



Albania Extractive Industries Transparency Initiative

2013

EITI ANNUAL ACTIVITY REPORT

Prepared by:

Secretariat of Extractive Industry Transparency Initiative

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1 General assessment of year's performance

Albania is a country rich in mineral resources and has high potential for oil and gas exploitation. Today, the economic development of the country is largely relying on the Extractive Industries sector, as a major contributor to its economy, local community development and employment. Albania is well known for its chromium, copper and nickel reserves and is an important centre for hydrocarbon resources in the Mediterranean area.

On May 2, 2013, Albania was granted “compliant country” by the EITI International Board, after the EITI Albania Secretariat fulfilled the tasks by submitting the 2009 and 2010 EITI Reports and the 2011 Validation Report.

The improvement of extractive industries management was the focus of the 6th EITI Global Conference held in Sydney, Australia, and where Albania took part for the first time as a member country of the EITI initiative.

The general elections held in June, 2013 caused the freezing of public administration and affected the activity of EITI Albania Secretariat. Many activities scheduled for 2013 remained unfulfilled due to lack of funds. Albania did not manage to publish its 2011 Report within 2013. The EITI Albania Secretariat expressed its concern to the Ministry of Economy, Trade and Energy (METE) and the World Bank for the immediate approval of the “*Support to the Albanian EITI implementation for 2014-2015*” project.

In September 2013, the new government established the Ministry of Energy and Industry, which oversees the extractive industries in the country and all related activities. From this moment the Ministry of Energy and Industry is playing a key and proactive role in the promotion of the Extractive Industry Transparency Initiative activities. In November restarted the MSG meetings. Mr. Ilir Bejtja, Deputy Minister of the Ministry of Energy and Industry, has been appointed the new Chair of MSG.

In evaluation of the priorities for the publication of 2011 EITI Report and the necessary funds available, the new MSG chairman, Mr. Bejtja sent an official letter to the EITI International Secretariat, requesting an extension deadline for the publication of the 2011

EITI Report, to June 30, 2014. In December 2013, Mrs. Dorina Çinari was appointed as the new National Coordinator of EITI Albania Secretariat.

In addition to the interest shown by several European countries for EITI implementation, a delegation from the Government of Kosovo visited Tirana as they considered the Albanian experience a good example to follow towards the EITI initiative.

2 Assessment of performance against targets and activities set out in the work plan

The 2013 EITI work plan was built on five major objectives. In order to fulfill these objectives, the EITI Albania Secretariat undertook several activities, mainly workshops in areas of extractive industry with the aim to promote the EITI impact:

2.1 Objective 1: Albania's membership and continuity in the EITI International structure

Activity of the EITI Secretariat and MSG. On May 2nd, 2013 following the commitment with EITI, Albania was granted "implementing country" status by the EITI International Board, after the EITI Albanian Secretariat fulfilled the tasks by submitting the 2009 and 2010 EITI Reports and the first process of validation with the 2011 Validation Report.

During 2013 MSG activity is marked by the following activities:

- . MSG Meeting on 13 March, 2013 discussed the following issues: the annual work report of EITI Albania 2012; analyses of the differences and problems arising from the EITI Report 2010; Actions against the companies that did not submit declarations in compliance with the rules for EITI Report 2010 and approval of EITI Albania work plan for 2013.
- . MSG Meeting on 17 April, 2013 was discussed the draft - evaluation report of the EITI International Secretariat for Albania.
- . MSG Meeting on 20 November 2013, was approved the MSG request and official letter addressed to EITI International Secretariat for extension of the publication deadline for the EITI Report 2011 based on the arguments presented regarding the

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institutional and economic situation in Albania during the second half of 2013. Also it has been possible the coordination between the Ministry of Finance and the World Bank for the approval of the “*Support to the Albanian EITI implementation for 2014-2015*” grant project; coordination of work with the EITI International Secretariat and the World Bank for the TORs of the EITI Report 2011 and 2012.

Stakeholder’s participation. To fulfill the objective regarding Albania’s continuity in the international structure, MSG decided to increase the number of representatives from the community, the local government. The MSG addressed a request to Bulqiza and Patos local institutions as the main centers of mining and oil extraction industry

2.2 Objective 2: EITI Report 2011

Albania did not manage to publish the 2011 EITI report within 2013. The EITI Albania Secretariat notified the Ministry of Economy, Trade and Energy and the World Bank on the immediate approval of the “*Support to the Albanian EITI implementation for 2014-2015*” project. Documents were also prepared to seek financial support. This support has been asked to the World Bank and the Ministry of Economy, Trade and Energy in April 2013 and these institutions gave approval to EITI project financial support. The draft-agreement for financial support from the World Bank was sent to the Albanian Government in August 2013 at the Ministry of Finance, but was not executed as a result of the administrative freezing.

