



Annual Activity Report

EITI 2014

Albania EITI Secretariat

Prepared by:

Albanian EITI

Secretariat of Extractive Industries Transparency Initiative

February 2015

1 General assessment on annual performance

2014 presented a challenge for the Albania EITI Secretariat. The 6 month deadline given to Albania by the EITI International Secretariat for the publication of the EITI Report 2011 urged all stakeholders to fulfill the EITI's fundamental obligation. The World Bank's grant approval and the Albanian Government commitment to promote transparency in the extractive industry made possible the preparation and publication of two EITI reports within the same year, the EITI Report 2011 which was published on 27 June, 2014 and the EITI Report 2012 published, on 21 November, 2014.

The publication of reports within the specified timeframe was achieved through an intensive work done by MSG during the whole process. The EITI Board showed also great commitment by organizing a series of meetings with all stakeholders in the first months of 2014. Furthermore, the meeting held ahead of the publication of the 2011 report between the World Bank's representative, Mr. Edon Vrenezi, and Albania EITI, resulted in a fruitful collaboration between the two institutions.

The EITI National Forum on "Promoting the EITI Initiative and its public benefits at country level" was held on 24 April, 2014 with the support of the OSCE Presence in Albania. The meeting aimed at creating a platform for regular discussion and raising awareness among central and local authorities and businesses of the need to increase public benefits deriving from extractive industries through socio-economic projects. The meeting was attended by Mr. Damian Gjikhuri, Minister of Energy and Industry, Mr. Ilir Bejtja, Deputy Minister of Energy and Industry and at the same time Head of EITI Board, Mr. Leter Koka, Minister of Environment, Mr. Alexander A. Arvizu, U.S Ambassador to Albania, Mr. Florian Raunig, Ambassador of the OSCE Presence in Albania, Mr. Eduard Shalsi, Chairman of the Parliamentary Committee on Productive Activities, Trade and Environment and Mr. Ervin Mete, Deputy Minister of Finance. The meeting was also attended by representatives from

local government, customs and tax department, foreign embassies in Albania, extractive (oil, gas and mining) companies and civil society.

For the preparation of 2011 EITI report, a series of meetings were also held in May, 2014 with various central institutions such as the General Directorate of Tax, General Directorate of Customs and Ministry of Finance. The Independent Administrator, Deloitte Albania, with the support and participation of the EITI Board, held a meeting with the companies included in the 2011 EITI report, on completing the data disclosure reporting forms. Similar activities were held with stakeholders in July 2014, for the 2012 EITI report.

On 29 July, the Albanian Government organized the “300 Days of Energy and Industry” conference, where AlBEITI Secretariat presented its activities and the work done in 2014.

Albania EITI also introduced its new visual identity with a new website for carrying on its normal activity to a new development stage. The new EITI Albania visual identity consists of a new logo and a new website.

Albanian EITI Secretariat re-launched a new campaign to promote the EITI initiative in close collaboration with civil society and international organizations such as OSCE, and also organized local meetings in the extractive industry areas such as Patos, Bulqizë, etc.

During September-October, 2014, AlBEITI Secretariat carried out a survey in the main extractive industry areas in Albania, namely: Bulqizë, Kukës, Patos, Përrenjas, Librazhd and Tiranë aimed to assess how the initiative is perceived by the community. The survey showed that the Albanian people lacks knowledge on the EITI Initiative.

In order to raise public awareness about the current situation in the country's extractive industry and its role in extractive industry, AlBEITI Secretariat prepared a new Communication Strategy for the period November 2014 - June 2015.

2 Assessment of performance against targets and activities specified in the work plan.

The Albania EITI Secretariat and MSG set out the tasks to be achieved in the 2014 EITI Work Plan, as well as the main objective, regarding the preparation and publication within the specified deadlines of the 2011 and 2012 EITI Reports.

Objective 1 Preparation of work plan in compliance with new EITI standards.

