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2015 REPORT**

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PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
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1. INTRODUCTION¹

1.1. Context

In June 2014, the European Council granted Albania candidate status. In the past year, Albania has implemented smoothly its obligations under the Stabilisation and Association Agreement (SAA). Regular political and economic dialogue between the EU and Albania has continued through the relevant structures under the SAA. The government engaged in EU-related reforms and in addressing the five key priorities identified for the opening of accession negotiations.² Albania continued to actively participate in high level dialogue meetings, as well as in the related joint working groups on the five key priorities.

1.2. Summary of the report

As regards the **political criteria**, the local elections in June 2015 were conducted without major incidents. Concerns about the impartiality and professionalism of the electoral authorities and the overall politicisation of the electoral process have yet to be addressed. In December 2014, the parliament adopted a resolution outlining the basis for the ruling majority and the main opposition party to engage in a continuous constructive political dialogue. This ended a six-month parliamentary boycott by the main opposition party. However, more needs to be done to address the divisive political culture and ensure a more constructive cross-party dialogue.

As concerns public administration reform, Albania is moderately prepared. Comprehensive reform strategies and the new Code of Administrative Procedures were adopted. However, efforts are needed to achieve the objective of a professional and depoliticised public administration, to increase the financial and administrative capacity of local government units and to ensure effective implementation of the civil service law at local level.

Albania's judicial system is at an early stage of preparation. Substantial shortcomings in the judicial system remain regarding independence and accountability of judges and prosecutors, enforcement of decisions, inter-institutional cooperation, and the administration of justice which remains slow. An ad hoc parliamentary committee was established to conduct a comprehensive and inclusive justice reform. The next crucial steps are the adoption of the judicial reform strategy and action plan followed by the adoption of the necessary institutional, legislative and procedural measures.

Albania has reached some level of preparation in the fight against corruption. A new anti-corruption strategy and action plan were adopted. However, corruption is widespread and more efforts are needed to make progress with a view to establishing a solid track record of investigations, prosecutions and convictions at all levels. Proactive investigations, systematic risk assessments and inter-institutional cooperation need to be improved. The independence of institutions involved in the fight against corruption needs to be enhanced, as they remain vulnerable to political pressure and other undue influence.

¹ This report covers the period from October 2014 to September 2015. It is based on input from a variety of sources, including contributions from the government of Albania, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. As a rule, legislation or measures which are under preparation or awaiting parliamentary approval have not been taken into account.

² See Enlargement Strategy and Main Challenges 2013-2014.

The country has reached some level of preparation as regards the fight against organised crime. Albania conducted a number of law enforcement operations leading to the destruction of vast cultivations of cannabis. However, the number of final convictions effectively leading to dismantling criminal organisations remains negligible compared to the estimated value of the regional and domestic criminal market. Financial investigations, anti-money laundering measures and asset confiscation remain underused. Albania needs to establish a track record of proactive investigations, prosecutions and final convictions in organised crime cases, including money laundering, and effectively dismantle criminal networks.

The legal framework for the protection of human rights is broadly in line with European standards. However, effective implementation of relevant legislation and strategies is limited and the enforcement of human rights protection mechanisms remains insufficient. As regards freedom of expression, Albania has reached some level of preparation. The overall environment is generally conducive to the freedom of expression, but better implementation of the legislation is needed. The independence of the regulatory authority and public broadcaster must be further strengthened. Enforcement of property rights remains to be ensured, and the processes of property registration, restitution and compensation are not completed. Roma and Egyptians face very difficult living conditions and frequent social exclusion and discrimination. In the area of anti-discrimination, the case-law needs to be further developed. Institutional mechanisms to protect the rights of the child remain poor. The juvenile justice system fails to comply with international standards.

Albania has continued to participate actively in regional cooperation and maintain good neighbourly relations in line with its commitments under the Stabilisation and Association Agreement.

As regards the **economic criteria**, Albania is moderately prepared in developing a functioning market economy. Some progress was made in improving macroeconomic stability and growth prospects improved. Inflation remained low. However, significant challenges remain. Further efforts are needed to sustain fiscal consolidation, improve the business environment and tackle the informal economy. Albania should also improve the budget management framework and address the high level of non-performing loans. The levels of unemployment (17.5%) and informal employment remain high.

Concerning the capacity to cope with competitive pressure and market forces within the Union, Albania has some level of preparation. Some progress was made as regards education, transport and energy infrastructure. However, significant investment in human and physical capital is necessary to improve Albania's competitiveness. Albania should improve the quality of higher education and continue restructuring the vocational education and training, adopt and implement the national transport and energy strategies and lower non-tariff barriers to trade such as shortcomings in food safety.

Albania continued aligning its legislation to the requirements of the EU in a number of areas, enhancing its **ability to take on the obligations of membership**. In many areas, the country is moderately prepared, such as in financial control, or has some level of preparation, including in the areas of public procurement and statistics. However, Albania will need to make substantial efforts to upgrade its preparations for implementing the *acquis*. It should continue work on the development of the transport and energy network. The administrative capacity and professional standards of bodies charged with the implementation of the *acquis* needs to be strengthened and the independence of regulatory bodies safeguarded. Enhancing transparency and accountability, in particular ensuring the effective, efficient and transparent

functioning of the public procurement system and public finance management, remains essential.

Albanian authorities are expected to pursue their efforts to tackle the increasing number of manifestly unfounded asylum applications lodged by its citizens to EU Member States and Schengen-associated countries. All activities to counter this negative phenomenon shall be intensified via the post-visa liberalisation monitoring mechanism, particularly after the recent increase over the summer.

2. POLITICAL CRITERIA

2.1. Democracy

Elections

The local elections in June 2015 were conducted without major incidents. Concerns about the impartiality and professionalism of the electoral authorities and the overall politicisation of the electoral process have yet to be addressed.

While no major incidents occurred in the June local elections, a number of shortcomings affected the process. Many cases of group voting and procedural irregularities were noted by international observers. The OSCE's Office for Democratic Institutions and Human Rights (OSCE/ODIHR) raised concerns about the impartiality and professionalism of the electoral authorities and the overall politicisation of the electoral process. Local elections were based on the new territorial administrative division, which provided for 61 municipalities. In April, amendments were made to the Electoral Code to reflect the new boundaries. They also strengthen the gender quota provisions for local elections, requiring 50 % representation of each sex on lists of candidates, in line with OSCE/ODIHR and Venice Commission recommendations. Other OSCE/ODIHR recommendations have not been addressed, including those on enhancing the impartiality of electoral commissions, transparent campaign financing and effective resolution of electoral disputes.

The Central Election Commission (CEC) has been at full capacity since January, when parliament appointed three members whose appointment had been pending since April 2013. The overall impartiality and professionalism of the electoral administration remain a concern.

Parliament

Some progress has been made in the functioning of parliament, in particular by improving the transparency of law-making. A more constructive cross-party dialogue remains to be ensured. Initial steps were taken to prepare legislation for the exclusion of criminal offenders from public offices.

In December, a six-month parliamentary boycott by the main opposition party ended when parliament adopted a resolution whereby the ruling majority and the main opposition party pledged to engage in constructive political dialogue. They also agreed to revise the rules of procedure on parliamentary committees, and to work on drafting legislation for the exclusion of criminal offenders from public offices. The implementation of this agreement started with the establishment of two parliamentary committees of inquiry and an ad hoc committee to

work on the exclusion of criminal offenders from public offices. The adoption of the related legislation would enhance the citizens' trust in political representatives and public institutions. The work of the committees remains affected by political polarisation. In July, the parliament approved the new composition of the ad hoc committee on judicial reform based on parity of members of the ruling majority and the opposition. In November, parliament amended its rules of procedure, granting the main opposition party the same amount of speaking time as the Prime Minister. Constructive dialogue in parliament and its technical bodies needs to be ensured.

Parliament lifted the immunity of three MPs from the ruling majority, and rejected seven of the President's nominations to the High Court.

In March, parliament enacted a new law on its role in the EU integration process, providing for more inclusiveness, oversight and exchange of information. This was followed in May by the establishment of the National Council for European Integration to make the EU-related reform process more inclusive. Parliament's capacity to monitor the implementation and compliance of new legislation with EU law remains limited. Coordination with the executive branch needs to be enhanced. Other oversight mechanisms, such as question and answer sessions, remain underused.

Parliament continued to monitor the work of independent institutions and discussed their reports more promptly and thoroughly. However, appropriate follow-up to their findings needs to be ensured.

Transparency and inclusiveness in the legislative process have improved. Parliamentary committees have generally been proactive in holding consultations with civil society and interest groups. A resolution on the role of civil society in the country's democratic development was adopted in December. Parliament's organisational structure and administrative and expert capacity need to be further improved, which requires the allocation of sufficient funds to recruit and train staff, especially in relation to research and analysis.

Governance

The government has maintained its focus on addressing the key priorities for the opening of accession negotiations, pursuing a set of reforms necessary to advance in the EU integration path. Some progress has been made at local government level with the start of implementation of the territorial administrative reform and the adoption of the decentralisation strategy. However, substantial efforts are needed to clarify the functions and responsibilities of the newly created local government units and to increase their financial and administrative capacity.

Some steps have been taken to improve inter-institutional coordination. Working groups in specific sectors have been reorganised to improve monitoring of policy developments and to provide strategic advice more effectively.

The Constitutional Court has ruled on 12 cases related to the functioning of state institutions. Swift implementation of Constitutional Court rulings is essential, and when they require the adoption of legislation or change of work practices the government and parliament should ensure implementation.

Further efforts are needed to ensure the professionalism and depoliticisation of independent institutions. Albania should examine the possibilities for introducing harmonised provisions on the appointment and dismissal of heads of independent institutions, a merit-based and transparent selection process of both their heads and members of boards, budgetary autonomy and autonomy to set up their internal structures.

Regarding local self-government, in January, the government established the National Agency for Implementation of the Territorial Reform. Instructions on amalgamation of local government units as a result of the territorial administrative reform were adopted and a EUR 13.2 million transitory fund for the implementation of the reform was distributed to the 61 newly established municipalities. In line with the newly adopted decentralisation strategy for 2015-2020, a new law fully clarifying the functions and responsibilities of the local government units is needed. Local government associations were more actively involved in the drafting of the strategy and legal acts. However, recent legal provisions for increased inter-institutional cooperation between central and local governments have yet to be implemented.

The amendments to the law on territorial planning, clarifying some aspects of the development of local plans, entered into force in October 2014, and implementing legislation is in place since July. However, local governments continued to face difficulties in implementing their urban planning responsibilities.

The National Urban Construction Inspectorate continued to demolish illegal buildings, while the process of legalising others through the Agency for Legalisation of Illegal Buildings continued. The inspectorate referred several mayors to the prosecution service for alleged abuse of office and issuing illegal building permits. This resulted in a number of ongoing prosecutions and first-instance court decisions. The decision-making process in the National Territorial Council (NTC), the inspectorate and local government bodies needs to be made more transparent.

As regards fiscal decentralisation, local government expenditure in 2014 was 2.3 % of GDP, an increase on the previous year while remaining below the annual target. Albania should strengthen public finance management at local level under the strategy on public finance management adopted in December. Efforts to make the distribution of central funds to local units more transparent should be further supported. Albania needs to ensure the decentralisation strategy's sustainability as part of the 2016-2018 medium-term budget programme.

Local government units need substantially greater capacity to deliver services to the public, including one-stop-shops for all public services. More efforts are needed to develop the capacity to design and implement local development plans. Substantial efforts are needed from both central and local government units to develop and implement a comprehensive training plan for the staff of the new local government units.

The Ombudsman's cooperation with civil society remained very good and a number of joint trainings were delivered. In March, the Ombudsman's Office was awarded an 'A' status certificate by the International Coordinating Committee of National Human Rights Institutions for complying with the Paris Principles, granting it the right to speak at the United Nations Human Rights Council. In November, the Law on the Ombudsman was amended, extending its remit on human rights promotion and providing for a more transparent and inclusive selection of candidate commissioners, and creating two additional commissioner

posts: the Children's Commissioner and the Commissioner for the national mechanism for prevention of torture. However, these were not reflected in additional budget allocations, which remain insufficient. The seven regional Ombudsman offices are dependent on volunteers and donor support. The authority, autonomy and resources of the Ombudsman's Office need to be enhanced, and he should always be properly consulted on draft legislation and reforms affecting his areas of competence.

Civil society

Good progress has been made towards establishing an institutional framework for cooperation with and consultation of civil society. Now it is important that existing mechanisms are fully implemented in practice.

Cooperation between state institutions and civil society organisations (CSOs) has improved. In October, parliament approved a regulation on public consultations, and in December it passed a resolution which ratifies the charter on civil society, recognising the importance of civil society in the country's democratic development. Following a wide consultation process, in May the government adopted a roadmap setting out its policy towards a more enabling environment for civil society. Civil society representatives participated in meetings of the National Council on European Integration, but are yet to take an active role. The law setting up the National Council for Civil Society, a consultative body to enable regular dialogue between the government and CSOs on civil society development, was adopted by the government, but is yet to be enacted by the parliament. At local level, cooperation remains weak.

While the new law on VAT provides CSOs with the possibility to obtain value added tax reimbursement on Instrument for Pre-Accession (IPA) funded grants, no such reimbursement has taken place so far. The new online tax system requires monthly declarations on all CSOs, even when no activities are ongoing, which creates an additional administrative burden, particularly for small organisations. Public funding for CSOs is limited and procedures for fund allocations need to be clarified and unified throughout the public administration. Tax rules and other regulations are not conducive to private donations to CSOs. Civil society remains fragmented overall and overly dependent on donor funding.

2.2. Public administration reform

Albania is **moderately prepared** with the reform of its public administration. **Good progress** has been made in areas falling under the key priority on public administration reform, especially with the adoption of a comprehensive reform strategy and a new Code of Administrative Procedures. However, further efforts are needed also in the areas outside the scope of this key priority, especially on improving policy development and coordination, and the capacity of administrative courts.

In order to fulfil the key priority on public administration reform, in the coming year, Albania should in particular:

→ continue to demonstrate transparent and merit-based recruitment and dismissal of civil servants in all state institutions in order to achieve the objective of a professional and depoliticised public administration;

- make accurate information on public service available through the Human Resources Management Information System, and connect it to the treasury system;
- prepare for the implementation of the new Code of Administrative Procedures, and carry out a parallel review and alignment of other relevant legislation.

Public service and human resources management

The 2013 Law on Civil Servants is in line with the principles of public administration. The law provides for **merit-based recruitment, promotion and dismissal** in the public service. Several open 'pool' recruitments were carried out in 2014 and 2015 for entry-level positions. An open competition for the senior civil servants was held and led to the creation of the top level management corps. An in-depth training programme for all new top-level managers shall now be carried out.

The amendments to the law, adopted in December, however, open the possibility of recruitment for lower and middle management posts from outside the civil service, and render dismissals more flexible. Following the amendments, the secondary legislation should ensure that fair and rigorous recruitment and dismissal procedures are maintained. The quality of recruitment procedures needs to be significantly improved, especially in the independent institutions. The legal framework excludes certain institutions and positions from the scope of the Law on Civil Servants. Albania should ensure a homogenous employment regime among public administration institutions.

Management of human resources across the public administration has improved. The Department for Public Administration increased its staff in 2014 to ensure better coordination, but it still needs to improve capacity. Preparations have started to make the human resources management information system operational and extend it to all institutions. Implementation of the Law on Civil Servants at local level remains a challenge. The high number of appeals in the administrative courts raises concern about the use of termination, downgrading, restructuring and disciplinary procedures to demote and dismiss public servants.

The Commissioner for oversight of the civil service was appointed by parliament at the end of 2014 as an independent monitor of the management of civil service. In March, she presented her first report to the parliament. Effective follow-up of the Commissioner's findings and recommendations should be ensured.

The **remuneration system** is based on job classification and is in principle transparent. However, in June, the government adopted a new system of salary bonuses for civil servants working on EU integration and legal drafting. The proposed system needs to be reviewed to ensure it is in line with the Law on Civil Servants. The authorities need to take the necessary steps to ensure fair and transparent remuneration with equal pay for equal work, and to avoid weakening the career-based civil service system.

Professional development is provided for in the law. The Albanian School of Public Administration (ASPA) is responsible for civil servants training. The quality and quantity of training has increased, but ASPA's budget is insufficient for the increased number of civil servants in need of training. The new performance appraisal system is not yet used widely.

The perception of corruption is high in Albania. Both the public administration reform strategy and the anti-corruption strategy include measures to prevent corruption and promote **integrity in public service**, but they still need to be implemented effectively.

Policy development and coordination

Albania has the legal framework and institutional structures in place to ensure a good **policy-making system**, but there are some weaknesses in implementation. The European integration coordination system has been set up but needs to be made fully functional and equipped with the necessary staff capacity. Planning as well as monitoring and reporting on the implementation of the national plan for European integration should be improved. There are weaknesses with regard to the implementation of the government's work programme, coordination of the policy proposals and costing of strategies. The links between policy planning and medium-term budget planning need to be therefore substantially strengthened.

Policy and legislation development is not yet sufficiently **inclusive and evidence-based**. In March 2015, tables of concordance based on European standards were made compulsory for all legislation aiming at alignment with the *acquis*. However, ministries do not have in place clear internal rules which regulate procedures for policy development and legal drafting. The Law on Public Notification and Consultation came into force in May, setting out procedures for stakeholder consultation. Impact assessments are not carried out systematically and their quality varies between institutions. Financial impact assessments generally accompany draft legislative proposals, but their quality also varies greatly.

The system for monitoring government's performance should be streamlined to ensure efficient **public scrutiny over government work**, and the government monitoring reports should focus on achievements against policy objectives rather than on outputs.

Accountability of the administration

The legislative framework for the organisation of the state administration is in place, but the **lines of accountability** between agencies and subordinate bodies are still not fully clear. Also, lines of accountability within institutions need to be improved, as managerial accountability is not yet a feature of the system. (See Chapter 32 – *Financial control*)

The institutional set-up and resources to ensure the **citizens' right to good administration** are generally well established. The degree to which the recommendations of oversight bodies such as the Ombudsman and the High State Control are implemented is, however, difficult to establish as there is no systematic monitoring. The **right to access public information** is regulated in the Law on the Right to Information, which was adopted in September 2014. The law grants supervisory, monitoring and sanctioning powers to the Commissioner for the Right to Information and Protection of Personal Data. Regular monitoring of the practical application of exemptions from the law should be carried out.

The **right to administrative justice** is governed by the Law on Administrative Disputes and the Law on Administrative Courts. The overall capacity of the administrative court system to deal with the backlog of cases needs to be significantly improved. There are considerable delays in enforcement of the final decisions of the courts, including on cases of unlawfully dismissed civil servants. The Constitution lays down the **right to seek compensation** and public authorities' liability in cases of wrongdoing is regulated by a special law, but in practice the number of related court cases is low due to limited public awareness.

Public financial management

A **public financial management reform strategy** for 2014-2020 was adopted in December. Implementation has focused on strengthening the fiscal framework with multi-year ceilings, on a new IT system for the tax administration and on compliance audits. Implementation of the arrears prevention and clearance strategy is on track. The credibility of the medium-term budget programme needs to be strengthened, and coordination of public investment planning and management improved. Strong coordination is needed to ensure synergies with public administration reform. Efforts to prevent, detect and fight against high-risk fraud, corruption and misuse of public funds need to be further stepped up.

Budget transparency is ensured to some extent. The annual budget proposal does not have information on baseline expenditure, new policies, final outturn data for previous years or multiannual commitments on capital spending. A ‘citizen’s budget’ is not available. The High State Control does not provide an opinion on whether the government's financial reports fairly present public finances.

Service delivery to citizens and businesses

There is a strong political commitment to a **user-oriented administration**, and the government aims to ensure equal access to public services. Progress has been achieved with further extension of services on the e-Albania portal and the establishment of an interoperability framework for state institutions. Public satisfaction with government services is moderate and should be enhanced by policies and mechanisms promoting quality improvements in public institutions. The fragmented institutional responsibilities are a key challenge to further implementation. Progress on **simplifying administrative procedures** has been achieved in April with the adoption of a new Code of Administrative Procedures, in line with European standards. For uniform application of the code upon its entry into force mid-2016, the authorities need to carry out a parallel review and alignment of other relevant legislation and provide substantial training to the civil servants. The special administrative procedures need to be reviewed and either abolished or brought into line with the new law.

Strategic framework for public administration reform

The 2015-2020 **public administration reform strategy** was adopted in April together with an **action plan** for 2015-2017. A comprehensive monitoring and reporting system with performance indicators and targets has been set up. Related strategies on public financial management, the ‘digital agenda’, anti-corruption and decentralisation have also been adopted. **Political support** to the reform process is expected to be ensured by the newly set-up Integrated Policy Management Group for PAR, chaired by the Minister of State for Innovation and Public Administration. The capacity of the lead institutions needs to be further strengthened, particularly with regard to public administration reform monitoring. **Financial sustainability** is a concern, as costs of the overall public administration reform are not fully reflected in the medium-term budget programme.

2.3. Rule of law

Functioning of the judiciary

Albania's judicial system is at an **early stage of preparation**. **Some progress** has been made in the past year, notably through the establishment, in November, of an ad hoc Parliamentary Committee on Justice Reform to carry out a comprehensive and inclusive reform process.

Administration of justice is slow and judicial decisions are not always enforced. The professional training of judges is inadequate and their independence is not fully ensured. There is insufficient accountability of judges and prosecutors and corruption within the justice system is widespread. Inter-institutional cooperation is poor and resources are insufficient.

In order to fulfil the key priority on the reform of the judicial system, in the coming year Albania should in particular:

→ adopt a new judicial reform strategy and accompanying action plan, and proceed, through an inclusive consultation process, with drafting and adopting the institutional, legislative and procedural measures necessary, taking into account European standards and best practices;

→ fill the vacancies at the High Court and the administrative courts;

→ extend the courts' unified electronic case management system and ensure it is effective, including an appropriate maintenance budget;

→ publish all court decisions with their respective reasoning within a reasonable deadline.

Strategic documents

The 2011-13 justice sector reform strategy has expired and the adoption of a new **strategy is pending**. In April, the 2015-17 medium-term strategy of the Prosecution Office was adopted.

Management bodies

The **High Council of Justice** (HCJ) is the governing body of the judiciary. Its role is limited to the appeal and first-instance courts. It is composed of the President of the Republic (chair), the Minister of Justice, the President of the High Court, nine judges of all levels elected by the National Judicial Conference and three jurists elected by parliament by a simple majority. There is no provision ensuring that at least one member designated by parliament is supported by an opposition party. The deputy head of the HCJ, who is appointed upon a proposal by the President from among the members designated by parliament, plays a crucial role in the work of the Council. He is the only fulltime member of this body. The HCJ is in charge of the evaluation, appointment, promotion, and transfer of judges and handles disciplinary proceedings initiated by the Minister of Justice. In 2014, new rules on suspension from office and dismissal of HCJ members, and on issues relating to conflicts of interest, were introduced. However, the rules on ethics remain incomplete. The HCJ publishes its decisions online, together with the minutes of its meetings.

The **Council of Prosecutors** is made up of six prosecutors plus a representative of the Ministry of Justice, and may include a representative of the President of the Republic. It is an

advisory body to the General Prosecutor and not a fully-fledged career management body for prosecutors.

Independence and impartiality

The independence of the judiciary is enshrined in the Constitution. However, in practice it is jeopardised by the highly politicised way in which High Court and Constitutional Court judges are appointed, and the wide margin of discretion enjoyed by the HCJ in appointing, promoting and transferring judges. In principle, judges and prosecutors decide independently on individual cases. In practice, their independence is limited and there are regular reports of selective justice and political interference in court cases.

Not all courts use the unified case management system to **allocate cases**. Non-transparent practices such as assigning cases by drawing lots — occasionally even in the office of the head of court — have not been phased out in some courts. Rules on the **exclusion of judges** from cases are set out in the Civil, Criminal and Administrative Procedure Codes. Courts do not keep a register of cases from which judges have been excluded or have asked to be excluded. Individual requests to exclude judges from cases are addressed directly to the courts. The prosecution service's recently established case-handling system is not yet fully operational throughout the country, except for case registration purposes.

Accountability

A **code of ethics** for judges has existed since 2000 but had no real impact on their accountability. In 2014, a code of conduct was adopted for the prosecution service. There is not enough monitoring of compliance with ethical standards and integrity when appointing judges and prosecutors. There is no counselling or mandatory in-service training on ethics. Lawyers have their own code of ethics and professional ethics is one of the subjects covered by the initial training programme of the School of Magistrates.

Judges are held accountable through **inspection** by both the Ministry of Justice and the HCJ. Although there is a memorandum of understanding between these two bodies, there is a risk of overlapping inspections. The legal framework for **disciplinary proceedings** lacks clarity and such proceedings can be used to improperly influence judges. The Minister of Justice has sole power — and discretion — to bring disciplinary proceedings against judges, which is contrary to EU standards. The Minister submits disciplinary cases to the HCJ for review and a decision on sanctions.

Judges and prosecutors are obliged to **declare their assets** on an annual basis. However, despite numerous reported cases of failure to comply with this requirement, no final decisions on sanctions have been issued to date. The judiciary is generally perceived as being highly corrupt.