Preparation and submission of the Terms of Reference draft for MSG. In November 2013, the MSG for the first time discussed the preparation of the 2011 and 2012 EITI Reports. In this context and referred to the recommendations made in 2010 EITI Report by Fair Links on increasing the materiality threshold regarding the declaration of extractive industry revenues in the 2011 EITI report from 500 thousand \$ to 750 thousand \$ and 1 million \$.

Request to extend the submission deadline of the 2011 EITI report. The MSG chairman, Mr. Ilir Bejtja, signed an official request on the extension of the publication deadline of the 2011 EITI report, sent to the EITI International Secretariat.

2.3 Objective 3: Capacity building

The participation and the experience in international activities helped the Albanian EITI Secretariat and the MSG to build internal capacities in communication, specific knowledge in extractive industries management and implementation of new EITI standards.

Below please find a list of significant activities:

- . Seminar organized by GIZ Germany on 23-25 April, 2013 on “EITI Communication”, Talking Matters, a guide to communicate the Transparency Initiative in the Extractive Industry. The meeting was attended by Mrs. Arlinda Rumbullaku, PR Specialist at the EITI Albania Secretariat.
- . The 6th EITI Global Conference in Sydney, Australia, marked the first participation of Albania as an EITI member country. The importance of the 6th EITI Global Conference was to improve governance of mineral resources. The meeting was attended by Mr. Neritan Alibali, Deputy Minister of the Ministry of Economy, Trade and Energy and Head of MSG; Mr. Shkëlqim Hysa, Head of EITI Albania Secretariat; Mr. Ilir Aliaj, Civil Society representative and Mr. Agim Shehu, Economic Coordinator at the EITI Albania Secretariat.
- . Participation in the EITI international meeting in Astana, Kazakhstan October, 2013 held on the implementation of the new EITI standards, 2013. The meeting was attended by Mr. Ramiz Balla, Director of Mineral Policy at the Ministry of Economy, Trade and Energy and a MSG member; Mr. Sami Neza, Civil Society representative and Mr. Agim Shehu, Economic Coordinator at the EITI Albania Secretariat.

2.4 Objective 4: Increase of the EITI impact in Albania through communication activities

The Albanian EITI Secretariat, in collaboration with various organizations, has organized many communication activities during 2013, which were attended by various stakeholders showing great interest in the issue, thus increasing the EITI impact in Albania.

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- . Social Business Day meeting, held on 22.01.2013, Tirana, organized by YUNUS Social Business and Social Business Promotion Agency. This meeting served for the cooperation with local and international organizations working in support of the social businesses development in the extractive industry areas and environmental protection.
- . Symposium on corporate social responsibility in the extractive industry in Albania, organized by Ministry of Economy, Trade and Energy, in collaboration with the Canadian Embassy in Tirana, dated 02.19.2013. This meeting served to the recognition and implementation of the EITI process in Albania and the possibility of cooperation in this process by extractive industry companies in country.
- . During March - April 2013 there are organized informative seminars about EITI initiative and the Secretariat activities, in Kukes, Vlora and Tirana with the participation of extractive companies, civil society, local government and the media.
- . In April 2013 was organized an informative event in Korca city with students of high school where were distributed promotional materials.
- . National Conference held in Tirana, on 05.06.2013 evaluated the results of Albanian membership in the EITI. Representatives from central and local government, civil society, companies and the media attended.
- . Seminar organized by the SNAP - SEE Project on 13.06.2013 in collaboration with the Ministry of Environment with the aim for cooperation and coordination between projects, institutions and other countries, where the transparency problems in general and in particular the EITI initiative, occupy a special place.
- . By the end of June 2013, with request of British Embassy in Tirana, it was held a meeting with the head of the Albanian EITI Secretariat, regarding the secretariat activities and the Extractive Industry Transparency Initiative in Albania. It was discussed the EITI issue and the gained experience in Albania. Also the

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importance for the further development of EITI in terms of the membership of Albania in EITI International structure and the coordination with the other countries that support EITI. Parties expressed readiness to cooperate in terms of the EITI process.