The preparation of the work plan in compliance with the new EITI standards constitutes the basis for the work carried out during 2014. The Albanian EITI Secretariat and MSG prepared the 2014 Work Plan setting out the tasks and activities to be performed.

Objective 2 MSG re-structuring and introduction to new EITI rules and standards.

MSG underwent some significant changes in 2014. Some of the members left due to other obligations. The Secretariat and MSG chairman deemed it necessary to fill in the vacancies and therefore the relevant institutions were asked to propose the new MSG members.

The new members were informed on the new EITI standards at the beginning of 2014, including the timely release of EITI Reports. The MSG members expressed their unanimous concern and commitment for the timely release of EITI reports in 2014.

Objective 3 Preparation of TOR and selection of Independent Administrator.

MSG chairman, Mr. Ilir Bejtja, who is at the same time deputy Minister of Energy and Industry, showed his commitment for enhancing cooperation among the state institutions participating in the EITI process.

MSG agreed to increase the materiality threshold in TORs of 2011 and 2012 EITI reports, regarding the selection of the mining companies, from USD 500 000 to USD 750 000, and the inclusion of all active oil (exploration and production) companies.

To achieve timely reporting, an Independent Administrator, Deloitte Albania, was selected in May 2014 in compliance with the World Bank tendering procedure.

Objective 4 Establish sustainable legislation for EITI implementation in Albania

MSG and Albanian EITI Secretariat proposed some changes to the legislation and thereby the Assembly of the Republic of Albania, pursuant to the proposal of Council of Ministers, approved the changes and additions to Law no. 134/2014, dated 09.10.2014, "On some changes and additions to Law no. 10304 dated 15.7.2010 "On Mining Sector in the Republic of Albania", as amended", whereby the following sentence

"For the purpose of its activity, the Extractive Industry Transparency Initiative has the right to request and obtain information from mining permit holders, customs and tax offices as well as local authorities, and to publish data relating to tax payments made by mining companies in its annual report" is added at the end of paragraph 25, Article 21 of Law.

This change in law reflects some improvements in the mining sector, eliminating the barriers in data reporting and reconciliation between private companies and state agencies.

In May-June, 2014, AlbEITI signed a number of memorandums of understanding with oil and gas companies, General Directorate of Customs and Tax, on implementation of EITI standards until legal framework is improved.

Objective 5 Inform stakeholders on the results of the 2011 and 2012 EITI reports

The 2011 EITI report, prepared under the new EITI standard, was released on 27 June, 2014. While the 2012 EITI report, prepared in compliance with the new EITI standard, was released on 21 November, 2014, thus becoming the 4th report published by AlbEITI Secretariat.

The EITI Board discussed and approved the reports during board meetings.

The reports were also published in the AlbEITI official website.

They were also sent to company representatives, local authorities, civil society and other stakeholders via e-mail.

In addition, Mrs. Dorina Çinari, Head of EITI Albania Secretariat, introduced the reports to visual and written media.

June 2014, *Shqip* (Albanian), a daily newspaper

Head of EITI Albania Secretariat gives an interview to the daily newspaper *Shqip* on 8 August, 2014. Mrs. Çinari explains that “AlbEITI reports are related to state revenues generated from the use of country's natural resources: oil, gas, and mining. Companies operating in this sector disclose what they pay to state (taxes, royalties, etc.) and this data is reconciled to the income declared by state.”

July 2014 – “Monitor” magazine

On 20 July, 2014, Mrs. Çinari, gave an interview to the business magazine “Monitor”. The Head of the Secretariat discussed on the impact of the initiative, the findings of the last 2011 report, and the measures to be taken to “save” the highly potential extractive sector.

December 2014 – Vizion Plus Tv, “5 to 7” programme

On December 4, 2014, Mrs. Çinari gave also a direct interview to the informative programme, “5 to 7”, which is broadcast every morning in Vizion Plus Tv. The Head of the Secretariat sought to capture the audience’s attention by providing a presentation of the EITI initiative, its role and process impact in Albania.

