, Albania should:

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

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

On **banks and financial conglomerates**, the Bank of Albania (BoA) continued to align its banking regulation with Basel III, notably on the liquidity coverage ratio and the macro-prudential framework. Albania continued to monitor the investment and performance of financial assets of the resolution fund, based on the quarterly reporting from its Deposits Insurance Agency (the resolution fund administrator). Relevant implementing legislation was adopted on the functioning of the Committee of Resolution Fund, on minimum requirements of regulatory capital instruments and eligible liabilities, on the operationalisation of bail and on an amended regulation on resolution plans, designed to align to the relevant regulation of the European Banks Authority.

In April 2021, the Bank of Albania adopted the regulation "On the contractual recognition of write-down and conversion powers" to further align with the relevant EU *acquis*. The non-performing loan ratio continued to decrease from 8.4% in December 2019 to 7.9% in April 2021, mainly due to write-offs and some loan restructuring. BoA monitors the non-performing loans ratio, notably in view of the third extension of the COVID-19 moratorium until to the end of March 2021. Further actions on credit scoring are still needed. Full implementation of the Non-performing Loans Resolution Strategy requires further improvement of the credit registry and full implementation of the bankruptcy law. Part of the collateral execution system is currently the subject of court proceedings, which reduces its efficiency.

Albania has a system to identify systemically important banks that is similar to EU practice. BoA approved the investment policy for financial assets of the resolution fund. New regulations on the leverage ratio of banks and on the net stable funding ratio of banks, which aim at further approximation of bank legislation with Basel III, were adopted in November and December 2020. These will enter into force in January 2022. In response to the COVID-19 emergency, in March 2020, BoA announced a temporary change on provisioning requirements, enabling clients to ask banks and other financial institutions to defer loan instalments without penalties. Loan classification relaxation measures and provisioning for loans were restructured between 12 March and December 2020, then were extended until March 2021. BoA also temporarily suspended the 2019 and 2020 dividend distribution for banks, in order to boost capital and support lending. The implementation deadline of the "On out-of-court treatment of distressed borrowers by banks" regulation was postponed to January 2022. In March 2021 the Albanian Register of Securities was approved as indirect participate to the Albanian Interbank Payment System for large value payments. This is designed to render the post-trade system fully operational.

In the area of **insurance and occupational pensions**, amendments to the law on compulsory insurance in the transport sector entered into force in July 2021, and are designed to align with the relevant EU *acquis*. It opted for voluntary implementation of the *bonus malus* system by insurance agencies. Implementation of the 2018-2020 Strategy on consumers and investors' confidence in the supervised markets continued through activities to improve public financial education and consumer awareness. In July 2020 the Albanian Financial Supervisory Authority (AFSA) board adopted a decision on the organisation of the Insurance Market Supervision Department into two directorates: The Insurance Market Supervision Directorate and the Risk Management Directorate, maintaining the total number of staff at 96 employees. To ensure financial sustainability in the face of the COVID-19 pandemic situation, the AFSA decided in March 2021 to require insurance companies to suspend the distribution of profit for 2020, in any form of dividends or other form of payments.

In the area of **financial market infrastructure**, the Albanian Stock Exchange, which is a private entity, continues to operate with government bonds only. The public stock exchange remains suspended. A Central Securities Depository (AFISAR) is in place, operated by BoA. The Albanian Securities Registry (ALREG), a private company, ensures the settlement of non-government securities since December 2019. According to the agreement between the BoA and the AFSA, BoA is responsible for minimising the systemic risk, while AFSA is responsible for investor protection. In March 2021, the Board of AFSA approved the regulation on the guarantee fund of the ALREG; i.e. assets held by the ALREG Register on behalf of clearing and settlement members, for the purpose of securing/guaranteeing completed transactions on stock exchanges, that fail to be settled due to lack of monetary values and/or securities. In September 2020, the Law on Financial Markets entered into force, based on distributed ledger technology. The expiry period of the privatisation vouchers was extended until December 2021. Following the adoption of the Law on collective investments in April 2020, implementing acts were adopted on collective investments, suspension clauses, risk management, and licensing procedures. The Law on capital markets was adopted in May 2020, along with five implementing regulations. These partially align Albania's legal framework with MiFID II, and EU *acquis* on transparency, market abuse, prospectuses, on settlement and central securities depositaries.

As regards **securities markets and investment services,** AFSA continues to supervise regulated markets in accordance with the Law on capital markets. Companies were authorised to issue bonds for private offerings to institutional investors, their shareholders or individuals. The liquidity requirements for investment funds were strengthened.

### Chapter 28: Consumer and health protection

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

Preparations are at an **early stage** in the area of consumer and health protection. There was **no progress** on last year's recommendations. On public health, the COVID-19 pandemic has shown an increased need for emergency preparedness and to enhance the capacity of the emergency health infrastructure. Significant progress still needs to be made to implement the One Health approach and all-hazard health preparedness, and more needs to be done in general to strengthen the policy framework and ensure that everyone in Albania has quality healthcare coverage. There was some progress on alternative dispute resolution of consumers.

In the coming year, the country should in particular:

→ strengthen the policy framework on public health with adoption of the new Health Strategy 2021-2030 and ensure its implementation and sustainability, including financial protection, and further align its legislation with the EU health *acquis* on substances of human origin and on medicines for human and veterinary use;

→ 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;

→ continue to improve access to health and services for disadvantaged populations, including Roma and Egyptian minorities, older people, people with pre-existing mental

health problems, people with disabilities; and populations in rural or remote areas, notably for women and girls belonging to these groups who are often subjected to multiple forms of discrimination.

Consumer protection

On **horizontal aspects,** in 2020 Albania's Consumer Protection Commission (CPC) received 55 complaints (45 by individual consumers, consumer organizations or local government, 10 from businesses) while during Q1+Q2/2021 CPC received 19 complaints, out of which 18 were from consumers and 1 from traders. In September 2020, an administrative penalty has been issued against a local company for non-compliance with consumers' rights; 9 individual complaints were solved and others referred to competent authorities. In December 2020, Albania established a General Directorate on Alternative Dispute Resolution of consumers and additional criteria for functioning of structures for the alternative dispute resolution were determined. However, the legal framework in the area of consumer credit and distance marketing of financial services still needs to be further aligned with the EU *acquis*.

National legislation is partially aligned with the EU *acquis* on **product safety**. In the reporting period, despite two months suspension due to COVID-19, the State Inspectorate for Market Surveillance (SIMS carried out 891 inspections, leading to 58 administrative measures, including 13 fines, 11 warnings and 40 urgent measures (prohibition of trading and destruction of products). In total 8 057 products were controlled of which 118 were found with non-conformities (mostly formal, though 9 products (978 units) were banned from trading). On **non-safety-related issues**, progress was made towards partial alignment to the EU *acquis* on alternative dispute resolution for consumer disputes.

Public health

On **public health**, Albania's 2016-2020 national health strategy expired in 2020, and a new policy framework is under preparation covering the period 2021-2030, in line with the national 2030 Agenda for Sustainable Development. A new five-year action document on primary health care was adopted in May 2020 and is now under implementation. Following a surge in public spending on communicable health, due to the urgent needs to prevent and fight against COVID-19 pandemic in 2020-2021, public spending increased by 3% of GDP in the reporting year. However, it remains low, with disproportionately low resource allocations to primary health care, especially in maternal and child health. The mortality rate remains high, particularly neonatal mortality (6 per 1,000 live births), under 5 mortality (9 per 1,000 live births) and infant mortality rates (8 per 1,000 live births). The governance of public hospitals and healthcare quality needs to be strengthened, across the whole country. Albania has ratified most international conventions related to the protection of fundamental rights, but obstacles to the exercise of the right to health and to sexual and reproductive health services, particularly for vulnerable groups, persist across the country. While abortion care is guaranteed by law, women from vulnerable groups, especially Roma and Egyptian women, face barriers in accessing it.

The Ministry of Health and Social Protection and the National Agency of Information Society (NAIS) are responsible for **e-health.** The Ministry is currently implementing and

operating an electronic system for collecting and reporting health information of medical records based on European Core Health Indicators (ECHI), but the system is not yet operational. The **e-Register**, the electronic database available on the e-Albania portal, is used for the identification of the insured persons and the generation of Health Cards. It enables the registration of patients to primary healthcare health centres and determines their benefit category based on its interaction with other institutional databases. It was upgraded during 2020, with more functions related to the prescriptions for drugs, the organisation of the anti-COVID-19 vaccination campaign, and the issue of vaccination cards. Despite some progress in **statistical governance**, technologic infrastructure/means and human resources are still inadequate.

Legislation on **blood, tissues, cells and organs** is not fully aligned with the relevant EU *acquis*. On **tobacco control**, the law to protect public health against tobacco products, designed to be aligned with the EU *acquis*, is being implemented. Albania still needs to accede to the Illicit Trade Protocol of the World Health Organization's Framework Convention on Tobacco Control, and to start work on establishing a tobacco traceability system in line 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*, however secondary legislation needed to implement has not been fully adopted. Albania also does not have an antimicrobial resistance action plan. Albania has strengthened its national alert, response and surveillance system for communicable diseases during the COVID-19 pandemic, but no national plan for implementing international health regulations was in place when the pandemic broke out. Its impact was worse due to the lack of systemic preparation.

In terms of preparedness and response to the **COVID-19 pandemic,** Albania made progress on strategic risk-assessment and health emergency preparedness, including the development of capacities and of relevant guidelines and Standard Operating Procedures (SOPs) to strengthen and maintain routine and emergency capacities at points of entry (e.g. airports, ports). However, Albania needs to make more effort to address all-hazard crisis preparation and the management of threats beyond communicable diseases, both at central and local level, and also to ensure adequate resources and statistics to capitalise on the lessons learnt from the COVID-19 epidemiological crisis and build a resilient health system.

In response to the **COVID-19 pandemic**, the Albanian Ministry of Health and Social Protection adopted a decision on health surveillance and other measures for preventing the transmission of the pandemic. A coordination body was established to coordinate the national response to COVID-19, empowered to take adequate precautionary measures. These included nationwide curfews, social distancing, a ban on public gatherings and public and religious ceremonies, a country-wide lockdown during weekends and during the most critical periods. Sports and recreational activities were banned for part of 2020 and flights, buses and taxi services were suspended during the most critical months. Schools, restaurants, and cafés were closed initially and then as necessary, and masks were made compulsory in indoor spaces. Self-isolation and quarantine periods were initially imposed for people arriving from affected countries and subsequently to all individuals at epidemiological risk. During 2020 Albania moved from a lockdown approach to a regulated approach, schools resumed in September, although secondary education was partially disrupted and universities resumed online. Albania continued to participate in the EU Health Security Committee as an observer, with also access to the EU Early Warning and Response System. Albania continued to make use of the EU Joint Procurement Agreement on medical counter-measures to which it is a signatory and joined 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).

Legislation on **patients' rights in cross-border healthcare** has yet to be aligned with the EU *acquis* Legislation on **medicines for human and veterinary use** is designed to be partly aligned with the EU *acquis*. There was no significant progress on standards in the pharmaceutical sector despite Albania's approval of the Convention on the Elaboration of a European Pharmacopeia last year. There is 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 is no development of or expertise available on paediatric medicinal products, medicinal products for the diagnosis, orphan medicinal products, medical products based on genes (gene therapy), cells (cell therapy) or tissues (tissue engineering). Investments and capacity building in this sector should increase.

On **preventive measures**, a national **cancer** control plan is in place. Appropriate structures for cancer screening services are in place, but a cancer registry is yet to be set up. A programme for breast cancer screening was adopted in July 2020, 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 the lack of health care service integration limits its effectiveness. COVID-19 has 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 should develop a nutrition plan and raise awareness in schools and community centres of the risks of malnutrition**.** The national legislation on the pricing of **medical devices** is partly aligned with the EU common procedural framework and *acquis*. On **drug abuse prevention and harm reduction**, prevention activities are only sporadic, they should be conducted in a more systematic way. The National Drug Observatory established in 2011 should be reactivated with adequate resources.

On **health inequalities**, Albania's 2020-2025 Primary Health Care Strategy foresees better access to health care services for vulnerable communities, as well as an increased community coverage with Primary Health Care services, giving priority to vulnerable groups, and the national community health care programme continues to provide residential health care mainly for marginalised Roma and Egyptian minorities. There was a slight increase in the number of Roma and Egyptians in informal settlements benefiting from health services delivered by mobile teams, and HIV awareness activities continue to be conducted for Roma and Egyptians communities. Nevertheless, the recently introduced health mediator is not yet operational and Roma people and Egyptians continue to face barriers, and further efforts are needed to improve their access to services for them and other vulnerable groups, including women, people with disabilities and populations in rural or remote areas.

### CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: information society and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy, science and research (Chapter 25); education and culture (Chapter 26); and 29-customs (Chapter 29).

There is a moderate level of preparation in Albania in many areas linked to **competitiveness and inclusive growth**, namely information society and media, taxation, economic and

monetary policy, enterprise and industrial policy, education and culture, and the customs union. Albania has some level of preparation in social policy and employment, and in science and research. Albania has made progress in particular with the Smart Specialisation Strategy and in its participation in the Horizon 2020 research programme, but progress was limited on the economic and monetary policy, and the customs union.

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 the COVID-19 pandemic.

### Chapter 10: Information society and media

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

Albania is **moderately prepared** in the field of information society and audio-visual media. **Some progress** was made on implementing the recommendations of the previous report, with the approval of the National Strategy for Cyber Security 2020 – 2025 and its Action Plan.

Progress was made with the approval of extended action plan for the existing digital agenda strategy and e-government services, and with the signature of the Memorandum of Understanding on Regional Interoperability and Trust Services in the Western Balkans. The finalisation of the digital switchover was completed in December 2020 and further financial efforts are still required to implement the European emergency number 112.

In the coming year, Albania should in particular:

→ continue to adopt the necessary amendments to the Law on Electronic Communication, in alignment with the new European Electronic Communications Code

→ improve the collection of statistical data on digital performance and digital competitiveness

→ finalise and adopt the Digital Agenda 2021-2025.

On **electronic communications and information and communications technologies (ICT)**, no progress was made in implementing the single European emergency number 112. As planned in the Medium Term Budget Programme 2020-2022, the unified 112 emergency number 112 is expected to be implemented throughout Albania by 2021. The last member of the Steering Board was nominated by the Albanian Parliament in February 2021.

Fixed internet broadband penetration is still low, with 508,937 subscribers connected in 2020 (463,133 household subscribers and 45,804 businesses), a 17% increase from 2019, with a penetration rate of about 15.6% of the population and 52 % 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 3.7% are connected to the internet. The mobile penetration rate at the end of 2020 was 70% compared with 61.8% at the end of 2019. In 2020, there were 2 million active users of mobile broadband. The volume of data usage during 2020 increased by 29.4% compared with 2019.

In the area of **information society services**, the revised Action Plan of the Cross-sectorial Strategy "Digital Agenda of Albania" 2020-2022 was approved and the National Agency for the Information Society (NAIS) is finalising the draft Digital Agenda 2021-2025.

In October 2020, Albania hosted the third Western Balkans Digital Summit Tirana 2020 aimed at exploring opportunities offered by the digital transformation. A Memorandum of Understanding on Regional Interoperability and Trust Services in the Western Balkans was signed during the ministerial meeting held in Tirana.

NAIS continues to manage the e-government portal e-Albania offering **on-line public services**. In the reporting period, 95% of the applications for public services can be done online, with 4,431,205 e-sealed documents downloaded by more than 2,000,000 registered users on the e-Albania portal for more than 20 million e-services uses.

The National Broadband Plan 2020-2025 is in place. In July 2020, the Government approved the "multi-annual programme for spectral policy and action plan" which is partially aligned with the Decision No 243/2012/EU of the European Parliament and of the Council of 14 March 2012 establishing a multiannual radio spectrum policy programme. The deadline to free up the 700 MHz for 5G networks was set at 30 June 2022. In addition, a draft 5G road map is under preparation. 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. The new national frequency plan was approved, introducing important changes to the spectrum available for new services and technologies, mobile broadband including bands for 5G.

No further steps were taken 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 were approved in December 2020.

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

In the field of **audio-visual policy**, the digital switchover was concluded in December 2020.

The national audio-visual regulator is currently operating with limited human resources. Most positions of its steering board became vacant in the course of 2021. The Parliament has initiated the procedures to fill vacancies and make AMA fully operational. In doing so, it is important that the new appointments ensure the independence and legitimacy of the regulatory authority.

## Chapter 16: Taxation

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

Albania is **moderately prepared** in the area of taxation. **Some progress** was made, in particular by achieving partial alignment with the Merger Directive, reducing the stock of arrears in VAT refunds, and the first non-reciprocal exchange of financial accounts information. Recommendations from last year were partially addressed, in particular on reducing the stock of arrears in VAT refunds.

In the coming year, the country should in particular:

→ simplify the taxation system to encourage enhanced tax compliance;

→ approve a new calendar on tobacco excise with a view to progressively aligning the excise rates to the EU minima;

→ comply with the agreed repayment schedules for VAT refunds.