- . Participation in the 21th Forum, OSCE for Economic and Environmental, 11-13 September 2013, in Prague, where the Albanian delegation discuss about EITI implementation and the activities conducted in Albania about EITI initiative.
- . Among the Balkan region countries, on October 23-24, 2013, the Albanian Secretariat of Extractive Industries Transparency Initiative in cooperation with Government of Kosovo organized a meeting on helping the Republic of Kosovo to implement the EITI initiative. The meeting addressed the Albanian experience as an opportunity and as a good example to follow up.
- . Website. Publication of EITI Albanian activities on the official EITI Albania web page. Updating informations.

2.5 Objective 5: Fund-raising activities

Various national and international structures and organizations have been contacted or discussed with in order to identify sustainable financial resources for the EITI initiative, such as:

- . Official correspondence with the Ministry of Economy, Trade and Energy and Ministry of Finance to secure funding from the state budget.
- . Correspondence with the technical agencies of foreign embassies in Albania, such as the British and Canadian Embassies.
- . A request for co-funding was sent to the major companies in mineral and oil extraction industries in Albania such as Bankers, Albpetrol, Beralba.
- . Requests as well as to the World Bank and OSCE Presence in Albania.

The Ministry of Economy, Trade and Energy responded positively to the request, increasing the financial support for the Albanian EITI Secretariat from the state budget. OSCE Albania has also provided considerable support by financing mainly workshops in areas of extractive industry. Meanwhile, the main supporter of the EITI remains the World Bank through the “Support to the Albanian EITI implementation for 2014-2015” project. Despite the Albanian EITI Secretariat efforts to sign the agreement within 2013, it was signed only at the beginning of this year.

3 Assessment of performance against EITI requirements.

The Albanian Secretariat and MSG acquired familiarity with the New EITI Standard in 2013 and focused on contract recognition and publication of the mining sector, revenue management in extractive industry, collection and distribution of royalties in areas of extractive industry. Such information will improve the quality of future reports and will increase access to data. Also the secretariat focused on the recognition of minerare rent distributed in some eligible municipalities from the extractive industry rent; the improvement of the terms of reference draft for the new 2011 EITI report and the improvement of the 2014 work plan.

Evaluation of the EITI requirements:

Requirements:	Progress:
1. Contract transparency, recognition and publication of the mining sector contracts (Requirement 3.12)	These requirements were included in the agendas of MSG meetings, but they were only subject to discussions and no further actions were undertaken.
2. Revenue management, royalty collection and distribution (Requirement 3.7 - 3.8)	These requirements were included in the agendas of MSG meetings, but they were only subject to discussions and no further actions were undertaken.

4 Overview of the multi-stakeholder group's responses to the recommendations from reconciliation and Validation, if applicable.

The MSG also discussed the recommendations of the 2010 EITI report, including the following:

Recommendation 1. Focus on major tax-payers. MSG evaluated the EITI reports and concluded that the annual reports should focus on the major tax-payers in the extractive industries.

Recommendation 2. Increase the materiality threshold for payments and revenues from declaring companies in the EITI report. In November 2013, MSG discussed on increasing the materiality threshold regarding the declaration of extractive industry revenues in the 2011 EITI report from 500 thousand \$ to 750 thousand \$ and 1 million\$.

Recommendation 3. Considering proceeding to unilateral declarations for small operators. Referring to the recommendation made in the EITI report 2010, on the possibility of unilateral declarations for small operators, MSG evaluated that inappropriate and concluded that in order to increase transparency in extractive industry it is necessary to have bilateral reporting even for small operators.

Recommendation 4. Improving information disclosure by state agencies. National Agency of Natyral Resources, the General Tax Directorate and the General Directorate of Customs have improved information and monitoring of economic indicators related to taxes collected from extractive industry. More detailed analyses and annual reports have been submitted for 2013 based on the studies conducted regarding the distribution of extractive companies in Albania by mineral, level of revenue and number of companies.

Recommendation 5. Official appointing of the EITI contact persons in each relevant state agency. In order to establish cooperation between MSG, state agencies and major companies, contact persons have been appointed. These contact persons have been invited in the EITI seminars and meetings to become acquainted with the EITI rules, procedures, indicators and templates.