4 December, 2014, EITI Albania releases the 2012 EITI report

EITI Albania released the 2012 EITI report on 4 December, 2014. This is the fourth EITI report for Albania reflecting the contribution of extractive industry to the state budget as well as revenue allocation and expenditure with the sole goal of promoting transparency.

Objective 6 [Reporting of annual activities for 2013](#)

In June, 2014, the AlbEITI Secretariat submitted the first annual activity report for 2013. The report was in line with the requirements of the new EITI Standard. It included an assessment of the performance during 2013 referring to the 2013 work plan objectives where activities were mainly taken in the regions of extractive industry.

Objective 7 [Raising public awareness on transparency](#)

From 23 September to 13 October, 2014, EITI Albania carried out a survey on EITI's impact on community, more specifically on their knowledge about the extractive industry in general and EITI Albania in particular. The survey focused mainly on the communities where extractive industry operates, such as: Tiranë, Kukës, Bulqizë, Patos, Librazhd and Perrenjas.

In each of the above areas, 100 people were surveyed including specialists of State Administration and Local Governments, high school and university students, miners, oilmen, policemen, civil society organizations, journalists, citizens, with a total of 500 respondents.

Survey forms were filled out by the Secretariat's staff, so they could provide the citizens more information on EITI and the Albanian Secretariat. We also distributed informational leaflets and brochures on EITI Albania to all the people we met and in all the institutions that we went, such as high schools, municipalities, hospitals, extractive industry companies.

A series of seminars were held in Patos and Bulqiza at the beginning of 2014, which, besides stakeholders, were also attended by local citizens. Leaflets and brochures were distributed during these activities.

Objective 8 [Training programs for EITI Albania staff](#)

EITI Albania Secretariat is an institution under the authority of the Ministry of Energy and Industry. The Albanian Institute of Public Administration provided training to the public administration, including EITI staff.

In the first meetings of 2014, the new board members from relevant institutions were introduced to the new EITI standard.

Local government representatives attending the workshops held in Bulqize and Patos, were also informed on community rights, benefits from extractive industry, royalties, etj.

In addition, Mrs. Çinari attended several international meetings during 2014, such as follows: “Presentation of steps for EITI membership” in Oslo, Norway, 24-27 February, 2014;

- International Conference on “Taxation of Extractive Industries” in Brussels, Belgium, 8-11 September, 2014;
- Workshop on EITI data in Myanmar, Asia, 13-17 October, 2014;
- Balkans and the Adriatic Oil & Gas Summit in Athens, Greece, 30 September-03 October, 2014.

Objective 9= Information Dissemination

The EITI National Forum on “Promoting the EITI Initiative and its public benefits at country level” held on 24 April, aimed at creating a platform for regular discussion and raising awareness among government authorities and businesses on transparency in extractive industry.

The meeting held by the Ministry of Energy and Industry on 29 July, 2014, attended by all subordinate institutions, where EITI Albania Secretariat presented the work done so far. It should be noted that the meeting was broadcast live by all news media.

A notice on the 2011 and 2012 EITI reports attached to a CD of the report was distributed to all guests during the press conference organized by deputy minister, Mr. Bejtja and Mrs. Çinari for the 2012.

Objective 10 Developing the communication strategy for 2015

The Secretariat carried out a survey in the main extractive regions of Albania: Bulqizë, Patos, Librazhd and in Tirana as the capital of Albania.

The survey showed minimum level of awareness of EITI initiative. Therefore, the development and implementation of a new Communication Strategy was considered an immediate need. The Secretariat selected an Individual Consultant for preparation of Communication Strategy.

The communication strategy includes a concrete action plan with activities to be undertaken to increase community awareness.

It can be found on our website and aims to make stakeholders and general public more aware of the situation and extractive industry potential, thus increasing the possibility for greater accountability and transparency and consequently make extractive industry operators more responsive to community needs.