On **indirect taxation**, the standard VAT rate is 20% and the reduced rates are 6% and 10%. However, there is further increase in the number of exemptions such as for yachts and watercraft not older than 20 years. The April 2020 easing of risk criteria and simplified procedures resulted in faster VAT refund payments. Since April 2020, the quarterly stock of VAT refund arrears is regularly published. By March 2021, it was reduced to EUR 48.5 million compared to EUR 93.3 million in December 2019 and EUR 137 million in December 2018. As of January 2021, in response to the impact of COVID-19, only taxpayers with annual turnover above EUR 81 750 (the previous threshold amounted to 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*. Mineral oils are marked for some uses. Favourable excise taxation for manufactured tobacco with tobacco leaves cultivated in Albania persists. Small producers of alcoholic beverages enjoy reduced tax rates. The excise Law taxes all energy products listed in Directive 2003/96/EC.

Regarding **direct taxation**, financial institutions are legally required to calculate, withhold, and declare income tax on income from savings. In response to the COVID-19 situation, the deadline to submit the financial statements was extended, exemption of profit tax for small businesses, and temporary deferral of and profit tax payments for all other businesses with few exceptions were introduced. Furthermore, changes were made in direct taxation to support taxpayers affected by the COVID-19 pandemic. As a result, 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. Since December 2020, Albania partially aligned its framework with the Merger Directive by allowing deferral of capital gain taxation until assets/ liabilities are sold by the receiving company if both the transferring and receiving company are residents in Albania.

On **administrative cooperation and mutual assistance**, Albania is yet to sign double taxation agreements with Denmark, Cyprus, Lithuania, Portugal, Slovakia and Finland. In January 2020, the Law on automatic exchange of information on financial accounts was adopted, aiming at alignment with Conformity Reporting Standards and partial alignment with the relevant 2014 EU Directive. First non-reciprocal information was exchanged in 2020, but no reciprocal automatic exchange has yet taken place.

As regards **operational capacity and computerisation**, in March 2020 the personnel of the tax administration was further reduced from 1,512 to 1,450. As of April 2021, the number of vacancies remained very high at 168 (11.6%) despite some improvement as compared to 193 (13.3%) in last year's report. The annual training programme is needs-based and 1,040 employees of the GDT received online training in 2020. Since January 2021, electronic invoices have become mandatory for cashless transactions between businesses and government 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. The electronic tax administration system has been operational since January 2015, but there are no deadlines to achieve interconnection and interoperability with EU systems.

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

## Chapter 17: Economic and monetary policy

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

Albania is **moderately prepared** in the area of economic and monetary policy. **Limited progress** was made on the National Accounts and Excessive Deficit Procedures notifications, significant improvement is still needed to achieve full compliance with ESA 2010. In addition, no progress was made on last year's recommendations in regard to complying with the EU *acquis* regarding the Bank of Albania's independence and its accountability to the Parliament, and government's policy coordination and consultation mechanism with non-governmental stakeholders.

Albania should therefore:

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

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

→ increase reporting capacities for governmental financial statistics according to the EU (ESA 2010) and ensuring regular monitoring of the standards

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. . Monetary policy is conducted using a standard set of instruments: i) open market operations; ii) standing facilities; iii) required minimum reserves and within a free-floating exchange rate regime.

The Medium-Term Development Strategy 2020-2022 of BoA foresees alignment of its organic Law with the Statute of the European System of Central Banks, the alignment Albania's with the EU *acquis* is incomplete on the personal independence of the Supervisory Council members and BoA's accountability to the Parliament. In response to the economic impact COVID-19, BoA cut the policy rate to a new historic low of 0.5%, and lowered the overnight lending rate from 1.9% to 0.9% on 25 March 2020. It maintained this during the reporting period. It is also providing unlimited liquidity to the banking system to maintain private sector, enhanced its capacities to guarantee the sufficient cash supply to the economy and facilitated electronic payments. Macro-prudential measures introduced in 2020 were extended to December 2020, and legislation that allows banks to restructure loans was extended until March 2021. In December 2020, new legislation was adopted reinforcing transparency and introducing new instruments to intervene in the domestic foreign exchange market.

In the area of **economic policy**, further alignment of legislation with the EU *acquis* on requirements for budgetary frameworks is needed. Albania has complied with the fiscal rule since its adoption in 2016, with the exception of 2020 and 2021 due to the impact of COVID-19. In July 2020, a new fiscal rule was stipulated in the amended organic budget legislation which targets a positive primary balance by 2023. However, in June 2021 this target was postponed to 2024 to allow the government to continue with fiscal stimulus in 2021 with a higher deficit and public debt target. Excessive Deficit Procedure notification tables are submitted regularly to Eurostat on a best-effort basis, but they are not fully in line with the European System of National and Regional Accounts (ESA 2010) requirements. Following

the completion in July 2019 of the pilot project on source data required for the calculation of the macroeconomic imbalance procedures (MIP) indicators, Albania has reported to Eurostat and has shared the metadata for 14 available MIP scoreboard indicators. Further progress is needed on the calculation of nominal unit labour costs and house price index deflated.

Albania amended its 2020 budget four times during 2020 to include additional expenditure to buffer the economic fall-out of the COVID-19 pandemic, which resulted in a large increase of debt and deficit. It adjusted the planned fiscal deficit from 2.2 % to 3.9 % and then to 8.4 %, in view of the expected drop in revenue and to plan the financing of the additional deficit. These budgetary measures were intended to provide additional funds to the health sector, support small businesses and self-employed, affected by the lockdown and cushion the socio-economic impact of the pandemic. In addition, the government allowed businesses to postpone certain tax payments, waived penalties for late utility payments and issued two sovereign guarantees for loans to businesses.

Albania mobilised financial support from the EU (a EUR 180 million Macro-Financial Assistance loan and via reprograming of the IPA national programme), the IMF and the World Bank to cope with budgetary constraints and to enable support measures to businesses and households. In its 2021 budget, Albania initially targeted a deficit of 6.4 % of GDP to accommodate earthquake reconstruction spending and a substantial wage increase of about 40 % for heath sector workers and of about 15 % for the education sector. In its fourth amendment to the 2021 budget, the government plans to increase capital expenditure to 7.7 % of GDP, a higher deficit target of 6.9 %, and to extend public debt from 76.1 % of GDP in 2020 to 80 %. It intends to maintain the expansionary fiscal policy, including tax policy measures, mainly aimed at stimulating small business and new public investment projects, which are considered crucial for the overall economic recovery.

Albania submitted its Economic Reform Programme 2021-2023 on time, reflecting the government's support measures to deal with the impact of COVID-19 during 2020 and its mid-to-long term macro-fiscal projections and policy priorities towards fiscal consolidation in 2023. Albania needs to strengthen its inter-institutional coordination mechanism for comprehensive strategic policy planning, including for the preparation of the programme. Challenges to ensure efficient coordination for the timely and adequate formulation of reform measures by the line institutions continues to persist. Albania should increase its administrative capacity for designing and coordinating economic policy and for monitoring the implementation and impact of structural reforms in consultation with local stakeholders.

## 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. Despite the negative impact of COVID-19 pandemic on the labour market, **some progress** was made in implementing recommendations of the previous report, especially by strengthening the quality and effectiveness of labour market institutions and providing services to the most vulnerable groups. During 2020, Albania continued restructuring its employment governance, in line with the revised policy framework and the laws on vocational education and training and employment promotion. Albania's labour market contracted slightly due to the COVID-19 pandemic with informal workers hit harder. Social services reform is progressing, however financial and administrative efforts should be stepped up to strengthen the local level capacities for service delivery and linkages to active labour measures. Albania should ensure a sustainable and inclusive recovery from the pandemic, with an increased coverage

and financial allocation on the Social Fund for financing social care services of all municipalities and ensure implementation in practice of secondary legislation on public procurement on social services... In the coming year, the country should:

→ ensure that the legal provisions are in place for the implementation of the Social Employment Fund and continue strengthening the employment structures:

→ aensure implementation of the bylaw on representativeness criteria for membership in the National Labour Council and adopt the by-laws for the establishment of the tripartite regional council;

→ take steps to establish and implement the Youth Guarantee by developing a Youth Guarantee Implementation Plan in line with the EU model and guidance.

Regarding the **labour law**, the amended Labour Code is under implementation. Despite a significant slowdown of inspection activities during the COVID-19 pandemic (minus 43% from 2019 to 2020, from 13,079 in 2019 to 5,994 in 2020), some progress was made on the promotion on the e-inspection platform, especially for the assessment of anti-COVID measures. During 2020, the structure of the State Inspectorate of Labour and Social Services (SLISS) was revised with the establishment of a new Department of Risk Assessment, which is not yet fully staffed. Further steps should be taken to strengthen the capacities of the SLISS when it comes to human resources, regular training and adequate means, including vehicles, to perform duties and to enhance coordination with social partners for proper enforcement and monitoring of the occupational health and safety legislation in place and to promote decent work.

During 2020, out of the 5,993 inspections carried out, 1,409 uninsured employees were identified (31% women), of which 1,163 were formalised (29.6% women). The sectors in which irregularities were assessed include: manufacturing, transport and communication, agriculture, forestry and fishing, mining, electricity, gas and water, construction, trade and hospitality. The informal economy remains significant with the share of informal employment at 29,1% in the non-agricultural sector (LFS 2020). The highest percentage of informal employment was reported in trade activities, including hotel bar and restaurant (4.2%), manufacturing (3.2%) and construction (7.6%), according to the ILO (2020).

On child labour, Albania still needs to strengthen 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.

On **health and safety at work**, Albania progressed with the adoption of most of the legislation transposing the EU Framework Directive on health and safety at work. However, a new policy framework has to be developed and adopted based on a gap analysis and in line with the upcoming EU OSH Strategy 2022-2027. Furthermore, the implementation and enforcement of health and safety at work legislation remains limited, due to insufficient financial and human capacities. This remains a particular issue in the shoe/textile and mining sectors. Reported accidents at work increased from 176 in 2019 to 182 in 2020, most in building and production enterprises (77% of cases for work-related reasons) while fatalities at work slightly decreased from 38 to 36 in the same timeframe.

Bipartite **social dialogue** remains fragile in both the private and the public sector, mainly due to insufficient experience of trade unions, lack of a culture of dialogue, as well as employers' scepticism towards trade unions. Coverage by collective bargaining agreements is higher in the public sector in comparison with the private sector. Regarding tripartite social dialogue, decision of the Council of Ministers (54 of 2020) sets out the representativeness criteria for

the membership in the National Labour Council (NLC). The nomination of the new National Labour Council (NLC) members is still not complete. Despite the number of meetings of the NLC increased in 2020 compared to previous years, significant efforts are needed to transform the NLC into an effective and regular social dialogue forum, aiming at ensuring an effective and timely consultation on relevant laws and policy initiatives. Meetings of the sub-committees of the National Labour Council are currently not held, which decreases the meaningfulness of discussions at the level of NLC. At regional level, tripartite Regional Consultative Councils, consisting of representatives of employers' organisations, trade unions and representatives of state structures, provided for by law need to be duly operationalised.

On **employment policy**, Albania is implementing the National Employment and Skills Strategy (NESS) 2020-2022, extended by two years during 2019. During the reporting year, additional efforts were put on the promotion of employment services at local level, along with territorial and social cohesion.

Labour market participation for the 15-64 year olds reached 69.1% in 2020, which despite a 0.5 percentage point decrease compared to 2019 represents an overall increase by 9.5 percentage points since 2013). However, under-employment and informality remain important and strong efforts are needed regarding the alignment of education and training (including adult education and lifelong learning) to the needs of the labour market. Furthermore, solid interventions are needed to ensure targeted support to low skilled people and people more at risk of exclusion, especially after the prolonged epidemiological crisis that has exacerbated vulnerabilities. In 2020, job creation remains one of the major cross-sectoral priorities of the government, along with emergency measures aimed at expanding social protection and preserving jobs in the context of COVID-19 and ensuring employment in small businesses in crisis.

Between December 2019 and December 2020, the number of registered jobseekers increased by 34.5% from 68,589 to 92,236 and it continued this also in 2021, when there were 94,529 registered unemployed jobseekers (June 2021). Meanwhile, according to the 2020 Labour Force Survey, the total number of the unemployed jobseekers in the last quarter of 2020 was 164,733, only slightly higher than in 2019.The profile of registered jobseekers tends to be the one of lower educated people, having at most primary education (55.4%), with a lower proportion of people having upper secondary education (36%) and a very low coverage of unemployed having university education (9%). This is in stark contrast with the composition of unemployed work force according to Labour Force: 32.8% of unemployed jobseekers come from primary education, 43% from upper secondary education and 24% have university education. In addition, almost two thirds of young people not being in employment, educated or trained were not actively seeking a job and are out of reach of the labour offices.

The number of vacancies announced in the Labour Offices (Los) reached 25,141, down from 50,785 in 2019. In 2020, 23,118 registered unemployed jobseekers found a job through LOs compared to 30,391 in 2019, largely reflecting the labour market challenges resulting from the COVID-19 pandemic. By the end of December 2020, only a very low proportion of registered unemployed (5,820 individuals corresponding to 6.3%) were receiving an unemployment benefit and 31.4% were beneficiaries of economic aid). Furthermore, only 16% of those newly registered as unemployed between the first and the third quarter were eligible for unemployment benefits. The Start Smart scheme delivered to unemployed jobseekers continued in 2020 for only 2,285 individuals, especially young people, due to the closure of public training institutions, which represents a strong decrease compared to the previous year (-81% from 12,327 unemployed jobseekers in 2019). A total of 4,421 unemployed jobseekers were participants in vocational training courses in 2020 (compared to

8,714 in the previous year) and 4,141 unemployed jobseekers were beneficiaries from EPPs (compared to 5,338 in 2019), of whom 2,778 women and overall 16.8% from vulnerable groups (disabilities, Roma and Egyptians, returned immigrants, long term unemployed job seekers).

The employment rate for the 20-64 year olds slightly contracted in 2020 (-0.8 pp) to 66.3% under the impact of the COVID-19 pandemic and despite measures undertaken to protect jobs, although with a rebound in the summer due to seasonal work. In the last quarter of 2020, 1.23 million people were in employment (47.7% employees, and 27.9% self-employed without paid employees, 21.2% unpaid family workers and 3.2% self-employed with paid employees), 43.400 less workers than in 2019. Before the onset of the unprecedented COVID-19 crisis, Albania had made progress toward ensuring that Albanian men and women had access to increased employment opportunities and the employment rate consistently improved by 10.5 percentage points between 2014 and 2020 mirroring trends in GDP growth, to reach a record high of 67.1% at the end of 2019. The COVID-19 pandemic hit women harder than men, with employment rates declining by 0.9 percentage points for women, and only 0.7 percentage points for men.

The unemployment rate (15–64 years) slightly increased during the pandemic year by 0.2 percentage points, with 12.3% in the fourth quarter of 2020 compared to a record low of 11.6% a year earlier. Due to the prolonged pandemic and the fragile economic system, the overall unemployment rate increased particularly among vulnerable groups including women, young people, Roma and Egyptians, and people with disabilities. The unemployment rate (15-64 age range) for women increased from 11.8% in 2019 to 12.4% in 2020.

The strengthening and expanding of NAES structure (from 36 to 90 employees), started in June 2020, slightly delayed by the COVID-19 pandemic. By the end of 2020, 54% of NAES vacancies were filled. The Agency has started managing the implementation of employment and skills policies and administering the employment offices at the regional and local level, as well as the network of public vocational education and training (VET) providers (VET high schools, training centres). Besides the positive increase in the resources allocated,additional efforts are needed to complete staff recruitment and it is crucial that the Agency is fully equipped financially to implement its mandate, and that partnership with the business community is strengthened.

Public employment services made further progress in establishing and following performance indicators and procedures, improved visibility and outreach services for vulnerable groups. Work is advanced on the development of an information management system that will enable automation of many processes and will assist in profiling the job seekers and ensuring instant traceability. Progress has been made in encouraging internal mobility for employment, as well as on the promotion of e-tools for gaining access to employment services, which proved effective in the context of COVID-19. The organigram of the local labour offices was revised in 2020 to ensure adequate level of staffing based on the labour market needs at local level, and the new organigram is in place.

In 2020, Albania progressed its reform on the Employment Promotion Programmes (EPPs) portfolio and provisioning, as set out in the National Employment and Skills Strategy. In particular, in 2020 Albanian completed the legal and operational framework for the implementation of the reformed EPP packages. Seven new and revised EPPs were approved in 2020, operational guidelines were developed, but their implementation started only in September due to the COVID-19 pandemic. Of these, two temporary EPPs were approved in mid-2020 as a response to lay-offs due to COVID-19 crisis. One of the programmes targets people who self-declare as informal workers prior to their lay-off, the other targets

unemployed jobseekers laid off during the peak period of quarantine measures between 10 March and 23 June 2020. New programmes further subsidise orphan beneficiaries, single parents with children under 6 years of age, parents of children with disabilities, victims and potential victims of trafficking, victims of domestic violence or gender-based violence, beneficiaries of economic assistance, Roma and Egyptian groups. A total of 4,141 jobseekers benefited from the EPPs during 2020, of which 2,822 from the reformed EPPs (68% women and 40% young women and men).

The overall budget for active labour market measures for 2020 increased by more than 50%, but implementation challenges have persisted throughout the year, leading to an unprecedented low level of fund utilization. These can be attributed to the COVID-19 pandemic but also to the still limited capacity of the newly established NAES as well as to resistance to the revised EPPs from employment offices and employers alike.

Some progress was made in strengthening linkages between active labour market policies and social assistance scheme, after the adoption of the operational plan for labour market integration of cash assistance beneficiaries for the year 2019-2020. During 2020, 455 former beneficiaries of social assistance were employed (out of 1,374 beneficiaries of EPPs). 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.