Professionalism and competence

Recruitment, appointment and dismissal are the responsibility of the HCJ, for judges, and the General Prosecutor, for prosecutors. The requirement of professionalism and integrity is not sufficiently reflected in the existing criteria for judges. Criteria for evaluating prosecutors are in place but clear and transparent criteria for evaluating and promoting judges have yet to be adopted. Decisions related to judges' careers are not fully transparent and are not always based on merits and other objective criteria. An appeal against appointments, evaluations,

transfers, promotion decisions and disciplinary measures is possible. High Court and Constitutional Court judges are appointed by the President of the Republic, with the backing of a simple majority of parliament. In recent years, the process of appointing Constitutional and High Court judges has been marred by controversial hearings in parliament's Legal Affairs Committee and frequent rejection by parliament of presidential nominees. In an attempt to remedy this situation, the Law on the High Court was amended in 2013 and again in 2015, when more specific criteria and procedures for the selection of judges were introduced.

Prosecutors are appointed, promoted, transferred and dismissed by the President of the Republic upon a proposal from the General Prosecutor. The independence and accountability of the prosecutorial system is further weakened by the fact that the General Prosecutor is appointed with the consent of a simple majority of parliament. Procedures for the appointment, promotion and dismissal of key staff in the General Prosecutor's Office lack transparency.

Quality of justice

Initial and in-service judicial **training** is provided by the School of Magistrates, and is being partly financed by foreign donors due to continuing shortfalls in the budget. A training programme on the case law of the European Court of Human Rights is in place, but training on EU *acquis* is limited. Albania does not yet participate in the European Judicial Training Network.

The National School of Lawyers began its activity in October 2013. Since then, the school has prepared 705 lawyers for the bar examination. The school does not yet provide in-service training for lawyers.

The Ministry of Justice publishes an annual report of courts' activities and all courts produce their own annual reports, although not all those reports are published.

The **budget** for the overall justice sector in 2015 is 3 % lower than in 2014 at EUR 80.1 million, which represents 0.8 % of GDP and 2.4 % of the state budget. It covers the Ministry of Justice, the prosecution, the courts, the School of Magistrates, the High Council of Justice and the Constitutional Court. Nevertheless, the budget for the courts, the prosecution and the State Commission for Legal Aid, which is EUR 27.6 million and represents EUR 9.55 per inhabitant, has increased.

Albania has 402 professional judges (13.9 per 100 000 inhabitants), 327 prosecutors (11.4 per 100 000 inhabitants) and 916 judicial administrative staff (2.3 employees per judge). There are 55 practising lawyers for 100 000 inhabitants. The planning and distribution of administrative and financial resources within the judiciary needs to be improved.

Major investments have been made in court infrastructure but many court premises require further renovation. Some courts do not have enough courtrooms and hearings still take place in judges' offices, which increases the risk of corrupt practices.

Online access to legislation in a consolidated form is not available. A case law database exists but publication of judicial decisions remains inconsistent and there are no effective research tools. The High Court has handed down only a few rulings unifying case law. The system for

notifying parties and witnesses is inadequate. The Law on **Mediation** provides an alternative dispute resolution mechanism, but recourse to mediation is rare.

Efficiency

The overall **length of proceedings** from initiation to final judgment remains a major concern. There is no effective monitoring mechanism and there is an overall lack of capacity to produce reliable statistical data. Compared with selected European states and the ‘reasonable time’ standard under Article 6 of the European Convention on Human Rights (ECHR), Albania has some of the lengthiest civil and criminal procedures in Europe. The excessive length of proceedings is due to long delays before appeal courts. Unclear provisions in the Codes of Civil and Criminal Procedure also reduce the efficiency of the courts. The **clearance rate**, i.e. the ratio of solved cases to new cases filed, has increased in recent years but with some differences according to the type of court. In 2014, clearance rates were below 100 % at the High Court, in both first-instance and appeal administrative courts, as well as in district first-instance and appeal courts as far as criminal cases are concerned. **Backlogs** remain high, in particular in administrative courts and at the High Court (rising from 4 094 cases in 2011 to some 12 000 in 2014). In 2014, there was an overall backlog of 30 600 cases in first-instance and appeal courts, 7.5 % less than in 2013.

Fight against corruption

The country has reached **some level of preparation** in the fight against corruption. **Some progress** has been made in the past year, notably through the adoption of a strategy and action plan.

However, corruption is widespread and more efforts are needed to establish a solid track record of investigations, prosecutions and convictions at all levels, in particular for cases where high-level state officials are involved. The independence of institutions involved in the fight against corruption needs to be enhanced, as they remain vulnerable to political pressure and other undue influence.

In order to fulfil the key priority on the fight against corruption, in the coming year Albania should in particular:

- demonstrate further progress with a view to establishing a solid track record of investigations, prosecutions and convictions in the fight against corruption at all levels; ensure follow-up of the high number of cases referred to the prosecution by the High Inspectorate for Declaration and Audit of Assets and Prevention of Conflict of Interest;
- amend relevant legislation in the area of interceptions and surveillance, time limits for investigations, and admissibility of evidence before court to enhance the efficiency of investigations on corruption cases, in line with European standards and best practices;
- step up efforts to ensure direct access to databases for prosecutors and police; extend the case management system in prosecution offices and ensure it is effectively used.

Track record

The track record of **investigations, prosecutions and convictions** in corruption cases remains limited. So far, there are only very few first instance convictions of **corruption cases involving high-level state officials**. One judge has been convicted on corruption related grounds. The number of final convictions involving junior or middle-ranking officials has increased steadily since 2010, but remains low overall. A number of high-profile cases, including some where evidence of alleged wrongdoing by high-level state officials, judges, mayors and former ministers was leaked to the media, have never been seriously investigated. Political authorities should ensure law enforcement bodies are fully empowered to act effectively and impartially when investigating corruption allegations. Control and inspection mechanisms in the public administration need to be strengthened as a matter of urgency.

Financial investigations are not yet systematically launched in cases of corruption. There are very few final cases of **asset confiscation** in corruption cases. Infiltration of the public and private sectors by organised crime — facilitated by corruption — continues to be a major cause for concern and needs to be urgently addressed. **Political influence** on law enforcement authorities and the judiciary is an issue of concern. Political actors frequently criticise ongoing corruption investigations and court rulings.

The number and frequency of checks on **asset declarations** increased in 2014. However, many referrals are not being prosecuted. So far, there have been very few cases relating to **conflicts of interest** violations. A proper follow up of the cases needs to be ensured. Also, a sufficient sample of asset declaration checks of high-state officials has yet to be ensured. Regarding **party financing and electoral campaign financing**, there is no track record of effective control, or deterrent penalties for wrongdoing. Education, healthcare, judiciary, public procurement, construction and spatial planning, and local government continue to be particularly vulnerable to corruption.

The law on **access to information**, which has been adopted in September 2014, is in line with international standards. It has started being implemented, with inspections being carried out by the Commissioner for Access to Information and Data Protection Office, as well as decisions taken. There is no adequate legal framework for protecting **whistleblowers**.

Institutional framework

There is a National Coordinator against Corruption, but responsibilities for different aspects of policy are scattered among individual institutions. The High Inspectorate for Declaration and Audit of Assets and Prevention of Conflicts of Interest (HIDAACI) is at high risk of political influence, and its independence and accountability need to be strengthened in view of its significant potential contribution to strengthening the prevention of and fight against corruption. In addition to the High State Control and HIDAACI, there are two other levels of audit. State institutions have internal audit units as a standard component of public sector internal financial control, and the Council of Ministers' Unit for Internal Administrative Control and Anti-Corruption (UIACA) may also conduct audits in line ministries, institutions under the authority of the Prime Minister or ministers, and administrations under the authority of prefects and companies where the state holds all or a majority of the shares. UIACA's mission includes administrative checks in relation to complaints on alleged corruption or abusive and arbitrary administrative practices and awareness rising of public authorities.

However, UIACA's role needs to be further clarified, and corruption prevention should be streamlined; the institutions involved are fragmented. There is no system of risk assessments based on suspected breaches, or audits of institutions in line with public internal financial control systems. The HIDAACI's remit and capacity also need to be strengthened, its cooperation and data exchange with other institutions improved, and an electronic system to manage conflict of interest and asset declarations set up. In January, the government launched an online portal for complaints of corruption, but its scope and referral mechanisms need to be further clarified.

There are no clear, enforceable, public standards for professional conduct for MPs, and no system for case-by-case notification of conflicts of interest. MPs' asset declarations are not made public automatically and are fully audited only every three years.

As regards **law enforcement**, important steps have been taken since 2007 to set up specialised units to investigate corruption-related offences in the police and prosecution. In 2014, further steps were taken to ensure the investigation and prosecution of cases involving high state officials. However, significant flaws remain in the legal and institutional framework. Jurisdiction over corruption offences is unclear, human and technical resources are inadequate, effective cooperation and trust between the police and prosecutors are lacking, and there is not enough cooperation and exchange of information with other institutions. Ordinary courts are not specialised enough to deal with complex corruption-related cases and training is inadequate. Sanctions imposed in corruption cases tend to be overly lenient. Courts have different approaches to authorising special investigative techniques and admitting illegally obtained evidence such as private recordings. Court decisions are often poorly structured and drafted.

There are no legal barriers to the exchange of information between institutions. However, it is not smooth or effective in practice. HIDAACI needs access to relevant databases and sources, including the land register and bank information, to check asset declarations. The police and prosecution also need direct access to a number of public databases to be able to build cases. However, mutual distrust between institutions remains evident and hampers access.

Legal framework

Public sector corruption, including active and passive corruption, abuse of duty, high-level corruption, private sector corruption, illegal benefiting from public office and matters related to asset declaration are all defined in the Criminal Code. The anti-corruption legal framework is highly complex, and its stability and legal certainty have been undermined by numerous and frequent amendments, which are often subject to contradictory interpretation. Government mechanisms for obtaining help, advice or training are limited and the procedures for responding to breaches of ethics are ineffective. Reforms implemented so far have not yielded significant results or altered the public's perception of the level of misconduct by public officials. Further efforts are needed to improve the law to make investigations more efficient, and to clarify the definition of 'high state official' and 'large-scale corruption'. The existing regulations mainly focus on restrictions and prohibitions, to the detriment of public disclosure and transparency, which limits their effect. Further efforts are needed to improve implementation and ensure that information of public interest is disclosed in a timely and efficient manner.

The country is party to the **UN Convention against Corruption**. Albania has not criminalised illicit enrichment, but has criminalised the refusal to declare assets, non-

declaration, the concealment of assets, and false declarations by elected persons, public employees and others who have a legal obligation to declare assets. The country signed and ratified the relevant Council of Europe Anti-Corruption Conventions and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Albania has still to fully align its legal framework with the recommendations made in the Council of Europe's Group of States against Corruption (GRECO) evaluation rounds (see Chapter 23: Judiciary and fundamental rights).

Strategic framework

The government defined the fight against corruption as one of its key priorities. In March, Albania adopted its **national anti-corruption strategy (2015-20) and action plan (2015-17)**, with a budget of EUR 12 million. Relevant stakeholders, including civil society and business community, were widely consulted. Clear timelines and responsibilities are set out, and actions are budgeted individually. Results and impact indicators should still be improved in the end-of-year review of the action plan.

Fight against organised crime

The country has reached **some level of preparation** in the fight against organised crime. **Some progress** has been made over the past year on enhancing international police cooperation, in particular in the fight against drug trafficking.

However, cooperation between prosecution and police remains to be further developed. Effective judicial follow-up of organised crime cases and quality of indictments must be ensured. The number of final convictions remains negligible compared to the estimated value of the regional and domestic criminal drug market. Financial investigations remain underused and the level of assets confiscated is low.

In order to fulfil the key priority on the fight against organised crime, in the coming year Albania should in particular:

→ demonstrate further progress with a view to establishing a solid track record of proactive investigations, prosecutions and convictions, including dismantling of criminal networks involved in all forms of organised crime;

→ amend relevant legislation in the area of interceptions and surveillance, time limits for investigations, and admissibility of evidence to enhance the efficiency of investigations on organised crime cases, in line with European standards and best practices;

→ set up an effective human resources policy and a merit-based promotion and transfer process in the Albanian State Police, and allocate adequate resources to the police and prosecution services to fight organised crime.

Track record

The number of final convictions for organised crime is still very low and has only slightly increased in recent years. There are very few cases against **trafficking in human beings**, despite Albania being a source, transit and destination country for trafficked people. Over the past five years fewer than 35 people have been convicted for **money laundering** and none

during the first semester of 2015, although 123 proceedings were registered and two cases sent to court. The circumstantial evidence in cases of inexplicable wealth, unjustified proliferation of assets or extraordinary financial operations is not used. Criminal investigations often have a narrow scope and legal persons are very rarely investigated. **Financial investigations** targeting suspected members of organised criminal groups are not systematically and efficiently carried out. Precautionary **freezing of assets** is seldom applied during the initial phase of an investigation. Proceeds of crime often disappear, resulting in a poor track record of confiscated assets at the time of the final conviction. Less than 50 % of organised crime cases led to the confiscation of assets beyond those found upon the arrest of the suspect. Leaks to the press, violating the secrecy of investigations and jeopardising the safety of police, are frequent.

Institutional and operational capacity

The Albanian State Police has 9 997 police officers, 228 per 100 000 inhabitants. Its management of human resources has improved, while its command structures and capacities need to be consolidated. The high rates of staff turnover, in particular among experienced police officers often trained with international support, need to be reduced.

Specialised units are in place for economic and financial crimes, cybercrime, counter-terrorism, trafficking in drugs and human beings, motor vehicles, works of art, arms, explosives, protection of witness and collaborators of justice, and international law enforcement cooperation. The joint investigation units need to further develop their human resource capacity. The efficiency of investigations is often jeopardised by frequent changes of judicial police officers and a lack of personnel specialised in financial and fiscal matters. The general level of police equipment and logistics remains an issue of concern.

Cooperation between prosecution and police needs to be further improved. The poor capacity of judicial police and prosecutors to detect and investigate complex criminal cases means they are limited to simple investigations ending in arrests in the act, so there is no comprehensive approach to investigations and prosecutions. The law enforcement authorities are highly centralised, resulting in poor standards of investigation in remote areas of the country. Capacity to use special investigative means is limited. Formal and lengthy procedures to obtain even basic information during investigations cause significant delays and jeopardise the secrecy of the process. The police and prosecution services lack adequate resources to fight organised crime.

Following the conclusion of an operational agreement with Europol, exchange of information has significantly increased. Albania obtained access to the secure information exchange network application (SIENA). In 2014, 1 026 messages were exchanged through SIENA, compared with 216 in 2013, which represents an increase of approximately 375 %.

Police collect and process crime statistics manually, which is cumbersome and undermines data reliability. The budget of the DNA sector of the Forensic Directorate, despite the recent increase, is insufficient to cover the costs of DNA collection, thus limiting DNA profiling capacity.

Legal framework

The new Law on the State Police, which came into force in March, is in line with the main recommendations of the Council of Europe's European Code of Police Ethics. Criminal

penalties are not sufficiently dissuasive. A number of shortcomings in the investigation phase need to be addressed, including the timeframe for preliminary investigations and procedures for using special investigation means. The law on the confiscation of criminal assets is partially aligned with the *acquis*. Alignment is still required as regards third party confiscation, extended confiscation and precautionary freezing of assets. Frequent amendments and contradictory interpretation have hindered legal certainty. The recommendations of the Financial Action Task Force are reflected in anti-money laundering legislation. However, shortcomings need to be addressed, including in implementation and in police access to public databases. Amendments to the anti-mafia law on assets seizure and confiscation have yet to be adopted.

Strategic framework

A revised 2013-20 interinstitutional strategy and action plan on fighting organised crime, countering terrorism and illicit trafficking is in place. In June Albania adopted a national serious and organised crime threat assessment (SOCTA). Albanian police analysts have been trained by Europol in June thus establishing the necessary capacity to align the national serious and organised crime threat assessment with the EU SOCTA methodology. However, Albania makes little use of Europol’s strategic intelligence products.

Fight against terrorism

Albania has been affected by the phenomenon of foreign terrorist fighters and radicalisation. Cases of hate speech need to be addressed more forcefully. The phenomenon of foreign terrorist fighters needs a specific approach by the intelligence and law enforcement community and a coherent judicial policy on offenders. While international cooperation has greatly improved at both operational and strategic level, prevention mechanisms involving civil society and religious communities are yet to be designed.

2.4. Human rights and the protection of minorities

Overall situation

The legal framework for the protection of human rights is broadly in line with European standards. However, implementation is limited and enforcement of human rights remains insufficient.

Shortcomings particularly affect the following areas:

- Enforcement of property rights remains to be ensured. The processes of property registering, restitution and compensation are not completed.
- Roma and Egyptians face very difficult living conditions and frequent social exclusion and discrimination due to ineffective policy implementation and poor inter-institutional cooperation; a solid anti-discrimination case law has yet to be built up;
- Institutional mechanisms to protect the rights of the child remain poor; the juvenile justice system fails to comply with international standards;

In order to fulfil the key priority on the protection of human rights, in the coming year Albania should in particular make further progress with the implementation of the 2012-2020 strategy on property rights, and the processes of property registration, restitution and compensation; improve the living conditions of Roma and Egyptians; demonstrate progress towards developing the anti-discrimination track record; and enhance efforts to bring legislation on juvenile justice in line with international standards.

A detailed analysis of freedom of expression follows below. For a detailed analysis of developments on other human rights and the protection of minorities, see *Chapter 23 — Judiciary and fundamental rights*. For developments in the areas of trade union rights, non-discrimination and equal opportunities, see also *Chapter 19 — Social policy and employment*.

Freedom of expression

The country has **some level of preparation** concerning the right to freedom of expression. There has been **some progress** over the past year.

The Constitution and relevant legislation are in line with international human rights law, guaranteeing individual liberties. The overall environment is generally conducive to the exercise of freedom of expression, but better implementation of the legislation is needed. In addressing the shortcomings outlined below, in the coming year, Albania should in particular:

- enhance transparency of government advertising in the media;
- ensure that the existing legislation is implemented in a manner which ensures equality before the law;
- further strengthen the independence of the regulatory authority and public broadcaster notably through the establishment of the RTSH steering committee and the appointment of senior management.

Intimidation of journalists

Physical assaults on journalists are rare. One case of a failed attempt on a journalist's life has been reported, although it has yet to be confirmed whether this attempt was related to the exercise of his profession. Another journalist has been threatened and placed under police protection. The police and respective authorities have reacted promptly, and investigations are ongoing. Proper judicial follow-up needs to be ensured. There have been some cases where politicians made hostile statements against journalists.

Legislative environment

The Constitution and relevant legislation are in line with international human rights law, guaranteeing individual liberties, including the right to privacy, freedom of expression and sanctions against incitement of hatred. **Defamation** is a criminal offence, although prison sentences are not foreseen as sanctions. Journalists are exposed to potentially large fines and damages. The rules on **hate speech** are in line with international law. However, domestic court rulings in hate speech matters are not monitored. The Commissioner for Protection against Discrimination has issued a number of decisions and recommendations in cases that are related to hate speech. The new law on **access to information**, approved in September 2014, is in line with international standards. Recent proposals to amend the Civil Code and

the Law on Audiovisual Media with the aim of filtering offensive comments and removing existing audiovisual media ownership limitations could limit freedom of expression.

Implementation of legislation/institutions

The 2013 Audiovisual Media Law transformed the National Council on Radio and Television into the **Audiovisual Media Authority** (AMA). The procedure for appointing members of the AMA board, based on political support by either the majority or the opposition, does not fully guarantee their independence. New AMA members and a chair were appointed in 2014. The opposition disputed the election process in court, alleging that the appointments — approved with the votes of the ruling majority only — were invalid and in breach of the law. Opposition-nominated AMA members did not attend AMA board meetings, questioning the legitimacy of its board. This has made it difficult for the regulator to reach the quorum needed for major decisions. Online content and registration of websites are not regulated by law.

Public service broadcaster

Regulation of the public service broadcaster RTSH is in line with EU standards. **Financing** is mostly independent of the government. RTSH fee collection improved when the collection rate of electricity bills, which include the RTSH fee, improved. The election of the RTSH's Steering Council has been delayed by political deadlock and a lawsuit brought by the opposition. The RTSH should now adopt its statute, and other necessary guidelines, and elect a new management.

Economic factors

Media ownership transparency has improved. At the **National Registration Centre's** website citizens can check the shareholders of any registered company. However, the functioning of the media market remains opaque with a number of media outlets surviving in a relatively small market, with limited resources. Transparency of **government advertising** in the media needs to improve. The media continued to be used as a tool to promote political and private interests.

Professional organisations, professional conditions

The capacity of the journalists' trade union remains weak, although it has intensified its efforts to set up branches covering many cities in the country. Professional and ethical standards in journalism need to be strengthened. Protection from arbitrary dismissal needs to be provided for journalists to prevent self-censorship. Further action is needed to ensure the proper enforcement of labour rights, especially the rights of media staff to a formal employment contract and the payment of social contributions.

2.5. Regional issues and international obligations

Albania still maintains a 2003 bilateral immunity agreement with the United States, granting exemptions for US citizens from the jurisdiction of the **International Criminal Court**. In doing so, it does not comply with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements. Albania needs to align with the EU position.

As regards **regional cooperation and good neighbourly relations** Albania is active in regional initiatives and plays a proactive role, and it held a one-year chairmanship of the

South-East European Cooperation Process (SEECP). In 2014, Albania concluded its one-year US-Adriatic Charter (A5) presidency. Albania has continued to participate in the EUFOR/ALTHEA mission in Bosnia and Herzegovina, and in all events related to the implementation of the Trans-Adriatic Pipeline and Ionian Adriatic Pipeline projects.

A fresh impetus has been given to regional cooperation through the '**Berlin process**' and the Western Balkan 6 initiative, intensifying cooperation among the Western Balkan countries and with the EU, notably regarding the **connectivity agenda**. In April, the Western Balkan Six countries reached an agreement on the core transport network and in June 2015 on extending three trans-European transport networks core corridors to the Western Balkans. They also identified the priority projects along sections of these corridors to be implemented by 2020. To ensure sustainability and also achieve short term results, the countries agreed to implement before the next summit in Paris a number of 'soft' measures such as aligning and simplifying border crossing procedures, road safety and maintenance schemes.

Albania is a constructive partner in the region, further developing solid **bilateral relations** with other countries preparing to join the EU and neighbouring EU Member States. Albania started negotiations with Montenegro and Serbia with regard to the bilateral convention on regional cooperation, under Article 13 of the Stabilisation and Association Agreement.

Relations with ***Bosnia and Herzegovina*** are good. There are no open bilateral issues. In July, Albania and Bosnia Herzegovina signed an agreement allowing their citizens to travel between the two countries with ID cards only.

Relations with ***the former Yugoslav Republic of Macedonia*** are good, with frequent high-level official visits. The government reacted to the May events in Kumanovo by calling for calm, transparency and full implementation of the Ohrid Framework Agreement. A memorandum of understanding on defence was signed in January. An agreement to jointly recognise respective social insurance schemes and a cooperation protocol on culture for 2015-20 were signed in March. In August, Albania approved a EUR 50 000 grant for humanitarian aid to alleviate flood damage in Tetovo.

Relations with ***Montenegro*** are good. A bilateral agreement on economic cooperation was signed in February. Albania has consistently expressed its support for Montenegro's NATO membership. There were two high level visits during the year.

Relations with ***Kosovo**** are good. A joint customs procedure was established at the Morinë border crossing point. In March, 12 agreements, memoranda and protocols of cooperation were signed at the second joint governments' meeting, on cooperation and security, border control, education, agriculture, trade and rural development. Albania has strongly supported Kosovo's integration process and its membership of regional initiatives and international organisations. Albania supports the ongoing dialogue between Kosovo and Serbia facilitated by the EU.

Relations with ***Serbia*** have intensified and are constructive overall. In October, an incident during a football match played by both national teams in Belgrade strained bilateral relations. The Albanian Prime Minister's subsequent visit to Belgrade — the first in 68 years — marked an important step forward in the normalisation of relations, and was followed by a visit of

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

Serbian Prime Minister Vučić in May. Albania and Serbia presented a joint proposal on concrete connectivity projects at the April Western Balkans Summit in Brussels. The Serbian and Albanian Ministers of Foreign Affairs took part in a first trilateral meeting with their Italian counterpart in Rome.

Albania maintains close relations with **Turkey**. In May, a strategic partnership was signed on mutual assistance and cooperation in the fight against organised crime and the fight against terrorism. Frequent high-level visits took place, including Turkish President Erdoğan in May.

Relations with **Greece** have been positive overall, and have become closer in relation to the rule of law, with joint meetings between representatives of the ministries of the interior to build cooperation on migration issues. Talks on several bilateral issues, including the agreement on the delimitation of Greek-Albanian continental shelf and maritime zones, continue.

Relations with **Italy** remain very strong, particularly in the trade sector. Diplomatic relations are very good. In December, a bilateral cooperation protocol was signed for 2014-2016, focusing on private sector development, agriculture, and rural and social development.

3. ECONOMIC CRITERIA

| Key economic figures | 2013 | 2014 |
|---|-------------------|-------------------|
| Gross domestic product per capita (% of EU28 in PPS) | 28 | 29 |
| GDP growth (%) | 1.1 | 2.1 |
| Unemployment rate (female; male) (%) | 15.9 (13.5; 17.8) | 17.5 (15.2; 19.2) |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (female; male) (%) | 67.6 (57.6; 79.2) | 68.6 (57.3; 80.5) |
| Current account balance (% of GDP) | -10.8 | -13.1 |
| Foreign direct investment (FDI) (% of GDP) | 9.6 | 8.1 |

Source: Eurostat

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

The monitoring of these economic criteria should be seen in the context of the increased importance of economic governance in the enlargement process. In order to improve their economic governance, in 2015 the enlargement countries were asked to prepare Economic Reform Programmes (ERPs), which set out a medium-term macro-fiscal policy framework together with key structural reforms aimed at supporting the framework and boosting competitiveness. The ERPs were the basis for country-specific recommendations jointly

adopted by the EU and the Western Balkans and Turkey in the Economic and Financial Dialogue meeting on 12 May 2015.