Objective 11 Study on potential capacities of extractive industry revenues

Regarding public awareness and enhancement of transparency on potential revenue from extractive industries. The Secretariat is conducting a series of studies such as the Study on potential revenues from the extractive industry; Study on the hydropower sector potential and involvement in EITI reports and; the Study on the integrated EITI data system.

3 Assessment of performance in compliance with the EITI requirements.

Albania published two EITI (2011 and 2012) reports in 2014, EITI, in line with the New EITI Standard. Under the requirements of the new EITI Standard, licensees and government institutions reported payments and annual revenues respectively. MSG and Albanian EITI Secretariat demanded reporting of payments by licensed oil, gas and mining companies; licensed oil and gas production companies and by large producers in the mining sector. Furthermore, MSG and EITI Secretariat requested from the Albanian government institutions to report the revenues received from these companies.

EITI Albania

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Evaluation of EITI requirements in respective Reports

Requirements:	Progress:
1. Revenue management, mining royalty collection and allocation (Requirement 3.7 - 3.8).	<p>MSG and Albanian EITI have highlighted the fact that royalty allocation so far is done only for three oil production areas and not for mining areas. The legal improvements regarding royalty allocation have been discussed. These improvements are reflected in Law no. 157/2014, dated 27.11.2014 on National Taxes.</p> <p>On September, 2014, Albanian EITI undertook a study to assess extractive industries revenue potential.</p>
2. Social Expenditure (Requirement 4.1.e)	Albanian EITI and MSG discussed with companies and state agencies such as National Agency of Natural Resources (AKBN) about the inclusion in the 2013 EITI Report of company payments targeted at community welfare, such as social payments.
3. Inclusion of sub-national payments (Requirement 4.2.e)	Both the 2011 and 2012 EITI reports include sub-national payments for taxes, customs, and royalties.
4. Beneficial ownership (Requirement 3.11)	The 2011 and 2012 EITI reports contain data reported by Albpetrol sha (the only state-owned company).

<p>5. Contract transparency (Requirement 3.12)</p>	<p>Mining industry contracts are publicly available in the National Licensing Center (NLC) whereas a part of the contract's technical data (maps) are published on NANR (AKBN). Efforts are being made to improve the legal framework for the publication of oil contracts.</p>
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Overview of the multi-stakeholder group's responses to the recommendations from reconciliation and Validation, if applicable

The 2011 EITI Report recommendations have been discussed in MSG as below:

Recommendations 1 [Follow up on prior year recommendations](#)

Increase the materiality threshold so that to focus only reconciliation of cash flows from the key players and consider proceeding with unilateral declarations for smaller operators. Materiality threshold for selection of licensees operating in mineral production was increased from an annual turnover of USD 500,000 to USD 750,000. This led to reductions declaring licensees from 81 to 53, but there was no significant change in the share of declared income by mining companies.

In order to increase timely access in reliable data, the previous administrator recommended the appointment of EITI contact points in government agencies and in the large companies, which is realized. Barriers to accessing reliable data and comprehensive from local government and their reconciliation with the statement made by private entities, it is recommended to become biased and taken directly from the structures of local government (municipalities and communes), to be implemented in subsequent reports.

Recommendations 2 [≡ Strengthening regulatory aspects in the context of EITI reporting](#)

Current regulation of EITI for the mining sector is addressed by the Law on Mining and CMD no. 233 dated 23 March 2011. For the oil and gas sector, EITI reporting requirements are for disclosure and publication of EITI data agreed through Memorandum of Understandings signed with each oil operator. Current EITI regulation describes certain reporting obligations from the licenses, but does not address the reporting obligations of the recipient government institutions and level of disaggregation of the data published. Obstacles encountered during this process are proposed by the Secretariat and MSG that can be overcome through legal improvements under Law No. 10304 dated 15.07.2010. Deloitte Albania recommends the consent on the EITI cash flow disclosure and the required level of disaggregation is granted through respective law. In case of the petroleum sector, this consent can be expressed as an extension of current memorandum of understanding signed between the oil and gas companies and EITI Albania. In order to comply with current tax and custom procedures, this extension in the MoU shall also include the recipient government entities.