In 2020, youth labour participation rate (15-29 years) continued to be lower than the rest of the adult population (51% with a gender gap of 14.5%). The unemployment rate for the category 15-29 age range in 2020 stood at 20.9%, down from 21.5% in 2019 but the share of young people neither in employment, nor in education or training increased from 26.6% in 2019 to 27.9% in 2020, indicating a particularly difficult transition of young people to the labour market, which has been further exacerbated by the COVID-19 pandemic.

The initiative of the government on establishing a youth guarantee scheme is considered as positive. The youth guarantee has been included in the legal framework for employment promotion in 2019 and it is part of the new strategy on Employment and Skills (2020-2022). Albania has endorsed the Western Balkans Declaration on ensuring sustainable labour market integration of young people (8 July 2021) and committed to take concrete steps to gradually establish and implement the Youth Guarantee scheme. The government should step up efforts to establish an inter-ministerial the coordination mechanism for the development of the Youth Guarantee Implementation Plan and to involve the relevant stakeholders as well as to strengthen capacities of the National Employment and Skills Agency to start the implementation of the youth guarantee scheme.

The difficult transition from upper-secondary (VET and gymnasia) and university graduates to jobs persists, as attested by a higher NEETs rate for these groups as compared to lower NEETs rates for young people having primary education. Despite some improvements, the positive developments registered in 2019 have been obscured by the impact of the COVID-19 pandemic on growth and employment in 2020, with a particular emphasis for services industries, which constitute a large size of the Albanian economy. Long-term unemployment remains a challenge that Albania should to address through more flexible, 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**, the 2015-2020 national strategy on social protection was revised and extended until 2023. Public spending on social care services programmes is

modest and there is no mechanism for monitoring the situation of those who are vulnerable and with no access to such services.

As a response to the COVID-19 crisis, during March 2020, the Government undertook several emergency measures to respond and protect the most vulnerable groups. Around 73,000 individuals and families in need benefited from relief packages (food and hygiene items) for a period of 3 months, the cash assistance and unemployment payment were doubled but only for people already in the schemes prior to the lockdown, not for new arrivals. In spite of several measures undertaken, the government shall step up efforts to reflect on new vulnerabilities created as a result of the COVID-19 pandemic, on the different types of benefits provided, adequacy and links with the active labour measures.

The capacity of social transfers (excluding old age and family pensions) to reduce the at-risk-of-poverty rate is low, standing at only 11.88% in 2019, below regional peers and significantly below the EU-27 average reduction of 32.38% (EU-SILC data). This indicates a need to review the adequacy of benefits. After an emergency doubling of the cash assistance (Economic Aid) in 2020 over a prior of three months, a new doubling was approved in the government budget for the first six months of 2020. This is however not a structural solution to increase the adequacy of benefits. To gauge benefit adequacy an assessment is first needed that will take into account poverty data (EU-SILC), minimum salary and other important information. This has been included as a condition for the payment of the second instalment under the EU's Macro-Financial Assistance.

Without cash transfers, the social care services accounted for only 0.35% of the government budget in 2020. Cash transfers continue to constitute about 95% of the social protection sector's overall budget. The needs assessment for social services conducted for 2020 by the State Social Service in the 12 regions of Albania highlights that 28% of municipalities (17 municipalities) do not provide yet any social care services. 59% or 36 municipalities do not have services for elderly and 57 % or 35 municipalities do not provide services for people with disabilities. Albania only provides five of the seven types of services defined by law. Para-social services and specialised services are not available yet. Local social care services are undeveloped and lack investments and adequate human resources in many municipalities.

According to Social Services data, social care coverage is critically low, with only about 16,054 beneficiaries in 2020 (0.57% of the population). Increased investment in the development of new social care services and wider geographical coverage are needed. Local government units (LGUs) are expected to assess needs in their territory and prepare local social care plans. In 2020, the number of municipalities with an approved social plan increased substantially from 24 to 50 (of 61) with the help of donors and NGOs due to a general lack human and financial resources to deliver on this task. Local governments' capacity to assess needs, apply for government funds and manage social services remains weak. The government should step up efforts to implement the Information Management system for social care services in all 61 municipalities and non-public licenced social service providers in order to ensure accurate reporting on beneficiaries of social care services.

Secondary legislation implementing the Law on social care services specifies that central government have to resource the social fund with central budget allocated to the approved local social care plans. However, the application is open only to municipalities with an approved and budgeted social care plan. In October 2020, the government launched the second call for proposals for municipalities; 40 municipalities applied and 16 municipalities are selected to be awarded.

The implementation of the reform of the disability assessment system on the basis of a 'bio-psycho-social' model is continuing and is extended in Tirana and Durres municipalities. Some progress was achieved with the initial (pilot phase) implementation of the management information system for people with disabilities. The accessibility and availability of many public services and in particular of specialised services is still a critical issue. Access to services for people with disabilities in rural areas is significantly lower than for those living in urban areas and in particular for those over 21 years of age.

The EU Survey on income and living conditions were published for the second time in May 2021.

On **non-discrimination in employment and social policy**, legislative amendments were adopted on employment and the workplace environment for women, defining sexual harassment and reversing the burden of proof. Albania also performed a review to assess whether it meets the minimum requirements to ratify the ILO Convention No. 190 on Violence and Harassment and is planning to ratify the Convention in the second half of 2021.

As regards **equality between women and men in employment and social policy**, according to 2020 LFS data, The labour force participation rate for the population aged 15-64 years old is 69.1%. For male population aged 15-64, the labour force participation rate is 15.9 percentage points higher than females. The employment rate for the population aged 20-64 is 58.8% for females and 74.0% for men, resulting in a gender employment gap of 15.2 percentage points. The gender pay gap decreased by 3.5 percentage points, from 10.1% in 2019, down to 6.6% in 2020.

According to the 2021 World Economic Forum's gender gap index report, Albania ranked 25 out of 153 countries (compared to the rank 20 for 2020), reflecting consequences created by the earthquake and COVID-19 pandemic.

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

Women have been spending an increased time on unpaid domestic work during the COVID-19 pandemic lockdown period, while also working remotely. Reduced income due to loss of jobs and diminished paid working hours have largely affected the lives of many women, especially the most vulnerable like women head of families, women living in poverty and rural areas. Many vulnerable women have been obliged to work in unsafe work conditions and have risked their health as they could not risk losing their jobs.

## Chapter 20: Enterprise and industrial policy

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

Albania is **moderately prepared** in the area of enterprise and industrial policy. **Some progress** was made with the endorsement of the Investment Policy Reform Action Plan as part of the MAP-REA/Common Regional Market regional efforts on investments, maintaining incentives to stimulate investment in the tourism sector and implementing an innovation support programme and on enhancing education on entrepreneurship and business

incubation support, mainly in the field of innovation. Though some progress on last year's recommendations was made on further alignment with the EU *acquis* on late payments, further efforts to ensure full alignment and in speeding up the implementation of the triple-helix action plan. Efforts to improve the business environment continue, but have limited impact.

In the coming year, Albania should, in particular:

→ address the main challenges to the business environment, notably reducing regulatory burden and enhancing participation in the available funding programmes for businesses, progress with the adoption of the Law on innovation and the establishment of the Albanian start-up agency, and ensure the full functioning of the Albanian Investment Development Agency;

→ accelerate the full alignment of national legislation with the EU *acquis* on late payments;

→ accelerate the adoption of the unified investment Law and the next Business Investment Development Strategy to address challenges to competitiveness and growth as stressed in the joint recommendations of the Economic Reform Programmes of 2019 and 2020.

Albania should finalise its 2021-2027 business and investment development strategy (BIDS). This will set the strategic framework for Albania's **enterprise and industrial policy,** covering SME skills development, innovation, sustainable growth, and conditions for attracting foreign investment. Albania adopted a 2020-2024 Country Programme for Inclusive and Sustainable Industrial Development (ISID). This has three main pillars: industrial competitiveness and market access; productive employment and entrepreneurship development; and sustainable energy for productive uses and environmental management.

Albania continues to implement the South-East Europe 2020 regional initiative and actions under the Western Balkans Multi-Annual Action Plan for the development of Regional Economic Area (MAP-REA) and the recent Common Regional Market action plan. Despite delays due to the COVID-19 pandemic Albania is implementing its action plan based on a model that involves the public and private sectors together with universities, mainly related to drafting of innovation start-up legislation. It is also implementing its 2017 national Strategy on Innovation and Technology. In addition, it is has adopted a programme on Urban Partnership Acceleration that would serve as a matchmaking to connect Albanian innovation organisations, including universities, industry players and start-ups, who are committed to solving urban challenges is under implementation. Albania supported the establishment of several innovation facilities.

Albania follows the implementation of the Small Business Act. Despite some improvement in the business environment, the impact of the COVID 19 pandemic on businesses highlighted structural challenges. SMEs identify their main challengers 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. Enhancing good governance and quality of institutions, skills and product diversification, while maintaining macro-economic stability, are crucial to supporting economic growth. To combat the informal economy, Albania is mainly focused on measures to expand the taxpayer bases, enforcing compliance and contributing to creating a level-playing field for economic operators. In January 2021, it started a "fiscalisation" process, enabling e-invoicing between businesses and public entities. As of July business-to business transactions can be handled electronically. A transition period has been introduced, lasting until the end of 2021, during which both paper-based and electronic invoices can be issued. The third transaction category,

business-to-consumer transactions, are foreseen to join the “fiscalisation process” in September 2021.

Albania continued to privatise state assets, partly through privatisation vouchers; some of which were purchased by landowners exercising their right of pre-emption. A law on the establishment and operation of economic zones exists, though none been established. The law establishing an Albanian Investment Corporation became operational in April 2020. A Technological Economic Development Area (TEDA) for the construction of an industrial plant for processing in Rashbull, Durres, is still in a development phase. A contract to construct, maintain and operate a technology and economic development zone in Elbasani was signed in March 2020, and a strategic investor was designated in May 2020. The expiry of the 2015 Strategic Investments Law was postponed to the end of 2021, but the finalisation of the draft investment law is delayed. Fifteen investment projects received 'strategic investment' status, mostly in the tourism, agriculture and energy sectors, 23 applications are under consideration.

In the area of **enterprise and industry policy instruments**, the Albanian Investment Development Agency (AIDA) continues to offer funding instruments to stimulate start-ups and entrepreneurship in tourism, handicrafts, competitiveness and innovation. However, no funds were distributed during 2020, as the funds were re-oriented towards COVID-response measures for businesses, and revising the support schemes under AIDA. An online access to finance platform was launched by AIDA to enable interested businesses to access information on available financing opportunities. Access to finance remains a serious challenge for Albanian businesses. As part of response to the impact of COVID-19, two sovereign guarantee loans were adopted by the government and agreements were signed with second tier banks to provide liquidity to businesses to pay employees’ salaries and to finance operational costs. Tax legislation was amended in February 2021 for a three-year royalty tax exclusion for extraction industry companies to boost pre-export mineral processing.

The Albanian National Agency for Information Society established “TechSpace”, a creative environment for developing start-ups dedicated to training on technology, innovation and entrepreneurship activities, and mentoring start-ups in the field of ICT. Since its establishment, 100 start-up ideas have been registered. The “Roadmap to Silicon Valley” pilot programme for start-ups, launched in January 2020, with an incubation phase at TechSpace, workshops, extensive research and lean start-up methods. Cooperation agreements were signed with public universities, and public and private vocational high schools. Albania developed an IDEA Business Plan Competition to establish a business mentor and business angel network, and continued its 2017-2020 mentor club with participation of entrepreneurs and universities

Albania participates in the EU’s COSME programme for SMEs, including Erasmus for Young Entrepreneurs (EYE), and the Enterprise Europe Network (EEN). Two financial intermediaries were selected to provide COSME financial instruments to SMEs; however, the potential of COSME to assist SMEs in accessing markets remains underused in Albania. Albania is preparing to participate in the EU Horizon Europe programme as a follow up to its participation in Horizon 2020. Albanian legislation was further partially aligned with the EU *acquis* on late payments in May 2021. Full alignment should be accelerated, including the issues related to retention of title, and recovery procedures for unchallenged claims. Albania’s SMEs definition is partly aligned with the EU recommendation, however, national capacity in the field of SME policies and support remains very limited.

On **sectoral policies**, incentives for the agro-processing industry continued to be implemented. The 2019-2023 national strategy for the sustainable development and tourism

and its action plan are being implemented. A maritime tourism activity law was adopted in June 2020, followed by a law introducing VAT exemptions for imported tourism boats/yachts. A ministerial guideline on recovery measures in tourism was adopted in March 2020, focusing on the areas affected by the November 2019 earthquake. Financial support measures for small businesses were introduced to respond to the impact of COVID-19. These include the relaxation of fiscal policy, the postponement of tax filing and tax payment in the end of 2020, removal of corporate tax for SMEs for 2020, the postponement of profit tax instalments to 2021 for some other business categories, and some relaxation measures under local taxes. Salary-payment support schemes were introduced for categories most at risk of unemployment due to business closures, and bonus payment for employees of other businesses affected by confinement. Specific measures are foreseen to address business needs in the most affected sectors such as tourism, inward processing and manufacturing.

### Chapter 25: Science and research

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

Albania has **some level of preparation** in the area of science and research. **Good progress** was made over the reporting period, especially with the completion of the quantitative analysis phase of the Smart Specialisation Strategy, in the further improved participation in Horizon 2020, in reaching out to the diaspora, and in academia business cooperation. However, last year's recommendations have not been fully addressed and therefore remain valid.

In the coming year, the country should in particular:

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

→ continue the development of the Smart Specialisation Strategy;

→ ensure timely association to and participation in Horizon Europe.

On **research and innovation policy**, the implementation of the 2017-2022 national strategy for scientific research, technology and innovation was monitored for the first time in 2019. Key recommendations included carrying out a review of resources planned in the draft midterm 2020-2022 budget planning for increasing scientific research funds to 1% of GDP by 2022. The figure for 2020 – some 0.03% of GDP – remains far below. Earmarked national resources for scientific research and development funds for 2021 (0.06 % of GDP) and for 2022 (0.05 % of GDP) are still well below the target. Albania still 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.

Albania still needs to develop a clear methodology to establish funding for research and science. The research infrastructure mapping is ongoing. The Prime Minister's Office initiated a plan to continuously update Albania's research infrastructure data, based on the OECD's Frascati manual.

Limited progress was made with the implementation of the 2017-2021 action plan to support the development of innovative policies, which is aimed at promoting better links between academia, industry and government. Efforts are still needed in the fields of open access and open data.

The draft law on scientific research is still pending adoption.

The development of a **Smart Specialisation Strategy (S3)** under the lead of the Ministry of Education, Sports and Youth. a road map for the S3 process was drafted, in cooperation with the European Commission. Both qualitative and quantitative analysis phases were completed and the launch of the Entrepreneurial Discovery Process is expected in 2021.

As regards **EU framework programmes**, Albania participates in Horizon 2020 as an associated country. Its participation in Horizon 2020 has improved and shows a very good result for 2020, nonetheless its overall success rate continues to be low. As of May 2021, Albanian entities have participated in 52 actions of Horizon 2020, receiving EUR 5.5 million of direct EU contribution. The success rate of proposals with Albanian participation is 8.7 % (up from 7.8% since last year) compared to 12.1% Horizon 2020 success rate. Private sector participation in the programme continues to remain particularly low. A further positive trend is the new national support measure facilitating academia-business cooperation, with 21 R&D projects submitted by academia and business partnerships The National Agency for Scientific Research and Innovation (NASRI) continued its efforts to raise awareness on Horizon funding opportunities. Increased measures should be implemented to raise the awareness on participation in Horizon Europe.

On integration into the **European Research Area (ERA)**, Albania should be more active in all areas, and should improve its linking with European partners to engage in international cooperative research. There is already active engagement in European Cooperation in Science and Technology (COST) with 200 Albanian researchers, of which 60 are new, during the reporting period. Albania has become a full member of EUREKA in 2021. Both memberships are expected to advance Albania's research and innovation international cooperation capacity.

Albania still does not participate in the European Innovation Scoreboard. Albania should make stronger efforts to produce statistics and reliable data on science and technology, including the indicator on gross domestic expenditure on Research and Innovation, with a view to participating in the European Innovation Scoreboard.

On brain circulation, considering that the human capital in the diaspora is an important asset for Albania, establishing a platform for brain circulation linking Albanian specialists/ researchers/ experts working abroad is considered a good initiative. The efforts to reach out to the diaspora and to link it to national research and innovation activities are commendable.

## Chapter 26: Education and culture

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

Albania is **moderately prepared** in the field of education and culture. **Some progress** was registered with the strengthening of the new National Agency for Employment and Skills, the continued restructuring of the National Agency for Education, Vocational Training and Qualifications, the continued implementation of the Albanian Qualification Framework Law and the adoption of the Optimization Plan for VET providers. Special measures were taken in adapting quickly to a remote education model imposed by the COVID-19 pandemic. Further efforts are required to finalise the adoption of the necessary implementing legislation for the Vocational Education and Training reform, including inspection and autonomy of VET providers and to operationalise sector skills committees. Some progress was made in the

implementation of the strategy on culture for 2019-2025, but efforts should be done to complete the adoption of implementing legislation on the Law on Cultural Heritage and Museums.

In the coming year, Albania should in particular:

→ adopt the new strategy on education, covering all levels and ensuring the adequate financial protection as well as targeted public spending for the people affected by the earthquake and the COVID-19 pandemic;
→ finalise the implementing legislation of the VET Law and implement the Optimization Plan by 2022 to develop services and competences in line with the needs of the private sector at local level;
→ adopt the National Youth Strategy for the period 2021-2026.