3.1. The existence of a functioning market economy

Albania is **moderately prepared** in developing a functioning market economy. **Some progress** was made, in particular in improving macroeconomic stability. However, significant challenges remain, in particular the need to lower the public debt burden. Growth prospects have been improving, but they are still vulnerable to constrained bank lending. With a narrow export and production base, the competitiveness of Albania's economy is weak. The private sector is held back by significant shortcomings in the regulatory environment and the rule of law. The level of unemployment and informal employment remains high.

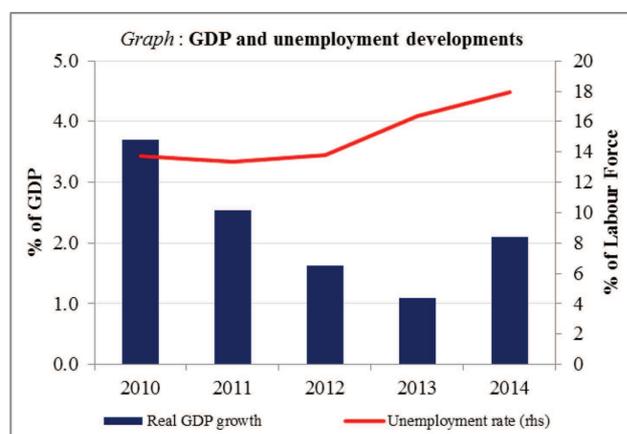
In line with the ERP recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to:

- sustaining fiscal consolidation and strengthening the budget management framework;
- tackling the high level of non-performing loans;
- improving the business environment by implementing regulatory reforms and adopting the new bankruptcy law.

Economic policy essentials

The government demonstrated strong commitment to reform and implemented stability-oriented macroeconomic policies in a challenging political environment. Albania submitted its Economic Reform Programme, covering the period 2015-17, in January 2015. The objectives of the programme are to achieve macroeconomic stability, remove obstacles to growth and improve competitiveness. The ERP's medium-term macroeconomic projections assume a further acceleration of growth and continued fiscal consolidation on the basis of stability-oriented policies. Albania needs to follow up on its commitments and take further steps to implement the ERP recommendations, which are set out below. The three-year financing arrangement with the International Monetary Fund agreed in February 2014 supports strengthened macroeconomic stability and growth-boosting reforms.

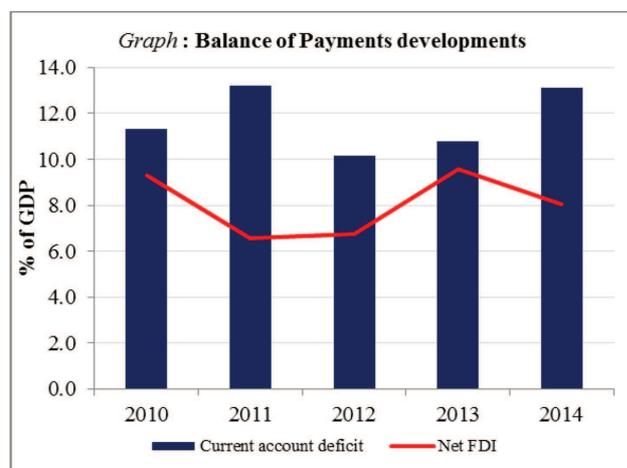
Macroeconomic stability



Economic activity picked up in 2014 because of improved private domestic demand. The growth rate reached its lowest level in 15 years in 2013, at only 1.1%. In 2014, however, growth rebounded to an estimated 2.1% as interest rate cuts by the central bank improved financing conditions, rising remittances and low inflation boosted household spending, and the clearance of a large part of government arrears improved firms' liquidity and confidence. Annual economic growth reached 2.8%

in the first quarter of 2015, partly thanks to a strong increase in investment. Per capita GDP in

purchasing power standards stood at only 29 % of the EU-28 average in 2014 (unchanged since 2009), pointing to the need to generate higher growth rates to converge towards EU living standards.



The current account deficit is structurally high, but its financing is healthy, relying mainly on non-debt-creating flows. Overall, the current account deficit increased to 13.1 % of GDP in 2014 from 10.8 % in 2013. The trade deficit increased to 18.8 % of GDP in 2014 after narrowing in 2012 and 2013. This was the result of higher imports due to recovering domestic demand, though exports, especially of clothing and footwear, also rose. The growing stock of foreign investment resulted in higher repatriation of

investment earnings. The long-standing decline in migrant remittances was reversed in 2014, but in proportion to GDP they remain much below the level reached in the years leading up to the 2008 global crisis.

In the 2009-2014 period, around two thirds of net financial inflows to the economy consisted of foreign direct investment (FDI). External debt amounted to around 68 % of GDP at the end of 2014, with long-term debt making up more than 80 % of the total, mostly in the form of concessional government borrowing and inter-company lending. This debt profile does not give rise to concerns about refinancing prospects. Moreover, the official foreign exchange reserves, covering around 5.3 months of imports and amounting to almost double the stock of short-term external debt in the first quarter of 2015, provide an adequate safeguard against adverse shocks. To address the persistent current account deficit, Albania needs to diversify its economy and improve productivity by attracting foreign capital into tradable sectors among other things.

Unemployment remained high despite an increase in employment. Employment, in line with the economic recovery, grew by 1.6 %, but due to a rise in the labour force the unemployment rate rose from 15.9 % to 17.5 % in 2014 as a whole, before falling to 17.3 % in the second quarter of 2015. 56.6 % of the working-age population were employed in 2014, almost unchanged from 2013. However, the high prevalence of long-term and youth unemployment and large gender differences in labour force participation indicate significant structural obstacles. Nearly a third of the employed are unpaid family workers (mainly in agriculture) and informal employment remains widespread; this affects job security and social security entitlements and hinders company development. Some progress was made on strengthening labour market policies in line with the national employment and skills strategy for 2014-2020, adopted in November 2014. However, more needs to be done to improve the functioning of the national employment service, strengthen employment promotion programmes, modernise training services and develop a coherent labour market information system.

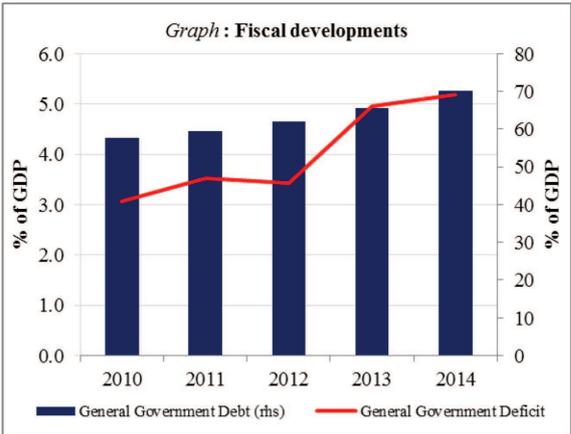
Inflation remained weak, allowing the central bank to lower the key interest rate. Average annual inflation remained below the Bank of Albania's (BoA) 3 % target in both 2013 (at 1.9 %) and 2014 (at 1.6 %). This resulted from below-potential economic activity,

low inflation in trading partners and a stable exchange rate against the euro. In the first seven months of 2015, inflation was volatile as a result of floods temporarily disrupting agricultural production and driving up food prices; however, on average it remained well below the target rate. Persistently low inflation allowed the BoA to bring down the key interest rate in several steps to a new historic low of 2 % in January 2015 in an effort to stimulate economic activity and steer inflation towards the target. The BoA was successful in lowering market interest rates and supporting credit growth, even if banks' increased risk aversion hampered the pass-through of monetary stimulus to the economy. The degree to which the financial system uses the euro ('euroisation') lessened but remains high. This entails credit risks in case of abrupt changes in the exchange rate and reduces the room for manoeuvre for monetary policy.

The budget performed well in 2014, but revenues fell short of the target in the first half of 2015. The 2014 deficit outcome, at 5.2 % of estimated full-year GDP, remained well below the initial target of 6.6 %.

Revenues increased by 12.1 %, resulting from tax increases and successful efforts to improve tax collection. At the same time, total spending was 3.9 % lower than budgeted due to underperforming public investment and operational expenditure. In 2014 the budget also had to finance the repayment of government arrears to businesses, amounting to 2.4 % of GDP. Without this extraordinary expense, the budget actually posted a small primary surplus for the first time since 2010. In the first half of 2015 tax revenues fell short of targets mainly due to overoptimistic assumptions about revenue growth, lower-than-expected inflation, and the fall in oil prices. The budget was revised in July and revenue targets were lowered, but thanks to savings on interest payments and substantial underspending on investment, the overall deficit target was left unchanged at 4 % of GDP (which includes repayment of arrears worth 1.3 % of GDP). Over-optimistic projections for tax revenue and investment spending are recurring problems that need to be tackled

ERP recommendation 1: 'Pursue fiscal consolidation in line with the objective to put the public debt ratio on a downward path and lower it to less than 66 % of GDP by 2017. At the same time, preserve fiscal space for growth-enhancing public investment by making sure that revenue performance remains on track, allowing for the initially budgeted capital expenditure to be executed.'



The high level of public debt, almost half of it short-term, remains a key source of macroeconomic risk.

Public debt increased significantly to 71.8 % of GDP in 2014 from 55.1 % in 2008 in the wake of the economic slowdown. The large proportion of short-term debt translates in debt equivalent to about 20 % of GDP needing to be rolled over every year, relying mainly on domestic banks, which creates refinancing risks. Accordingly, the stated objective for 2015 and beyond is to continue fiscal consolidation and reduce public debt, in accordance with ERP recommendation 1.

This would not only help rebuild fiscal buffers to fight any future downturn, but also foster financial stability given large holdings of government debt by banks.

An ambitious pension reform has largely been implemented with the aim of improving the long-term sustainability of the system. The government made some progress in addressing fiscal risks stemming from the electricity sector. This public utilities sector is characterised by very high distribution losses and inadequate bill collection, which leads public finances to

bear the costs, including those of emergency imports of electricity. While the government has already taken measures to clamp down on electricity theft and illicit connection to the grid, sustained efforts are needed to make the electricity sector financially sustainable, in line with

ERP recommendation 2.

Additional fiscal risks include the obligation for the state, confirmed by judgments of the European Court of Human Rights, to pay compensation to former owners of property confiscated during the communist regime. In line with ERP recommendation 2, Albania prepared a draft law which would improve the financial sustainability of the current compensation scheme.

ERP recommendation 2: ‘Progress towards eliminating high fiscal risks posed by the electricity sector by reducing distribution losses at an average rate of 5 percentage points in the coming years and by improving the bill collection rate. Evaluate the fiscal impact of the property compensation scheme and accommodate the costs in the medium-term budget, if necessary by adjusting the parameters of the scheme with the aim of creating a realistic, transparent and sustainable compensation framework.’

The budget management framework needs to be significantly strengthened, in accordance with ERP recommendation 3.

Shortcomings in public finance management (PFM) include weak budget planning and monitoring, over-optimistic growth and revenue projections, as well as lax tax collection especially in election years. Over the years, these shortcomings have contributed to increased public debt and large government arrears to the private sector. To address these weaknesses, the government approved an ambitious PFM strategy for the period 2014-2020, supported by the Instrument for Pre-Accession Assistance (IPA). It contains plans to strengthen multi-year budgets, introduce rules to limit politically motivated ad hoc spending increases and eliminate systematic biases in budget forecasts. Fiscal credibility is to be reinforced by adopting a fiscal rule the details of which have yet to be worked out.

ERP recommendation 3: ‘Reinforce the budget management framework by implementing the public finance management strategy agreed with the Commission and adopted in December 2014, in particular by moving towards adopting a credible fiscal rule which will effectively ensure the sustainability of public finances in the long run and by strengthening budget forecasting.’

Interplay of market forces

Market liberalisation and privatisation are advanced. Price and trade liberalisation was carried out early in the transition process and privatisation is wide-ranging. The state’s involvement in the economy remains limited and is concentrated in a few sectors such as energy. The private sector remains dominant, accounting for more than 80 % of the workforce. Privatisation efforts are now focused on state-owned small and medium-sized enterprises (SMEs) in non-strategic sectors. Some companies with poor economic performance went into liquidation in the reporting period, while the unused assets of others were offered for lease to domestic and foreign investors. In addition, a decision was made to privatise the state insurance company INSIG through an open tender that attracted four bids. A working group has been set up to identify the best option for restructuring and privatising the oil company Albpetrol.

Market entry and exit

Further improving market entry and exit procedures could facilitate the efficient allocation of resources. Business registration continues to function reasonably

ERP recommendation 6: ‘Improve the overall business environment, including by implementing the merger of the NRC (National Registration Centre) and NLC (National Licensing Centre) to further ease the regulatory and administrative burden for businesses. Start the implementation of the simplification regime for authorisations. Make the newly established investment council fully operational.’

well through the established network of the national registration centre (NRC). The number of start-ups surged by 43 % in 2014 and reached a six-year high, and business registrations have continued to increase in 2015, partly reflecting efforts to formalise the large informal economy. Plans to further streamline procedures by merging the NRC with the licensing authority to create a single service window for registration and licensing should be implemented in line with ERP recommendation 6. Steps have also been taken to create an inventory of authorisations to remove unnecessary ones. Firms' access to formal finance, especially in the start-up phase, remains a challenge. Bankruptcy procedures remain slow and the recovery rate for debtors in most cases turns out to be low. There was some progress on revising the bankruptcy law.

Legal system

There are significant shortcomings in the rule of law, property rights enforcement and the fight against corruption which remain key aspects to improving the business environment. Steps have been taken to address these complex challenges (*see Chapter 23 — Judiciary and fundamental rights*), but much remains to be done. Efforts were also made to improve the government's communication with businesses, notably by setting up an investment council and requiring mandatory consultation of stakeholders on new legal drafts, and to reduce the regulatory burden on businesses. However, results have yet to materialise.

Financial sector development

There is scope for banks to expand lending and better support the economic recovery. The banking sector, dominated by foreign-owned banks, holds 90 % of all financial system assets. With loans to businesses and households amounting to less than 40% of GDP, there is much scope for increasing the role of bank lending in the economy. However, credit growth has only started to gather some momentum towards the end of 2014, despite banks' ample liquidity and the gradual fall in credit rates. While the economic slowdown has reduced the demand for loans, the high proportion of non-performing loans (NPLs), which peaked at 24.9 % in 2014 and was still 21 % in June 2015, has contributed to banks' increased risk aversion and cautious lending. Various regulatory and legislative changes have already been made to address the problem, and an inter-institutional working group was set up to develop a comprehensive NPL reduction strategy. However, in line with ERP recommendation 4, further efforts are needed to encourage the clean-up of bank balance sheets and boost lending, including by addressing impediments to judicial enforcement and collateral execution.

The banking system appears stable but is exposed to credit and sovereign debt risks. Overall, the capital and liquidity ratios of the banking system well exceed regulatory minima, and profitability was improving in 2014 and the first half of 2015. The three Greek-owned banks operate as stand-alone subsidiaries with adequate capital and liquidity buffers and no significant exposure to their parent banks. The central bank put in place additional prudential measures following the introduction of capital controls in Greece: therefore, financial contagion risks seem well contained. Banking activity continued to be fundamentally financed by deposits, with the loan-to-deposit ratio standing at around 55 %. Provisioning for potential losses on non-performing loans improved, but NPLs net of provisions still amounted to 36 % of bank capital in July.

ERP recommendation 4: 'Take further measures to address the issue of non-performing loans, involving all key stakeholders including the Bank of Albania as necessary, with a view to achieving a sustainable reduction of their level. In this context, addressing impediments related to judicial enforcement and collateral execution would appear helpful.'

Banks are also exposed to credit risks originating from foreign currency loans whose

repayment is vulnerable to a potential depreciation of the Albanian currency (lek). Also, since government securities make up around a quarter of bank assets, severe sovereign debt stress would be detrimental to banks' solvency.

The size of the non-banking financial sector increased but remains small. It comprises the insurance and private pension businesses plus investment funds; total assets represent 6.5 % of GDP. The regulatory and supervisory framework for the sector needs further strengthening. The capital market remains rudimentary. There is great scope for expanding equity finance.

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

Albania has **some level of preparation** in terms of capacity to cope with competitive pressure and market forces within the Union. **Some progress** was made particularly as regards transport and energy infrastructure. However, significant investment in human and physical capital is necessary to improve the country's competitiveness. There is considerable scope for shifting employment to more productive sectors and for diversifying export products and markets. In line with the ERP recommendations and in order to support long-term growth, in the coming year Albania should pay particular attention to:

→ improving the quality of higher education and continuing the restructuring of vocational education and training to improve its market relevance;

→ adopting and implementing the national transport and energy strategies;

→ lowering non-tariff barriers to trade.

Human and physical capital

Despite significant improvements over the last decade, Albania still has considerable gaps to close in terms of years of schooling, secondary enrolment rates, education quality and the market relevance of qualifications. Public spending on education remains low at around 3 % of GDP and is expected to fall slightly in 2015 due to lower budgeted investment spending in this area. Albania adopted and started to

ERP recommendation 5: 'Adopt and start to implement the law on higher education, as well as the new strategy for higher education. Establish an independent accreditation system for all public and private universities. Continue the restructuring of the vocational education and training system with a view to improving the relevance of the training for the needs of the labour market.'

implement the national employment and skills strategy for 2014-2020. Institutional changes are expected to be followed by the introduction of an apprenticeship system and upgrades to the curricula in line with market needs. In line with ERP recommendation 5, this should remain a priority, along with drafting a new strategy on higher education and setting up a new accreditation system for universities. Low scores received by Albanian students in the OECD's PISA tests underline the need for improving the quality of basic education (*see also Chapter 26: Education and culture*).

Improving physical capital and promoting innovation are important elements for enhancing productivity and competitiveness. Investment as a share of GDP decreased from 33.9 % in 2008 to 24.9 % in 2014, driven by weak investment in construction and in machinery and equipment. With some large foreign direct investment projects in the energy sector under way, including the construction of a large hydropower plant and the Albanian

section of the Trans-Adriatic Pipeline, investment is likely to rebound in the coming years. Still, a more favourable investment climate is needed to attract capital into a wider range of sectors. New laws were adopted in May with the aim of promoting investment in strategic sectors and developing economic zones through lowering administrative burdens and providing fiscal incentives for such projects. Public investment made up 5.1 %-5.5 % of GDP in past years, but was often the target of ad hoc spending cuts when budget adjustments were needed. Public spending on research and development continued to represent only 0.01 % of GDP and much remains to be done to develop an innovation culture and links between science and industry.

While progress has been made over the years, Albania's transport and energy infrastructure is still not sufficiently developed. The finalisation and implementation of the transport strategy 2016-2020 are expected to improve overall transport infrastructure in the country and are highlighted as a priority in ERP recommendation 7. Focusing investment on the core network, in particular, would improve connectivity within the Western Balkans as well as with the EU.

ERP recommendation 7: 'Adopt and start to implement the transport strategy and action plan for 2016-2020. Focus investments on the core network. Adopt and start to implement the national energy strategy and the Power Sector Law, including speeding up the unbundling of the energy sector. Prepare single sector pipeline of priority investments for both transport and energy.'

Sectoral and enterprise structure

The Albanian economy is dominated by services, and agriculture still plays an important role. In 2014, services accounted for around half of gross value added, unchanged from 2008, followed by agriculture with a share of 22.6 %. Industry's role has increased over the last years (making up 14.2 % of the economy in 2014, up from 11.4 % in 2008) due mostly to increased oil extraction. At the same time construction's share of the economy fell to 11 % in 2014 from 18 % in 2008 following the economic crisis and the slowdown in lending. Agriculture provides a gradually falling, but still very large, proportion of employment (around 42.7 % in 2014), much of which is in the form of unpaid family jobs. In line with ERP recommendation 8, a strategy on the land registry (cadastre) should be adopted.

ERP recommendation 8: 'Adopt a strategy on the land cadastre and concrete measures to increase momentum in agricultural land consolidation.'

The sectoral composition of merchandise exports remained highly concentrated, with 82 % of total exports in 2014 accounted for by mineral products (33.6 %), textiles and footwear (33.6 %) and construction materials and metals (14.5 %). This lack of diversification contributes to the large external deficit and exposes the economy to industry-specific shocks.

Small and medium-sized enterprises (SMEs) play a significant role in the economy. They provide 81 % of employment and 70 % of value added in the non-agricultural private sector. Micro-businesses in particular make up a high proportion of the number of companies and account for 46 % of jobs. Various state and donor-funded schemes support SMEs' competitiveness and access to finance. The business development and investment strategy 2014-2020 has made support services for SMEs and start-ups a priority. Besides putting this strategy into action, further efforts could be made in implementing an SME test to ensure that regulations and legislation do not impede SME development and growth.

State influence on competitiveness

Reported state subsidies to the economy remained relatively low, but the electricity sector is an enduring drain on public resources. Total reported state aid stood at 0.5 % of GDP in 2014, marking a considerable decrease from 1.5 % in 2013. Around two-thirds of the subsidies were notionally granted for less distortive general business purposes, such as research and development and employment. However, much of the general business aid continued to benefit certain industries, such as the hydrocarbon or the clothing industries. Data on state aid does not include loan guarantees granted to the state-owned power company KESH to ease its financial difficulties. There is scope for improving the enforcement of competition rules.

Economic integration with the EU

The EU is Albania's dominant trading partner, with especially strong links to Italy. Albania has increased its openness to trade, with total imports and exports rising to 92.3 % of GDP in 2014 from 86 % in 2008. The EU remains Albania's largest trading partner by far, with a share of 77.4 % of its goods exports and 61.1 % of its goods imports in 2014. Italy is the main destination for Albanian exports, absorbing more than half of Albanian goods sold abroad in 2014 and providing almost a third of its goods imports. Trade links with Central European Free Trade Agreement (CEFTA) countries are also relatively important as they accounted for some 12 % of Albanian goods exports and 8 % of its imports of goods in 2014, but these shares are largely unchanged since 2008, pointing to a potentially large untapped potential for future growth.

Substantial progress has been made in lowering technical barriers to trade. However, additional efforts should be made in the area of sanitary and phytosanitary measures and administrative barriers, such as introducing electronic clearance of goods and streamlining customs procedures.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

4.1. Chapter 1: Free movement of goods

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

Albania is **moderately prepared** in the area of free movement of goods. There has been **some progress**, mainly in standardisation and accreditation. In the coming year, the country should in particular:

→ approximate legislation with the *acquis* in the areas of metrology, 'new and global approach' product legislation and procedural measures;

→ establish a market surveillance inspectorate.

Some progress has been made on **horizontal measures**. On **standardisation**, Albania continued to adopt European standards, mainly through the 'cover page' translation method. In 2014, 1 269 European standards were adopted, comprising 597 standards of the European

Committee for Standardisation (CEN), 149 standards of the European Committee for Electrotechnical Standardisation (CENELEC) and 523 from the European Telecommunications Standards Institute. A further 187 international standards were adopted, comprising 99 ISO and 88 International Electrotechnical Commission (IEC) standards. Amendments to the Law on Standardisation were enacted by the Parliament in May, aiming at alignment with the *acquis* with regard to notification of standards on technical regulations. The strategy on consumer protection and market surveillance, covering also accreditation and metrology, was adopted. In February, the government amended the Regulation on the Managing Board of the General Directorate of Standardisation.

On **conformity assessment**, in May Albania became a full member to the European Accreditation (EA) body. Albania's signature of the EA multilateral agreement on testing laboratories is awaiting a decision by the EA.

A new advisory board on **accreditation** was set up in the General Directorate of Accreditation (GDA) in December, aiming to better balance the representation of public and private institutions in the decision making process. The GDA signed a memorandum of understanding with the Tirana Chamber of Commerce in October.

On **metrology**, a new Law on Metrology was adopted in September 2015. The General Directorate of Metrology collected about 75 % of the fines for infringement of legislation issued in 2014. There was no progress on alignment with the Measuring Instruments Directive.

There was no progress on **market surveillance**. The legal base for establishment of a market surveillance inspectorate remains to be adopted. In February, amendments to the law on processing, transport and trade of petroleum, gas and their by-products were prepared but have not been adopted yet.

Some progress has been made in the area of '**Old Approach**' **product legislation**, through the adoption in July of a government decision on the technical regulation and the essential requirements, conformity assessment and CE marking of implantable medical devices.

No progress was made on '**New and Global Approach**' **product legislation** and in the area of **procedural measures**.

4.2. Chapter 2: Freedom of movement for workers

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

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|---|
| Albania is at an early stage in freedom of movement for workers. There has been no progress in this area. |
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As regards **access to the labour market**, no further progress has been made on guaranteeing equal treatment for EU workers in the Albanian labour market.

As regards **coordination of social security systems**, bilateral agreements on social security transfer were signed with Kosovo and the former Yugoslav Republic of Macedonia, in February and March respectively. Comparable agreements with Hungary and Romania have

yet to be ratified, while negotiations with the Czech Republic and Germany are ongoing. Negotiations with Luxemburg, Belgium and Austria are envisaged.