Recommendations 3 [≡ Setting annual time-schedule process for EITI reporting](#)

In order to facilitate the reconciliation and reporting work, Deloitte Albania recommends establishing of an annual time-scheduled process including the following: Updating and publishing forms and instructions and selection of the reporting entities and setting deadline for submission of declarations and reconciliation work.

Recommendations 4 [≡ Setting annual time-schedule process for EITI reporting](#)

Licensed companies and government institutions reported penalties payments from tax revaluation amounting to 200 million Lekë of those other requested indicators. This influx of income presented high and significant in comparison with other payments. Therefore Deloitte Albania recommends that MSG to consider the inclusion of this indicator in the reconciliation of payments in the future, which is implemented in the 2012 EITI Report.

Recommendations 5 [Access to timely and reliable data from the Government](#)

Appointment of EITI focal points among the concerned Government institutions, positively contributes to increase awareness and coordination of EITI activities. However, further efforts need to be made to improve reporting and analysis of extractive industry activity and cash flows. In order to enhance completeness and accuracy, reliability and accessibility of the contextual information we recommend the Ministry of Energy and Industry publishes on periodical basis (at least annually) contextual information including: potential of the industry and current production, contribution to the economy, strategy on the sector, events and facts, current regulation and forthcoming changes, etc. Updated information from the Government's reporting system will enhance statistics from the sector and can be compared with other information such as production levels, structure of the industry, number of licenses, number of employees, social contributions, investments envisaged and performed, collected royalties and distributed in areas of extractive industry, environmental protection, voluntary transfers to local governments in extractive industry areas etc.

Recommendations 6 [Improving the accessibility and quality of statistics for the sector](#)

In the context of improving reporting and statistics for extractive industry, Deloitte Albania recommends Ministry of Energy and Industry to consider implementation of reporting requirements similar to those involving in the European Union's Directive on Accountability and Transparency. Based on these requirements, the licensed companies can submit payments to EITI reporting in an financial statements annex, a problem which is being discussed to appear in government institutions for the EITI purpose.

The 2012 EITI Report recommendations have been discussed in MSG as below:

2 Recommendations 1 [≡ Strengthening access to quality and reliable information](#)

Deloitte Albania recommends that MSG and EITI Albania for the publication of detailed data for each company to take from them confirmation for publication of any submitted report by the companies. This confirmation must authorize the collection governmental institutions to present information under EITI reporting by the respective companies. This recommendation also applies to reporting companies in the oil and gas sector, which have voluntarily agreed to cooperate in the EITI reporting through the signing of memoranda of understanding. Also is recommended that EITI Secretariat in Albania to collaborates with General Directorate of Taxation to integrate contextual reporting and individual requirements under EITI implementation of the new tax system. This change requires cooperation from the Ministry of Finance and maintenance of an updated public licensees register for the extractive industry.

Same register should be furnished in real-time to all government institutions receiving and administering taxes.

Collaboration with the General Directorate of Tax could overcome this barrier for taxes that are collected and administered at Central Government level.

Fiscal contribution collected from each municipality and commune from the extractive industry is recorded at local government level and no accurate records are maintained by Ministry of Finance.

Independent Administrator Deloitte Albania shpk recommends that MSG and EITI Albania to cooperate with Local Government Units and to see the possibility of including EITI reporting requirements in information management systems of LGUs. Production of updated information by the Government information system will improve the statistics in this sector

and could be compared with other information such as the level of production, the structure of the industry, the number of licensees etc.

This will improve the quality and quantity of financial information produced for the activity of exploitation of natural resources in Albania.