On **education and training**, 2020 was a challenging year due to the impact of the November 2019 earthquake in central Albania, which damaged 24 % of the educational facilities, as well as the emergency adjustments taken for the provision of online education during the COVID-19 pandemic. As a consequence of the earthquake 21 000 children in 11 municipalities moved to host schools and attended classes in shifts, straining resources and affecting the quality of teaching. Frequent school interruption increased pressure on the provision of online education at all levels underscoring the need for additional resources and investments to allow digitalisation. At least 11 000 children from vulnerable groups were unable to follow online classes due to unavailability of devices, lack of internet connection or quality support.

Both the earthquake and the COVID-19 pandemic caught the system unprepared, which as such was not equipped with adequate teachers' training and teaching practices to ensure effective distance-learning. Albania is encouraged to conduct an in-depth assessment of the learning gaps, of the inequalities and marginalisation induced by the prolonged pandemic, and in particular of the impact of school interruption for the most vulnerable children and children with disabilities, to ensure a systemic recovery and resilience to further shocks and promote digital transformation in education.

With regard to quality in education, progress was made with the appraisal of the current policy framework and drafting of the new National Strategy of Education and Action Plan 2021 – 2026, covering the stages from pre-school to higher education, the implementation of curricular and legislative frameworks and the delivery of free textbooks to pupils in primary education. The number of children benefiting from free textbooks program in the academic year 2020-2021 remained stable. These include children from minority groups (Roma or Egyptian community), children coming from disadvantaged backgrounds, pupils from families benefitting from economic assistance and children with disabilities.

Albania's budget allocation to education is very low at 2.7% of GDP in 2021, 0.6 pps. lower than in 2019 and 1.9 pps. below the EU-27 average (2018 figures), thus falling short of the prediction of the current National Pre-University Education Strategy, which has foreseen a 5 % share of GDP devoted to education. The budget in 2021, expected to drop at 3.5% of the GDP, should be enhanced to support the efforts to modernise the educational system and ensure quality and inclusiveness in education for all pupils. The expected school financial autonomy has not progressed in 2020 as the sublegal acts and provisions for providing actual financial autonomy in the school were not developed despite the existing legislation.

The efforts to finalise the preschool reform as per the highest quality standards continued during the reporting year with the capacity-building development of pre-school teachers. However, resources remain inadequate with only 0.5% of GDP allocated for pre-primary education in 2020. To respond to the unexpected challenges of the COVID-19 pandemic and

the need for remote or blended education, more efforts were invested in teacher development and the revision of ICT curricula. ICT standards for teachers were quickly developed and 1 200 teachers benefitted from ICT training in 2020. The training program continues with a further 800 teachers in 2021.

Enrolment rates in the pre-university education system decreased by 4.4% during the 2020-2021 academic year, with a notable decrease of 8.4% in the preparatory/pre-school education for 5-6 years old, most probably due to the impact of the COVID-19 crisis. 286 486 pupils are currently enrolled in basic education, 55.3 % in primary education and 44.7 % in lower secondary education. Attendance in basic education dropped by 2.8% compared to the previous academic year. The Educational Management Information System (EMIS) system is still not yet operational, thus preventing the provision of real time and accurate data on education participation and quality as well as on the number of children who remain out of school. A non-operational EMIS also restrains the development of evidence-based policies.

According to 2019 Labour Force Survey data, adult (25-64) participation in formal or non-formal education and training was extremely low at 0.9% compared to the EU average (10.8%). The Adult Education Survey (AES), which measures participation over a longer time span of one year, also shows a significant gap between Albania (9.2 %) and the EU average (45.1 %).

Although already very low, the participation rates of Roma and Egyptians children declined in both pre-university (13 086 against 14 515 in 2019-2020) and early childhood education 2 514 against 2 996 of the year 2019-2020) and care. The gap in access to education between Roma/Egyptian children and other children living in the same areas remains very large. The measures planned to facilitate access to universities (a quota system and university fee waivers) are in general not implemented. Due to financial resource and capacity constraints, the quality of education remains an issue across the country, particularly inadequate in rural and isolated areas where school premises, often in poor conditions, are used for both early childhood education and care and primary education, and it is difficult to attract qualified teachers.

Implementing legislation on establishing sectoral skills committees was completed but still remain to be operationalised. Albania is currently preparing the referencing of its National Qualifications Framework to the European Qualifications Framework, planned for October 2020. 19 occupational and qualification standards were developed and 23 frame curricula improved for levels 2-5 of the Albanian Qualification Framework. Validation of non-formal and informal learning is one of the priority measures in the national strategy for employment and skills 2014-2022 and provided for, in both the vocational education and training (VET) and AQF laws. So far, implementation has been confined to pilot projects and has not yet been applied countrywide.

Regarding **Vocational Education and Training** (VET), the implementing legislation of the 2017 VET Law is not yet fully adopted. A by-law on work-based learnings was adopted in 2020, but implementing legislation on the inspection, financial autonomy of and on organisation, function and activities of VET providers still needs to be adopted. Qualification standards and framework curricula for most VET programmes are being modernised, but some schools lack the teaching skills and equipment to put them into practice. The government consolidated the VET institutional framework, by reinforcing the newly established National Agency for Employment and Skills, further restructuring the National Agency for VET and Qualifications, including through provision of additional human resources to cover the extended mandate, and reinforcing the quality assurance framework. Nevertheless, further efforts are needed to finalise staffing of both agencies and to reinforce

monitoring and evaluation structures at central level and ensure adequate planning. Work-based learning has been highly impacted by the effects of the pandemic and the difficulties encountered by the private sector, and the ongoing crisis is disclosing the urge for reskilling and upskilling. Qualification standards and framework curricula for most VET programmes are being modernised, even though some Albanian schools still lack the teaching skills and adequate equipment to put them into practice.

The Optimisation Plan of VET providers was endorsed in September 2020, leading to a revision of the capacities based on local labour market needs. Albania is expected to adopt the implementing legislation on organisation, functions and activities of VET providers as well on their financial autonomy and fully implement this Plan by 2022 to ensure the rationalisation and modernisation of the VET offer. Meanwhile, the career guidance function within Development units in VET providers was institutionalised in 2020, supporting young people with the necessary orientation towards occupations required by the labour market as well as on the VET offer of further qualifications. In 2020, 85 % of teachers received training. Further training is required 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 18.2 % of upper secondary students enrolled in vocational schools in 2020.

The enrolment in VET has not increased, despite demonstrated faster transition into employment for VET graduates. Efforts have to be undertaken to properly address the learners' aspiration and labour demands.

Albania continued to participate actively in EU programmes, in particular Erasmus+, with very good results in 2020, especially in terms of mobility (Albania was involved in 4,078 mobilities, including students, academic and administrative staff) and capacity building in higher education projects, where three Albanian higher education institutions were selected as lead project coordinators out of 12 projects selected from Albania.

The results of Albania's 2018 participation in the OECD PISA evaluation illustrated continued poor performances: 50.3 % of 15-year olds underperformed at PISA levels I or II in reading and 53.3 % in mathematics. The country participated in Trends in International Mathematics and Science Study 2019 and is participating in the 2021 Progress in International Reading Literacy Study. Despite some progress over the past years, compared to the average across OECD countries Albania tends to use more teacher-directed instruction and less adaptive methods that focus on meeting students' individual needs. The practices commonly used by teachers in Albania are associated with lower reading scores. Provision of educational resources in Albania is low and inequitable.

Regarding the **culture** sector, the national strategy is in place. During 2020, the Ministry adopted important implementing legislation regarding the licensing for the projects in the culture heritage field. Due to pandemic the number of projects approved were developed in accordance with the rules and protocols adopted for COVID-19. During 2020, only 37 internal projects were carried out, with participation of 1,460 artists from different genres.

In November 2020, Albania reported for the 4-year period regarding the 2005 UNESCO Convention on Protection and Promotion of the Diversity of Cultural Expression.

Albania continued to participate in the EU Creative Europe programme. In 2020, Albania benefited from seven projects prepared by NGOs and public institutions under this programme, and during the reporting period, the Ministry organised one information session about the programme. In February 2021, a workshop was organised regarding the best

practices and lessons learned in the previous EU Creative Europe Programme for the period 2014-2020.

The adoption of the Law on **youth** was a positive step towards policymaking on youth, however further efforts should be made for the approval of the remaining bylaws (3 out of 5 have been approved) and the establishment of relevant youth structures. The criteria for national youth representative organisations to be recognised by the institution responsible for youth have to be approved by decision of the Council of Ministers. Youth organisations expressed concerns about the new Law, especially the representativeness of the structures to be put in place. No new centres have been established during 2020.

The National Plan of Action for Youth 2015-2020 has been completed in 2020 and a thorough assessment is needed on its achievements, challenges and problems encountered. In addition, the Ministry of Education, Sports and Youth shall finalise the National Youth Strategy and Action Plan 2021-2026.

During 2020, more than 32,000 student cards have been distributed in Tirana, however, the student card is implemented mostly in Tirana and includes only limited services. There is no available data on its implementation, allocated budget and user rate among students.

The Regional Youth Cooperation Office continues to be active in the region. Good level of participation of Albania was noted also in 2020, where Albania had the highest number of applications.

## Chapter 29: Customs union

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

Albania is **moderately prepared** in the area of the customs union. **Limited progress** was made in particular with the first registrations of authorised economic operators and first appointment of a coordinator of the anti-corruption network in the customs administration. Preparatory work for the development of the New Computerised Transit System continued. Last year's recommendations were partially addressed. In the coming year, the country should in particular:

→ approve legal provisions and develop the New Computerised Transit System;
→ intensify efforts in pursue the fight against smuggling, corruption and imports of counterfeit products including through strenthening 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 *acquis*. Its system for customs debt and guarantees is harmonised with EU rules. However, the levying of "scanning fees" per customs declaration continue to contravene the Stabilisation and Association Agreement which prohibits customs duties or charges having equivalent effect on trade between the EU and Albania. No progress was made to implement common transit. Albania is implementing its authorised economic operator programme with the first four registrations in June 2021. Awareness raising activities regarding the benefits, procedures and programmes are taking place, but capacity still requires development.

Binding tariff information and explanatory notes are published by the Albanian Customs Authority (ACA), and anonymised decisions on administrative appeals by the relevant court. The Customs Code contains rules of non-preferential origin and Albania applies the Regional

Convention on Pan-Euro-Mediterranean preferential rules of origin and follows the European Commission guidance related to the COVID-19 crisis period.

The customs code's provisions on valuation are aligned with EU rules. The risk management system is automated and compares import, export and transit data against active risk profiles. The legislation on customs enforcement of intellectual property rights (IPRs) is harmonised with the EU *acquis*. The customs control system for drug precursors, dangerous chemical products and 'controlled substances' is harmonised with the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. 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 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, 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**, in January 2021, the Customs authority signed a memorandum of cooperation with the police for access to the Europol SIENA platform for exchange of information. In March 2021, the nCEN (national customs enforcement network) database has become operational. The position of coordinator of the anti-corruption network was created in November 2020. Following authorisation by the Ministry of Justice the coordinator was appointed in March 2021 for a period of two years. The number of foreseen staff positions in the Customs Administration has been stable, with a current vacancy rate of 9%.

## CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport policy (Chapter 14); 15-energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27). Albania is moderately prepared in most areas related to the **Green Agenda and sustainable connectivity**, namely the trans-European networks, energy, and environment and climate change. It has some level of preparation in the area of transport policy. The country has made some progress in most areas in particular through revised transport planning and on energy connectivity. More efforts are needed to improve the performance of ships under the Albanian flag and to enforce energy and environmental legislation, not least in the protected areas.

The green transition and sustainable connectivity are key to economic integration within the region and with the European Union, facilitating cross-border trade within the region and creating real benefits for businesses and citizens. 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.

### 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 **some progress** achieved in the past year. The recommendations of last year have been partly addressed with

the implementation of the revised national transport plan (ANTP3), adoption of the ITS strategy for roads, and starting drafting the National Transport Strategy for 2021-2026. Work advanced on extending the Green Lanes/Corridors with EU Member States. Legislation has been adopted for setting up the rail agency. Efforts to further align the legislation remain to be made. The recommendations of last year remain partly valid.

In the coming year, Albania should in particular:

→ complete and adopt the new National Transport Strategy 2021-2026;

→ prepare and adopt the new Road Safety Strategy in compliance with the Transport Community Road Safety Action Plan;

→ aImplement legislation on the railway sector reform in compliance with the Transport Community Rail Action Plan and ensure full operability of the network;

→ accelerate taking concrete measures to improve the performance of maritime vessels under the Albanian flag.

As regards the **general transport** *acquis*, the inter-institutional working group monitoring the implementation of the national transport strategy and action plan for 2016-2020 and the sustainable transport plan for all transport modes, published its fourth monitoring report in July 2021. Meanwhile the final report on 2016-2020 Sectorial Strategy, completed by the Ministry, guide their work for preparing the upcoming National Transport Strategy and Action Plan 2021-2025, which is to be aligned with the mid-term budget programme 2022-2024. Efforts should be made to its completion and adoption. Albania continues to participate actively in the EU strategy for the Adriatic and Ionian Region (EUSAIR) and chairs since 1 June for one year the Governing Board. It should make further efforts to align its transport policy with public-service obligations and the *acquis* on public-service contracts. Further efforts are required to transpose fully the Intelligent Transport Systems (ITS) Directive and implement relevant national laws in compliance with the Transport Community Action Plans. The ITS strategy for roads sector was adopted in June 2020. It has yet to adopt a national ITS strategy for all transport modes and allocate adequate resources for its implementation.

Administrative capacity needs to be strengthened throughout the transport sector, particularly in rail transport, for which several capacity-building events were organised. The reform of Albanian Road Authority needs to be followed by the adoption and implementation of the required legislative changes. The law on the establishment, organisation and functioning of the National Authority of investigating railway and marine accidents was adopted on 1 July 2021. Funding for road and railway infrastructure maintenance is insufficient, resulting in continued deterioration of that infrastructure. Further efforts are needed to support the 2018-2022 rail maintenance plans.

Albania has made further progress in aligning its national legislation on **road transport** with the *acquis* by establishing common conditions for practising the profession of road transport operator. In March 2021, an agreement was signed with Italy on the mutual recognition of driving licenses. The guidelines on the criteria, rules and procedures for the issuance of licences, authorisations and certificates for the operation of international transport of goods by road, partially aligned with the *acquis*, have been adopted in December 2020.

Albania should prepare and adopt the new Road Safety Strategy and its Action Plan, in line with the Transport Community Road Safety Action Plan. Albania further aligned its legislation on periodic roadworthiness tests. Albania has not yet strengthened its inspection capacity. More efforts are needed to align Albania's legislation on traffic-management systems and road safety (including road-safety education and enforcement). Several road-

safety interventions are being implemented to improve the safety in roads' intersections. On the implementation of the law on dangerous goods, Albania has yet to adopt licensing criteria and procedures of professional training institutions, as well as guidelines on training and testing program of safety advisers. During the reporting period, the related legal acts have been prepared by the Ministry of Infrastructure and Energy and sent for further consultation with the relevant line Ministries.

During the period 2021-2023, Albania plans to align its legislation with the amendments to the social and market legislation introduced by the Mobility Package I and adopted in July 2020, respectively: regulation 2020/1054 regarding minimum requirements on maximum daily and weekly driving times, minimum breaks and daily and weekly rest periods and positioning by means of tachographs; EU regulation 2020/1055 adapting previous regulations to developments in the road transport sector; and Directive 2020/1057 on posting drivers in the road transport sector.

As regards **railway transport**, implementing legislation to the 2016 Railway Code, aiming at unbundling train operations from infrastructure management as well as establishing a Railway Regulatory Body and a Safety Authority was adopted on 1 July 2021. Albania needs to ensure full operability of the rail network. In that respect, further efforts are needed to draw up the strategic framework for implementing ITSs on the core rail network. Albania has published the Rail Network Statement for 2021 only in Albanian language.

On **maritime transport**, significant efforts are still needed to substantially reduce the detention rate of Albanian-flagged vessels in order to leave the current "Black List" of poor flag performance considered a high risk and to resume the country's application for membership of the Paris Memorandum of Understanding on Port State Control. A working group of representatives of the responsible Ministry and the Albanian Register of Shipping has prepared a gap analysis and proposed several recommendations as well as legal, operational and technical measures, which are currently implemented to improve the performance of the maritime fleet. Further efforts are needed to draw up a strategic framework to implement ITSs on the core maritime network. Full alignment with the acquis on EU vessel-traffic monitoring and information systems (VTMIS) is underway and planned to be completed within 2022. A project and loan agreement for establishing those systems in Albania are in place since 2020.

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

There were no new developments regarding **inland waterway transport** which is limited to two lakes shared with neighbouring countries and regulated by bilateral agreements. Albania and neighbouring Montenegro continued to implement their July 2018 agreement on the joint Ckla-Zogaj border crossing for international road passenger and lake transport.