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

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

Albania is **moderately prepared** in the area of right of establishment and freedom to provide services. There has been **good progress**, mainly on aligning legislation with the postal *acquis*. In the coming year, the country should in particular:

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

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

As regards the **freedom to provide cross-border services**, preparations for further alignment with the *acquis* have continued with the preparation of a general law on services. Preparations for merging the National Registration Centre (NRC) and the National Licencing Centre (NLC) have started. Sector legislation is being screened for consistency with the Services Directive: the first screening reports on the mining sector and on the veterinary sector have been completed, while legislation in the field of tax, social services and legal sectors has started to be screened. Parliament passed amendments to the legislation on company registration and licensing, authorisations and permits in February.

A new Law on **Postal Services** was adopted by parliament in May. This aims to ensure a universal postal service throughout the country and to further align Albanian law with the 2008 EU Directive.

As regards **mutual recognition of professional qualifications**, parliament passed laws on the professional associations for doctors and dentists, and amendments to the relevant laws on the professional associations for nurses and pharmacists. The professions of social worker and psychologist were included in the list of recognised professions. The legislation still needs to be aligned with the Professional Qualifications Directive (2005/36/EC) including on professions for which minimum training requirements have been harmonised

4.4. Chapter 4: Free movement of capital

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

Overall, Albania is **moderately prepared** in this area. There was **some progress** on free movement of capital, mainly due to improved performance in the fight against money laundering. In the coming year, Albania should in particular:

→ implement effectively legislation against money laundering at all levels and further strengthen the national anti-money laundering and countering the financing of terrorism (AML/CFT) system;

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

Preparations on **capital movements and payments** remain weak. An action plan to make it easier for foreign citizens to buy property was adopted in March.

On **payment systems**, the Albanian Inter-Banking Payment System processed 86 430 transactions in 2014 (0.09 % more than in 2013 in number and 5.1 % more by value). The number of transactions processed through the Albanian Electronic Clearing House rose by 22 % compared to 2013, and the value was 14.2 % higher than in 2013. This trend continued in the first half of 2015. The Ministry of Finance continued to dominate the Clearing House system, with 54 % of the number of transactions and 49 % of the total value.

On the **fight against money laundering**, in September Albania was removed from the list of countries monitored by the Committee of Experts on the Evaluation of the Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) in its ongoing compliance process for combating the financing of terrorism. The number of suspicious transaction reports increased in 2014 and the first semester of 2015.

4.5. Chapter 5: Public procurement

EU rules ensure public sector procurement of goods and services in any Member State is open to all EU companies on the basis of non-discrimination.

Albania has **some level of preparation** in public procurement. Procurement is an area particularly vulnerable to corruption and more efforts are needed to prevent corruption from occurring in the procurement cycle. **Some progress** was made in the past year, especially through the adoption of amendments to the public procurement law. As regards concessions there was backsliding, with the introduction of measures incompatible with the *acquis*. In the coming year, Albania should in particular:

→ ensure effective, efficient and transparent functioning of the public procurement system by implementing the public procurement part of the public finance management reform strategy;

→ implement a legal alignment plan to ensure increased harmonisation with EU public procurement rules, including in the area of concessions, and defence procurement;

→ take steps to strengthen the public procurement review system by ensuring the Public Procurement Commission's functional independence from the government.

Institutional set-up and legal alignment

As concerns the **legal framework**, the Law on Public Procurement is largely in line with the EU directives on classical and utilities procurement and is harmonised with relevant administrative and budget provisions. Harmonisation with the revised directives on public procurement (Directive 2014/24/EU) and on procurement by entities operating in the water, energy, transport and postal services sectors (Directive 2014/25/EU) has yet to be achieved.

Albania's legislation is not yet in line with Directive 2009/81/EC on defence and sensitive security procurement and Regulation No 2195/2002 on the Common Procurement Vocabulary and there are gaps in conformity with the Remedies Directive.

The Law on Concessions and Public Private Partnerships is partly aligned with Directive 2014/23/EU. Amendments to the law adopted in July introduce the option of granting a bonus of 10 % for unsolicited proposals, which is a breach of *acquis*. Road infrastructure of national importance is exempt from the scope of the law. Urgent measures are needed to address these discrepancies between the law and the directive.

The public finance management (PFM) **strategy** includes actions to further align public procurement and concessions with the *acquis* and to strengthen inter-institutional cooperation and coordination. The PPA should adopt a detailed action plan for public procurement under the PFM strategy and report on its implementation.

The **Public Procurement Agency (PPA)** is a well-established institution. Mechanisms for coordination with the key institutional actors and stakeholders should be put in place to further strengthen PPA's role. Following the establishment of new local government units as a result of the territorial administrative reform, the capacity of local employees assigned to public procurement issues needs to be strengthened.

Implementation and enforcement capacity

The country's **public procurement market** in relation to gross domestic product (GDP) stood at 3.2 % in 2014, as compared to 3.6 % in 2013, with a decreasing trend over the last year due to budget cuts. Planning, preparation, and implementation of public procurement procedures generally respect transparency and efficiency principles. The use of negotiated procedure without prior publication in 2014 fell to 31.2 % of all procedures, as compared to 33.6 % in 2013, and to 11.4 % in terms of volume, as compared to 19 % in 2013. However, in the first half of 2015 the number of unpublished negotiated procedures increased considerably, with a total of 2 224 procedures as compared to 2 121 procedures for all of 2014. A central public procurement portal is in place and is widely used. The e-procurement system is obligatory and is fully operational, including for low-value procurement. A centralised procurement body for certain types of procurement is operational in the Ministry of Interior, but further centralisation is recommended to reduce vulnerability to corruption.

Monitoring of procurement procedures and of the award of contracts needs further improvement. It focuses on compliance with the law and it does not extend to a full assessment of practices in the public procurement market. PPA needs to further increase the capacity to monitor the e-procurement system and to make the concession procedures and plans more transparent.

Contracting authorities' **capacity to manage public procurement processes** has improved. The PPA adopted new standard tender documents for each type of procedure (works, goods, services, consultancy and design contest) and in January issued instructions for several procedures. The government committed itself to addressing corruption and conflict of interest in public procurement as part of the anti-corruption strategy. However the High State Control has estimated that the financial loss to the state budget from public procurement ran at EUR 4.8 million in 2014, almost double that of 2013.

Efficient remedies system

The **right to legal remedy** is stipulated in the Constitution and in the public procurement law. It is broadly in line with the general EU Treaty principles and the Remedies Directive, but further improvements are needed by establishing the legislative framework for ineffectiveness of contracts, for alternative penalties and for *ex ante* voluntary transparency notices. The remedies system includes an administrative review by the Public Procurement Commission (PPC), whose decision can be challenged in the Administrative Court. The consistency of decisions on public procurement cases should be improved by organising joint training for judges, PPA and PPC staff. The replacement of the PPC chairman and some of its members gives cause for concern about the body's independence. Measures should be taken to ensure the PPC's independence and impartiality, which are seriously undermined due to its subordination to the Council of Ministers.

The PPC received 834 complaints in 2014, or 48 % more than in 2013. Almost 60 % of them were considered unsubstantiated and most of the complaints accepted were related to procurement procedures for security services. In about 40 % of cases, the legal maximum time for processing the complaint was exceeded. About 8 % of its decisions in 2014 were challenged in the Administrative Court. The provisions do not allow a complaint to be lodged against unpublished negotiated procedures. This provision excludes 31 % of procurement procedures from the review mechanism.

While the remedy procedure has broadly been established, the **capacity** of the PPC and the Administrative Court to deal with complex and increasing number of procurement-related appeals needs to be strengthened to ensure timely processing of complaints.

4.6. Chapter 6: Company law

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

Albania is **moderately prepared** in the area of company law. **Some progress** was made in this field. In the coming year, the country should in particular:

→ strengthen the capacity and independence of the Public Audit Oversight Body.

On **company law**, amendments to the 2008 Law on Entrepreneurs and Companies were adopted in October aimed at further alignment with the *acquis*. Provisions include reporting and documentation requirements for mergers and divisions, and protection of the interests of members and third parties. The Law on the National Registration Centre was amended in February further aligning with the *acquis* by providing for online submission of annual balance sheets and audit reports by companies.

On **corporate accounting**, the national accounting standards adopted in July 2014 apply to statements filed from January 2015 onwards. The translation and final transposition of international accounting standards at national level have yet to be completed. Although online notification of balance sheets is now available, steps should be taken to ensure that companies

file a single set of financial statements (i.e. the duly approved version) in the national business register. Public access to companies' financial statements should be further improved.

In relation to **auditing**, the Public Audit Oversight Body has tabled proposals aimed at increasing its budget to promote its independence and ensure it is a permanent structure. Further efforts are needed to secure full independence.

4.7. Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of copyright and related rights. This covers, for instance, computer programs, broadcasting and trademarks, designs, biotechnological inventions and pharmaceuticals.

Albania has **some level of preparation** regarding intellectual property rights. **Some progress** was made in the last year. However, Albania has still not met its obligations under Article 73 of the Stabilisation and Association Agreement on the protection of intellectual and industrial property rights. In the coming year, Albania should in particular:

→ adopt a new copyright law in line with European standards;

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

As regards **copyright and neighbouring rights**, the new copyright law remains to be adopted.

In the area of **industrial property rights**, secondary legislation aimed at implementing the amended Law on Industrial Property was adopted. Two regulations on the approval of fees concerning industrial property and the issuing of patents for inventions and utility models entered into force in January and February respectively. Three additional regulations on the registration of trade and service marks, geographical indications and industrial designs were adopted in June.

As concerns **enforcement**, the General Directorate of Patents and Trademarks' new structure was approved in June. Its cooperation with the National Registration Centre was strengthened. The General Directorate pursued awareness-raising activities, and saw an increase in the number of companies registering their trademarks.

The Copyright Office conducted inspections and monitored the users of intellectual property, and issued certifications of author's rights and the transfer of economic rights and registered contracts. Its cooperation with the local authorities, police and some universities improved. In 2014, the number of fines imposed by the office increased compared with 2013. Its administrative capacity improved, but remains insufficient. The collective management agencies continued to face difficulties in carrying out their work, and there were significant delays in renewing their licences.

The number of counterfeit products in the country is still high and the market surveillance inspectorate has not yet been set up. The General Directorate of Customs continued to seize counterfeit products at customs posts. A joint operation to combat intellectual property rights infringements and the production and trafficking of counterfeit goods was conducted, resulting in 61 criminal proceedings and fines totalling EUR 15 000. Complaints to the police

by stakeholders about infringements of industrial property rights and illegal production of goods increased, resulting in 67 perpetrators being prosecuted in 2014. Further efforts are needed to increase awareness among key stakeholders, including judges.

4.8. Chapter 8: Competition policy

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

Albania is **moderately prepared** in competition policy. **Some progress** was made particularly as regards antitrust and mergers. In the coming year, the country should in particular:

→ increase the operational independence of the State Aid Commission.

→ strengthen the administrative capacity of the State Aid Control Unit.

On **antitrust and mergers**, the Albanian Competition Authority (ACA) adopted guidelines on the assessment and abuse of dominant market position and drafted new guidelines on remedies based on the European Commission notice on remedies. The administrative capacity of the ACA is sufficient and its staff has a good level of expertise. However, delays in court proceedings are too long and further efforts are needed to increase the availability and quality of training for judges on competition policy.

On **state aid**, an inter-ministerial working group was set up to improve coordination. The administrative capacity of the State Aid Control Unit in the Ministry of Economic Development, Trade, Tourism and Entrepreneurship remains inadequate. State Aid Commission's operational independence remains a concern. The State Aid Control Law is being revised to strengthen the independence of the enforcement authorities, but the law remains only partially aligned with the *acquis*. The amount of state aid granted in 2014 was EUR 46.4 million, considerably less than the previous year. Access to information on the State Aid Commission's decisions improved with the publication of its decisions online.

As regards liberalisation, an ACA *ex post* evaluation revealed that the contracting authorities had not met their obligation to request ACA assessment when granting exclusive rights.

4.9. 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 financial services. **Some progress** was made in this field. For banks and financial conglomerates, legislation on the capital adequacy ratio was amended. Preparations in financial market infrastructure, the securities market and investment services remain at an early stage. In the coming year:

→ the Financial Supervisory Authority (FSA) should complete its board structure according to the FSA law.

On **banks and financial conglomerates**, the Bank of Albania adopted a regulation on the capital requirements for second tier banks based on the Basel III capital adequacy ratio. Regulations on the functioning of the central system of registering and liquidating security titles and on consumer and mortgage credit were adopted. Amendments were made to regulations on the inter-bank large payment system; the activities of banks; foreign currency activities; and risk management of large exposures to counterparty failure among banks. The institutional and administrative capacity of the Bank of Albania supervisory department was increased. Since January, it has been assessing banks based on the new risk assessment methodology, in line with the *acquis*. The banking system remained solid and liquid.

In the **non-banking sector**, in March parliament appointed the new chair of the Financial Supervisory Authority (FSA), following the 2014 amendments to the Law on the Financial Supervisory Authority. The FSA has taken steps to increase its institutional capacity, but its new organisational structure remains to be approved and the vacant positions in the board to be filled. A new micro-credit financial institution was licenced in June.

In **insurance and occupational pensions**, the FSA issued regulations on principles and procedures related to insurance companies' accountancy, including internal risk control systems and liquidity obligations. It also adopted regulations on notification, correction or ban of prospectuses.

As regards **financial market infrastructure**, the Tirana stock exchange was suspended in December, as it did not list any companies and no securities were traded. It remains on stand-by in case companies become interested in being listed on the stock market.

On **securities markets and investment services**, the volume of investment funds continued to grow in 2014 and was dominated by government securities, which accounted for 85 % of total assets. Regulations on administering the liquidity of the investment funds and on notifying measures to prevent money laundering and financing of terrorism were adopted.

4.10. Chapter 10: Information society and media

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

Albania is **moderately prepared** in the field of information society and audiovisual media. There was **some progress** in the past year. The capacity of the Agency for Electronic and Postal Communications (AKEP) and the National Agency for Information Society (NAIS) was strengthened. A new 2015-2020 digital agenda strategy was adopted. E-services provided to public institutions and citizens increased. In the coming year, the country should in particular:

- increase the independence of the media regulator and the public broadcaster;
- implement, as a matter of urgency, the switchover from analogue to digital broadcasting.

In **electronic communications and information and communications technologies**, legislation on public information and consultation was adopted in 2014, aiming at alignment with the *acquis* and the principles of the Digital Agenda for Europe. As for market regulation, mobile termination rates (for calls received) were further reduced, and AKEP decided on a

tariff plan which shall be adopted by all operators until January 2016. The fourth UMTS/3G license was awarded. Progress was made in implementing the frequency use plan approved by AKEP in February 2014. AKEP's administrative capacity was increased; however, no progress was made in increasing its operational independence. No progress has been made in making the emergency number 112 operational.

While the overall mobile usage is high and mobile broadband usage reached 35 %, fixed broadband penetration remained low at 7.3 % in 2014.

In **information society services**, the cross-sectoral 2015-2020 digital agenda strategy was adopted in April, including also a review of the national broadband plan of 2013. The number of e-government services provided through the *e-Albania.al* portal to the public and businesses increased. A centralised infrastructure along with an upgraded capacity and security of online services for all institutions connected to the government network has been established in the National Agency for Information Society (NAIS). Its staff has doubled, and it has adopted a new organisational structure.

On **audiovisual policy**, progress has been slow. The new members of the Audiovisual Media Authority (AMA) and its new chair were appointed in 2014. The opposition disputed the election process in court, alleging that it did not follow the correct legal procedures. AMA's work was hampered by the absence of its members nominated by the opposition from meetings. While the implementation of the strategy for switching from analogue to digital broadcasting resumed in 2015 - after the conclusion of a court case brought against the regulator by some broadcasters - the internationally agreed deadline for June was not met. Substantial efforts are needed to implement the digital switchover as soon as possible. This also applies to the delayed digitisation of the public service broadcaster (RTSH), which needs to speed up preparations to ensure that networks can host its programmes and those of local operators. The RTSH fee collection system improved. Since May, the RTSH Steering Council is fully operational. It is expected to adopt its rules of procedure, elect members of its new management body and adopt necessary documents and guidelines.

4.11. Chapter 11: Agriculture and rural development

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

Preparations are at an **early stage** in agriculture and rural development. There was **some progress** in strengthening the capacity of the Agricultural and Rural Development Agency in preparation for entrusting it with budget implementation tasks. In the coming year, the country should in particular:

→ increase the capacity of the National Authorising Officer and National Fund to implement the Instrument for Pre-accession Assistance for Rural Development;

→ set up a farm register, establishing the land parcel information system and consolidating the animal register, as integral parts of its integrated administration and control system.

As regards **horizontal issues**, the government continued its direct support and national investment schemes in agriculture and agri-processing, totalling EUR 12,5 million in 2015. Despite financial support from the EU for conduct of the agricultural census, the final results

of the census have not been published. With a view to improve agricultural statistics, the government decided to return the task of carrying out statistical activities from the National Institute of Statistics to the Ministry of Agriculture, Rural Development and Water Administration.

In the area of **common market organisation**, the implementing legislation for the new law on olive oil is awaiting adoption. Activity in this field was limited to the approval of regulations on marketing standards for seeds. There was no progress on drafting and approving standards for the marketing of agricultural products.

The 2014-20 strategy for agriculture and **rural development** was adopted in October. The operating structures of the Instrument for Pre-accession Assistance for Rural Development (IPARD) (the paying agency and managing authority in the Ministry of Agriculture, Rural Development and Water Administration) have gained further experience following the implementation of an IPARD-like scheme. However, the capacity for decentralised IPARD management of other relevant operational structures, such as the National Authorising Officer and the National Fund at the Ministry of Finance, still needs to be strengthened in line with the requirements for entrusting them with budget implementation tasks. Following parliament's ratification of the framework agreement in April, the sectoral agreement between Albania and the European Commission setting out rules for the management and implementation of IPARD funds was adopted by the government in July. The 2014-2020 IPARD programme was adopted in July. Implementation of the land consolidation strategy, which remains to be adopted, requires strengthening of administrative capacity in the Ministry of Agriculture, Rural Development and Water Administration.

On **quality policy**, the Ministry of Agriculture, Rural Development and Water Administration has not yet developed implementing legislation for the amended law on industrial property rights.

On **organic farming**, the provision of subsidies through direct schemes and training on organic production continued. The law on organic farming is not yet in place.

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

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

Albania has **some level of preparation** in food safety, veterinary and phytosanitary policy. There was **some progress**, mostly related to food safety controls. Improvements in this area would greatly help to increase export potential. In the coming year, the country should in particular:

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

On **general food safety**, the internal procedures and operational plans of the National Food Authority have not yet been endorsed. No steps have been taken to improve the legal and institutional framework for the food safety system by establishing responsibilities and cooperation between implementing bodies. The rules on the organisation, functioning and procedures of the Scientific Committee and Panels have not been finalised.

As regards **veterinary policy**, three mass vaccination campaigns were carried out against rabies in red foxes, and relevant laboratory capacity for diagnosing and monitoring rabies was set up. Vaccination of replacement animals against brucellosis in small ruminants was also carried out. The veterinary service is fragmented, with unclear procedures, and limited human and financial resources. Animal databases are not updated regularly, due to a lack of reporting on animal movements and particularly on the slaughtering of animals. Disease reporting needs to be improved.

With regard to the **placing on the market of food, feed and animal by-products**, the food establishments database (AKUnet) has started to be used for the preparation of official inspection plans. Residue monitoring programmes for undesired substances such as veterinary medicines, mycotoxins and heavy metals are being implemented in small ruminants, swine, eggs, milk, honey and fish. The programmes need to establish quantitative testing capacity for aflatoxins in food products.

As regards **food safety rules**, no progress has been made on updating regulations on food labelling, food contact materials and contaminants in line with the relevant *acquis*. The frequency of microbiological monitoring of raw milk needs to be increased in line with the regulations in place, and measures obliging producers to adopt good hygiene practices need to be stepped up for the production of safer milk.

Legislation on **specific rules for feed** remains incomplete and unconsolidated.

On **phytosanitary policy**, administrative and technical capacity remains limited. No progress has been made in the harmful organisms and seed and plant propagating material sectors.

Regarding **genetically modified organisms** (GMOs), the Ministry of Agriculture, Rural Development and Water Administration is still assessing the relevant EU legislation.

4.13. Chapter 13: Fisheries

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

Preparations are at an **early stage** on fisheries. There was **no progress** in this area. In the coming year, the country should in particular:

→ endorse the sector strategy;

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

Resource and fleet management continue to suffer from a lack of clearly defined tasks and responsibilities, institutional coordination and capacity. The vessel register is not updated continuously. Fish landing statistics remain inaccurate, particularly with regard to data on

small fishing from coastal waters, lagoons and inland waters. The law on aquaculture has not been adopted yet.

In **inspection and control**, some progress was made in preventing illegal or unregulated fishing in the main lakes. The Department for Fisheries Services and Aquaculture continues to lack the necessary resources and coordination with other bodies to ensure effective deterrence of illegal fishing practices, particularly in marine waters. The functioning of the Vessel Monitoring System, set up in 2011, has been subject to interruptions due to delays in procurement procedures for the provision of services. This jeopardises viable and long-term solutions for its maintenance and operation.

As regards **state aid**, direct government support for aquaculture continued, with subsidies of up to 25 % of the price paid for fingerlings and feed. The government also adopted a decision exempting fishing vessels from the carbon tax and from VAT on fuel.

As regards **international agreements**, Albania continued to cooperate with the International Commission for the Conservation of Atlantic Tunas and participated regularly in the meetings of the General Fisheries Commission for the Mediterranean (GFCM). However, gaps in the implementation of GFCM decisions and difficulties in data transmission by Albania were reported.

4.14. Chapter 14: Transport policy

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

Albania has **some level of preparation** in this area, where **some progress** was made in transport policy. In the coming year, the country should in particular:

- step up efforts to implement railway sector reform, in particular by ensuring necessary independence of train operations from infrastructure management in line with the *acquis*;
- strengthen administrative capacity for all modes of transport, in particular to ensure the implementation of legislation on dangerous goods;
- adopt and implement the transport strategy.

On **road transport**, the road code was amended with a view to aligning it with the EU directive on driving licences. The road safety remains a serious concern; legislation on dangerous goods transport is fully aligned with the *acquis*, but is not fully implemented because the General Directorate of Road Transport lacks capacity. Legislation on road infrastructure and vehicle inspections needs to be further aligned with the *acquis*. No progress was made on aligning admission to the occupation of road haulier and access to the road haulage market with the *acquis*. In March, the process of setting up gas emissions limits started.

On **rail transport**, the new railway law has not yet been finalised. Upon adoption, it should pave the way for splitting up the incumbent Albanian Railway, separating train operations from infrastructure management in line with the *acquis*, and for setting up an independent

safety authority and regulatory authority. The level of investment in railway infrastructure remains negligible, resulting in deterioration in transport services.

As regards **air transport**, Albania fulfilled its single European sky commitments for the first transitional period under the European Common Aviation Area Agreement, but more work is needed to complete the remaining requirements. The Albanian Civil Aviation Authority (ACAA) needs to address the non-compliance findings of the European Aviation Safety Agency inspection concerning air traffic management and air navigation services. . In December, the law on the ACAA was amended to increase its institutional, organisational and management autonomy however the ACAA still lacks capacity to ensure oversight of all the organisations operating under its supervision. Albania actively participates in the joint service provisional area (JSPA) initiative.

In **maritime transport**, as a result of the removal from service of a number of vessels, the detention rate of vessels flying the Albanian flag fell and the national fleet remained on the grey list of the Paris Memorandum of Understanding (MoU) on Port State Control. Albania should follow up on its membership application to the Paris MoU and continue efforts to further reduce the detention rate of its vessels. Further progress is needed on aligning legislation on reporting formalities for ships with the *acquis*.

4.15. Chapter 15: Energy

EU energy policy covers competition and state aids, equal access to resources, the internal energy market, energy efficiency, nuclear energy and nuclear safety and radiation protection.

Albania is **moderately prepared** in this area. There was **some progress** on energy, specifically on aligning power sector legislation with the relevant *acquis* and improving the bill collection rate. In the coming year, the country should in particular:

→ improve the financial recovery of the state power generation company and ensure the economic sustainability of the electricity sector by reducing distribution losses and improving the bill collection rate;

→ adopt and implement the national energy strategy and implement the April 2015 power sector law;

→ adopt the national energy efficiency and renewable energy action plans.

On **security of supply**, preparations to construct the 400 kV interconnection line between Albania and Kosovo are ongoing but were delayed due to the discovery of an ancient historical site. Work continued on construction of a 100 kV transmission line in the south of Albania. The feasibility study and environmental impact assessment for the construction of a 400 kV interconnection line with the former Yugoslav Republic of Macedonia were completed. In January, an agreement was signed on the permanent synchronous functioning of the Albanian electricity transmission system with the continental European system, as a step towards Albania's full membership of the European Network of Transmission System Operators (ENTSO-E). Albania managed to cover 100% of its demand from hydropower, even though it produced 32 % less power in 2014 compared to 2013 as a result of poor hydrological conditions. Construction work on the Trans-Adriatic Pipeline (TAP) project started in July. The construction of the Ionian Adriatic Pipeline (IAP) was launched in March and a joint statement on IAP was signed between Albania, Bosnia and Herzegovina,

Montenegro and Croatia. Albania continued preparations for the development of a gas master plan. The Vlora thermal power plant is still not operational.