Recommendation 6. Inclusion of the Communes and Municipalities that collect fiscal contributions from extractive companies in the the future EITI reports. For better local governance and coordination with the central government on contributions collected by extractive companies, it has been assessed that major municipalities and communes (local government) that collect fiscal contributions by extractive companies in the area should report this income.

Recommendation 7. Extractive companies may report to local authorities for fiscal contributions through unilateral declarations. In order to increase transparency in tax declarations and their reconciliations between local government and extractive companies, MSG considers reporting and reconciliation from both declaring parties.

Recommendation 8. Inclusion of dividend as a source of income. The dividend, especially in the oil and gas sector, is an important indicator of the source of income that accumulates in the extractive industry sector and as such is included in the indicators of the payments made and in a separate disclosure template for EITI reports.

Recommendation 9. Approval of company declarations by external auditors. All (large, medium and small) declaring companies in extractive industry must submit declarations approved not only by their administrators but also by external auditors.

Recommendation10. Inclusion in the EITI reports of the companies that negotiate with the state and pay signature bonuses. With regard to this recommendation, MSG has decided to include in the EITI reports all oil and gas companies, including those in the negotiation process that have paid Signature Bonuses.

5 Any specific strengths or weaknesses identified in the EITI process

Strengths

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- . Many issues regarding the EITI process have been solved in a transparent and collaborative way by carefully considering the proposals from civil society, the companies, the government and the EITI board members.
- . Public awareness on transparency in extractive industry mainly to the mining areas has increased significantly. All the meetings organized with stakeholder representatives have shown that they are now aware of the rights and contributions of the communities.

Weaknesses

- . The 2013 state budget was not determined. It is important for the Albanian EITI Secretariat to have a clear budget which is crucial to the scheduling of activity structure and frequency.
- . The Secretariat's activity relies directly on the donors' funds, and lack of donations leads to the suspension of many EITI's activities such as the failure to prepare and publish the 2011 report within 2013.
- . The high impact of politics on society such as the general elections of June 2013 which also affected the activity of Albanian EITI Secretariat.

6 Total costs of implementation

For 2013, the Albanian EITI Secretariat was financed by State Budget funds which were mainly allocated for operating expenses and salaries. The amount of the State Budget fund for the Albanian EITI Secretariat for 2013 was at the level of 7.6 million ALL (around 76 thousand \$) with an increase of 26 % compared to 2012. The World Bank's grant, which was intended as a financial support for the completion of the 2011 EITI Report, was not disbursed within 2013. The organizational structure of the Albanian EITI Secretariat for 2013, approved by the Ministry of Economy, Trade and Energy, was composed from 9 (nine) employees. Actually, the Albanian EITI staff during 2013 consisted of 6 (six) employees. The OSCE presence in Albania has also provided financial assistance to the Secretariat's activities

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but has been managed directly by them. More detailed information on the 2013 budget is given below.

Total	Albanian Leke
Available funds	8,248,000.00Lek
Used during the year (or 98%)	7,661,000.00Lek
State Budget fund	
Forecast	7,679,000.00Lek
Completed (or 98.2%)	7,542,000.00Lek
Donor Funds(Albpetrol)	
Forecast	569,000.00Lek
Completed	119,000.00Lek

Usage of funds

Fund detailed by items	Albanian Leke
A. Salaries	
Forecast	5,132,000.00Lek
Completed (or 98.1%)	5,035,000.00Lek
B. Insurance	
Forecast	2,364,000.00Lek
Completed (or 98.3%)	2,324,000.00Lek
C. Other operating expenses	
Forecast	183,000.00Lek
Completed (or 100%)	183,000.00Lek

7 Any additional comments

The EITI activities scheduled for 2013 were postponed to be completed in 2014 due to lack of funds. During 2014 a significant number of donors operating in Albania have responded positively to the call for funding by the Albanian EITI Secretariat and MSG. It should be emphasized that the fund granted by the state budget for 2014 is 10 million ALL (approx. 100 000 \$) with an increase of 33% from the 2013 budget. The main objectives for 2014 include the completion and publication of the two EITI reports 2011 and 2012 compliant with the New EITI Standards.

8 Has this activity report been discussed beyond the MSG

The various suggestions from civil society, companies and the government were taken into consideration by MSG members during the preparation of this Annual Activity Report 2013.

9 Details of membership of the MSG during the period

Three MSG meetings were held during 2013. Up to November 2013, the group was chaired by the deputy minister of the Ministry of Economy, Trade and Energy, Mr. Neritan Alibali. The new deputy minister of the Ministry of Energy and Industry, Mr. Ilir Bejtja, was elected the new chairman of the EITI Board in November.