On **aviation**, Albania continued preparations for the assessment visit requested under the European Common Aviation Area Agreement (ECAA), which is planned for 2022, following the complete adoption of the relevant national legislation. The new Air Code, intended to align Albanian regulations with the EU Regulations set out in Annex 1 of the ECAA Agreement, was adopted in July 2020. In December 2020 the Council of Ministers approved a decision on essential requirements in the field of civil aviation fully aligned with EU Regulation 2018/1139. Provisions on aviation security in the new Air Code were supplemented by the adoption of the National Civil Aviation Security Programme in December 2020 and of basic standards on aviation security in March 2021. A reduction of salaries of air traffic controllers (ATCO) due to the Covid-19 pandemic triggered temporary

strike actions in March 2021, giving rise to possible issues with the safe functioning of the Albanian air traffic control system. As a consequence, the European Union Aviation Safety Agency issued a standardisation finding to the Albanian Civil Aviation Authority and will assess the safe and uniform implementation of ATCO licensing rules during its next Air Traffic Management/Air Navigation Services standardisation inspection in Albania, which is planned for early 2022.

Although the national transport strategy includes some priority actions for the development of **combined transport**, there is only limited legislation in this area through definition of multimodal transport in the Railway Code. In February 2021, Albania finalised the strategy for the performance of the combined transport which forms an integral part of the national transport strategy 2021-2025.

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

### Chapter 15: Energy

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

Albania is **moderately prepared** in this area. There was **some progress** on the electricity market reforms and connectivity reform measures, in the renewables and gas sectors and on regional interconnection lines, as well as in switching from exclusive and hydropower generation to photovoltaic and wind renewable energy sources. Such efforts should be further pursued taking into account its commitments under the Paris Agreement on Climate Change and the need to engage in clean energy transition in line with the Green Agenda on Western Balkan as endorsed by the Sofia Summit in November 2020. Albania made some progress on the legal framework for Energy Efficiency (EE) while the implementation of the Energy Efficiency plan remained slow. Alternative EE funding mechanisms to the abandoned EE fund have not advanced. The Energy Efficiency Agency is not fully operational. Last year's recommendations have not been sufficiently addressed and remain valid.

In addition to addressing the shortcomings set out above, in the coming year Albania should in particular:

→ continue diversifying electricity production away from hydropower, and ensure a fully operational Power Exchange (ALPEX) and day-ahead electricity market;

→ complete the functional unbundling of energy companies, abolish legal obstacles to the right of customers to change their electricity supplier and ensure full access to the liberalised market for all customers connected to 20kV;

→ implement secondary legislation related to the Energy Performance of Buildings Directive, accelerate the training and certification of energy auditors and managers, put in place financing incentives and mechanisms on energy efficiency, and increase financing of EE projects;

→ adopt the integrated National Energy and Climate Plan (NECP) 2020-2030 and set up a fully operational energy agency in line with the NECP ambitions, covering Renewable Energy and Energy Efficiency, and equipped with adequate staff and budgetary resources.

On **security of supply**, Albania is at a moderate stage of preparation. Its oil-stock legislation is not in line with the *acquis*. There was no progress in creating a central stockholding body for oil. Albania must complete alignment with the *acquis* on minimum oil stocks of crude oil

and/or petroleum products required for security of supply. It must also amend its emergency oil-stock model.

Albania's electricity system has been connected with neighbouring systems in Greece and Montenegro since 2014. A bilateral agreement to establish a joint electricity control block with Kosovo which was hampered in past years due to a dispute between transmission system operators of Serbia and Kosovo, entered into force in October 2020. The Power Exchange (ALPEX) has been established and is expected to be fully operational during 2021. The construction of a connection with North Macedonia is much delayed, with the works contracts signed only in the first half of 2021. In 2020, Albania continued to reduce electricity distribution losses in the power grid (20%, compared with 23.03% in 2019). The trans-Adriatic pipeline (TAP), a major natural gas connection between Greece and Italy through Albania, is now operational *(see Chapter 21 – Trans-European networks)*.

On the **internal energy market**, following the amended power law adopted in June 2020, the unbundling and independence of the transmission system operator OST from KESH can be considered completed. The Council of Ministers approved in 2020 several implementing acts that provide a legal basis for setting up the market operator and establishing the Albanian Power Exchange (ALPEX), which is now set up and due to be fully operational by the end of 2021. New balancing rules are in force as of 1 April 2021. They introduce market based procurement of balancing services and imbalance price formation. A full and effective functional unbundling of the distribution system operator OSHEE SA is still pending due to the uncompleted transfer of activities, assets and staff to the new companies.

Electricity prices are not yet fully liberalised. Since 1 January 2021, all distribution customers connected to 35kV, but only part of those supplied at 20 kV level benefit from an unregulated market. The next step of de-regulating all supply at all voltage levels, except the 0.4 kV level, is envisaged for January 2022 The electricity market is still dominated by the regulated wholesale contract between state-owned generation company KESH and OSHEE companies (distribution system operator; service supplier). This contract should be terminated immediately after ALPEX becomes fully operational in 2021.

ERE's legal framework is generally in line with the acquis, except for a few (albeit important) missing competences: the right to impose measures to promote competition, to require transmission and distribution system operators to change their terms and conditions, and to raise the level of the penalties that ERE can impose. Following the approval of its new organisational structure in April 2020, ERE needs to develop its capacity as an independent institution in order to address shortcomings in the national energy markets much more actively.

Albania intends to connect the Vlora thermal power plant, built in 2011 for oil-fired energy production but never put into operation due to technical problems, through the construction of a 40 km natural gas pipeline with the TAP. This would stabilise the generation of electricity during droughts in the southern part of Albania, and increase the country`s energy security. Albania adopted acts implementing the 2015 Law on the natural gas sector.

Albania's legislation is only partly aligned with the **Hydrocarbons** Licensing Directive, with some progress on its secondary legislation. It has not transposed the Directive on the safety of off-shore oil and gas installations.

Albania has recently made good progress in putting in place the regulatory framework for **renewable energy** although 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 2020 consumption was not reached. Major contracts for two solar PV farms

(cumulated 240MW) have been signed, and an auction on wind farms has been launched in 2021. Albania adopted new legislation in January 2021 aiming at transformation of the feed in tariff support scheme into a contract for difference, which will be implemented through the Renewable Energy Operator, Free Market Supplier and ALPEX.

Albania depends almost exclusively on hydropower for its electricity generation, making it very vulnerable to unfavourable hydrological conditions and climate change impacts. In addition, it is a net importer of electricity of annually up to 30%, as electricity from hydropower is not sufficient to meet its current and future needs. Progress in power interconnection with neighbouring countries and in setting up an integrated regional energy market will strengthen the security of supply, as well as open opportunities for green energy development and trading. Albania could significantly improve its energy security and reduce energy system vulnerability to climate impacts by deploying its vast solar and wind resources. It has recently started to switch from exclusive and controversial hydropower generation to PV and wind renewable energy sources.

The numerous concession contracts for hydroelectric power plants are not a sustainable option for Albania. Particularly the small HPPs generate significant impacts on local biodiversity and communities, notably in protected areas where around 20% of the more than 500 contracts are located or planned. Plans for hydroelectric power plants have generated much debate, protests and court action, casting doubts on the concession processes legality and on the quality and validity of environmental impact assessments (EIAs). Moreover, no strategic environmental assessments (SEAs) have been conducted despite the cumulative impacts generated in the river basins. The case of two proposed large HPPs on Vjosa River and another one on the Drina River have generated societal debates and opposition by local and international community. Such investments require full compliance with the national legislation as well as with the environmental and Energy Community *acquis*, and notably with regard to public consultations (Aarhus Convention) and quality of EIAs and SEAs.

The implementation of the **energy efficiency** action plan NEEAP 2017-2020 has not met expectations in terms of cumulative saving of the energy used in Albania by 2020 (about 2% instead of 6.8%). The Energy Efficiency Agency, set up in 2016 to implement energy efficiency policies and measures and operational since late 2018, is still not fully staffed and efficient. After abandoning plans for establishing an Energy Efficiency Fund, no EE incentives are in place and EE financing mechanisms still need to be promoted. Nevertheless, some progress was made in terms of compliance with the Energy Community *acquis* by amending the Energy Efficiency Law in March 2021 to align with the Energy Efficiency Directive, and in terms of secondary legislation, such as several procedural and legal acts adopted before end of 2020 in the area of energy performance in buildings.

Albania should complete and adopt by the end of 2021 the National Energy and Climate Plan (NECP) 2020-2030. This Plan will complement the present Energy Strategy 2018-2030, replace the NEEAP and set new EE targets for 2030, including measures for reaching this target, in line with its commitments under the Paris agreement and in compliance with the Green Agenda for the Western Balkans. In view of these ambitions, Albania needs to ensure that a fully operational energy agency is in place, equipped with adequate staff and budgetary resources, so as to implement efficiently the RE and EE measures of the plan as from 2022.

Albania has made little progress on **nuclear energy, nuclear safety and radiation protection**. In December 2020, it adopted a Regulation on the safe process of decommissioning of facilities which carry out activity with radioactive sources which determines the general safety requirements that must be met during the process of decommissioning facilities.

## Chapter 21: Trans-European networks

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

Albania has **some level of preparation** in the area of trans-European networks. **Some progress** was made in developing transport and energy networks, including full operationalisation of the trans-Adriatic pipeline (TAP) completed in 2020. Albania did not sufficiently 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 the EU *acquis* and the regulations on TEN-T (trans-European transport networks) and TEN-E (trans-European energy networks), including full transposition of guidelines for trans-European energy infrastructure;

→ implement 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 is making progress on its strategic framework for **transport networks.** It continued to harmonise its legal and institutional framework with the EU Trans-European Transport Networks (TEN-T) Regulation and the Transport Community Treaty (TCT). It is actively participating in all activities of the TCT Permanent Secretariat, such as Regional Steering Committee and Contact Points meetings, technical committees on railways, roads, road safety and transport facilitation. The Albanian authorities are encouraged to strengthen their close cooperation in the framework of the TCT and implement the action plans on road, road safety, rail, and transport facilitation

The 2016-2020 national transport strategy and action plan provide for the extension of the TEN-T core and comprehensive networks to Albania and its alignment with TEN-T guidelines, EU standards and regulations. Albania has further aligned the national legal framework with TEN-T Regulation 1315/2013/EU through an additional implementing decision. The Ministry of Infrastructure and Energy started drafting of the 2021-2026 national transport strategy and action plan *(see Chapter 14 - Transport).*

Albania has made some progress in repairing and maintaining its core road infrastructure. It is progressing with the preparation of road, rail and port infrastructure projects, especially along the Adriatic-Ionian corridor and corridor VIII (Varna–Durrës). Fieri, and Tepelena bypasses are now completed and open for traffic since mid-2020. Vlora bypass works are progressing intensively and from 15 July the bypass was open to traffic for the summer season.. The Study on Adriatic Ionian road corridor was completed in December 2020. The contract for rehabilitation of the Durrës-Tirana rail line and construction of a new line to the international airport have been signed in February 2021. Works are due to start by 3rd quarter-2021 and completed in 2023. The design for the Vore-Hani Hotit Railway was completed in June 2021 while the design studies are ongoing for the rail Corridor VIII section from Durres to the border with North Macedonia and Greece. Works for the construction of

transport infrastructure should be implemented in full respect to the environment and the related protective measures foreseen under their Environmental Impact Assessment Studies.

In June 2021, the two Prime Ministers of Albania and Northern Macedonia signed the Agreement on the establishment of joint crossings and customs controls at the crossings between the two countries. This agreement is another step towards facilitating cross-border crossing procedures for citizens of the two countries and of the region.

During the reporting period, the government decided to relocate the cargo activities of the ports of Durres and Vlora. The Durres port, which is the only core network port in Albania and for which EU support is envisaged on the rehabilitation of two quays, will relocate its cargo activities to the Porto Romano area several km north of Durres, and to turn the current port into a touristic one. In November 2020 the Government concluded a ten-year agreement on economic cooperation with the Government of the United Arab Emirates (UAE), including the redevelopment of the Port of Durres. The UAE Company Emaar Group (EMAAR) will be in charge of transforming the port into a large marina. In June 2021, the Port of Durres Authority launched the tender for a service contract to transfer the cargo activities from Durres Port to Porto Romano.

In April 2021, Albania officially inaugurated the Kukës airport in the north of Albania designed to serve as the country's second international civil airport. The airport is now poised to start normal operations from 15 July 2021, and will focuses on low-cost airlines. The first flights are scheduled between Kukes and Zurich and Kukes and Istanbul. The government signed in April 2021 the contract to build a third international airport in Vlora within the Vjosa-Narta Protected Area, south of Albania *(see Chapter 27 - Environment).*

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

Albania should ensure that its transport network projects are implemented in line with the TEN-T regulatory framework and the TCT Action Plans while contributing to the Green Agenda for the Western Balkans. Current and future infrastructure investments should comply with EU standards on public procurement, State aid as well as SEAs and EIAs. 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. More serious measures on road safety should be taken, particularly to eliminate 'blackspots' identified on stretches with high accident rates resulting in fatalities and injuries. The adoption of the multiannual maintenance plans for the entire (rail) core network remains a challenge.

On **energy networks**, further efforts are 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 trans-Adriatic gas pipeline became operational in December 2020, with 1 billion cubic meters (bcm) already transported by March 2021. The gas master plan provides for major gas interconnector projects such as the Ionian-Adriatic pipeline and the Albania-Kosovo gas interconnector pipeline (ALKOGAP) which are at an early stage of planning.

Progress was made on improving the infrastructure for power transmission. Albania has functional power interconnection lines with Greece and Montenegro. The 400kV line between Albania and Kosovo became operational in December 2020, after Kosovo

transmission system operator KOSTT SA concluded a new connection agreement with the European Network of Transmission System Operators ENTSO-E in April 2020. With this agreement, KOSTT and Kosovo have finally left the Serbia, Montenegro and North Macedonia control block and joined the Kosovo-Albania control block, which also paved the way for KOSTT to integrate into the regional energy market, and participate in the Albanian Energy Exchange (ALPEX), which is expected to be functional by 2021.

The government approved the construction of a 400kV line between Elbasan in Albania and Bitola in North Macedonia in June 2016 but construction is much delayed. Selection of the winning bidders for the pre-qualification phase was completed in 2019. The contract for Lot 1 and Lot 2 were signed respectively in January 2021 and April 2021. Completion is expected 24 months after the entry into force of the contract. The technical stage procedure is still ongoing. The line is projected to cost €70 million and the project is scheduled for completion by end 2022.

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

### Chapter 27: Environment and climate change

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

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

The 2020 recommendations remain valid and in the coming year, in addition to addressing the shortcomings set out below, Albania should in particular:

→ align further with key water directives by adopting the newly prepared legal package; adopt the new strategy for water supply and sewerage 2021-2030; substantially increase the budgetary resources and implementation capacity of its key national agencies for Water Resource Management and for Water Supply, Sewerage and Waste Infrastructure, and of the national agencies for implementing a national water monitoring programme financed through a statutory budget line created to this aim; develop a basin management plan for the 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;

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

Environment

As regards **horizontal issues**, Albania needs to step up efforts to achieve full alignment and implementation in most areas. 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, especially for large infrastructure projects in the energy, transport, tourism and mining sectors. Habitat connectivity and ecological corridors are rarely taken into consideration causing habitat fragmentation and impacting populations of many species. The EIA for Kukës Airport was submitted in January 2021, while the construction works were already well underway. Public participation and consultation in decision-making needs to be improved as well, particularly at local level. Implementation of the Law amending the 2019 Penal Code and fully transposing the Directive on protection of the environment through criminal law has to be improved as only a small fraction of those crimes reported lead to convictions. The implementation of the polluter-pays principle in secondary legislation is weak. The process of approving geographic information standards in compliance with the Directive establishing an Infrastructure for Spatial Information in the European Community (INSPIRE) was completed at the end of 2020. Further progress is needed to achieve full alignment with the directive on environmental liability. Following a reorganisation of environmental inspectorate in 2020 and change of responsibilities, the share of competences for environmental enforcement should be clarified and enforcement itself should be rapidly strengthened, especially to address environmental crimes more effectively. The already limited State budget for environment and climate change was further reduced for 2021 by more than 7% to EUR 8.9 million. It needs to increase to meet all requirements of EU directives.

Albania has to put more efforts to align with the **air quality** *acquis*, including on extending and improving the air monitoring system. Implementation of the 2014 national air quality strategy is still pending. The current national plan on air quality management adopted in June 2019 does not provide for a functional monitoring system and focuses mostly on transport measures. Due to a lack of funding, air monitoring is not in line with the EU standards on air quality. An Action Plan for Air quality presents the current state of alignment, tasks to be carried out in the short (2021-2023) and medium term (2024-2027) and the human and financial resources needed to fulfil the relevant tasks. Albania showed a strong interest to get more involved in the works of the Air Convention (UNECE Convention on Long-range Transboundary Air Pollution - CLRTAP) and implement the Convention and its protocols. Albania has to strengthen its administrative capacities to determine the national emission ceilings and align with the National Emissions reduction Commitments Directive. Implementation of the Directive on sulphur content in certain liquid fuels is ongoing while the implementation of Directive 94/63/EC on the control of volatile organic compound (VOC) emissions resulting from the storage of petrol and its distribution from terminals to service stations and 2009/126/EU on Stage II petrol vapour recovery during refuelling of motor vehicles at service stations needs to start.

The legal framework for **waste management** is partially aligned. Closing of numerous non-compliant landfills and dumpsites remains a challenge. Separate collection of waste streams and economic instruments to promote recycling and reuse and to prevent waste generation remain limited. The construction of a new incinerator apart from the two existing ones in Elbasan and Fier poses growing concerns in terms of compliance with the EU waste acquis including the waste hierarchy principle and the recycling targets. Albania should promote circular economy and should incentivise preventing, reducing and recycling waste 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. The recommendations of the waste master plan are sometimes in conflict with the national waste legislation and EU acquis on waste. This should be reviewed.