The legislation on hydrocarbons was amended in March to provide for new, transparent reporting requirements. As a result of a first control and verification operation in May, Albania revoked 23 licenses of hydrocarbons trading companies. Albania already broadly meets the obligation of keeping oil stock reserves corresponding to 90 days of imports.

In the **internal energy market**, the new power sector law aligned with the EU's third energy package was adopted in April and the law on the gas sector was adopted in September 2015. The Energy Regulatory Entity approved a new electricity tariff structure for 2015. In 2014, non-technical losses in power distribution were reduced to 44% of distribution losses, as compared to 61% the previous year. The bill collection rate increased to 92.6% in 2014, compared to 83% in 2013. In February, the government adopted a financial recovery plan for the energy sector and an action plan for the next five years. Despite efforts to clear arrears accumulated before 2014, unpaid arrears by the public power operator continue to create financial difficulties for private operators in the sector.

In **renewable energy**, the Energy Community took infringement proceedings to the second stage, sending its reasoned opinion in February and a reasoned request in May on Albania's failure to submit a renewable energy action plan. In October, legislation on the hydrocarbon sector was amended to cover production, transport and trade in bio-fuels and other renewables. Any further development of hydropower should take place in conformity with EU environmental legislation. The law on **energy efficiency** in buildings has not yet been adopted by the parliament. Albania missed its Energy Community deadline to align its law with the 2006 Directive on Energy End-Use Efficiency and Energy Services. The second national plan for energy efficiency has yet to be adopted.

In **nuclear energy, nuclear safety and radiation protection**, a regulation on the protection of workers from risks related to non-ionising radiation in the workplace was adopted in December, aiming at alignment with the relevant *acquis*.

4.16. Chapter 16: Taxation

EU rules on taxation cover value-added tax and excise duties as well as aspects of taxing income from savings of individuals and of corporate taxes. They also deal with cooperation between tax administrations, including information exchange to prevent tax evasion.

Albania is **moderately prepared** in the area of taxation. **Some progress** was made, in particular as regards legislative approximation with the *acquis* on value added tax (VAT) and excise. Revenue performance in 2014 increased, as a result of tax increases and improvements in the tax administration, but did not increase as budgeted in 2015. In the coming year, the country should in particular:

- implement new VAT legislation effectively, which entails raising awareness among businesses and training tax officials;
- strictly implement measures to prevent new VAT arrears and address businesses' complaints about VAT refund delays;

→ ensure the new IT system is effective in reducing arbitrary practices, fraud and corruption and improving information exchange.

On **indirect taxation**, the new *value added tax* law and implementing legislation came into force in January. The law seeks alignment with the VAT Directive but still contains exemptions (zero rates) which are not in line with the *acquis*. It sets clear deadlines for payment of VAT refund claims. Measures were taken to refund almost all VAT arrears. Legislation on VAT and on tax procedures was amended in July to provide for the establishment of a central unit within the General Directorate of Taxation which will process VAT reimbursement requests based on a risk model, with the aim of shortening the duration of the procedure. Implementing instructions on some VAT exception procedures were also adopted in June. The *excise* law was amended in December, increasing excise duties on tobacco products, making changes to excise duty on energy drinks and removing excise duty on natural bitumen. Further work is needed to align excise rates with the *acquis*.

On **direct taxation**, the rate of personal income tax levied on income from shares, rental of immovable property and copyright was raised to 15 %, while income deriving from voluntary pension schemes became exempt. Further steps remain necessary to improve transparency and public consultations on drafting fiscal legislation.

As regards **administrative cooperation and mutual assistance**, Albania has been participating in the EU's Fiscalis 2020 programme since January. The tax administration is cooperating with the Italian revenue agency on transfer pricing issues under the OECD programme 'Tax inspectors without borders'. Agreements on avoidance of double taxation and prevention of tax evasion were concluded with Iceland and the Swiss Federation.

As regards **operational capacity and computerisation**, a new IT system was deployed in the tax administration as of January. Personal income tax declarations must now be made via electronic means. Initial technical problems encountered by taxpayers have been resolved. Coordination between the tax and customs administrations has been strengthened by ensuring their IT systems are interoperable. Measures were taken to fight fiscal evasion in the fuel market. The General Directorate of Taxation strengthened its cooperation with the High Inspectorate for Declaration and Audit of Assets and Prevention of Conflicts of Interest. The management and revenue collection capacities of the tax administration need to be enhanced to ensure tax compliance and prevent further revenue slippages.

4.17. Chapter 17: Economic and monetary policy

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

Albania is **moderately prepared** in the area of economic and monetary policy. **Some progress** was made in particular through improved multi-annual budgeting and transparency in budget preparation, but further consultations with the business community are needed on drafting fiscal measures. In the coming year, the country should in particular:

→ further strengthen the medium-term budgetary framework and increase commitment control, partly by adopting a well-designed fiscal rule in line with the Directive on requirements for budgetary frameworks;

→ ensure better internal coordination and consultations with external stakeholders when formulating structural reform priorities, to strengthen ownership and implementation.

On **monetary policy**, the Law on the Bank of Albania should be aligned with the *acquis* as regards the personal independence of the Supervisory Council's members and the bank's accountability. The Bank of Albania's Supervisory Council is fully operational after a new governor and chief inspector were appointed in February and April respectively. The security, transparency and internal auditing of the bank were strengthened. The central bank law establishes the primary objective of price stability, in line with the primary objective of the European System of Central Banks. The Bank of Albania has cut the key interest rate in several steps over the past six years to a new historic low of 2 % in January 2015 in an effort to steer inflation towards the target rate of 3%. However, inflation remains below target.

On **economic policy**, Albania adopted its Economic Reform Programme (ERP) in January. The programme's macroeconomic and fiscal frameworks have improved; links between the macroeconomic and fiscal assumptions and the structural reform measures have also been made more explicit. However, the capacity for economic policy formulation and implementation needs to be further improved. Internal coordination of the programme and consultations with external stakeholders remain weak. For the first time, as part of the budget law, parliament adopted prospects for budget expenditure and revenues for the period 2015-2017. The budget for 2015 and the 2016–2018 Macroeconomic and Fiscal Framework were revised in July 2015 due to a shortfall in revenues. Budget forecasting needs to be improved.

The European System of Accounts, 2010 standards (ESA 2010) have been implemented partially in annual GDP data and further efforts are needed in this area (*see also Chapter 18: Statistics*). Efforts were made to improve public financial management through the adoption of a public financial management strategy and action plan.

4.18. Chapter 18: Statistics

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

Albania has **some level of preparation** in statistics. **Some progress** was made, notably in harmonising methodology with EU standards in some statistical areas.

However, significant efforts are needed to strengthen the human and financial resources of the Institute of Statistics (INSTAT) to comply with European standards, to improve the quality of statistics and to ensure the alignment of agriculture, business and social statistics. INSTAT's role as coordinator of national statistics system should be enhanced. In addressing the shortcomings outlined below, in the coming year, Albania should in particular:

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

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

→ further align statistics with the European system of accounts (ESA 2010).

On **statistical infrastructure**, the legal framework is in line with the European statistics Code of Practice and classifications are in line with EU standards and applied in statistical surveys. INSTAT is the main producer and coordinator of statistics and its professional independence is enshrined in the law, but needs further enhancement in practice through independence in deciding on staffing and budget. In March, INSTAT signed a memorandum of understanding with the General Directorate for Taxation. Its coordinating role in the national statistical system needs to be further strengthened through the conclusion of Memoranda of Understanding and an increase of its status and standing in the public administration.

On **macroeconomic statistics**, INSTAT improved national accounts' estimates based on European System of Accounts 2010 (ESA 2010) concepts and methodology. Annual and quarterly gross domestic product (GDP) data are produced in constant and current prices.. Albania started compiling government finance statistics and excessive deficit procedure (EDP) notification tables and INSTAT submitted them to Eurostat in October 2014.. A new estimation method has been introduced for calculating annual GDP based on the expenditure approach, independent from the production approach. In February, INSTAT published, for the first time, supply / use tables and input and output tables for the years 2009-2011 according to ESA 2010. Data sources for macro-economic statistics need to be improved, in particular by data holders outside INSTAT.

Structural **business statistics** and short-term statistics for industry and construction are mainly in line with the *acquis*, but further quality improvements are needed as well as efforts to improve statistics for the service sector. The revised statistical classification of economic activities (NACE Rev.2) started to be implemented in January 2015 by statistical units, ministries, central and local institutions, juridical and physical persons who carry out economic activities in the country. Statistics on research and development, information and communication technologies and on innovation still need to be aligned. In June, INSTAT carried out a sector review of the business sector.

Within social statistics demographic statistics are to a large extent produced. A pilot survey of income and living conditions (SILC) was carried out in November. Labour market statistics are broadly aligned with the *acquis*. The labour force survey is conducted and published regularly and results from the labour cost survey for the year 2012 have been published. The labour cost index and the structure of earnings data still need to be produced. In June, the country adopted the latest version of the International Standard Classification of Education (ISCED 2011). External migration statistics still need to be developed.

Agricultural statistics are partially aligned with the *acquis*. In June, INSTAT presented the agriculture and livestock statistics for 2014. The results of the census of agricultural holdings have not been published yet, so the statistical farm register has not been finalised. The transfer of responsibility for carrying out agriculture surveys from INSTAT to the Ministry of Agriculture, Rural Development and Water Administration will require improved technical capacity and a proper coordination mechanism with INSTAT.

Environment and energy statistics are partially in line with the *acquis*. Energy balances for electricity were produced for the 2000-2014 period; energy balances for other energy sources are still missing. As part of the European Environment Information and Observation Network (EIONET), the Ministry of Environment reports timely and accurately to the European Environment Agency on air and water quality. However, environmental statistics are not complete and not updated regularly. Statistics on waste, on water and on waste water need to

be further developed. Material flow balances and environmental protection expenditure statistics are not yet produced.

4.19. Chapter 19: Social policy and employment

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

Albania has **some level of preparation** in social policy and employment. **Some progress** was made, notably efforts to align the law with the EU *acquis* on health and safety at work. Key reforms were launched in social protection. Amendments to the labour code and the national jobs and skills strategy were adopted. The employment rate and labour market participation remain low, and the informal economy is still a significant job provider. In the coming year, the country should in particular:

→ finalise and adopt the 2015-2020 social protection strategy and ensure it is implemented effectively; make further progress in the social care reform;

→ improve labour market statistics and develop social statistics in line with EU surveys.

On **labour law**, amendments to the labour code were approved by the government, but remain to be enacted by parliament. They aim to bring the code in line with the *acquis* on health and safety at work, non-discrimination, relations between employers and employees, and provision of social security to a series of unprotected professions. They also reflect recommendations by the Council of Europe Experts Committee for Social Rights and commitments on implementing the relevant International Labour Organisation conventions and recommendations.

As regards **health and safety at work**, four new regulations were adopted, covering risks arising from electromagnetic fields, artificial optical radiation, noise and vibration, aiming at aligning legislation with the *acquis*. The government adopted secondary legislation related to safety measurements for pregnant women, protection of minors in the workplace and to the fishing industry. Efforts were made to improve labour inspection by training inspectors on applying the new occupational safety and health legislation and extending electronic reporting to the regional labour inspectorates. Accident reporting and labour inspections to reveal undeclared workers improved. The number of reported accidents at work increased from 86 in 2013, to 111 cases in 2014.

On **social dialogue**, the National Labour Council (NLC) is functioning properly; however, further efforts are needed on collective bargaining at all levels and to increase social partners' capacity to negotiate collective agreements. Some social partners expressed concern over being excluded from the six NLC tripartite committees that were set up. Bipartite social dialogue needs to be improved and social partners' autonomy needs to be increased. Much remains to be done to develop social dialogue at local and enterprise level.

On **employment policy**, the 2014-20 national jobs and skills strategy and action plan were adopted, but no mechanism for monitoring their implementation is in place yet. In June, the government adopted the 2015-2020 national action plan on youth. The unemployment rate estimated by the labour force survey decreased from 18.2 % in the first quarter of 2014 to 16.9 % in first quarter of 2015, but remains high, especially among women, young people and persons with disabilities. Employment rates for men rose from 50.7 % in 2013 to 51.4 % in

2014, while women's employment rate fell slightly from an already low 38.0 % in 2013 to 37.6 % in 2014. In 2014, long-term unemployment represented about 54.2 % of total unemployment. Administrative capacity for job placement was increased, with the creation of five new model employment offices. Labour market statistics are broadly aligned with the *acquis*. However, further efforts are needed to improve the coverage of data. Agriculture remains the main job provider, followed by market services and non-market services. The informal economy remained a significant source of jobs, accounting for around 40 % of employment in the non-agriculture sector. A comprehensive approach to inspection of informal employment activity has yet to be developed.

There were no developments on the **European Social Fund**. The agreement for Albania's participation in the Programme for Employment and Social Innovation (EaSI) was signed.

As regards **social inclusion**, a social care reform was initiated. Minimum basic services are provided to residents, but need to be stepped up. Many social services are dependent on donor funding and civil society, and lack a clear legal framework and adequate budget.

As regards inclusion of persons with disabilities, training was provided to social workers, the staff of Child Protection Units, and to school and kindergarten teachers to promote the inclusion of children with disabilities. However, persons with disabilities still face difficulties in accessing education, housing, legal aid, employment, healthcare and social services, and legal provisions on the inclusion of children with disabilities are not effectively implemented. Disability payments have been linked to the consumer price index published by INSTAT.

In the area of **social protection**, the pension reform process is ongoing. Given the important role that municipalities play in providing social services, all strategies and policies on social inclusion and protection need to be closely coordinated with the territorial and administrative reform that significantly reduced the number of municipalities.

As regards **anti-discrimination**, the number of cases handled by the Commissioner for Protection against Discrimination (CPD) increased; however, more outreach and a more proactive approach are required. The CPD significantly increased its participation in judicial processes, participating in 18 judicial processes in 2014, compared to six in 2013.

In the area of **equal opportunities**, further action is needed to increase the representation of women in the labour market and ensure equal opportunities and treatment. Women account for only 24 % of the labour force but 60 % of registered long-term unemployed. (*See also Chapter 23 — Judiciary and fundamental rights*)

4.20. Chapter 20: Enterprise and industrial policy

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

Albania is **moderately prepared** in the area of enterprise and industrial policy. **Some progress** was made in this field in particular with alignment with the EU Small Business Act. In the coming year, the country should in particular:

→ strengthen the capacity of the Albanian Investment Development Agency, including capacity for services to both local and foreign investors;

→ improve further policy consultations.

On **the principles of enterprise and industrial policy**, the business and investment development strategy and action plan were adopted in October 2014. They are in line with the principles of the EU's 'Small Business Act', the national plans for the South East Europe 2020 strategy and the World Bank's 'Doing Business' indicators. Legislation on the National Registration Centre and on licensing, authorisations and permits was amended in January to reduce the administrative and regulatory burden on businesses. Further efforts are needed on the formalisation of the Regulatory Impact Assessment. In April, the Investment Council was set up, with the participation of six members from state institutions and six business representatives, to further improve the business climate and facilitate the dialogue between government, business and donors. The national employment and skills strategy was adopted in 2014. A law on strategic investments and amendments to the law on the establishment and functioning of the economic zones were enacted by the Parliament in May with a view to improve the investment climate.

As regards **enterprise and industrial policy instruments**, Albania ratified in June an agreement to participate in the EU's COSME competitiveness programme. Albania continued to support financing of small and medium-sized enterprises (SMEs) through a credit line of EUR 15 million concluded with the Italian government, the Western Balkans Enterprise Development and Innovation Facility, and the European Fund for Southeast Europe. However, SME access to credit and the lack of skilled staff remain business concerns. The government introduced a package of legislation to support the inward processing industry by reducing administrative formalities.

On **sector policies**, a new law on tourism was adopted in June, to promote and attract strategic domestic and foreign investment in tourism, in line with the Law on Strategic Investment adopted in May. Tourism businesses face difficulties related to informality, the need for improved infrastructure (including waste management and access to energy) and property issues. On mining, amendments to the law on the mining sector were adopted in October 2014, to improve the legislation as regards approval of mining operations.

4.21. Chapter 21: Trans-European networks

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

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

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

→ step up efforts on transport infrastructure maintenance and land expropriation.

On **transport networks**, Albania continued to participate in the South East Europe Transport Observatory (SEETO). Albania played an active role within the Western Balkans 6 process and has endorsed the extension to the Western Balkans of the TEN-T core network and core

corridors focused on the improving connectivity within the Western Balkans as well as with the EU.

Improvements to the road network continued. Construction of the Fier and Rrogozhine bypasses is progressing. On the north-south corridor, works on the Damës-Tepelenë segment, Shkozet overpass and the extension of the section Durres-Rrogozhine were completed. As regards road corridor VIII, completion of the Tirana-Elbasan road has been delayed.

A five-year programme of **road maintenance** started, with a focus on the maintenance and safety of the road core network. There was no progress on the railway network and the section from Librazhd to Pogradec remained non-operational due to a lack of maintenance. As regards port infrastructure, dredging works to improve access to the port of Shengjin were completed; the port is now operational and its capacity has increased.

As regards **energy networks**, Albania is making progress with the preparation of the Trans-Adriatic Pipeline project. Progress was made in regional energy connectivity. Preparatory work on constructing a 400 kV interconnection line between Albania and the former Yugoslav Republic of Macedonia has started.

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

The EU funds regional development in the Member States. Implementation is the responsibility of the Member States that must have adequate administrative capacity to ensure the good handling and sound financial management of the projects.

Albania is moderately prepared in the area of regional policy. **Some progress** was made, notably on the start of projects to be run in indirect management under the IPA 2013 national programme. In the coming year, the country should in particular:

→ strengthen project management under the IPA 2013 programme to minimise the risk of delays in the use of EU funds;

→ increase programming capacity for sector policies and improve design of mature sector project pipelines, both at national and local level.

On the **legislative framework**, further efforts are needed to ensure multiannual sector programming in line with the new sector approach under the IPA framework for 2014-2020, together with flexibility in the government's medium-term budget plan and appropriate co-financing capacity for EU projects at national and local level.

On the **institutional framework**, following the conferral of management powers by the European Commission under component I of the 2007-2013 IPA, the competent national structures are implementing projects under the IPA 2013 programme. Preparatory work for the management of IPA funds in agriculture and rural development needs to be stepped up with a view to start to managing funds as of 2016. (*See also Chapter 11 — Agriculture*).

On **administrative capacity**, further action is needed to ensure competent staff for all IPA structures in view of the workload stemming from management responsibilities.

On **programming**, coordination between the Ministry of Finance and line ministries needs to be improved to develop and implement realistic and budgeted sector policies in line with the government medium-term budget plan. The national strategy for development and integration

for 2015-2020 has not yet been adopted. A mature project pipeline of investments in regional development has yet to be developed. As a result of the recent administrative territorial reform, local governments are expected to increase their capacity to generate mature projects in order to benefit from national and IPA support.

On **monitoring and evaluation**, the existing set-up of sector working groups was reorganised with the aim of improving the monitoring of policy developments and providing strategic advice. Four pilot integrated policy management groups (water management; public administration reform; competitiveness and innovation; and employment skills and social policy) were set up to support the government's Strategic Planning Committee and other high-level inter-ministerial committees in charge of key policy decisions.

In **financial management, control and audit**, the administrative capacity of the Central Finance and Contracting Unit (CFCU) in the Ministry of Finance needs to be strengthened while the audit authority requires increased human resources with senior expertise on audit.

4.23. Chapter 23: Judiciary and fundamental rights

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

Albania has **some level of preparation** for implementing the *acquis* and the European standards in this area. **Some progress** has been achieved. As regards the judiciary, the ad hoc Parliamentary Committee on Judicial Reform was set up to carry out comprehensive reform. Full independence and accountability of judges and prosecutors is not ensured. Administration of justice is slow and judicial decisions are not always enforced. A new anti-corruption strategy and action plan were adopted. Corruption remains widespread in many areas and continues to be a very serious cause of concern. In the area of fundamental rights, further efforts are needed across the board as effective implementation of relevant legislation and strategies remains limited. In the coming year, Albania should in particular:

→ strengthen the accountability of judges and prosecutors and fight corruption within the justice system;

→ demonstrate further progress with a view to establishing a solid track record of investigations, prosecutions and convictions in the fight against corruption and organised crime at all levels;

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

→ make further progress with the implementation of the 2012-2020 strategy on property rights, and the processes of property registration, restitution and compensation.

(See also the specific recommendations on the judicial system, the fight against corruption and freedom of expression in sections 2.3 and 2.4.)

Functioning of the judiciary

Strategic documents

In November 2014, an ad hoc Parliamentary Committee on Judicial Reform - which is made up of members from both the ruling majority and the opposition - was set up. The Committee is assisted by a high level group of experts which completed an analytical overview of the current justice system in June and has drafted a judicial reform strategy and accompanying action plan.

Management bodies

Two members of the High Council of Justice (HCJ), including its deputy head, were dismissed by parliament following the adoption, in 2014, of contested amendments to the HCJ law and a controversial parliamentary process. An appeal against the dismissals was rejected by the Administrative Court and a new HCJ deputy head has not yet been appointed. The reasoning behind HCJ's decisions is not published and there is still scope for improving the transparency of the Council's decision-making process. The budget of the HCJ has increased by 5.85 % compared to last year. The regulation on the functioning of the Council of Prosecutors was amended in November, to include detailed criteria on evaluation of prosecutors for promotion purposes. In February, a manual was approved with a view to holding competitions for prosecutors.

Independence and impartiality

The functioning of the judicial system continues to be affected by a high degree of politicisation and poor inter-institutional cooperation. The independence and impartiality of the High Court is still not fully guaranteed. Since September 2014, parliament has rejected all seven President's nominations to the High Court and the vacancies concerned have yet to be filled. Key legislation on reforming the Constitutional Court, the High Court, the HCJ, and the Prosecutor's Office is currently under discussion. Judges and prosecutors still do not have appropriate working and security conditions, and protection against undue pressure remains inadequate. Hearings continue to be held quite frequently in judges' offices, which raises concerns about potential undue influence and corrupt practices.

Accountability

The memorandum of understanding between the Ministry of Justice and the HCJ on inspections continued to be implemented smoothly. Both institutions conducted various inspections respectively in prosecution offices and courts. Requests to open disciplinary proceedings against eight judges have resulted in one dismissal and three judges receiving reprimands. The cases against the other four judges were abandoned. The disciplinary system for judges needs to be substantially improved, including through a more transparent and efficient inspection system. The Minister of Justice's role in the process also needs to be reviewed and a track record of sanctions established.

Upon a proposal from the Council of Prosecutors, the General Prosecutor's Office (GPO) took measures against three prosecutors, including a reprimand, a warning of dismissal and a proposal for dismissal.

The HCJ launched a website which enables the filing and monitoring of complaints against judges. This was accompanied by an awareness-raising campaign on disciplinary complaints against judges.

The transparency and impartiality of the appointment and dismissal procedures for key staff in the GPO need to be enhanced, and the role of the Council of the Prosecution reinforced. The lack of accountability of the GPO remains a matter of concern, as is the potential for political influence in the process of appointing the General Prosecutor.

Judges' asset declarations were audited in 2014 and those of prosecutors are planned to be audited in 2015. Since October 2014, the HCJ suspended two judges for a lack of compliance with declaration of assets requirements. Corruption in the judiciary remains an issue of serious concern. Substantial efforts are needed to increase transparency and accountability, and to implement the relevant recommendations made by the Group of States against Corruption (GRECO) in its fourth-round evaluation report on corruption prevention in respect of judges and prosecutors.

Professionalism and competence

Criteria for evaluating judges' performance need to be improved. The process of assessing judges' performance for 2007-2009 is still not complete; this has prevented the HCJ from appointing heads of court in full compliance with the relevant legal provisions. A new regulation of the HCJ on the evaluation of HCJ inspectors started to be implemented in June. Prosecutors and judicial police officers' performance has been assessed for the year 2013.

Procedures for the recruitment of administrative court judges need to be reviewed to address the limited number of applications in former competitions. There are still seven vacancies in the administrative courts. Legal advisors have been appointed in all administrative courts. The process of appointing judges who have recently graduated from the School of Magistrates is yet to be completed.

Quality of justice

Budget planning capacity needs to be improved and adequate budgetary resources for the justice system ensured. Despite some efforts, training of judicial administrative staff remains insufficient. The School of Magistrates is still dependent on foreign aid. Eleven per cent of first- and second-instance court judges are receiving in-service training on EU law.

The audio recording system was further extended and started to be implemented in most administrative courts. The unified case management system has been rolled out to nearly all courts, including one section of the civil chamber of Tirana District Court. However, the system is underused, is not fully operational and, in some courts, has not even been installed. The system needs to be substantially improved to meet the needs of the courts and provide the statistical data required by the Ministry of Justice. Budget allocations to courts for IT matters are still insufficient. The case management system for the prosecution service has yet to become fully operational.

Online access to jurisprudence is not fully guaranteed and there is no searchable database. If published, court rulings often lack the relevant reasoning and publication deadlines are not always respected. Efforts are also needed to improve judges' drafting skills. Publication of court decisions in an anonymous manner is still not possible.

Since October, 70 new mediator licences were delivered and there are now 367 licensed mediators, as opposed to 285 in 2014. In practice, only 61 mediators are operational and the number of mediation services provided remains very modest.

The functioning of the private bailiff's service has improved since June 2014 when changes were introduced in their regulatory framework providing for the abolition of fees tying payments to the successful completion of the enforcement process. The 'ALBIS' public and private bailiff case management system has been discontinued for lack of a maintenance budget, although private bailiffs have since developed their own electronic system.