The EITI Albania MSG Has been comprised by:

Government Members (7 representatives)

Head of MSG / Deputy Minister of Ministry of Energy and Industry

A representative from Ministry of Finance

A representative from Ministry of Justice

A representative from Ministry of Energy and Industry

A representative from National Agency of Natyral Resources

A representative from Albanian Geologigal Survey

A representative from General Directorate of Taxation

MSG Civil Society Members (5 representatives)

Center for Development and Democraticatization of Institutions

Albanian Center for Institutional Development

Transparency Center and Free Information

Youth media Albania

Albanian Center for International Rights

MSG Company Members (4 representatives)



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Bankers Petroleum

AlbPetrol

FIAA

Stream Oil

MSG Meetings

13 March, 2013: MSG discussed the following issues:

- . The annual work report of EITI Albania 2012
- . Analysis of the differences and problems arising from the EITI Report 2010
- . Actions against the companies that did not submit declarations in compliance with the rules for EITI Report 2010
- . ALBEITI work plan for 2013

17 April, 2013: MSG discussed the following issues:

- . Draft- evaluation of the EITI International Secretariat for Albania

20 November, 2013: MSG discussed the following issues:

- . Approval of MSG request and official letter addressed to the EITI International Secretariat for extension of the publication deadline for the EITI Report 2011 based on the argument presented regarding the institutional and economic situation in Albania during the second half of 2013.
- . Coordination between the Ministry of Finance and the World Bank on the approval of the “*Support to the Albanian EITI implementation for 2014-2015*” grant project.
- . Coordination of work with the EITI International Secretariat and the World Bank for the TORs of the EITI Report 2011 and 2012.

Approved by MSG:

Date: 13.06.2014

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Appendix: Photo of the EITI Albania Activities in 2013



Kosovo shows interest in the EITI initiative. A working group from the government of Kosovo and the Albanian EITI Secretariat organized a joint meeting to assist the Republic of Kosovo in the implementation of the EITI initiative.



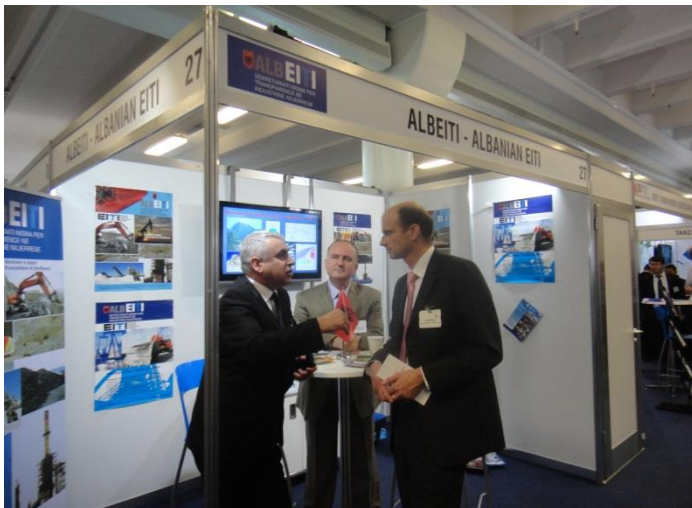
Implementing the new EITI Standard in 2014. The EITI International Secretariat and the World Bank organized a workshop on New EITI standards on 7-9 October, 2013 in Astana, Kazakhstan.

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Conference of Albania's membership in EITI. On 2 May, Albania was declared a member country of the EITI Initiative. The Albanian EITI Secretariat organized a conference in cooperation with the Ministry of Economy, Trade and Energy.



The 6th EITI Global Conference held in Sydney. The 6th EITI Global Conference focused on improving the extractive industry management while Albania took part for the first time as a member country.

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Communication Seminar. Regarding the importance of communication in the EITI initiative and transparency it was held a seminar on 23-25 April in Germany.



Seminar in Kukës.
The Albanian EITI Secretariat organized a seminar on 25 April, 2013 aiming to increase cooperation and understanding of the EITI initiative.



Seminar in Vlora
The Albanian EITI Secretariat organized a seminar on 28 March,

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2013 aiming to increase cooperation and understanding of the EITI initiative.



Seminar in Pogradec

The Albanian EITI Secretariat organized a seminar on 19 March, 2013 aiming to increase cooperation and understanding