On **water quality**, the level of alignment slightly increased with the adoption of a new Council of Ministers decision in December 2020, but still remains globally unchanged and partial. An inter-institutional Legal Group under the leadership of the Water Resource Management Agency (AMBU) has been set up in April 2021 to adopt a new legal package on integrated water management. Specific Implementation Plans are scheduled to be available in 2022 for the two EU directives where major investments are required for compliance (Drinking Water Directive and Urban Wastewater Treatment Directive). AMBU needs to enhance its national role and to structure and strengthen its resources and capacities for river basin management and implementation of the EU water *acquis*. Albania should promptly start implementing the Drini-Buna and Seman River basin management plans, following their adoption at the end of 2020, and proceed with the completion and adoption of the four remaining river basin management plans. In line with the Green Agenda for the Western Balkans, Albania should strengthen transboundary basin management with its neighbours, and develop a basin management plan for the Vjosa River, in view of its regional importance, its high ecological value and eco-tourism potential.

The water quality and quantity monitoring network as well as the reporting and licensing systems should be substantially enhanced and aligned with the *acquis* requirements. AMBU, together with the National Environmental Agency and other agencies, should urgently programme and implement a national water monitoring programme financed through a national statutory budget line to this aim. Albania should amplify and accelerate further the water reform measures to increase the performance and sustainability of utilities and the level of service delivered to all citizens. Notably, the Law on water supply and sewerage, the 2030 national strategy for water supply and sewerage and the revised water code should be adopted in 2021.

Water and sewerage utilities face challenges such as lack of licencing and tariffing for waste-water treatment, insufficient operation and maintenance and limited revenues and impact due to underdeveloped sewerage networks and household connections. There is an urgent need to ensure full alignment with the Urban Wastewater Treatment Directive, extend sewerage networks, license and apply adequate tariffs for all waste-water treatment plants and build new ones, in particular in urban and coastal areas with high tourism development. To achieve this, the National Agency of Water Supply, Sewerage and Waste Infrastructure needs to structure and strengthen its resources and capacities.

Alignment with the *acquis* in the field of **nature protection**, in particular the Habitats and Birds Directives, is advanced. Policy and law enforcement remain generally weak despite numerous capacity building activities and technical assistance. The legislation on strategic investment raises concerns for the protection of biodiversity, as it may allow large tourism and industrial investments in protected areas. In April 2021, Albania signed the contract to build Vlora Airport within the Vjosa-Narta Protected Area, in contradiction with national laws and international biodiversity protection conventions that Albania has ratified. This Protected Area is a candidate for the Emerald site network, which provides shelter to more than 62 species of birds listed in the EU Birds directive. Vjosa River, as one of Europe's last wild rivers, should receive proper protection status. The National Protected Areas Agency still has very limited capacities and financial instruments. 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. In December

2020, the National Territorial Council approved without proper public consultations the map of revised borders of the Protected Areas, where many protected areas are projected to be more fragmented and smaller in size, despite an overall total size increase. This jeopardises the ecological functionality of certain Protected Areas. Albania should take into account the comments of the scientific community and other stakeholders before taking a decision on the revision of the borders of the Protected Areas. Albania should ensure enforcement of the forest and logging laws, and prosecute offenders and arsonists. Environmental crime reports have increased during 2020 and first half of 2021, especially on deforestation, logging, arson, hunting and sale of wildlife and protected species, gravel extraction from riverbeds, and dumping of waste in rivers. The poaching of a lynx individual in Elbasan in May 2020, has not yet been prosecuted to-date. The moratorium on hunting is expected to expire in July 2021 with no clear follow-up plan and procedure.

Investments in hydropower should strictly comply with national and international environmental, nature protection and water management obligations, involve proper public participation and consultations, and be subject of SEA and EIA reports that include high quality assessments of the cumulative impacts on nature and biodiversity. SEAs are lacking despite the high number of existing and planned hydropower installations in all river basins. They should be conducted before any activity license may be granted for single projects. There is lack of inspection and monitoring of the minimum ecological flow from the current hydropower plants.

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

On **chemicals**, Albania continued to align with the EU Regulation on the registration, evaluation, authorisation and restriction of chemicals (REACH). In April 2021, Albania approved the list of candidate substances and groups of substances. However, the implementing legislation remains to be adopted and adequate administrative structures to be established.

Albania performed during the reporting period 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.

The 2019 **Civil Protection** Law has led in 2020 to the creation of a National Agency for Civil Protection (NACP). It requires a rapid revision of the outdated national strategy and national plan and a review of the related prefectural and local emergency plans. The administrative capacity, infrastructure and systems for early warning, prevention, preparedness and response are still inadequate. The regular floods in the last decade and the 2019 earthquakes, as well as the recent forest fires have highlighted the urgency of building efficient civil protection and disaster risk reduction (DRR) systems and mainstreaming them in key sectors in order to increase the country's resilience to natural disasters and crisis, including health emergencies such as the Covid-19 pandemic. Albania should align further with the Floods Directive, notably develop flood risk management plans in all basins, enhance flood forecast and the operation and sustainability of the national monitoring stations network, and urgently regulate its early warning and hydrometric-meteorological services. Albania is encouraged to accelerate preparations for joining the Union Civil Protection Mechanism (UCPM). It should seek to establish secure trans-European services for telematics

between administrations (STESTA), which is a pre-condition for connecting to the Common Emergency Communication and Information System (CECIS). The NACP should be provided with full capacity for this purpose.

Climate change

Albania has achieved some level of preparation for tackling climate change by adopting in December 2020 the climate law, but alignment with the *acquis* still remains limited. The 2019 national strategy on climate change focuses on energy, transport, agriculture, land use and forestry, with a 32% renewable energy target, whereas the climate law aims at lowering the emission of greenhouse gases, accelerating the adaptation to climate change, complying with international obligations, and creating a legal framework in line with the EU climate legislation. The strategy will require updating in line with the Green Agenda for the Western Balkans when Albania comes closer to accession, due to the new climate targets set by the EU. The implementation of the climate law will largely depend on future secondary legislation, regulations, and measures delegated to the minister for the environment. Lack of specific administrative structures and available staff for handling climate change issues remain a matter of serious concern.

Albania has started to revise and enhance its Nationally Determined Contribution (NDC) for submission to the Secretariat of the UN Framework Convention on Climate Change in the third quarter of 2021. Albania is preparing its fourth national communication which will focus on climate change scenarios for municipalities alongside the Vjosa River, and its first biennial update report with GHG inventories.

## CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phystosanitary policy (Chapter 12); fisheries (Chapter 13); regional policy & coordination of structural instruments (Chapter 22); and financial & budgetary provisions (Chapter 33). 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 good progress in the area of fisheries not least with the introduction of the vessel monitoring system. Some progress was made on financial and budgetary provisions as well as in the areas of agriculture and rural development, but the farm register needs to be set up. Progress was limited during the reporting period on regional policy and coordination of structural instruments.

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 by ensuring administrative capacities for the implementation of the instrument for pre-accession assistance for rural development programme (IPARD II). Albania received entrustment for the *'Technical Assistance'* measure. Progress was also achieved in further alignment of the legal framework for organic production with the EU *acquis*. The

Commission's recommendations from 2020 were not fully implemented and remain valid, even if progress was made in the implementation of IPARD II.

In the coming year, Albania should in particular:

→ set up a farm register by the end of 2021 at the very latest, further improve the animal registers and adopt an implementation plan to establish the farm accountancy data network (FADN) to provide validated data for policy-making;

→ ensure administrative capacity required to prepare the IPARD III programme and to submit for entrustment relevant measures available under it;

→ complete the legal frameworks on vineyards and wine, for 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. Strong cooperation among responsible national authorities should be ensured to facilitate the successful implementation of the IPARD programme. Full staffing, business continuity and institutional memory should be ensured for both operating and management, and control structures.

There was limited progress towards the establishment of a farm register. A fully functional farm register remains a key priority and should be established by the end of 2021 at the very latest. This is an element of the integrated administration and control system (IACS), but can be of assistance to implement the IPARD III programme. Albania registered no progress in establishing a land parcel identification system (LPIS) and has no farm accountancy data network (FADN). It continued some basic preparatory work on the latter, but adopting an implementation plan with a concrete timeline for the establishment of FADN remains to be achieved.

Direct payments coupled to production and not subject to cross-compliance rules decreased from 2020 to 2021 both in absolute terms and in comparison to indirect support (i.e. distribution of diesel to farmers). The national agriculture budget continues to be low, and IPARD should not be seen as a substitute for national support. A clear strategy is yet to be adopted to complete the reform of the advisory system.

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

On **rural development**, on 28 June 2020, the EU granted Albania full entrustment of the *'Technical Assistance'* measure under the IPARD programme. The IPARD implementation in Albania continued in a satisfactory manner in terms of number of contracts signed as well as their corresponding contracted value. Albania made use of the short-term actions made available by the Commission in order to counter the negative effects of the COVID-19 crisis and ultimately increase the number of IPARD-funded investment projects finalised and paid. Supported by a one-year funds validity extension granted by the Commission and through national capacity mobilisation, loss of IPARD II programme funding was avoided at the end of 2020. However, further efforts are still needed as a risk of de-commitment remains for 2021.

On **quality policy**, Albania adopted implementing legislation for the application of the traditional speciality guaranteed scheme. Quality Policy legislation remains partly aligned with the EU *acquis*.

The level of alignment with the EU *acquis* on **organic farming** remains low. Partly aligned implementing legislation was adopted, establishing detailed rules on the production of processed biological food for animals, biological yeast and the exemption rules. Albania continued the support for organic farming in 2021.

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

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

Albania has **some level of preparation** in this area and made **some progress** during the reporting period. Albania established the National Authority of Veterinary and Plant Protection, but the authority has not yet acquired full operational capacity. Albania has made no significant steps to design a coherent sector policy or initiate the alignment of the EU *acquis* on official controls, animal health and plant health. Albania made some progress on 2020 recommendations, but they remain valid as more progress is needed.

In the coming year, Albania should in particular:

→ 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 (2020-2022);

→ start drafting the relevant laws on official controls, animal health and plant health in line with EU *acquis* under the framework of a consolidated national food safety policy.

On **general food safety**, the National Food Authority has carried out regular official controls in accordance with the annual risk-based plan. Nevertheless, there is no progress regarding the adoption of an improved risk assessment methodology, due also to the absence of necessary operational information technology systems that cannot be compensated with existing human resources required to analyse the data. 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.

The National Food Authority carries out official controls at Border Control Posts including products of animal origin, non-animal origin, live animals, veterinary medical products, plant propagation material and plant protection products. TRACES is used regularly.

There is no progress regarding the scientific risk assessment. Although such task has been confirmed in the relevant Decision of the Council of Ministers of 9 September 2020 “On the Organising and Functioning of the National Food Authority”, neither the Board nor the Scientific Panels have convened as foreseen in the provisions of the act. In this regard, the staff of the National Food Authority will also need training in carrying out rapid risk assessments to ensure that risk management decisions have a legal and scientific basis.

As regards the **veterinary policy**, the government approved the set-up and functioning of the

National Authority of Veterinary and Plant Protection. However, the staffing of the structure is not yet complete.

The programmes for the monitoring of brucellosis and tuberculosis in cattle herds with more than 10 heads have continued also during 2020. Vaccination against lumpy skin disease in cattle and brucellosis on replacement animals in small ruminants continued during 2020 as well. With the EU support, the first two vaccinations campaigns against rabies for the period 2020-2022 were completed. The third vaccination is expected to take place in November 2021. Taking full ownership of these vaccination campaigns, Albania should transition to using its own means for such future vaccination campaigns in line with obligations to harmonise with the relevant EU *acquis*. Country-wide verification and registration of the number of animals in Albania is being implemented, and the country has done a good progress on the registration and identification of ruminants and pigs, although this is still ongoing. Also, animal disease and animal movement reporting has improved. Nevertheless, the animal register needs to include more information on other animals, such as swine, equine, poultry and other animals as referred to in the relevant EU Animal Health Law.

The reform of the veterinary service is yet to be completed, including the staffing at all levels and the adoption of the internal operational procedures. It is important to establish a structure coherent with the requirements of the EU Animal health law. In this regard, Albania should establish 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.

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 carried out regularly, in accordance with the requirements and validated analytical methods.

The National Food Authority regularly takes samples from establishments that export fish products, which are analysed for chemical and microbiological content including the histamines.

The capacity to monitor the maximum level of pesticide residues in plant origin products has increased. The Institute of Veterinary and Food Safety tests samples over a significant number of chemical substances in accordance with the Commission guidelines on analytical quality control and method validation procedures for pesticide residues and analysis in food and feed. Albania should address the replacing of the annual monitoring plan with a national control plan based on additional risk factors including consumption by vulnerable groups, and processing stages prior to consumption.

Concerning **food safety rules**, Albania has continued with amendments to previous national regulatory acts regarding specific hygiene requirements for meat and meat products, milk and milk based products, live and bivalve molluscs and fish and fishery products to ensure a partial approximation to Regulation (EC) No 2074/2005.

On the **phytosanitary policy**, the Ministry of Agriculture and Rural Development has continued approving active substances of plant protection products in line with relevant Commission's Implementing Regulations. Albania signed an agreement with North Macedonia for the recognition of phytosanitary certificates. Following the reform in this sector, the phytosanitary service is also included in the National Veterinary and Plant Protection Authority (NVPPA) carrying out tasks related to 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.

With regard to legislation on **feed** or **genetically modified organisms**, the approval of the decision on "The rules on labelling of feed for animals used for food, including those consisting or containing GMOs" of May 2020, has not been followed by other acts referring to the authorisation procedure, responsibilities, organising and powers of the competent authorities.

## 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** in fisheries. Albania made **good progress** undertaking corrective measures with regard to the recommendations of the Commission's 2020 report, specifically on the reactivation of the Vessel Monitoring System (VMS). 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 2020 partly remain valid.

In the coming year Albania should in particular:

→ complete staffing of fishery services and build up the necessary administrative capacity of the fishery sector to 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.

Regarding **resource and fleet management**, 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. Albania signed an Agreement with North Macedonia for joint fisheries management in Lake Ohrid and Lake Prespa. Specific ministerial orders adopting seasonal fishing ban have been issued to protect the fish stocks in the main lakes from uncontrolled fishing. With regard to small-scale fisheries, no significant step has been taken since the legal amendments to the Fishery Law in 2019.

**Inspection and control** capacity has improved. The vessel monitoring system (VMS) was re-established and is fully functional as of May 2021. It will allow better fisheries controls in marine waters and recovery of the stocks. The government has issued an order to increase staffing numbers engaged in fishery inspection and controls. Recruitment procedures of the new fishery inspectors have been implemented and the relevant services are expected to hire the missing staff by second half of 2021.

Following changes to the structure of the Ministry of Agriculture and Rural Development, a directorate for fishery service was established. The directorate is composed of two sectors i.e. the sector of Fisheries and Aquaculture Policy and the sector of Monitoring, Processing and Analysis of Data. Nevertheless, the capacity of both sectors to interpret and implement

the national legislation or the EU CFP remains weak and has consequences on data collection, which needs further strengthening.

The government approved the plan of allocated zones for aquaculture in February 2021. However, the licensing of aquaculture ventures will be based on specifically designated areas following discussions with line ministries.

**On market policy,** the regulations on the organisation of the markets and selling of fishery and aquaculture products were approved in 2019 but the relevant infrastructure is still to be completed. Sales in these wholesale markets are expected to start during 2021.

Regarding **international agreements** for fisheries management, a cooperation agreement between Albania and North Macedonia has been concluded at the end of 2020. Albania is a contracting party of the GFCM and has fully implemented its recommendations to control the fishing effort. Albania should continue to actively participate in and implement actions and recommendations of the GFCM, including measures to limit fishing effort on small pelagic stocks and adoption of multi-annual management plans for the conservation and sustainable exploitation of the European eel, and demersal fishing activities in the Adriatic Sea.

In addition, Albania continues to fulfil the requirements related to the recommendations of the International Commission for the Conservation of Atlantic Tunas including the preparation of a multiannual management plan for tuna in the East Atlantic and Mediterranean Sea.

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

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

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

The recommendations from 2020 remain partly valid. In the coming year, the country should in particular:

→ Prepare for effective implementation of the 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. In view of this, 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;

→ Proceed with drafting 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 of all regions in Albania with a view to provide them with opportunities to develop by themselves and to proceed with decentralised interventions based on local and/or regional integrated plans and strategies;

→ further strengthen the administrative capacity of central, regional and local bodies, especially at central level as regards the Central Finance and Contracting Unit (CFCU), the National Authorising Officer's Support Office, the Audit Authority, and the National IPA Coordinator's Support Office, in particular by ensuring adequate staffing;

As regards the **legislative framework** for regional policy, Albania is in the process of revising its national strategy for development and integration, as well as several sectoral reform strategies. The Deputy Prime Minister's Office (DPMO) and Albanian Development Fund (ADF), as main institutions responsible for the Regional Development agenda in Albania, have advanced the reform with the approval of the Law on Regional Development and Cohesion in September 2020. The ex-ante Regulatory Impact Assessment aimed at ensuring the quality of legal and institutional set-up of the regional development policy as well as transparency in considering risks, costs and benefits has been completed. Adequate co-financing capacity for EU programmes remains to be set up at national and local levels.