As regards access to justice, the performance of the State Commission for Legal Aid needs to be enhanced so as to cope with the pressing needs of a considerable number of vulnerable citizens. Six regional legal aid offices are yet to be set up.

Efficiency

The efficiency of the court system is undermined by insufficient financial and human resources and the lack of a rational organisation of the administrative staff. The length of proceedings remains a cause of concern. The process of adjusting the number of judges assigned to each court remains to be completed. Notification of court proceedings to parties is deficient and there is still no reliable address registry. Backlogs remain high, in particular in administrative courts, appeal courts and the High Court.

A working group has been set up under the Ministry of Justice to tackle serious shortcomings identified in the process of producing and collecting statistical court data.

Fight against corruption

Track record

Albania's track record of **investigation, prosecution and conviction** in corruption cases remains limited. The number of corruption-related cases referred to the prosecution service has increased. However, the number of cases being brought before the courts remains low, even though it increased by 82% in 2014 compared to the cases sent to court in 2013. The number of final convictions involving junior or middle-ranking officials has nearly doubled in the first half of 2015, compared to the same period of the previous year. In 2015, there has been one first instance conviction of a corruption case involving a mayor and one conviction at appeal court level of a judge on corruption related grounds. The General Prosecutor's Office dismissed a prosecutor for a corruption-related offence.

The performance of the High Inspectorate for the Declaration and Audit of Assets and Prevention of Conflicts of Interest (HIDAACI) improved considerably. In 2014, the inspectorate referred 74 cases to the prosecution service, out of which 25 were sent to court. In 2015, HIDAACI sent 82 referrals to the prosecution service, out of which five were sent to court. These referrals resulted in three prison sentences and 17 penalties. Among the HIDAACI referrals are twelve judges, two prosecutors and six members of parliament. Sound follow-up to referrals by the inspectorate, including a track-record of successful prosecution and final convictions, has yet to be demonstrated. In 2014, the inspectorate imposed 400 administrative sanctions, and 420 in 2015. There is no electronic system for submitting, checking and publishing asset declarations. The process for selecting which public officials' asset declarations to check has yet to ensure a sufficient sample of high-state officials,

including members of parliament, ministers and judges. Prevention of conflict of interest requires greater awareness-raising, in particular in high-risk areas for corruption.

Some progress has been made with the upgrade of the integrated case management information system ICMIS and the introduction of a case management system in some prosecution offices. However, the collection of inter-institutional and integrated statistics and track record remains a challenge. Efforts need to be streamlined and Albania should work towards setting up an integrated case management system, into which all law enforcement bodies involved in the fight against corruption feed information, so that corruption cases can be followed from start to finish. The budget for the maintenance and implementation of the case management system in courts and prosecution offices needs to be secured.

The use of proactive investigations and risk assessment in the tax and customs services has increased. Corruption in the tax and customs administration remains an issue of concern.

Regarding **internal control mechanisms**, inspections carried out by the Internal Control and Anti-Corruption Unit of the Ministry of Interior need to substantially increase. The Council of Ministers' Internal Administrative Control and Anti-Corruption Unit (UIACA) carried out 20 administrative checks in 2014, which have led to 39 disciplinary measures and 3 criminal referrals. In 2015, UIACA carried out 117 administrative checks, which have led to 46 recommendations for disciplinary and administrative measures, and four criminal referrals. UIACA's recommendations have been implemented overall.

Regarding **access to information**, 214 complaints were registered at the Commissioner for Access to Information and Data Protection Office. In this period, 73 inspections were carried out, 45 decisions taken, and 21 complaints still are being processed. A system that captures the overall number of requests made to public institutions remains to be established.

The law on the protection of **whistle-blowers** remains to be adopted.

Institutional framework

Prevention measures

The capacity of the **anti-corruption network** in line ministries and at local level needs to be strengthened. Sufficient human resources need to be ensured for the anti-corruption portal, and its scope and cooperation mechanisms with law enforcement bodies need to be defined so that complaints can be properly handled. The reporting mechanism has yet to demonstrate its effectiveness and impartiality.

HIDAACI's budget for 2015 was around 30 % higher than in 2014. However, its administrative, technical and financial capacity need to be further strengthened, particularly in view of the greater number and frequency of checks provided for in the May 2014 amendments that widened the scope of the asset declarations law.

Further efforts are needed to strengthen the role of the High State Control (HSC) in the overall anti-corruption framework by setting up an effective mechanism for parliament and the government to follow up its findings. Cases involving abuse of office or public tenders referred to prosecutors by the HSC have led to very few investigations and no convictions.

Regarding **political party financing**, vacancies on the Central Election Commission (CEC) board have been filled. The CEC needs to establish clear internal responsibilities for

overseeing party finances and go beyond purely formal checks of statements by the political parties. Gaps in the legal and institutional framework need to be urgently addressed, including the need to provide for regular monitoring and reporting on expenditure during election campaigns and the public disclosure of preliminary election campaign finances prior to election day.

Recommendations made by the Group of States against Corruption (GRECO) in its fourth-round evaluation report on preventing corruption among MPs, judges and prosecutors have yet to be fully implemented.

Law enforcement

Proactive investigations — based on thorough risk analysis — need to be increased substantially to develop a solid track record of investigation, prosecution and final conviction in corruption cases. The next steps should include strengthening the investigative capacity of law enforcement agencies and conducting proactive and effective investigations by amending the Criminal Procedure Code in relation to interceptions and surveillance, time limits for investigations, and admissibility of evidence before a court. The investigation, prosecution and judgment of corruption-related offences needs to be improved by ensuring sufficient autonomy and stability of police and prosecution staff, and clear jurisdiction over corruption-related crimes, especially for the highest state officials. The Joint Investigative Units, the **Serious Crimes Court and Prosecutor's Office**, and the HIDAACI have yet to be guaranteed sufficient human and financial resources and training.

Inter-agency cooperation needs to be further developed. Cooperation between prosecution and police needs to be improved so that pre-trial investigations are brought as a result of proactive intelligence gathering and access to information from both public and private databases. The balance between effective prosecution instructions and an appropriate level of police autonomy and initiative has yet to be found. Concerns remain over weak cooperation between anti-corruption institutions and insufficient exchange of information, which hamper the effective conduct of investigations and prosecutions, especially for high state officials. Bodies involved in the fight against corruption continue to suffer from inadequate allocations from the state budget.

Legal framework

Implementing legislation for the law on the right to information was adopted in January. Provisions for setting up of a National Bureau of Investigation to tackle high-level corruption and associated crimes, under the new Law on State Police, were repealed by a Constitutional Court decision in April.

Strategic framework

In March, the cross-sectoral strategy (2015-20) and action plan (2015-17) against corruption were adopted. Both documents were widely consulted, including the preparation of the budget for the action plan measures. The budget for the action plan is EUR 12 million. It contains specific indicators and budgets for most of the activities. A mechanism to monitor implementation of the action plan is provided for, but the monitoring framework and the body responsible have yet to be set up. Representation of civil society organisations in the monitoring mechanism is planned.

Fundamental rights

Regarding **international human rights instruments**, Albania ratified Protocol 16 of the European Convention on Human Rights enabling the European Court of Human Rights to deliver advisory opinions in May. Albania has ratified most international human rights and humanitarian conventions, but further action is needed to ensure their full implementation.

Since September 2014, the **European Court of Human Rights (ECtHR)** has found that the country violated the European Convention on Human Rights (ECHR) in three cases relating to the right to a fair trial, protection of property, right to liberty and security and right to an effective remedy. A total of 130 new applications were allocated to a decision-making body, bringing the number of pending applications to 402. Delays in applying the court's judgments continued, notably on property rights, judicial proceedings, the right to a fair trial and inadequate medical care in custody.

Regarding the **promotion and enforcement of human rights**, the Ombudsman has continued to actively promote human rights and the rights of vulnerable groups, including by submitting special reports and recommendations. Training and awareness-raising campaigns were held; however, human rights are insufficiently enforced. Amendments to the Law on the Ombudsman grant him the right to publish his reports even if parliament fails to discuss them. They provide for more transparent and inclusive selection of candidate commissioners, but fail to increase the budget of the Ombudsman's Office or its organisational autonomy. The amendments provide for the creation of the Children's Commissioner and the Commissioner for the national mechanism for prevention of torture. The capacity of institutions in charge of the protection and enforcement of human rights remains weak, and there is a particular need for better-trained, specialised staff in the judiciary and police.

As regards the **right to life**, blood feuds remain a problem, albeit on a limited scale. In March, parliament adopted a resolution and recommendations on blood feuds, based on the findings of the Ombudsman's special report. The resolution calls for the coordination council on blood feuds set up in 2005 to be revived, for educational and social programmes to be run in rural areas, and for the prosecution and the police to step up investigation efforts and to invest more in preventing conflicts.

On **prevention of torture and ill-treatment**, in 2014 the national preventive mechanism (NPM) conducted 115 inspections, checks and monitoring visits. The 81 resulting recommendations were acknowledged, but most have not been addressed. In 2014, the NPM and the Ombudsman's Office handled 35 complaints about disproportionate use of force and violence by police officers and prisons guards, of which eight were found to have valid grounds. Very few investigations are launched against police officers. In some prisons, special care units providing psychological support have been set up. No progress has been made on setting up a specialised medical institute to treat mentally ill detainees, who continue to be kept in inadequate conditions in detention in Kruja prison hospital. Further action is needed to ensure specialist treatment for this vulnerable category of prisoners in all facilities.

Overcrowding of the **prison system** remains a concern. The total number of offenders on probation rose from 700 in 2009, when the probation service was set up, to about 13 359 in December 2014. Local probation offices have been extended to all 22 judicial districts. Despite this, the number of probation service staff has not risen which hampers the effective functioning of the service and the provision of alternatives to detention. The electronic monitoring system available in all judicial districts since February has yet to be used by the

courts. Further action is needed to improve detention conditions and address overcrowding in prison and pre-trial detention which increased to 26 % above capacity in 2014. Problems with dilapidated infrastructure and poor maintenance of recently built facilities persist.

Privacy issues and the lack of confidentiality of inmates' conversations with visitors have yet to be addressed, and access to appropriate healthcare services needs to be secured, as do hygiene and health standards. Inmates continue to rely on food, equipment and medicines provided by relatives. Support networks, before and after prisoners' release, are needed to allow successful reintegration into society. Vocational courses in prisons as part of pre-release programmes, foreseen since November, have yet to be put into practice. The few inmates who work have their sentences remitted instead of receiving remuneration; the legal framework for employment scheme payments needs to be improved. Existing penitentiary legislation needs to be effectively implemented and aligned with EU standards.

In the area of **protection of personal data**, the complaints submitted to the Commissioner for Right to Information and Data Protection increased. The free phone number for citizens' complaints is operational and a complaint form is available on the commissioner's website. Trainings and awareness-raising activities increased. The commissioner has been consulted on an increasing number of legislative proposals. The capacity of the commissioner's office needs to be strengthened in order to ensure effective implementation of the law on access to information. The publication of court decisions is not always in line with data protection requirements. The right to personal data protection is frequently violated by the media. The independence of the commissioner should be strengthened, in particular as regards appointment and dismissal procedures as foreseen by its statute.

Freedom of thought, conscience and religion was generally upheld and religious tolerance prevailed. In August, an Orthodox Church in Dhërmi was demolished by the Albanian authorities on the alleged grounds that it was illegally built, provoking protests by the Church's community.

As regards **freedom of expression**, one case of a failed attempt on a journalist's life was reported in December 2014. Another journalist received death threats after reporting on a police drug operation. Proper prosecution and judicial follow-up needs to be ensured. Although rare, such cases remain a cause for concern.

The implementation of the Law on Audiovisual Media has been slow, mainly because the mandate of the chair of the Audiovisual Media Authority (AMA) was suspended and there were delays in filling AMA vacancies. The authority drafted an action plan for the digital switchover process and approved a regulation that allowed the launch of the process for licensing digital networks.

The AMA has not been able to make decisions to carry out much of its remit in 2014, as the chair was suspended while prosecutors conducted an investigation. The confrontational climate in parliament has also affected the regulator's work. The election of two new AMA board members and a chair, relying on ruling majority votes only, was contested by the opposition in court. Opposition-nominated AMA members did not attend AMA meetings, as they disputed the legitimacy of the board, and this made it difficult for the regulator to reach the quorum needed for major decisions.

There have been some defamation lawsuits brought by directors of public administration offices against journalists, but no reported defamation cases brought by politicians against

journalists. Further action is needed to ensure proper implementation of amendments on defamation and guidelines on setting damages at a reasonable level, in particular through training for judges and prosecutors. A new amendment to the Civil Code was proposed to hold administrators of news portals liable for filtering comments that offend human dignity. This may impose undue limits on freedom of expression.

Media ownership has become more transparent, but concerns remain over hidden ownership. The transparency of media financing remains problematic. Concerns remain over the distribution of state advertising and public funds to media and business owners close to the government, as this affects fair competition among media businesses. The proposed amendment to remove limits on ownership of audiovisual media has led to concerns that this will facilitate the establishment of monopolies in the audiovisual media sector.

Many journalists are not organised or represented in any form. Poor implementation of the labour code for both full-time journalists and freelancers is an issue of major concern. Most journalists work without employment contracts or have contracts which can be terminated arbitrarily. Many journalists face delayed payment of their salaries and/or losing years of social security payments.

Freedom of assembly and association has generally been upheld. A number of peaceful protests and political demonstrations were held without major incidents.

More efforts are needed to update and implement the 2012-2020 strategy on **property rights** and to complete the process of registering properties, to ensure judicial decisions are enforced and to continue the process of restitution and compensation.

Regarding the execution of ECtHR judgments in property cases, financial compensation awarded by the court is being provided to relevant individual applicants. To implement the 2014 action plan agreed with the Committee of Ministers of the Council of Europe, the government is finalising a new law setting up a mechanism to enforce decisions providing for restitution of, or compensation for, property nationalised under the communist regime.

As regards **non-discrimination** policies, the number of cases handled by the Commissioner for Protection against Discrimination (CPD) increased and its ex-officio powers were used in 18 cases in 2014. The CPD significantly increased its participation in judicial processes. The Commissioner conducted awareness-raising activities and training, contributing to an increase in complaints. However, more outreach and a more proactive approach are required. Anti-discrimination case law needs to be further developed and implementation improved. Data on hate crime is not collected.

Equality between women and men is undermined by the poor functioning of mechanisms to address gender equality and gender-based violence. The online system for reporting and monitoring cases of gender-based violence is still operational in only 29 out of 61 municipalities. The number of reports of serious offences and cases of domestic violence increased, signalling more trust in the system, but the vast majority of cases still go unreported. The number of criminal proceedings for domestic violence increased. Courts have begun to prosecute domestic violence cases more effectively – especially in Tirana. The number of shelters and reintegration services needs to be increased, and existing volunteer-run shelters have yet to be supported by the authorities. Due to poor administrative and financial resources, the national referral mechanism for domestic violence is operational in very few municipalities, and it applies unnecessarily restrictive admission criteria for victims. Services

for victims of domestic violence should improve in quality, quantity, accessibility and geographical coverage, and there should be more work on reintegration and economic empowerment.

Legislative provisions that discriminate between men and women in a wide range of sectors need to be repealed, and gender bias in court decisions and treatment by law enforcement agencies has to be tackled. Amendments to the Electoral Code were adopted in April and provide for a 50 % gender quota requirement in candidate lists for municipal councils, and the rejection of lists which fail to meet this quota. Ten percent of mayoral candidates in the June local elections were women and nine women were elected mayors, marking a considerable increase. In 2015, out of a total of 140 members of parliament, 29 were women (21%).

Regarding the **rights of the child**, the child protection system lacks sufficient budgetary means, staff continuity and standards of operation. Further action is needed to make it more accessible to children. A joint directive from four ministers was adopted, identifying procedures to protect children at risk, including sexually abused children. The number of child protection units (CPU) rose to 196 at local level; however, many children in rural areas still lack access to them. Only five child rights units are working at regional level; seven stopped functioning due to lack of funding. CPUs need to be integrated with social services, and backed up by clear reporting and monitoring guidelines, and cooperation with institutions at regional and national levels increased.

Further work is needed on returning children to family settings, expanding foster care and ensuring special protection for children in residential institutions. A revision of the family code is needed to facilitate placement of children in foster families and ensure adoption procedures in line with international standards. The emigration of unaccompanied minors from Albania to the EU remains a matter of concern.

A specific juvenile justice system has yet to be established, that brings the existing legislation in line with international standards. Most of the 96 juveniles in detention are held in the juvenile correction centre in Kavaja and the pre-trial detention facility in Vlora, which offer better conditions than other facilities. However, juveniles are still being detained longer than provided by law in detention and pre-detention for minor offences. Excessive length of pre-trial detention is a concern. The level of reoffending among juveniles is high and no possibility is offered for secondary education in detention. A lack of coordination persists between the justice and protection systems for juveniles coming out of the justice system who need support to reintegrate into society.

As regards child labour, a nation-wide survey on street children completed in April found that up to 2 500 children, mostly Roma and Egyptian, live and/or work on the streets. The number of children working in cannabis plantations is an issue of serious concern. Albania remains a source country for trafficked children, forced child labour and for the worst forms of child labour as defined by ILO Convention 182.

As regards **integration of persons with disabilities**, sign language was approved as an official language for deaf people. Most children with disabilities remain excluded from schools and vocational education. Persons with disabilities continue to face difficulties in accessing education, employment, healthcare, social services and decision-making.

The first shelter for **lesbian, gay, bisexual, transgender and intersex (LGBTI)** persons opened in Tirana in December. In May, parliament approved a resolution on the protection of

rights and freedoms of persons belonging to the LGBTI community, which calls for an action plan, legislative amendments and other measures in support of LGBTI persons, and made the Ombudsman responsible for monitoring its implementation. The international day against homophobia, transphobia and biphobia was celebrated in May with a number of awareness-raising events but public awareness remains low. Albania was one of the signatories of the joint statement of Ministers of the region at the 2015 IDAHO forum. The second Tirana pride event was held in June without major incidents. Discrimination against transgender and intersex persons need to be removed from the legislation.

Labour and trade union rights are generally respected. The new National Labour Council improved its functioning and is meeting regularly.

Regarding **procedural rights**, basic components are in place, but more efforts are needed to enhance the level of protection provided by the existing legislation and to ensure its effective implementation. As regards legal aid, the performance of the State Commission for Legal Aid needs to be enhanced so as to cope with the needs of vulnerable citizens. Six regional legal aid offices are yet to be set up.

As regards respect for and the protection of **minorities**, overall, inter-ethnic relations remained good, but the legal and policy framework still needs improving. In April the inter-institutional working group on minorities led by the Ministry of Foreign Affairs submitted conclusions aimed at addressing shortcomings in the protection of minorities, taking into account the recommendations of the Advisory Committee of the Framework Convention for the Protection of National Minorities. The group suggested drafting a specific law on minorities aimed at equal treatment of national and ethno-linguistic minorities, and enhancing the representativeness and consultative role of the State Committee on Minorities. Albania has not yet adopted the European Charter for regional and minority languages. National minority representatives have challenged the recent local government boundary changes, maintaining that the new system violates their rights and international norms. Equal access to rights for persons from all minorities has yet to be ensured.

The implementation of policies on **Roma** inclusion remains inadequate overall, as does the implementation of the conclusions of the 2011 and 2014 Roma seminars. The 2015-2020 national action plan for the integration of Roma and Egyptians still remains to be adopted. The inclusion of Roma children in the education system has improved slightly; however, enrolment and drop-out rates remain a serious concern: 42 % of Roma children attend pre-school education (3-6), but only 16.1 % finish middle school, 2.1 % have high school education, and 0.3 % have university education. 40.3 % of the Roma population is illiterate. The number of Roma and Egyptian street children remains a concern. The existing legal and institutional framework for registering births is not delivering the intended results. Roma and Egyptians continue to face very difficult living conditions and frequent social exclusion and discrimination, particularly regarding access to healthcare, social protection, education, employment and housing.

Budgetary allocations for housing Roma and Egyptians have tripled, but remain insufficient to address needs. Most of the Roma families evicted from their settlements in August 2013 and transferred to the National Emergency Transition Centre are still living there. While some of the families left the centre and benefitted from municipal social housing, no long term solution has been found to relocate the others. Further evictions took place in Selita for the construction of the Tirana ring road. Apart from being offered two years' worth of rent, most

evicted families were not provided assistance to find new accommodation suited to their specific needs.

4.24. Chapter 24: Justice, freedom and security

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

Albania is at an **early stage of preparation** in this area and made **some progress**. Steps have been taken to improve the capacity of institutions in the areas of border management, asylum and the fight against terrorism. Albania has started issuing identity and travel documents to refugees and is ready to issue such documents to people granted subsidiary protection too. The alarming increase of unfounded asylum applications lodged by Albanian citizens in the EU is a matter of serious concern. In the coming year, Albania should in particular:

→ step up intelligence-led investigations on money laundering and financial crimes, and increase confiscation of criminal assets;

→ further pursue efforts to sustainably prevent and fight terrorism by strengthening the counterterrorism directorate, increasing inter-institutional coordination and implementing targeted policies to prevent radicalisation;

→ step up efforts to effectively address the negative phenomenon of unfounded asylum applications, and prioritise investigations of facilitators of irregular migration.

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

Legal and irregular migration

The extended 2013 migration profile, containing key data on Albanian migration, was adopted in December; the 2014 profile has been finalised and is expected to be adopted in October 2015. Efforts were made to address migration issues in several national sector strategies for the period 2014-20, including social protection and inclusion, employment, business and development, integrated border management, and the fight against trafficking in human beings. However, the lack of the new cross-sector national migration strategy remains an issue of concern. The pre-screening process at the borders and reception capacity for irregular migrants need to be improved, in particular at the southern border, to cope with the increasing migration flows. Registration and referral mechanisms also need to be further strengthened. In the first semester of 2015, 1 963 irregular migrants were apprehended, compared to 601 during the same period in 2014. Albania needs to effectively prosecute people's smugglers since the number of arrests and prosecutions remains low.

Asylum

Albania is hosting Iranian exiles and former residents of the temporary transit location Camp Hurriya, Iraq. In November, Albania received 235 people from this community, bringing their total number to 479. In 2014, 427 people, mainly from Iran and Syria, sought asylum in Albania. Asylum was granted to 10 people. In the first half of 2015, 112 new asylum requests were submitted, and 50 people were granted asylum. The issuance of identity and travel

documents to refugees started in May. Accommodation capacity and asylum procedure require improvements. While interpretation services are provided, lack of qualified interpreters is a concern. A proper asylum case management system needs to be ensured. No specialist unit collects country of origin information. Procedures for determining international protection status need to be further improved. Albania has established initial contacts with the European Asylum Support Office (EASO).

Visa policy

Albania has yet to align its legislation with the EU ‘positive’ and ‘negative’ lists. The visa-free travel regime between Albania and the EU continued unhindered. However, irregular migration flows from Albania have increased considerably since 2013 and reached new peaks in 2014 and 2015. The number of asylum applications lodged by Albanian citizens grew by 51 % between 2013 and 2014, reaching 16 795 in total. From January to end of August 2015, EU Member States and Schengen associated countries reported some 45 000 asylum applications lodged by Albanian citizens. Albania has intensified border control procedures and engaged in outreach activities. However, the country is expected to further step up its efforts to address the increasing number of manifestly unfounded asylum applications lodged by its citizens to EU Member States and Schengen-associated countries, and take immediate and determined action via the post-visa liberalisation monitoring mechanism. This is even more urgent following the recent peak of applications during the summer. Albania needs to engage in closer operational cooperation and information exchange with EU Member States, step up investigations of facilitators of irregular migration, conduct regular information campaigns for travellers and, most importantly, reduce socioeconomic push factors. All efforts in these areas need to continue systematically and with the appropriate allocation of resources. Increased attention needs to be paid to the effectiveness of border controls, including preventing that unaccompanied minors leave the country. The number of unaccompanied minors from Albania, either staying irregularly or seeking asylum in the EU and Schengen-associated countries, has increased.

Some progress was made on cooperation with civil society on awareness-raising, assisted voluntary returns, monitoring returns, and reintegrating vulnerable groups. Further action is still needed to ensure effective implementation of the 2010-15 strategy and action plan for returned migrants, and to develop a new reintegration strategy, based on a thorough impact assessment of the previous one. Implementation of the readmission agreements continued smoothly. An implementation protocol was signed with Portugal. Negotiations on readmission agreements and implementation protocols with Ukraine and the Russian Federation, and on an implementation protocol with Greece, are ongoing. Agreements on exchanging of information on migration should be signed with more EU Member States to strengthen cooperation on readmission and return. In 2014, 12 867 refusals of entry of Albanian citizens to the EU and 11 923 refusals of exit from Albania were recorded.