In addition to declarations submitted, is suggested that AKBN provides a comparison of the production declared with the measurements made from AKBN throughout the year to specify the actual output balance reported.

Recommendations 2 [= Strengthening access to quality and reliable information](#)

In order to facilitate reconciliation and reporting work is suggested by Deloitte Albania to setting an annual schedule for the process of reconciliation as follows: publication of forms and instructions as well as the selection of reporting entities and scheduling a deadline for submission of declarations and reconciliation work.

The beginning of May of the following calendar year might be considered as the deadline for submission of declarations with the reconciliation work performed in May and June.

5 Strengths and weaknesses identified in EITI process.

Strengths

Meaningful recognition and cooperation with several state institutions strengthened relationships, work and EITI process in Albania. The new EITI Albania website and its usage has increased the level of knowledge, cooperation, transparent data exchange and operation.

Weaknesses

The Albanian EITI Secretariat has a small budget. It presents a real challenge, as it significantly reduces the promotion ability in terms of implementation of the communication strategy and advertising..

6 Total cost of implementation

Albanian EITI Secretariat for 2014 was covered by State Budget and World Bank funds. State budget. The amount of State Budget fund allocated to EITI Secretariat for 2014 was 10.8 million ALL. The World Bank grant for 2014 was mainly used to complete the 2011 and 2012 EITI Reports, etc. Albanian EITI actual staff for 2014 was nine (9) employees. It is worth mentioning that OSCE Presence in Albania provided continuous financial support to EITI civil society and activities.

A detailed description of activities in 2014 is given below.

Budget fund

Forecast 10,800,000 mijë lekë

Completed 10,742,597 mijë lekë (ose 99.5%)

Fund detailed by items

Donor funds

A. Salaries

Forecast	10,000,000 mijë lekë	World Bank	87,270\$
Completed	7,494,994 mijë lekë		

B. Insurance

Completed	2,893,109 mijë lekë
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C. Other operating expenses

Donor	2,263,957 mijë lekë
State budget	327,494 mijë lekë

7 Any additional comments

The main focus of the Albanian EITI Secretariat has been the timely publication of the two EITI Reports - 2011 and 2012. EITI initiated a huge task urging stakeholders to participate in this transparency process in the extractive industries. It should be emphasized that the Ministry of Energy and Industry played a key role in the successful publication of the two EITI reports. The Ministry's call for collaboration among state agencies and Albanian EITI Secretariat, encouraged us to continue our commitment in the initiative in the future.

8 Has this activity report been discussed beyond the MSG

Annual Activity Report 2014 was discussed by the three main stakeholders of EITI process: government, companies and civil society. Suggestions from each stakeholder have been taken into account. Information on MSG membership.

9 Details of membership of the MSG during the period

As already mentioned above, some of the MSG members resigned by the EITI Board due to other commitments and hence new members were appointed. The main task of the EITI Board members was to accelerate the publication of the two EITI reports. In January, the EITI Board approved by consensus the materiality threshold for reporting companies at the level of \$ 750,000. To accelerate the reporting process, it was decided to have a joint consultancy services procurement procedure for both 2011 and 2012 reports, complying with the relevant rules and procedures of Grant Agreement between GoA and the World Bank. MSG appointed DeloitteAlbania as an independent administrator for the reconciliation of tax and non-tax revenues from the Extractive Industry in Albania in the context of EITI implementation. As in the previous years, MSG consists of 5 civil society representatives, 5 companies representatives and 5 government representatives including MSG chairman. The number of external observers and EITI contributors with no voting rights has also significantly increased throughout the year.

Approved by MSG:

Date: _____

Pictures from activities

Albania publishes its 2012 EITI Report



300 Days of Energy and Industry



Forum: Promoting the EITI Initiative and its public benefits to local communities



Training Seminar Deloitte Albania



Meeting in Bulqizë



Meeting in Patos



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