On the **institutional framework**, relevant bylaws on establishing a comprehensive Regional Development system need to be adopted to define the role and responsibilities of each of the actors involved in cohesion policy. As a means of ensuring practical preparations in the meantime, a more systematic coordination on EU integration and EU assistance between national entities, in particular the National IPA Coordinator's Support Office, the IPA Units and the CFCU, needs to be established. Albania also needs to address issues with strategic planning, implementation and monitoring capacity of infrastructure projects financed under Economic and Investment Plan.

On **administrative capacity,** the staff of the structures involved in indirect management continued to receive training. The administrative capacity for coordinating and monitoring sectoral reform through the integrated policy management groups and sectoral steering committees is in the process of being improved. The involvement of development partners, local governments and civil society organisations in sectoral dialogue is still in need of improvement.

It should also be noted that Albania is one of the five accession countries participating in the European Strategy of Adriatic Ionian Region (EUSAIR), which promotes cooperation and synergies among the participating EU and non-EU countries.

As regards **programming,** more efforts are needed to develop an autonomous programming capacity in the period ahead (2021-2027). The national project pipeline of investments, including those for regional development, is not yet fully aligned with the medium-term budget programme and the planning and management of nationwide public investment. 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. The ADF and DPMO organised an Awareness Raising Campaign for Regional Development and Cohesion with stakeholders and development partners (institutional and non-institutional actors) with a view to updating and finalising of the National Plan for Regional Development and Cohesion and of the Regional Development Plans.

On **monitoring and evaluation**, the sectoral monitoring committee issued operational recommendations for all IPA sectors. However, the staffing of the National IPA Coordinator's Support Office remains insufficient to allow for the adequate monitoring of the full range of 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 operational key performance operators to evaluate the performance of operations.

On **financial management, control and audit**, 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, of any guidance, instructions or recommendations issued by the Commission with regard to internal control. Irregularities are still to be registered completely and without delay in the irregularity management system and internal control weaknesses and non-compliance events are not yet systematically reported in a dedicated registry.

## Chapter 33: Financial and budgetary provisions

*This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.*

Albania has **some level of preparation** in this area. **Some progress** was made in the underlying policy areas that affect the functioning of the EU funding system, through the progress in implementation of the 2016 Organic Budget Law, the fiscal rule and the continuation of the public finance management reform. Alignment with EU *acquis* in the underlying policy fields continued. Albania made some progress on last year's recommendations, as progress was made on alignment with ESA 2010 standards, but they remain valid as more progress is needed.

In addition to addressing the shortcomings set out below, in the coming year Albania 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;

→ align its legislation with the EU provisions on VAT and customs duties.

Some progress was made on the underlying policy areas indirectly affecting the **own resources** system (*see chapters: 16 Taxation, 18 Statistics, 29 Customs Union and 32 Financial control*). Albania has structures in place for levying customs duties at the point of import. It operates a national VAT system. However, it has not yet finalised the mid-term Revenue Strategy (MTRS) that was foreseen to be adopted in 2020.

As regards the Gross National Income (GNI) resource, further progress was made on alignment with ESA 2010 standards, but Albania needs to further improve compliance with ESA 2010 and to start drafting the GNI Inventory, on the basis of the existing description of sources and methods used to compile its national accounts. It has made methodological improvements on statistics and on improving the speed of their publication, and on increasing the number of statistical tables that are reported to Eurostat. INSTAT has been working on the next benchmark revision of national accounts, and has prepared a harmonised revision policy in coordination with the Central Bank of Albania and the Ministry of Finance and Economy (MOEF). Due to the Covid-19 pandemic, the benchmark revision foreseen to be adopted in 2020 was postponed to 2024.

Albania continued 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, is being

implemented. Efforts to improve the exhaustiveness of national accounts estimates are also being undertaken. Continued efforts are needed to ensure that effective measures are taken to formalise 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**, MOEF has overall responsibility for financial and budgetary issues. Albania will need to work on establishing the relevant institutions involved in the own resources system, an own resource coordination body and implementing rules. These are needed to ensure that, on accession, it will be able to calculate, forecast, account for, collect, pay, control, and report to the EU, on own resources in line with the *acquis*.

### CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: 30-external relations (Chapter 30); foreign, security & defence policy (Chapter 31). Albania has a good level of preparation as regards the latter, as it continued to maintain full alignment with all relevant EU decisions and declarations of the EU's Common Foreign and Security Policy. The country has made good progress and reached a good level of preparation 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 has in particular adopted and ratified CEFTA additional protocols and worked on extending the Green Lanes/Corridors with EU Member States.

### 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**. Following the successful chairmanship of the Central European Free Trade Agreement (CEFTA) by Albania in 2019, **good progress** was made in addressing the recommendations of the 2020 report. Albania adopted and ratified the CEFTA Additional Protocol (AP) 6, and the certification of the first authorised economic operators (AEOs) under AP 6 was successfully completed. Work also advanced on extending the Green Lanes/Corridors with EU Member States. Progress was also made on enhancing the trade policy related to administrative capacities and the activities of the national trade facilitation committee by establishing a dedicated trade unit, as well as Albania adopted its national control list of dual-use goods in line with EU *acquis*. Moreover, Albania also adopted the amendments to the SAA on the updates on preferential rules of origin of the pan-Euro-Mediterranean Convention related to the definition of the concept of "originating products" and methods of administrative cooperation.

In the coming year, Albania should in particular:

→ continue implementing the national action plan on trade policy coordination and facilitation, and strengthening the administrative capacity;

→ continue aligning the relevant legislation with the *acquis* in the field of export control of dual-use goods;

→ conclude the negotiations and subsequently adopt CEFTA AP 7, continue implementing actions under the Common Regional Market (CRM) action plan 2021-2024 for the development of a Regional Economic Area, including on mutual recognition of professional qualifications, facilitating trade in services provided by travel agencies and tour operators on removal of the requirements of work permits for professional activities

under AP6 and promotion of e-commerce, as well as continue implementing the national Investment Action Plan.

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. Albania ratified the WTO Trade Facilitation Agreement and notified its list of commitments. Due to COVID-19 crisis measures, in March 2020 Albania adopted the order on prohibition of export of medicines and medical equipment, which remains in force. Albania cooperates with the OTAWA Group countries on the preparation of the WTO initiative on trade and health in the framework of the global efforts to fight the pandemic situation.

Albania adopted its national control list of dual-use goods in line with EU Regulations. In January 2020, the Council of Ministers adopted the regulation on the organisation, functioning and status of the State Export Control Authority, the procedure for sharing information and gathering opinions with other institutions involved in the international transfer of controlled goods, and the procedures for state guarantees and controls. Further alignment is needed with the EU *acquis* on export controls of dual-use goods. A specific unit dealing with dangerous goods, dual use and illegal trafficking was set up in the anti-trafficking directorate of the General Directorate of customs. While there was no progress on its participation in the multilateral export control regimes, Albania aligned its list with the EU lists of dual-use goods and military items deriving from those regimes. With regard to participation in the Wassenaar Arrangement, Albania conducted a thorough analysis and concluded that would apply for membership. Albania prepared a draft law to align its legislation with the EU's *acquis* on trade in certain goods that could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment. Albania provided this draft law to the Commission for comments. The structure of the Albanian Export Control Authority has been in place since 2014 and has a staff of 19 employees.

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. Banks have little interest in issuing this type of guarantee without being secured by another body.

Albania signed three new **bilateral agreements with third countries** on economic/trade/technical cooperation. In October 2020, Albania signed the memorandum of economic cooperation with the United States of America on projects and acquisitions in Albania. An agreement on economic cooperation between Albania and the United Arab Emirates was signed in November 2020. Albania concluded a Partnership, Trade and Cooperation Agreement with the United Kingdom of Great Britain and Northern Ireland that entered into force on 3 May 2021, as a result of the latter withdrawing from the European Union, with which Albania has the Stabilisation and Association Agreement (SAA) in force. It now has 39 such agreements, including 13 with EU Member States. Albania has Bilateral Investment Treaties with 45 countries and seven treaties are under negotiation with Slovakia, Iran, Canada, Morocco, Lebanon, Saudi Arabia and Iceland. Negotiations for amending the free trade agreement (FTA) with Turkey continued, with a focus on trade in services and investments, and implementation of rules of origin under the Pan-Euro-Med Convention as well as on further mutual concessions for agricultural products. In July 2020, the Albanian Parliament ratified the changes to Protocol II of the FTA between Albania and Turkey concerning the definitions of "originating products" and "methods of administrative cooperation". In January 2021, Albania signed a declaration on the establishment of the

High-Level Strategic Cooperation Council with Turkey, thus upgrading relations to the level of strategic partnership. This included the signing of five bilateral agreements with a focus on security and fight against terrorism, education and cultural heritage as well as cooperation in the medical field. In May 2021, the Council of Ministers adopted the decision to amend the SAA to take account of the updates on preferential rules of origin of the pan-Euro-Mediterranean Convention related to the definition of the concept of "originating products" and methods of administrative cooperation, which was ratified by the Parliament on 7 July 2021.

Interest was expressed in establishing joint committee/economic cooperation agreements with Algeria, Egypt, Cuba, India, Norway, Georgia, Ukraine, and Lebanon. Negotiations have started with Kazakhstan for a possible revision of the 2015 agreement on trade and economic cooperation.

In 2019, Albania successfully held the chairmanship of CEFTA, at the end of which the joint committee endorsed, among others, the adoption of the CEFTA AP 6 on trade in services and the decision on establishing the validation procedure for the mutual recognition of CEFTA Parties' national Authorised Economic Operators (AEO). Albania continued its awareness campaign with private sector representatives as regards the AEOs application procedures and benefits, and has registered 12 applications from local businesses. The first four authorised economic operators were certified by the General Directorate of Customs and preparations have started for mutual recognition by CEFTA parties. Albania continued to work in line with its commitments under the Western Balkans Multi-Annual Action Plan for developing a Regional Economic Area (REA). The government established a mechanism for implementing and monitoring of the REA and later, of the Common Regional Market (CRM). It has started working on facilitation of regional electronic commerce and on mutual recognition of professional qualifications, starting with civil engineers, and has established a working group on liberalisation of trade in the tourism sector. Together with other parties of the CEFTA, Albania has worked on extending the Green Lanes/Corridors with EU Member States, namely with Greece at the Kapshtica - Kakavija border crossing point; it has prepared and sent to the CEFTA Secretariat the priority list of pharmaceutical products, and vaccines and COVID test that will pass through the green corridors; efforts were made to reduce waiting times at the border points of the trucks and to harmonise the working hours of all inspection authorities with neighbour CEFTA parties. Currently, the Albanian authorities are considering a pilot project to extend the green corridors between Durres Port and the Italian Port of Ancona.

CEFTA AP 6 was ratified by the parliament in April 2020 and entered into force in January 2021. In the framework of the CMR action plan 2021-2024 for the Western Balkans 6, Albania has expressed its commitment to join efforts in developing regional guidance criteria and procedures for FDI screening mechanisms based on the emerging EU standards and policy, and taking into account the individual economy and region's policy priorities. Albania continued its efforts to implement the CEFTA Joint Committee Decision on Facilitating Trade in Fruits and Vegetables, part of which is also the registration by 31 March 2021 of the exporting operators willing to be involved in the exporting of the agreed list of fruits and vegetables for which the phytosanitary situation in all the Parties is similar. As part of implementing the national investment action plan (IRAP), Albania has worked on preparing a list of investment incentives, which is published on the website of the Ministry of Finance and Economy, and has conducted a legal gap analysis and a diagnostic report on the grievance mechanism in Albania. In January 2021, Albania has established a negotiating team and has participated to the discussions on CEFTA AP 7 on dispute settlement, and has participated regularly in the negotiation rounds.

Some efforts were made to strengthen the administrative capacities on trade policy by establishing a trade unit, which is composed of one head of unit and two experts, as part of the Directorate of economic development policies. The unit deals with trade policy, including with the EU, CEFTA and the WTO, under the supervision of the director of the economic development directorate. Two experts of the trade unit together with one expert from the customs directorate form the Technical Secretariat of the National Committee for Trade Policy and Facilitation. Further efforts are needed to strengthen the administrative and operational capacities.

The National Trade Facilitation Committee (NTFC), through a decision of the Council of Ministers of August 2020, has expanded the mandate and the scope of its work, by including trade in services as an important aspect of the trade facilitation, and therefore adjusting to the CEFTA developments as regards starting the implementation of AP 6 on Trade in Services. During the reporting period, there were two virtual meetings of the NTFC due to the COVID-19 pandemic, and its members discussed the results achieved until the end of 2020 and the mid-term 2021-2023 plan of activities. The NTFC members have agreed to focus on the implementation of the CMR Action Plan, and proposals from the business associations and chambers of commerce were taken into consideration. As part of the NTFC plan for 2021-2023 Albania has included under the WTO Trade Facilitation Agreement (Article 7) also commitments such as pre-arrival processing, post clearance audit/control, risk based inspection, trade facilitation measure for authorized operators, border agency cooperation, and an appeal procedure. 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.

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

*Member States must be able to conduct political dialogue under EU foreign, security and defence policy, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures.*

Concerning the EU's foreign, security and defence policy, Albania has a **good level of preparation**. The country held the OSCE's chairmanship-in-office in 2020 and was elected a non-permanent member of the UN Security Council in 2022/2023, demonstrating its commitment to multilateral cooperation. Albania continued to participate in EU crisis-management missions and operations. It continued to fully align with all applicable EU positions and implement EU restrictive measures despite increasing pressure from non-EU actors. **Some progress** was made by making the police's firearms focal point operational and by completing security upgrades of storage facilities for armaments and ammunition.

In the coming year, the country 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, 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's regional dialogue with the Western Balkans at political directors' level (for more information on relations with other

enlargement countries and EU Member States, *see Political criteria — Regional issues and international obligations*). Albania also participates in the informal CFSP expert seminars initiated by the EU in February 2021

Albania's Ministry for Europe and Foreign Affairs and the Ministry of Defence have appropriate structures to participate in the common foreign and security policy, and the common security and defence policy. As regards the **common foreign and security policy (CFSP)**, when invited, Albania aligned with all relevant Council decisions and High-Representative declarations on behalf of the EU, including restrictive measures, and despite increasing pressure from non-EU actors (100% alignment). This is a strong signal of the country's commitment to its EU path. It implements EU, UN and other international sanctions. A committee on international restrictive measures led by the Ministry for Europe and Foreign Affairs was set up in September 2020.

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.

Albania continued to implement its national strategy and action plan on **small arms and light weapons** adopted in February 2019. It also remained actively engaged in the implementation of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons and their ammunition in the Western Balkans, as well as other regional forms of cooperation, such as the European multidisciplinary platform against criminal threats (EMPACT) on firearms.

Albania further aligned its law on weapons with the EU *acquis* through amendments adopted in December 2020. The firearms focal point of the Albanian State Police became operational and the national electronic registry for weapons continued to be fully functional. Albania also made further progress on improving the security of storage facilities for armaments and ammunition. Security upgrades of the State Police's storage facility in Mullet have been completed.

Albania continued to participate in some, but not all, international export control arrangements and instruments on non-proliferation. It started procedures to join the Wassenaar Arrangement in September 2020 and should conclude the process rapidly.

Albania continued to engage actively with **international organisations**. It held the Chairmanship-in-Office of the Organisation for Security and Cooperation in Europe in 2020 and, in June 2021, was elected for the first time a non-permanent member of the United Nations Security Council in 2022/2023. Albania 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.

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 plans to contribute to the EU battle groups in 2024.

On **hybrid threats, Albania** engaged in the EU's hybrid risk survey, with the objective of identifying systemic vulnerabilities and further improving the assistance provided by the EU in this field.

## 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 Committee took place on 9 December 2020. Discussions focused on progress in SAA implementation as well as of the most important reforms developments. The Stabilisation and Association Council met on 1 March 2021. The Stabilisation and Association Parliamentary Committee did not gather 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 2020 the EU remained the main trading partner of Albania, accounting for 63% of Albania's total trade in goods (75% of total exports and 58% of total imports). This represents a fall of 9.4% in 2020, which is entirely due to the COVID-19 crisis, and is broadly in line with trade patterns elsewhere in the region. Total trade in 2020 was worth €4.5 billion. The country's trade deficit with the EU amounted to EUR 1.3 billion in 2020. In comparison, Albania's trade with CEFTA represented 10.3% of total trade, a decline of only 2.6%, which is much less than expected and 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 has regained functionality in December 2020.

**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 mechanism[27] 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. The only Europol liaison officer in the Western Balkans was deployed in Tirana in 2019 for a term currently running into 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 Durres. 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 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

[27] COM(2021)602 final and SWD(2021)206 final

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 and EUTM Mali.

Under the **Instrument for Pre-accession Assistance** (IPA) Albania benefits from the indicative allocation of EUR 758 million for the period 2014-2020. 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 90 million were disbursed on 31 March 2021.

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, of which Albania received EUR 11.2 million; the first vaccines provided under this grant were a total of 649,350 Pfizer doses for the region (143,910 for Albania) facilitated by Austria, which are being delivered between May and August 2021. EU Member States donated another 140,000 COVID-19 vaccine doses by September. The EU supported COVAX initiative also delivered over 143,400 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. The EU4Schools 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.

While the recent focus has been on mobilising support in response to the double shock of the earthquake and the COVID-19 pandemic, 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).