Schengen and external borders

Two police cooperation centres at the border crossing points with Montenegro and Kosovo are being set up and should be operational by the end of the year. A trilateral police cooperation centre with Greece and Italy and a bilateral centre at the Greek border are expected to be set up shortly. Work is about to start at two border crossing points with Montenegro and one with Kosovo, and an implementation protocol for a new border crossing point with Montenegro is expected to be signed. In the period January-August, Albania detected 157 cases of forged and counterfeit documents, compared to 134 cases during the

same period in 2014. The integrated border management strategy and its action plan are fully in line with European standards. Further investments in border management are required to keep pace with the evolving challenges stemming from cross-border crime and irregular migration. Cooperation with Frontex in joint risk analysis has been consolidated. The capacity of border and migration police needs to be strengthened to further upgrade border crossing points and reinforce ‘green’ and ‘blue’ (land and water) border surveillance. The non-implementation of exit checks at the border crossing points with Albania and Kosovo is an issue of concern. Cooperation and coordination among authorities managing the blue border has improved. The Interinstitutional Maritime Operations Centre (IMOC) and the maritime surveillance and communication systems are fully operational. Appropriate planning of IMOC budgetary resources needs to be guaranteed to ensure adequate operational capacity and sustainable surveillance systems.

Judicial cooperation in civil and criminal matters

Albania has maintained good judicial cooperation in civil and criminal matters, including with EU Member States. However, international cooperation needs to be further strengthened based on timely implementation of multilateral instruments and greater institutional capacity. Further efforts are needed to strengthen cooperation with Eurojust. The assessment of data protection standards by Eurojust is ongoing.

Fight against organised crime

Track record

In 2014, 134 people were convicted for serious and organised crimes (compared to 129 in 2013), mostly for **drug trafficking**. There were very few cases brought for **trafficking in human beings**. Eleven new cases were tried before the Serious Crimes Court of First Instance compared to none in 2013, with only eight convictions (no convictions in 2013).

As regards **money laundering**, the number of suspicious transaction reports rose to 1 230 in 2014, more than double that of 2013. However, the number of final convictions on money laundering remained low. The total value of criminal assets confiscated increased: the Court of Appeal for Serious Crimes issued five confiscation decisions for over EUR 1 million and five land properties, compared with only EUR 747 000 in 2013.

On **drug trafficking**, Albania intensified the fight against drug trade and distribution networks. The amount of drugs seized increased. In 2014, 73.5 kg of heroin, 10.3 kg of cocaine and more than 97 tonnes of marijuana were seized (in comparison with 47.3 kg of heroin, 16.1 kg of cocaine and almost 21 tonnes of marijuana in 2013). Secure storage of seized drugs and effective destruction procedures are not yet ensured and remain an issue of concern. In 2014, 180 **cybercrime** cases involving 86 people were detected, compared with 108 cases in 2013.

Institutional and operational capacity

The police remains vulnerable to political pressure and corruption, thus hindering effective investigation of organised crime cases. Substantial efforts are still needed to strengthen the capacity and improve the performance of all law enforcement authorities. Prosecutors dealing with sensitive cases related to organised crime should be granted special protection and ensured independence from any external and internal interference.

The establishment of three mobile units in Tirana, Vlora and Elbasan contributed to the identification of an increased number of victims and potential victims of trafficking in human beings. Since their creation in September 2014, 102 potential victims of trafficking were identified. Most of the victims are trafficked for sexual exploitation, forced labour and begging.

The IT system for crime statistics is currently being reviewed to provide a clearer and more reliable overview of the status of criminal offences. An electronic case management system at the prosecution offices started with a pilot phase in January. Preparations for building the capacity of the forensic laboratory to collect, compare and store DNA profiles have started. The Combined DNA Index System (CODIS) was installed in April and users were trained.

An exchange programme with the European Police College (CEPOL) is ongoing. A working agreement is in place; however, it has yet to be fully exploited to benefit from all CEPOL's learning products.

Legal framework

The new Law on the State Police entered into force in March. It established a merit-based recruitment and career evaluation system, and brought the code of ethics and internal control standards closer to European levels. In February, parliament's National Security Committee adopted the draft law on military police in the armed forces, aiming at preventing, detecting and investigating criminal activities in the armed forces. The scope of the new law has yet to be clarified as regards the division of responsibilities between the military criminal police and judicial police. In February, the government adopted a decision on the organisation and functioning of the security academy.

Strategic framework

In November, the 2014-17 strategy for combating trafficking in human beings and its action plan were adopted. Albania has updated and continued to implement the strategy and action plan on the fight against organised crime and trafficking. A cyber security policy document has been prepared and is pending governmental approval. In April, the General Prosecutor's Office approved the 2015-17 mid-term strategy and action plan to raise the standard of investigation and increase the professionalism and integrity of prosecutors.

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

Fight against terrorism

Albania has continued to implement the strategy and action plan on the fight against terrorism. A security strategy was adopted, but the action plan and a clear timetable have yet to be adopted. The strategy to prevent extremism and terrorism was finalised and remains to be adopted. In September, the Committee of Experts on the Evaluation of the Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) removed Albania from the list of countries under monitoring for money laundering and terrorism financing. In December, a new counterterrorism directorate and four regional branches were set up in the Albanian State Police. However, they are not yet fully staffed and operational. A fully functional counterterrorism directorate, working in close cooperation with the secret service and the border police, remains crucial to tackling terrorism threats effectively. A task force on

terrorism and religious extremism was set up, involving the General Prosecutor's Office, the Ministry of Interior, the Albanian State Police and the Intelligence Service (SHISH). Nine self-proclaimed imams are standing trial over allegations of promoting acts of terrorism. Albania needs to develop an effective policy to prevent radicalisation, including through law enforcement measures and socioeconomic actions aimed at strengthening social inclusion, particularly among young people, and to enhance efforts to identify, prevent and disrupt the flow of foreign terrorist fighters traveling to conflict areas such as Iraq and Syria.

Cooperation in the field of drugs

Cooperation with the European Monitoring Centre for Drugs and Drug Addiction continued. The deployment of aerial surveillance contributed to a significant increase in the identification of drug plantations and subsequent destruction. In 2014, a total of 551 414 cannabis plants were destroyed, which represents an increase of 460 % compared to 2013. In the first ten months of 2015, the number of destroyed marijuana plants further increased by almost 40 % compared to the total number for 2014, accounting for more than 99 % of the plantations identified. In January, a major international police operation succeeded in dismantling a large drug lab in Elbasan, where cocaine was processed for the European market. Another operation carried out in cooperation with Germany resulted in the seizure of 19.4 kg of pure cocaine and 97.6 kg of mixed cocaine, and the confiscation of EUR 321 950 and a number of firearms. While the successful major police operation in Lazarat in 2014 marked an important operational achievement in the fight against drug cultivation, the investigation and prosecution follow up has not been decisive. Of the 187 referrals handled from the police, the Serious Crimes Prosecutor's Office submitted to court the request for trial against sixteen people for several criminal offences. No accusations of participation in a criminal organisation were made.

Customs cooperation

The 24-hour digital camera monitoring system is fully operational. The number of investigations against customs officials for crime and corruption increased compared with previous years.

For measures against **counterfeiting the euro**, see Chapter 32- *Financial control*.

4.25. Chapter 25: Science and research

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

Preparations are at an **early stage** in the area of science and research. There was **no progress in the past year**. In the coming year, the country should in particular:

→ build capacity and increase investment in research to ensure integration into the European Research Area and contribute to the Innovation Union;

→ increase efforts for successful participation in the research and innovation framework programme Horizon 2020.

Overall, actions in line with EU policy on research and innovation have not been implemented due to lack of national funding.

As regards **framework programmes**, Albania is associated to the EU research and innovation programme 'Horizon 2020' (2014-2020) and all administrative actions for participation are in place (national contact points and representatives in Horizon 2020 programme committees have been appointed). Based on first Horizon 2020 statistics, the number of Albanian participants in proposals selected for funding has been very small. The Agency for Research, Technology and Innovation still lacks the resources to promote cooperation on research and innovation. Albania should take actions to improve the scientific excellence and participation of the private sector in research and innovation should be stimulated. Albania has been active in cooperating at regional level following its co-signing of the Western Balkan regional R&D strategy for innovation and it cooperates with the Central European Initiative.

On integration into the **European Research Area**, Albania has appointed a member in the European Research Area Committee, however, is not participating in it on a regular basis. The level of investment in research stagnated at about 0.4 % of Albania's GDP. This is insufficient to make a meaningful contribution to competitiveness and growth. Due to a lack of reliable statistics it is also difficult to measure the precise level, in particular for expenditure on research by the private sector.

On the **Innovation Union**, no specific actions to stimulate innovation have been taken.

4.26. Chapter 26: Education and culture

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

Albania is **moderately prepared** in education and culture. Apart from the adoption of the new law on higher education, **no progress** was made in the past year. Further efforts are needed to ensure the inclusiveness, credibility, transparency and quality of the education system. In the coming year, the country should in particular:

- implement the new law on higher education with the aim of improving quality;
- continue to implement competence-based curricula with learning outcomes, and complete teacher training for it;
- continue the restructuring of vocational education and training to improve its market relevance and enhance links with private sector.

On **education, training and youth**, following the recommendations of the independent commission for higher education and scientific research reform, a new law on higher education was adopted. The accreditation process begun for all public and private universities. The comprehensive national qualifications framework is under revision. It will be important to ensure that diplomas comply with the law on higher education.

The education sector remains a high-risk area for corruption. The recruitment procedure for teachers and school directors needs to become more transparent and merit-based. Despite

significant improvements over the last decade, Albania still has considerable gaps to close in terms of years of schooling, secondary school enrolment rates, education quality and the market relevance of qualifications. Albania joined the European Alliance for Apprenticeship.

Public spending on education is low, at around 3 % of GDP, with primary education commanding most of the expenditure (61 %). The 2012 PISA results for Albania, in testing 15 year olds, were the lowest in the region and ranked Albania as 57th out of the 65 participating countries. The participation rate in pre-school education is about 30%. The 2014-2020 national strategy for jobs and skills and the relevant action plan were adopted in November. They need to be accompanied by a financial and monitoring plan. Further efforts should be made to strengthen linkages between education and the labour market.

Roma and Egyptian children are still not fully integrated in the education system, which often leads to unemployment and exclusion. Quotas for the enrolment of Roma, Egyptians and disadvantaged students in public universities continued to be applied. Enrolment rates for Roma and Egyptian children increased slightly, but overall they remain very low. The 2015-2020 action plan for the integration of Roma and Egyptians and the social inclusion policy document are yet to be adopted by the government (*see also chapter 19 – Social policies and employment*).

As regards youth, Albania participates in the Erasmus+ Youth in Action strand and the Western Balkans Youth Window.

In the area of **culture**, Albania continued to fully participate in the EU Creative Europe programme.

4.27. Chapter 27: Environment and climate change

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

Albania is at an **early stage of preparation** in this area. There was **some progress** on environment and climate change, however, industrial control and monitoring of emissions and waste management remain poor. Overall, resources remain limited and substantial investment is needed. In the coming year, the country should in particular:

→ establish systematic strategic planning, start implementing the Intended Nationally Determined Contribution (INDC) to the expected 2015 Paris Climate Agreement;

→ monitor the quality of the environment and increase administrative capacity;

The cross-cutting strategy for the **environment** has not been adopted yet. Further work is needed to align **horizontal environmental legislation**, in particular with the Directive on Environmental Crime. Public consultation, access to information and cooperation with civil society organisations have improved. Initial steps taken to strengthen law enforcement need to be stepped up. The environmental impact assessment process has improved, but needs to be strengthened considerably, in the hydropower and mining sectors especially.

As regards **air quality**, the national strategy for air quality and the law on ambient air quality were adopted and need to be enforced. The division of responsibilities between the National Environment Agency (NEA) and implementing bodies was clarified. The indoor smoking ban has proved effective. Albania has missed its Energy Community deadline to implement the 1999 Directive on Sulphur Content in Fuels. Known breaches of the standard values for air quality persist. Air quality in cities remains very problematic.

Planning, coordination and implementation of policies on **waste** management are progressing very slowly and administrative capacity remains very limited. Implementing legislation in line with the *acquis* has been adopted in the areas of exporting and transiting non-hazardous and construction waste, and use of sewage sludge. Waste separation is very limited and recycling remains rare. Most waste continues to be disposed of unsafely in legal and illegal dumpsites, or burned. Hazardous medical waste is a major concern.

In the area of **water**, water management was transferred to the Ministry of Agriculture, Rural Development and Water and a National Secretariat of the Water Council was created. Important regulations on water use, under the law on integrated water management, were adopted. Bathing water quality has improved overall however remains unsatisfactory in rivers. Untreated sewage is the main source of pollution. Further efforts are needed to extend the water test range of the NEA. In March, the Velipoja wastewater treatment plant was completed, but is not yet operational. The number of operational plants thus remains five.

In the field of **nature protection**, in February, parliament passed an amendment on international trade in endangered species of flora and fauna. The Research Centre for Flora and Fauna must now be consulted before a trade permit is issued. A National Agency for Protected Areas and Agency for the Albanian Coast were set up. Effective protection for designated protected areas still needs to be guaranteed. The investments in hydropower need to comply with nature protection obligations especially for protected areas and areas of high natural value and to be carried out in conformity with the *acquis* in particular with the environmental impact assessment, Water Framework Directive and Birds and Habitats Directives.

In the area of **industrial pollution control and risk management**, the law transposing the EU Directive on the control of major accident hazards has still not been adopted. Preventive measures are not enforced and risk preparedness is not applied. Self-monitoring of emissions is not reliable. In October, a task force was set up to inspect and evaluate the environmental compliance of oil exploration companies. Best available techniques to guide compliance have not been adopted yet.

A framework law on **chemicals** management has not been adopted yet. A decision regulating import of ozone depleting gases (HFCF) over the coming years until 2040 was amended in line with Albania's commitments under the Montreal Protocol.

On environmental **noise**, a joint order of the Ministers of Transport and of Environment was adopted, laying down the rules for protection from aircraft noise. It only partially transposes EU directives.

As regards **civil protection**, the 2014-2018 national strategy for disaster risk reduction and civil protection has not been adopted yet. The floods in the south of the country in February showed the need for Albania to further strengthen its capacity in this sector.

On **climate change**, Albania needs to develop a comprehensive policy and strategy consistent with the EU 2030 framework. Significant efforts are needed to fully integrate climate considerations into all relevant sectoral policies. The preparation of the national plan for adaptation to climate change has started. INDC to the 2015 Paris Climate Agreement has been adopted in September. Alignment with the EU monitoring mechanism regulation should be a priority. A decision on the reduction and stabilisation of fluorinated greenhouse gas emissions was adopted but it is only partially aligned with the relevant EU regulation. The establishment of a monitoring, verification and reporting system for greenhouse gas emissions has not started yet.

The NEA has strengthened its administrative capacity considerably. The environmental monitoring system has improved, but needs more financing. The State Inspectorate of the Environment took initial steps to strengthen law enforcement. The incomplete implementing legislation, in particular in the water sector, and limited logistical resources hamper the normal functioning of the inspectorate.

4.28. Chapter 28: Consumer and health protection

EU rules protect consumers in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, patients' rights and communicable diseases.

Preparations are at an **early stage** in the area of consumer and health protection. There was **some progress** over the last year. In the coming year, the country should in particular:

- align legislation with the *acquis* on tobacco control, substances of human origin and serious cross-border health threats, including communicable diseases;
- adopt the national strategy on consumer protection and market surveillance;
- set up a market surveillance inspectorate.

Legislation on **consumer protection** with regard to certain aspects of timesharing, long-term holidays and exchange contracts was adopted in October, aiming at bringing them in line with the *acquis*. An awareness-raising campaign on consumer protection was launched in 2014, but further action is needed to empower consumers. The Consumer Protection Unit remains understaffed and the capacity of the Consumer Protection Commission needs to be strengthened. The 2020 national strategy for consumer protection and market surveillance has been adopted in September 2015.

In **safety related issues**, the Market Surveillance Inspectorate has not been established yet.

In **non-safety-related issues**, the Consumer Protection Commission issued decisions on standard energy and water contracts for consumers, asking for provisions with unfair terms to be removed. Based on consumer complaints against a currency exchange office, the Commission issued a decision requiring the operator to fully respect the legislation. It recommended the adoption of a code of conduct for telephone operators.

As regards **public health**, a package for primary healthcare services was approved in February, addressing prenatal and postnatal care and new-born and child care. Significant efforts have been made to fight corruption in the sector (see Chapter 23). The national

electronic health record started to be implemented, following the completion of a feasibility study in October. The hospital information system was launched in several institutions. Albania signed a loan agreement with the World Bank to set up health information systems and strengthen governance of public hospitals and health financing to improve efficacy and quality of healthcare. The coverage of insurance-based care remained very low.

On **tobacco control**, the law on health protection against tobacco products has been unevenly implemented in the hospitality services sector.

On **communicable diseases**, people with HIV/AIDS have difficulty accessing healthcare. A mosquito control strategy and action plan remain to be adopted. Little has been done to increase the capacity of hospital microbiology laboratories and provide additional human resources. Reporting systems on communicable diseases and microbiology laboratories are not integrated with the national electronic health record system.

On **blood, tissues, cells and organs**, blood safety and transfusion practices improved, but further efforts are needed to bring the legislation into line with the *acquis*.

On **pharmaceuticals**, the law on drugs and pharmaceutical services came into force in September 2014. The law is only partially in line with the *acquis*.

On **mental health**, some progress has been made in the implementation of secondary legislation regulating mental health services, which sets out the responsibilities of mental health professionals and physical restraint standards for mentally ill patients. On **health inequalities**, some steps were taken to improve access for Roma to healthcare through vaccination campaigns, community nurses and home visits; however, Roma still face difficulties in access to health services. Further work is needed to ensure access to good quality healthcare for the most vulnerable groups. As regards nutrition, 700 family doctors and nurses have so far been trained using integrated training modules on nutrition for pregnant women, infants and children. Child malnutrition remains a serious concern. On **cancer screening**, a structure for cancer screening services and a cancer registry system remain to be set up.

4.29. Chapter 29: Customs union

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

Albania is **moderately prepared** in the area of the customs union. **Some progress** was made in particular as regards further approximation of the legislation with the *acquis* and the country's increased participation in EU programmes and regional cooperation. In the coming year, the country should in particular:

- strengthen the fight against smuggling and imports of counterfeit products;
- ensure the interoperability of customs IT systems with those of the EU;
- continue fighting corruption and malpractice in the customs administration.

On **customs legislation**, the new customs code came into force in January, together with implementing instructions, in line with the *acquis* on a broad range of issues. The code was

again amended in March to allow the operation of duty-free shops. The customs tariff was updated in line with the 2015 version of the EU's combined nomenclature. As of May, the rules of origin for the Stabilisation and Association Agreement refer to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin. Legislation which entered into force on 26 August, requires payment of a "scanning fee" per customs declaration. Article 33.1 of the SAA prohibits the introduction of customs duties on imports or exports or charges having equivalent effect in trade between the Community and Albania.

As regards **administrative and operational capacity**, the General Directorate of Customs started to implement a 'Green channel' at customs houses. This initiative allows companies with a good customs record to benefit from a preferential customs procedure, speeding up trade formalities. The civil servant status of customs officials was confirmed in the customs code in line with the Law on Civil Servants, and legislation on the procedures and requirements for employment and promotion within the customs administration was adopted in December. Customs revenue decreased during the first quarter of 2015 and collection capacities need to be strengthened. Cooperation with the prosecution and the High Inspectorate for the Declaration Audit of Assets and Conflicts of Interest in identifying corruption cases improved, leading to the dismissal of a number of customs officials. In May 2015 integrity tests were carried out on 123 customs officials and disciplinary measures were taken against 26 officials. Albania participates in the EU Customs 2020 programme since December.

A joint Albania-Kosovo transit corridor was inaugurated in February to facilitate transit customs procedures and increase trade in the region.

4.30. Chapter 30: External relations

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

Albania is **moderately prepared** in the area of external relations. There was **some progress** in the past year. Albania continued to cooperate well with the EU in the World Trade Organisation (WTO). In the coming year, Albania should in particular:

→ strengthen trade coordination/consultation policy mechanisms.

Albania has continued to coordinate its trade policy with the EU **common commercial policy** in the WTO. Albania's 2014 self-assessment on trade facilitation capacity showed 85 % compliance with WTO requirements. Albania notified the provisions under the WTO Trade Facilitation Agreement which it will implement by the time the agreement enters into force and started preparation for ratification of the agreement.

There were no developments on *export credits*. Preparations have started for transposing Annex 1 of the EU Regulation on export controls on dual-use goods but further efforts are needed to align export control legislation with the *acquis*.

As regards **bilateral agreements with third countries**, Albania continued negotiations with Turkey under the Free Trade Agreement (FTA), focusing on the liberalisation of trade in services and the inclusion of investment provisions in the FTA. Albania finalised memoranda on economic cooperation with Kuwait, Montenegro and Czech Republic, and a bilateral

investment treaty with Kosovo. Economic and technical cooperation agreements with Bosnia and Herzegovina, Brazil, China, Kazakhstan and South Korea were finalised. Negotiations are ongoing on bilateral investment treaties with Canada, Iceland, Morocco, Lebanon and the United Arab Emirates. Albania continued its constructive participation in Central European Free Trade Agreement (CEFTA) structures. Negotiations on a new chapter on sustainable development to Albania's agreement with EFTA countries were concluded.

There were no legislative changes in **development policy** or **humanitarian aid, which remain at an early stage** of alignment.

4.31. Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogue in the framework of the foreign, security and defence policy, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures.

Albania has a **good level of preparation** in foreign, security and defence policy. There has been **some progress** in the destruction of surplus of conventional ammunition and small arms and light weapons. On the common foreign and security policy, Albania aligned itself with all relevant EU declarations and European Council conclusions (100% alignment). This trend has been consistent for the last few years, thus demonstrating a very clear commitment in supporting the positions promoted by the European Union on issues related to international peace and security. Albania has also continued to participate in civil and military crisis management missions. In the coming year, the country should in particular:

→ make full use and ensure maintenance of the online register of weapons and ammunition under the management of the State Police.

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

On the **common foreign and security policy**, Albania aligned itself, when invited, with all relevant EU declarations and European Council conclusions (100 % alignment). This trend has been consistent for a number of years, thus demonstrating a very clear commitment in supporting the positions promoted by the European Union on issues related to international peace and security. (As regards the International Criminal Court, *see Political criteria — Regional issues and international obligations.*)

Albania itself aligned with and implemented all **restrictive measures** introduced by European Council decisions.

On **non-proliferation**, Albania has made further progress in implementing the action plan for the destruction of surplus weaponry. The destruction of surplus conventional ammunition is well on track. Clearance of hot spots, removal of hazardous chemicals, and final closure of unneeded depots and renovation of permanent depots remains to be done. The destruction of small arms and light weapons is almost complete. Some action has been taken to upgrade armament and storage security, which remains a concern. The online register of weapons and ammunition under the management of the State Police has been installed and is operational. A national security strategy was adopted. The strategy on counter violent extremism was

finalized and remains to be adopted. (*As regards the International Criminal Court, see Political criteria 2.3 — Regional issues and international obligations.*)

Albania has continued to engage actively in **cooperation with international organisations**. Albania maintained four observers to the two OSCE missions in Ukraine, and also sent two OSCE observers for parliamentary elections in Ukraine held in October 2014.

On **security measures**, a security agreement with the EU on the exchange and mutual protection of classified information is under negotiation.

Albania has continued to participate in civil and military crisis management missions under the **common security and defence policy** (CSDP), in particular EUFOR Althea Bosnia Herzegovina (with one military officer). Via NATO, Albania has provided significant supplies of surplus weapons and ammunition to Kurdish forces fighting Da'esh.

4.32. Chapter 32: Financial control

Based on international standards, EU financial control rules promote sound financial management of national income and expenditure. They also 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 chapter. **Some progress** was made in the past year, especially in adopting a comprehensive public financial management reform strategy and an amended State Audit Institution (SAI) law. However, the managerial accountability principle is not yet fully embedded in the management culture and public internal financial control (PIFC) legislation is not systematically implemented by all institutions. In the coming year Albania should in particular:

→ adopt amendments to the PIFC legislation;

→ strengthen follow-up to the annual PIFC assessment addressing systemic weaknesses;

→ ensure quality of external audit by further aligning SAI operations to the standards of the International Organisation of Supreme Audit Institutions (INTOSAI).

Public internal financial control

In December 2014 the government adopted the 2014-2020 **public financial management reform strategy**. The PIFC Council, an advisory body for the Ministry of Finance, has yet to take a more active role in promoting reforms while the government has yet to ensure systematic follow-up to the findings of the annual PIFC report.

The two **Central Harmonisation Units** for Financial Management and Control and for Internal Audit continue to focus on organising training and preparing legislation and guidelines. This focus should be changed to undertaking more strategic policy-driven activities. The recommendations from annual reporting have yet to be effectively followed up.

Draft amendments to the **financial management and control** (FMC) law clarifying the role of authorising officers are awaiting adoption. Primary and secondary legislation is largely in line with the internal control framework of the Committee of Sponsoring Organisations (COSO) and INTOSAI guidelines but implementation remains weak at all levels of the administration. Particular examples are the low proportion of budget institutions (30%), which

have drawn up internal procedures for FMC; the uneven introduction of delegation; and the insufficient application of risk management. Effective implementation and supervision of the FMC systems, and appropriate training for staff and senior programme officers, have yet to be ensured. The draft law, which is to make the **centralised budget inspection** function in line with PIFC requirements, is awaiting adoption. The operational capacity of the Financial Inspection Directorate is not sufficient to fight high-risk fraud and corruption.

The **internal audit** law is in line with international standards. Manuals and codes of ethics are largely in place. The share of certified auditors is 82% but a new national certification scheme is being developed. Of 116 institutions, 28 are not sufficiently staffed. The internal audit function is yet to reach its potential with managers still asking auditors to perform inspection type work rather than identifying systemic weaknesses and modalities to address them.

External audit

Since a revised SAI law, in line with INTOSAI guidelines, was adopted in February 2015, there is an adequate **constitutional and legal framework** in place to guarantee the SAI's functional and operational independence. Work now needs to focus on ensuring that the revised legal provisions are fully implemented.

The SAI has a total of 149 allocated posts, which are not sufficient to cover its audit mandate involving all public sector institutions. To help boost its institutional capacity, the SAI updated its strategic development plan for the period 2015-17, which foresees improvement of the **quality of audit work** in line with INTOSAI standards. While the SAI may carry out any type of audits, it mostly undertakes compliance audits determining economic damage and violations of rules rather than focusing on how to prevent such damages. Financial audits do not yet result in professional audit opinions. Performance audits have to increase in numbers and fully comply with international standards. Audit manuals are in place but they need to be revised to comply with INTOSAI standards.

The **impact of audit work** is limited by the low number of audited institutions. In 2014, the SAI completed 160 audits, uncovering irregularities totalling 11.19 billion Albanian LEK. The SAI presented 41 cases concerning 149 officials to the General Prosecutor Office as part of the fight against economic crime, fraud and corruption. Audit reports are summarised quarterly and published on the SAI website. The Ministry of Finance developed an action plan to follow-up on SAI findings but systematic follow-up needs to be further reinforced. The SAI annual audit report to the Parliament is discussed in the Economic and Financial Committee, but there is again no systematic parliamentary follow-up.

Protection of the EU's financial interests

As regards **acquis alignment**, the national legislation incorporates the main elements of the Convention on the Protection of the EU's Financial Interests and regulates the obligation to safeguard evidence. The revised law covering the requirements for the **national anti-fraud coordination service (AFCOS)**, assigned to the public financial inspection directorate under the Minister of Finance, remains to be adopted. AFCOS has limited operational capacity. With regard to **cooperation with the European Commission**, procedures for reporting irregularities and suspected fraud cases remain to be strengthened. The irregularity management system has been set up but so far no suspected cases have been reported. A solid track record on investigation activities still needs to be established.

Protection of the euro against counterfeiting

Albania has signed, but not yet ratified, the 1929 International Convention for the Suppression of Counterfeiting Currency. *Acquis alignment* is partial. Medals and tokens similar to euro coins are not yet regulated. **Technical analysis** of counterfeit money is performed by the National Analysis Centre (NAC) of the National Bank, which has assessed a considerable number of domestic and foreign currency banknotes in the period 2014-15. It cooperates with competent authorities at national and international level. The National Bank concluded a formal **cooperation agreement** with the European Commission on coins in 2013. A similar agreement on banknotes with the European Central Bank is pending. National competent authorities participate regularly in activities organised under the Pericles 2020 programme.

4.33. Chapter 33: Financial and budgetary provisions

Rules for funding the EU budget provide for contributions based mainly on the gross national income of each Member State as well as from value-added tax and customs duties.

Albania has **some level of preparation** in financial and budgetary provisions. There was **some progress** in this area. Albania will need to set up a coordinating body in due course to steer pre-accession preparations in the own resources field.

There were limited developments in the area of **traditional own resources**, the **value added tax-based resource** and the **gross national income-based resource**. On the VAT-based resource, tax evasion remains a priority to be tackled. As regards the gross national income-based resource, work on introducing ESA 2010 standards will need to continue. (*For developments in the underlying policy areas, see Chapters 16 — Taxation; 18 — Statistics; 29 — Customs union; and 32 — Financial control.*)

Albania has put in place the main **administrative infrastructure** for the underlying policy areas that indirectly affect the own resources system. Further efforts are needed to ensure effective measures for fighting tax evasion and the informal economy. In due course, work will need to be done to set up the institutions and the coordinating body in charge of preparing the administrative conditions for applying the own resources rules.

Annex I – Relations between the EU and Albania

The **Stabilisation and Association Agreement** between Albania and the EU came into force in April 2009. Albania presented its application for membership of the European Union on 28 April 2009. Following a request by the Council, the Commission submitted its Opinion on Albania's application in November 2010. In December 2010, the Council noted that the opening of accession negotiations would be considered once the Commission has assessed that the country has achieved the necessary degree of compliance with the membership criteria and, in particular, has met the key priorities set out in the Commission's Opinion. In view of the progress made by Albania, the Commission recommended in October 2013 that Albania be granted candidate status, on the understanding that it continues to take action in the fight against organised crime and corruption, and the Commission identified five key priorities for opening accession negotiations. In December, the Council stated that it would decide on whether to grant candidate status in June 2014, in the light of a report by the Commission focusing on Albania's implementation of its judicial reform strategy and on the fight against organised crime and corruption. The Council stressed that sustained implementation of reforms and fulfilment of all key priorities would be necessary for the opening of negotiations. In a report published in June 2014, the Commission confirmed its recommendation that the Council should grant Albania candidate status. The European Council of June 2014 endorsed the decision of the General Affairs Council granting Albania candidate status.

In the past year, Albania has implemented smoothly its obligations under the Stabilisation and Association Agreement (SAA). Regular political and economic dialogue between the EU and Albania has continued through the relevant structures under the SAA. The Stabilisation and Association Committee and Council met in April and May 2015, respectively. Meetings of subcommittees and of the special group on public administration reform were held. Albania continued to actively participate in high level dialogue meetings, which were held in September 2014, March 2015 and September 2015, as well as in the related meetings of the joint working groups on the five key priorities in September and February.

Albania has made steady progress in addressing the **key priorities** for the opening of accession negotiations, pursuing a set of reforms necessary to advance in the EU integration path. The most relevant achievements are related to public administration reform and the preparation of a comprehensive reform of the judicial system. It is essential to build on the progress made and keep the reform momentum. In the area of rule of law, further tangible results are necessary. The finalisation of the comprehensive reform of the judiciary is amongst the most significant challenges. Albania needs to demonstrate progress with a view to establishing a solid track record of investigations, prosecutions and final convictions in corruption and organised crime at all levels. The implementation of effective measures to reinforce the protection of human rights, including of Roma citizens and other vulnerable groups within the society, and anti-discrimination policies, as well as the implementation of property rights are of utmost importance. Albania should pursue economic reforms aimed at increasing competitiveness and tackling high unemployment, as well as improve the business environment. The commitment to inclusive dialogue and cooperation under the agreement reached between the ruling majority and the main opposition party in December 2014 needs to be maintained for the overall sustainability of all the ongoing and upcoming EU-related reform processes.

Visa liberalisation for citizens of Albania travelling to the Schengen area has been in force since December 2010. As part of the monitoring mechanism in place since visa liberalisation, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The monitoring mechanism also includes an alert mechanism to prevent abuses, coordinated by Frontex. The Commission has organised a post-visa liberalisation peer review mission in June and submitted regularly its monitoring reports to the European Parliament and the Council. The next post-visa liberalisation report will be presented in the last quarter of 2015. A readmission agreement between the European Union and Albania has been in force since 2006.

The EU provided financial assistance to Albania under the **Instrument for Pre-accession Assistance** (IPA) for the period 2007-2013 with a total allocation of € 594 million. The assistance has been predominantly implemented under direct management by the EU Delegation in Tirana. The indirect management modality has been introduced with a pilot approach for the IPA 2013 national programme.

Under IPA II, Albania will continue to benefit from pre-accession assistance for 2014-2020 in line with the priorities set out in the indicative strategy paper, with a total indicative allocation of € 649.4 million. The Framework Agreement for IPA II entered into force in April.

The 2014 action programme for Albania provides approximately € 67 million to promote reforms in key sectors such as democracy and governance and rule of law and fundamental rights. It includes a budget support operation for public finance management and a set of actions for support to public administration reform, participation in union programmes and economic and social empowerment of minority groups, as well as an EU integration facility.

Albania continues to benefit from support under the IPA multi-country and regional programmes. It continues to participate in five cross-border cooperation programmes with neighbouring Western Balkan countries and Member States, as well as in transnational cooperation programmes under the European Regional Development Fund and the IPA Adriatic cross-border programme.

Albania participates in the following EU programmes, with IPA support: Erasmus+, Creative Europe (Culture and Media strands), Employment and Social Innovation, Horizon 2020, Customs 2020, Fiscalis 2020, Competitiveness of Enterprises and Small and Medium-Sized Enterprises Programme (COSME).

Annex II – Statistical Annex

STATISTICAL DATA (as of 7.09.2015)

Albania

| Basic data | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|--------|--------|--------|--------|--------|--------|
| Population (thousand) | 1) | 3 057e | 2 919e | 2 907e | 2 902e | 2 899e | 2 896e |
| Total area of the country (km ²) | | 28 750 | 28 750 | 28 750 | 28 750 | 28 750 | 28 750 |

| National accounts | | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------------|-------------|----------------|-----------|-----------|----------------|----------------|
| Gross domestic product (GDP) (million national currency) | 2) | 622 71 1 | 1 239 645 b | 1 300 624 | 1 332 811 | 1 350 555 p | 1 393 54 0p |
| Gross domestic product (GDP) (million euro) | 2) | 4 705 | 8 997b | 9 268 | 9 586 | 9 629p | 9 956p |
| GDP (euro per capita) | 2) | 1 537 | 3 088b | 3 191 | 3 305 | 3 323p | 3 440p |
| GDP (in Purchasing Power Standards (PPS) per capita) | 2) 3) | : | 7 089e | 7 409e | 7 300 | 7 400 | 7 800 |
| GDP (in Purchasing Power Standards (PPS) per capita), relative to the EU average (EU-28 = 100) | 2) 4) | : | 28 | 28 | 28 | 28 | 29 |
| Real GDP growth rate: change on previous year of GDP volume (%) | 5) | 4.2 | 3.7b | 2.5 | 1.4 | 1.1p | 2.1p |
| Gross value added by main sectors | | | | | | | |
| Agriculture, forestry and fisheries (%) | 2) | : | 20.7 | 21.0 | 21.7 | 22.5p | 22.6p |
| Industry (%) | 2) | : | 13.8 | 13.5 | 13.3 | 14.4p | 14.2p |
| Construction (%) | 2) | : | 14.9 | 14.6 | 13.1 | 11.9p | 11.0p |
| Services (%) | 2) | : | 50.7 | 50.9 | 51.9 | 51.1p | 52.2p |
| Final consumption expenditure, as a share of GDP (%) | 2) 6) | 86.0 | 88.9b | 88.9s | 88.5 | 88.9p | 90.7p |
| Gross fixed capital formation, as a share of GDP (%) | 2) 6) | 37.9 | 28.4b | 29.4s | 26.5 | 25.9p | 24.9p |
| Changes in inventories, as a share of GDP (%) | 2) 6) 7) | 0.8 | 1.9b | 2.0s | 1.8 | 2.4p | : |
| Exports of goods and services, relative to GDP (%) | 2) 6) | 19.6 | 32.4b | 34.0s | 33.4 | 35.4p | 29.9p |
| Imports of goods and services, relative to GDP (%) | 2) 6) | 44.3 | 53.0b | 56.7s | 52.0 | 53.5p | 49.0p |

| Business | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|--------|---------|---------|---------|---------|---------|
| Industrial production volume index (2010 = 100) | | : | 100.0 | 111.9 | 118.7 | 135.1 | 138.9 |
| Number of active enterprises (number) | | 56 490 | 103 038 | 109 039 | 106 837 | 111 083 | 112 537 |
| Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%) | | 18.0 | 16.0 | 11.8 | 12.0 | 10.9 | 15.4 |
| Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%) | | : | : | : | : | : | : |
| People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%) | | 73.6 | 83.8 | 81.4 | 81.7 | 81.0 | : |
| Value added by SMEs (in the non-financial business economy) (EUR million) | | 496e | 1 574 | 1 521 | 2 126 | 1 961 | : |
| Total value added (in the non-financial business economy) (EUR million) | | 740 | 2 476 | 2 239 | 3 077 | 2 948 | : |

| Inflation rate | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|------|------|------|
| Consumer price index (CPI), change relative to the previous year (%) | 8) | 1.7 | 3.6 | 1.7 | 2.4 | 1.9 | 0.7 |

| Balance of payments | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|--------|--------|--------|--------|--------|---------|
| Balance of payments: current account total (million euro) | 9) | -444 | -1 019 | -1 225 | -978 | -1 037 | -1 303p |
| Balance of payments current account: trade balance (million euro) | 9) | -1 218 | -2 083 | -2 242 | -1 999 | -1 893 | -2 137p |
| Balance of payments current account: net services (million euro) | 9) | -8 | 232 | 135 | 213 | 155 | 268p |
| Balance of payments current account: net income (million euro) | 9) | 116 | -90 | -25 | -72 | 21 | -160p |
| Balance of payments current account: net current transfers (million euro) | 9) | 667 | 922 | 906 | 880 | 680 | 725p |
| of which government transfers (million euro) | 9) | 41 | 45 | 29 | 33 | 17 | 9p |
| **3 year backward moving average of the current account balance relative to GDP (%) | | -7.2 | -14.1 | -13.3 | -11.6 | -11.4p | : |
| Net inward foreign direct investment (FDI) (million euro) | | 141.4 | 788.5 | 608.9 | 647.8 | 923.2 | 801.3p |
| Foreign direct investment (FDI) abroad (million euro) | | 0.0 | 4.8 | 21.4 | 17.9 | 21.6 | 76.3p |
| of which FDI of the reporting economy in the EU-28 countries (million euro) | | : | : | : | : | : | : |
| Foreign direct investment (FDI) in the reporting economy (million euro) | | 141.4 | 793.3 | 630.4 | 665.8 | 944.8 | 877.6p |
| of which FDI of the EU-28 countries in the reporting economy (million euro) | | : | : | : | : | : | : |
| **Net international investment position, relative to GDP (%) | | : | : | : | : | : | : |
| Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%) | | : | -11.0 | -3.9 | 1.6 | -19.6 | 8.8p |

| Public finance | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|------|------|------|-------|------|------|
| ***General government deficit / surplus, relative to GDP (%) | | -6.1 | -3.1 | -3.5 | -3.4e | -4.9 | -5.1 |
| ***General government gross debt relative to GDP (%) | | 62.8 | 57.7 | 59.4 | 62.0 | 70.1 | 71.8 |
| Total government revenues, as a percentage of GDP (%) | | 24.8 | 26.2 | 25.4 | 24.7 | 24.0 | 25.9 |
| Total government expenditure, as a percentage of GDP (%) | | 30.9 | 29.3 | 28.9 | 28.2 | 28.9 | 31.0 |

| Financial indicators | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|------|--------|--------|--------|--------|--------|--------|
| Gross foreign debt of the whole economy, relative to GDP (%) | 10) | 62.8 | 54.0 | 55.7 | 58.0 | 61.1 | 65.2 |
| Gross foreign debt of the whole economy, relative to total exports (%) | | 320.6 | 166.6 | 163.7 | 174.2 | 174.1 | 174.0 |
| Money supply: M1 (banknotes, coins, overnight deposits, million euro) | | 1 102 | 1 999 | 1 973 | 2 023 | 2 109 | 2 524 |
| Money supply: M2 (M1 plus deposits with maturity up to two years, million euro) | | 2 430 | 4 387 | 4 611 | 4 816 | 4 942 | 5 161 |
| Money supply: M3 (M2 plus marketable instruments, million euro) | | 3 083 | 7 114 | 7 626 | 8 080 | 8 192 | 8 538 |
| Total credit by monetary financial institutions to residents (consolidated) (million euro) | | 302 | 3 506 | 3 862 | 3 990 | 3 906 | 4 001 |
| Interest rates: day-to-day money rate, per annum (%) | 11) | : | 4.92 | 5.07 | 3.96 | 3.53 | 2.55 |
| Lending interest rate (one year), per annum (%) | 12) | 14.96 | 11.29 | 11.17 | 10.28 | 9.52 | 7.66 |
| Deposit interest rate (one year), per annum (%) | 13) | 8.50 | 6.40 | 5.87 | 5.38 | 4.17 | 1.92 |
| Euro exchange rates: average of period (1 euro = ... national currency) | | 132.36 | 137.79 | 140.33 | 139.04 | 140.26 | 139.97 |
| Trade-weighted effective exchange rate index (2005 = 100) | | : | : | : | : | : | : |

| | | | | | | | |
|---|------|--------|--------|--------|--------|--------|--------|
| Value of reserve assets (including gold) (million euro) | | : | 1 905 | 1 912 | 1 972 | 2 015 | 2 192 |
| External trade in goods | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Value of imports: all goods, all partners (million euro) | | 1 587 | 3 328 | 3 867 | 3 797 | 3 699 | 3 941 |
| Value of exports: all goods, all partners (million euro) | | 90 | 1 169 | 1 400 | 1 531 | 1 761 | 1 827 |
| Trade balance: all goods, all partners (million euro) | | -1 497 | -2 160 | -2 467 | -2 267 | -1 938 | -2 114 |
| Terms of trade (export price index / import price index * 100) (number) | | 101 | 72 | 78 | 83 | 86 | 86 |
| Share of exports to EU-28 countries in value of total exports (%) | | 75.9 | 70.4 | 72.8 | 75.6 | 76.7 | 77.4 |
| Share of imports from EU-28 countries in value of total imports (%) | | 79.1 | 66.9 | 65.3 | 63.2 | 64.3 | 61.1 |

| | | | | | | | |
|--|------|------|-------|-------|-------|------|------|
| Demography | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants) | | 7.6e | 4.8e | 4.9e | 5.0 | 5.3 | 5.2 |
| Infant mortality rate deaths of children under one year of age (per thousand live births) | | 17.2 | 9.6 | 8.7 | 8.8 | 7.9 | 7.9 |
| Life expectancy at birth: male (years) | | : | 74.7e | 75.3e | 75.5e | 76.0 | 76.4 |
| Life expectancy at birth: female (years) | | : | 79.4e | 79.8e | 79.7e | 80.3 | 80.3 |

| | | | | | | | |
|--|------|------|-------|-------|-------|-------|-------|
| Labour market | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) | | : | 69.7e | 75.6e | 71.9e | 67.6e | 68.6e |
| *Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%) | | : | 60.3e | 64.9e | 62.4e | 56.7e | 56.6e |
| Male employment rate for persons aged 20–64 (%) | | : | 71.5e | 72.8e | 70.1e | 64.8e | 65.2e |
| Female employment rate for persons aged 20–64 (%) | | : | 49.8e | 57.2e | 54.9e | 49.3e | 48.5e |
| Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%) | | : | 48.3e | 54.7e | 56.3e | 51.1e | 51.2e |
| Employment by main sectors | | | | | | | |
| Agriculture, forestry and fisheries (%) | 14) | : | : | 45.4e | 46.1e | 44.0e | 42.7e |
| Industry (%) | 14) | : | : | 10.6e | 9.1e | 9.7e | 11.0e |
| Construction (%) | 14) | : | : | 8.2e | 8.2e | 7.1e | 6.4e |
| Services (%) | 14) | : | : | 35.7e | 36.6e | 38.8e | 39.4e |
| People employed in the public sector as a share of total employment, persons aged 20–64 (%) | | : | : | : | 15.7e | 17.8e | 17.5e |
| People employed in the private sector as a share of total employment, persons aged 20–64 (%) | | : | : | : | 84.3e | 82.2e | 82.5e |
| Unemployment rate: proportion of the labour force that is unemployed (%) | 15) | 15.8 | 14.0e | 14.0e | 13.4e | 15.9e | 17.5e |
| Male unemployment rate (%) | 15) | 13.6 | 12.6e | 13.6e | 14.6e | 17.8e | 19.2e |
| Female unemployment rate (%) | 15) | 19.1 | 15.9e | 14.4e | 11.7e | 13.5e | 15.2e |
| Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%) | 15) | 26.8 | 30.5e | 23.6e | 29.8e | 31.4e | 39.0e |
| Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%) | | : | 10.6e | 10.2e | 10.3e | 11.5e | 11.2e |
| Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED 0–2) (%) | | : | 10.9e | 12.1e | 10.5e | 13.6e | 13.4e |
| Unemployment rate for persons (aged 25–64) | | : | 7.9e | 10.1e | 11.8e | 11.7e | 13.7e |

| | | | | | | | |
|---|------|--------|--------|--------|--------|--------|--------|
| having completed tertiary education (ISCED 5 & 6) (%) | | | | | | | |
| Social cohesion | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Average nominal monthly wages and salaries (national currency) | | 19 659 | 44 375 | 46 665 | 50 093 | 52 150 | 53 025 |
| Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2000 = 100) | | 121.1 | 216.1 | 223.5 | 238.2 | : | 234.4 |
| GINI coefficient — see definitions | | 28.2 | : | : | : | : | : |
| Poverty gap | | 5.7 | : | : | 3.0 | : | : |
| *Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%) | | : | 31.9e | 35.2e | 31.6e | 30.6e | 26.0e |

| | | | | | | | |
|---|------|--------|---------|---------|---------|----------|---------|
| Standard of living | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Number of passenger cars relative to population size (number per thousand population) | | 49e | 104 | 106p | 107 | 122 | 131 |
| Number of mobile phone subscriptions relative to population size (number per thousand population) | | 261.4e | 1 584.4 | 1 841.8 | 2 015.0 | 1 822.5s | 1 686.5 |

| | | | | | | | |
|---|------|------|------|------|------|------|------|
| Infrastructure | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Density of railway network (lines in operation per thousand km ²) | | 15.0 | 13.9 | 13.9 | 13.9 | 12.0 | 12.0 |
| Length of motorways (kilometres) | | | | | | | |

| | | | | | | | |
|---|------|------|------|------|------|------|------|
| Innovation and research | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Public expenditure on education relative to GDP (%) | | 3.0 | 3.4 | 3.2 | 3.3 | 3.2 | 3.3 |
| *Gross domestic expenditure on R&D relative to GDP (%) | | : | : | : | : | : | : |
| Percentage of households who have internet access at home (%) | | : | : | : | 14.3 | : | : |

| | | | | | | | |
|---|------|------|------|------|------|------|------|
| Environment | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2005 constant prices) | | : | : | : | : | : | : |
| Electricity generated from renewable sources relative to gross electricity consumption (%) | | : | : | : | : | : | : |
| Road share of inland freight transport (based on tonne-km) (%) | | : | : | : | : | : | : |

| | | | | | | | |
|--|------|-------|-------|-------|-------|-------|-------|
| Energy | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Primary production of all energy products (thousand TOE) | | 896 | 1 643 | 1 494 | 1 676 | 2 041 | 2 014 |
| Primary production of crude oil (thousand TOE) | | 308 | 744 | 895 | 1 031 | 1 207 | 1 368 |
| Primary production of hard coal and lignite (thousand TOE) | | 5 | 3 | 2 | 2 | 2 | 0 |
| Primary production of natural gas (thousand TOE) | | 8 | 13 | 15 | 15 | 16 | 28 |
| Net imports of all energy products (thousand TOE) | | 965 | 552 | 668 | 320 | 567 | 662 |
| Gross inland energy consumption (thousand TOE) | | 1 862 | 2 106 | 2 162 | 2 014 | 2 346 | 2 342 |
| Electricity generation (thousand GWh) | | 3.7 | 7.7 | 4.2 | 4.7 | 7.0 | 4.7 |

| Agriculture | Note | 2002 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------|-------|-------|-------|-------|-------|-------|
| Agricultural production volume index of goods and services (at producer prices) (previous year = 100) | | : | 107.3 | 103.9 | 104.5 | : | : |
| Utilised agricultural area (thousand hectares) | | 1 140 | 1 201 | 1 201 | 1 201 | 1 190 | 1 178 |
| Livestock numbers: live bovine animals (thousand heads, end of period) | | 690 | 493 | 492 | 498 | 498 | 500 |
| Livestock numbers: live swine (thousand heads, end of period) | | 114 | 164 | 163 | 159 | 152 | 172 |
| Livestock numbers: live sheep and live goats (thousand heads, end of period) | | 2 773 | 2 581 | 2 517 | 2 619 | 2 723 | 2 804 |
| Production and utilisation of milk on the farm (total whole milk) (thousand tonnes) | | 1 010 | 1 070 | 1 101 | 1 105 | 1 131 | 1 133 |
| Harvested crop production: cereals (including rice) (thousand tonnes) | | 519 | 662 | 701 | 697 | 703 | 700 |
| Harvested crop production: sugar beet (thousand tonnes) | | 39 | 0 | 0 | 0 | 0 | 0 |
| Harvested crop production: vegetables (thousand tonnes) | | 668 | 860 | 890 | 914 | 924 | 950 |

: = not available

b = break in series

e = estimated value

p = provisional

s = Eurostat calculation

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

*** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes:

- 1) 2002 and 2010–12: based on retro projection made by INSTAT.
- 2) 2010–14: based on ESA 2010.
- 3) 2012–14: Source, Eurostat.
- 4) Source, Eurostat.
- 5) 2014: flash estimate based on quarterly data.
- 6) 2010–14: the shares of the GDP expenditure components do not sum to 100 % due to statistical discrepancy.
- 7) 2002: change in inventories and statistical discrepancy.
- 8) 2002: variation between December of one year compared with December of the previous year.
- 9) 2013 and 2014: based on balance of payments manual edition 6 (BPM6).
- 10) Data disseminated by the Bank of Albania.
- 11) Annual average of the overnight rate exchanged in money market.
- 12) Average weighted rate applied on new 12-month loans over the respective month, on 12-month maturity.
- 13) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 14) 2013 and 2014: the sum of the shares in the analysis of employment by activity does not sum to 100% due to cases where persons have not or cannot be classified to a particular activity.
- 15) 2002: administrative data.