The IPA III Regulation for the 2021-2027 financial period[28] will continue to provide financial support to the region and will also finance the regional Economic Investment Plan (EIP) for the Western Balkans. The EIP, accompanied by the Green Agenda for the Western Balkans, was agreed by the Commission and the countries of the region in October 2020 and aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

[28] Official Journal L 330, 20.9.2021

**STATISTICAL DATA (as of 09.09.2021)**

**Albania**

| **Basic data** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Population (thousand) | | 2 958 s | 2 886 s | 2 876 s | 2 877 s | 2 870 s | 2 862 s |
| Total area of the country (km²) | | 28 748 w | 28 748 w | 28 748 w | 28 748 w | 28 748 w | 28 748 w |

| **National accounts** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Gross domestic product (GDP) (million national currency) | | 1 080 676 | 1 434 307 | 1 472 479 | 1 550 646 | 1 636 731 | 1 691 729 p |
| Gross domestic product (GDP) (million euro) | | 8 800 | 10 264 | 10 720 | 11 559 | 12 828 | 13 753 p |
| GDP (euro per capita) | | 2 990 | 3 560 | 3 730 | 4 020 | 4 480 | 4 820 p |
| GDP per capita (in purchasing power standards (PPS)) | | 6 500 | 8 770 | 8 630 | 8 930 | 9 360 | 9 840 p |
| GDP per capita (in PPS), relative to the EU average (EU-27 = 100) | | 25.3 | 30.5 | 29.8 | 29.9 | 30.4 | 30.8 |
| Real GDP growth rate: change on previous year of GDP volume (%) | | : | : | : | : | : | : |
| 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 | 22.5 | 22.6 | 21.8 | 21.1 | 21.0 p |
| Industry (%) | | 10.8 | 14.6 | 14.0 | 12.8 | 14.1 | 13.8 p |
| Construction (%) | | 18.2 | 10.1 | 10.2 | 10.5 | 10.3 | 9.8 p |
| Services (%) | | 51.5 s | 52.7 s | 53.2 s | 54.9 s | 54.6 s | 55.4 ps |
| Final consumption expenditure, as a share of GDP (%) | | 93.5 | 91.8 | 92.2 | 91.1 | 90.4 | 91.2 p |
| Gross fixed capital formation, as a share of GDP (%) | | 33.9 | 24.4 | 24.4 | 24.6 | 23.9 | 22.3 p |
| Changes in inventories, as a share of GDP (%) | | 1.8 b | 1.4 | 0.9 | 0.5 | 0.0 | 1.3 p |
| Exports of goods and services, relative to GDP (%) | | 25.3 d | 27.3 | 29.0 | 31.6 | 31.6 | 31.3 p |
| Imports of goods and services, relative to GDP (%) | | 52.1 d | 44.5 | 45.8 | 46.6 | 45.2 | 45.0 p |
| Gross fixed capital formation by the general government sector, as a percentage of GDP (%) | | : | : | : | : | : | : |

| **Business** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Industrial production volume index (2015 = 100) | 1) | 40.1 w | 100.0 w | 82.0 w | 81.4 w | 96.6 w | 95.5 w |
| Number of active enterprises (number) | 2) 3) 4) | 66 718 w | 95 184 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 (%) | 5) | 18.5 w | : | 19.5 w | 15.3 w | 12.5 w | 10.8 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) | 81.8 sw | 81.7 sw | 81.4 sw | 80.5 sw | : | : |
| Value added by SMEs (in the non-financial business economy) (EUR million) | 2) 3) | 1 247 sw | 2 083 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) | 2 201 w | 3 124 w | 3 388 w | 3 687 w | 4 187 w | 4 511 w |

| **Inflation rate and house prices** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Consumer price index (CPI), change relative to the previous year (%) | | : | : | 1.5 w | 3.2 w | 1.8 w | 1.7 w |
| **Annual change in the deflated house price index (2015 = 100) | | : | : | : | : | : | : |

| **Balance of payments** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Balance of payments: current account total (million euro) | | - 1 381.2 w | - 883.6 | - 811.5 | - 870.6 | - 865.7 | - 1 089.2 |
| Balance of payments current account: trade balance (million euro) | | - 2 608.5 w | - 2 298.8 | - 2 602.5 | - 2 823.1 | - 2 869.7 | - 3 144.1 |
| Balance of payments current account: net services (million euro) | | 246.5 w | 524.7 | 796.5 | 1 086.8 | 1 110.3 | 1 263.8 |
| Balance of payments current account: net balance for primary income (million euro) | | 44.0 w | 122.2 | 174.0 | 18.3 | - 13.6 | - 180.3 |
| Balance of payments current account: net balance for secondary income (million euro) | | 936.8 w | 768.4 | 820.4 | 847.5 | 907.2 | 971.3 |
| Net balance for primary and secondary income: of which government transfers (million euro) | | : | 5.5 | 47.8 | 69.6 | 67.1 | 67.1 |
| **3 year backward moving average of the current account balance relative to GDP (%) | | : | : | : | - 7.9 | - 7.3 | - 7.4 |
| **Five year change in share of world exports of goods and services (%) | | : | - 17.4 w | - 2.2 w | 14.5 w | 21.6 w | : |
| Net balance (inward - outward) of foreign direct investment (FDI) (million euro) | | 609.8 w | 818.4 w | 936.5 w | 993.8 w | 1 022.2 w | 1 036.3 w |
| Foreign direct investment (FDI) abroad (million euro) | | 55.4 w | 33.9 | 58.0 | 23.4 | 69.1 | 114.2 |
| 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 |
| Foreign direct investment (FDI) in the reporting economy (million euro) | | 665.2 w | 852.4 w | 994.4 w | 1 017.0 w | 1 092.1 w | 1 150.5 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 |
| **Net international investment position, relative to GDP (%) | | : | - 43.3 w | - 44.3 w | - 47.1 w | - 49.4 w | - 50.1 w |
| Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%) | | : | 5.8 s | 5.7 s | 5.5 s | 5.2 s | 5.1 ps |

| **Public finance** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| General government deficit / surplus, relative to GDP (%) | | - 5.6 w | - 4.1 w | - 1.8 w | - 2.0 w | - 1.6 w | - 1.9 w |
| General government gross debt relative to GDP (%) | | 51.8 w | 68.8 w | 68.8 w | 67.0 w | 65.0 w | 63.8 w |
| Total government revenues, as a percentage of GDP (%) | | 26.9 w | 26.4 w | 27.6 w | 27.8 w | 27.5 w | 27.4 w |
| Total government expenditure, as a percentage of GDP (%) | | 32.5 w | 30.5 w | 29.5 w | 29.8 w | 29.1 w | 29.3 w |

| **Financial indicators** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Gross external debt of the whole economy, relative to GDP (%) | | : | 74.4 s | 73.5 s | 68.8 s | 65.1 s | 59.9 ps |
| Gross external debt of the whole economy, relative to total exports (%) | | 149.7 w | 272.7 w | 253.5 w | 217.6 w | 205.8 w | 191.3 w |
| Money supply: M1 (banknotes, coins, overnight deposits, million euro) | | 2 303.4 w | 2 748.7 w | 3 170.1 w | 3 440.8 w | 3 752.1 w | 4 259.5 w |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Money supply: M2 (M1 plus deposits with maturity up to two years, million euro) | | 4 519.6 w | 5 173.6 w | 5 365.1 w | 5 508.2 w | 5 732.2 w | 6 160.4 w |
| Money supply: M3 (M2 plus marketable instruments, million euro) | | 6 642.5 w | 8 703.1 w | 9 198.2 w | 9 444.2 w | 9 906.4 w | 10 717.6 w |
| Total credit by monetary financial institutions to residents (consolidated) (million euro) | | 3 200.8 w | 3 983.1 w | 4 046.4 w | 4 086.0 w | 4 223.7 w | 4 514.2 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 (%) | 6) | 6.06 w | 2.26 w | 1.49 w | 1.34 w | 1.24 w | 1.10 w |
| Lending interest rate (one year), per annum (%) | 7) | 11.75 w | 7.77 w | 5.89 w | 5.98 w | 5.66 w | 6.27 w |
| Deposit interest rate (one year), per annum (%) | 8) | 6.93 w | 1.35 w | 0.80 w | 0.75 w | 0.73 w | 0.49 w |
| Euro exchange rates: average of period (1 euro = … national currency) | | 122.800 | 139.740 | 137.360 | 134.150 | 127.590 | 123.010 |
| Trade-weighted effective exchange rate index, 42 countries (2010 = 100) | | : | : | : | : | : | : |
| **3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2010 = 100) | | : | : | : | : | : | : |
| Value of reserve assets (including gold) (million euro) | | 1 675.4 w | 2 880.0 w | 2 945.0 w | 2 995.9 w | 3 399.0 w | 3 359.6 w |

| **External trade in goods** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Value of imports: all goods, all partners (million euro) | | 3 796 | 3 882 | 4 169 | 4 648 | 5 026 | 5 269 |
| Value of exports: all goods, all partners (million euro) | | 703 | 1 728 | 1 771 | 2 026 | 2 431 | 2 426 |
| Trade balance: all goods, all partners (million euro) | | - 3 094 | - 2 154 | - 2 399 | - 2 622 | - 2 596 | - 2 843 |
| Terms of trade (export price index / import price index * 100) (number) | | 98.3 sw | 100.0 sw | 96.9 sw | 99.8 sw | 103.6 sw | 99.2 sw |
| Share of exports to EU-27 countries in value of total exports (%) | | 73.9 s | 75.3 s | 77.7 s | 77.0 s | 75.9 s | 76.4 s |
| Share of imports from EU-27 countries in value of total imports (%) | | 62.8 s | 60.8 s | 62.4 s | 60.8 s | 60.0 s | 57.7 s |

| **Demography** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants) | | 5.9 | 3.6 | 3.6 | 3.0 | 2.5 | 2.3 |
| Infant mortality rate deaths of children under one year of age (per thousand live births) | | 11.1 | 7.1 | 8.7 | 8.0 | 8.9 | 10.3 |
| Life expectancy at birth: male (years) | | : | 76.3 | 77.1 | 77.1 | 77.4 | 77.6 |
| Life expectancy at birth: female (years) | | : | 79.7 | 80.1 | 80.1 | 80.5 | 80.7 |

| **Labour market** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) | | 69.3 ew | 71.3 ew | 73.3 ew | 73.9 w | 74.8 ew | 75.9 ew |
| *Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%) | | 60.8 ew | 59.3 ew | 62.1 ew | 63.9 w | 65.6 ew | 67.1 ew |
| Male employment rate for persons aged 20–64 (%) | | 72.1 ew | 68.1 ew | 69.4 ew | 72.1 w | 73.9 ew | 74.7 ew |
| Female employment rate for persons aged 20–64 (%) | | 51.0 ew | 50.7 ew | 55.0 ew | 55.6 w | 57.4 ew | 59.7 ew |
| Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%) | | 44.0 ew | 53.6 ew | 54.8 ew | 55.5 ew | 58.2 ew | 60.4 ew |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Employment by main sectors | | | | | | | |
| Agriculture, forestry and fisheries (%) | | : | 41.3 ew | 40.2 ew | 38.2 ew | 37.4 ew | 36.4 ew |
| Industry (%) | | : | 11.6 ew | 12.8 ew | 12.5 ew | 12.7 ew | 13.1 ew |
| Construction (%) | | : | 6.9 ew | 6.5 ew | 6.9 ew | 7.0 ew | 7.0 ew |
| Services (%) | | : | 40.2 ew | 40.5 ew | 42.4 ew | 42.9 ew | 43.5 ew |
| People employed in the public sector as a share of total employment, persons aged 20–64 (%) | | : | 16.7 ew | 15.6 ew | 16.4 ew | 15.9 ew | 15.3 ew |
| People employed in the private sector as a share of total employment, persons aged 20–64 (%) | | : | 83.3 ew | 84.4 ew | 83.6 ew | 84.1 ew | 84.7 ew |
| Unemployment rate: proportion of the labour force that is unemployed (%) | | 13.0 ew | 17.1 ew | 15.2 ew | 13.7 ew | 12.3 ew | 11.5 ew |
| Male unemployment rate (%) | | 12.5 ew | 17.1 ew | 15.9 ew | 14.6 ew | 12.7 ew | 11.6 ew |
| Female unemployment rate (%) | | 13.5 ew | 17.1 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 | 39.8 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 (%) | | 8.5 ew | 11.3 ew | 10.1 ew | 8.9 ew | 8.3 ew | 7.3 ew |
| Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%) | | 9.9 ew | 12.0 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 | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Average nominal monthly wages and salaries (national currency) | 9) 10) | 36 537 ew | 47 900 ew | 47 522 ew | 48 967 ew | 50 589 ew | 52 380 ew |
| Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100) | 10) | : | 102.1 ew | 100.0 ew | 101.1 ew | 102.3 ew | 104.5 ew |
| GINI coefficient | | 28 w | : | : | 37 | 35 | 34 |
| Poverty gap | | 2.4 w | : | : | 33.4 | 32.4 | 28.6 |
| *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 (%) | | 39.0 ew | 21.3 ew | 19.6 ew | 19.6 w | 17.4 w | 16.3 w |

| **Standard of living** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Number of passenger cars relative to population size (number per thousand population) | | 89.5 sw | 139.9 sw | 151.6 sw | 146.7 sw | 160.3 sw | 174.5 sw |
| Number of mobile phone subscriptions relative to population size (number per thousand population) | | 1 013.0 ew | 1 658.6 w | 1 836.2 w | 1 934.4 w | 1 445.6 w | 1 183.8 w |
| Mobile broadband penetration (per 100 inhabitants) | | : | : | : | : | : | 62.7 w |
| Fixed broadband penetration (per 100 inhabitants) | | : | 8 w | 9 w | 11 w | 13 w | 15 w |

| **Infrastructure** | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Density of railway network (lines in operation per thousand km²) | | 13.9 sw | 13.2 sw | 11.6 sw | 11.6 sw | 11.6 sw | 5.9 sw |
| Length of motorways (kilometres) | | : | : | : | : | : | : |

| Innovation and research | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Public expenditure on education relative to GDP (%) | | 3.5 sw | 3.1 sw | 3.1 sw | 3.1 psw | 3.2 psw | : |
| *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 |

| Environment | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| *Index of greenhouse gas emissions, $CO_2$ equivalent (1990 = 100) | | 93.0 ew | : | : | : | : | : |
| Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices) | | : | : | : | : | : | : |
| Electricity generated from renewable sources relative to gross electricity consumption (%) | | 73.3 | 79.2 | 82.1 | 91.0 | 92.5 | 88.5 |
| Road share of inland freight transport (based on tonne-km) (%) | | : | : | : | : | : | : |

| Energy | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Primary production of all energy products (thousand TOE) | | 1 148 | 2 073 | 1 961 | 1 637 | 2 001 | 1 736 |
| Primary production of crude oil (thousand TOE) | | 578 | 1 279 | 1 056 | 959 | 911 | 1 005 |
| Primary production of solid fuels (thousand TOE) | | 14 | 34 | 2 | 68 | 144 | 52 |
| Primary production of gas (thousand TOE) | | 7 | 27 | 35 | 40 | 35 | 58 |
| Net imports of all energy products (thousand TOE) | | 1 065 s | 280 s | 465 s | 920 s | 504 s | 753 s |
| Gross inland energy consumption (thousand TOE) | | 2 140 | 2 199 | 2 272 | 2 371 | 2 353 | 2 355 |
| Gross electricity generation (GWh) | | 3 797 | 5 895 | 7 782 | 4 526 | 8 553 | 5 206 |

| Agriculture | Note | 2008 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Agricultural production volume index of goods and services (at producer prices) (2010 = 100) | | : | : | : | : | : | : |
| Utilised agricultural area (thousand hectares) | | 1 156.7 | 1 175.0 | 1 181.7 | 1 174.1 | 1 174.0 | 1 174.1 |
| Livestock numbers: live bovine animals (thousand heads, end of period) | | 541.0 w | 505.8 e | 497.0 p | 475.2 | 467.3 | 415.6 |
| Livestock numbers: live swine (thousand heads, end of period) | | 161.0 w | 177.4 | 183.6 p | 180.1 | 184.1 | 183.9 |
| Livestock numbers: live sheep and live goats (thousand heads, end of period) | | 2 620.0 sw | 2 850.0 es | 2 912.7 ps | 2 858.6 s | 2 781.0 s | 2 621.2 s |
| Raw milk available on farms (thousand tonnes) | | 1 040.0 w | 1 131.0 w | 1 145.0 w | 1 156.0 w | 1 144.4 w | : |
| Harvested crop production: cereals (including rice) (thousand tonnes) | | 608.5 | 695.5 | 698.4 | : | 678.2 | 666.1 |
| Harvested crop production: sugar beet (thousand tonnes) | | 0.0 | 0.0 | 29.6 | 0.0 | 27.5 | 30.7 |
| Harvested crop production: vegetables (thousand tonnes) | | 715.4 w | 1 030.0 w | 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
b = break in series
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) The Albanian Government is implementing an action plan to reduce the informal economy. As result, 56 787 active enterprises were registered for the first time in the statistical business register in 2015. Most of them are not new entities for 2015 and they have operated in the informal economy for some years.
5) 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.
6) Annual average of the Tribor rate – interbank rate for overnight loans.
7) Average weighted rate applied to new 12-month loans over the respective month, on 12-month maturity.
8) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
9) Public sector only.
10) Source of information: General Directorate of Taxation, social insurance contributors; INSTAT's calculation