

2017 ANNUAL PROGRESS REPORT

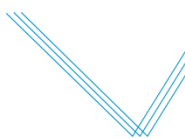
ALBANIA



Extractive Industries Transparency Initiative Secretariat

JUNE 2018

PREAMBLE



Extractive Industries Transparency Initiative (EITI) is an international volunteer coalition of governments, companies operating in extractive industries and civil society organizations engaged in the use and management of natural resources. Currently, a total of 51 countries are implementing EITI, which seeks to improve governance on the use of Natural Resources (in Oil, Gas, Mining and Hydropower Sectors), to promote Transparency in order to prevent corruption and to provide citizens with an updated database which will give them the chance to demand fair distribution of revenue.

Albania is one of the 51 member countries of the Extractive Industries Transparency Initiative. Albania became an EITI candidate in May 2009 and an EITI compliant in 2013. Since its admission, Albania has managed to publish annual reports covering the fiscal years from 2009 to 2016 and will soon publish the 2017 EITI report.

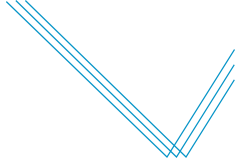
The Annual Progress Report provides a detailed overview of the activities of the National EITI Secretariat for 2017.

This year marked an important progress in Secretariat's work, since in April 1, 2017, the National Secretariat underwent Validation carried out by the EITI International Secretariat.

Out of a total of 28 chapters reviewed by the Validator, Albania achieved satisfactory progress in 14 of them, meaningful progress in 13 chapters and inadequate or no progress in only one chapter. At the end of the Validation Process, the International EITI Board assessed Albania as having achieved meaningful progress in implementing the EITI Standard.

The progress made by EITI Albania is very encouraging, and at the same time it entails greater responsibility on Stakeholders to maintain and further improve this standard.

The reconfiguration of Ministries in the Rama II Cabinet in September 2017, brought changes of leaders, Mr. Ardit Kamberi was appointed as the new Head of the EITI Albania, and Mr. Enis Aliko, Deputy Minister of the Ministry of Infrastructure and Energy, was appointed as the new Head of the Albanian MSG.



The main priorities of the Albanian EITI Secretariat are as follows:

Collaboration between EITI stakeholders and MSG

The National EITI Secretariat, the institution responsible for the interactive management of the EITI process in Albania, aims to ensure a comprehensive, constructive and transparent process. The Multi Stakeholder Group (MSG) is the decision-making body in charge of overseeing the implementation of EITI.

Albanian MSG is chaired by the Deputy Minister of Ministry of Infrastructure and Energy and consists of government representatives (MIE, AKBN, Ministry of Finance and Economy, Albanian Geological Survey, General Directorate of Taxation, Ministry of Justice (and other important bodies that constantly contribute to EITI implementation), Companies operating in Extractive Industries and Civil Society.

The MSG, which approves the EITI Work Plan, has provided total support to the work of EITI Albania and has ensured that EITI contributes to public debate.

The EITI Annual Report

The EITI Annual Report is prepared by the Independent Administrator and the 2016 EITI Annual Report was published in mid-February 2018, aiming at promoting Transparency and good Governance of the country's Natural Resources.

The EITI Annual Report is published in open and easy accessible format providing reliable and high quality data.

Approval of the Law on Transparency

Currently, the EITI Secretariat is working on the approval of the Draft Law "On transparency in extractive industries and use of natural resources in the Republic of Albania".

This law seeks, through the implementation of EITI international standards, to promote and ensure the enhancement of transparency in extractive industries in particular and the use of Natural Resources in general.

Beneficial Ownership disclosure (BO)

Although Albania has already in place the Law no. 9917, adopted in May 19, 2008, "On the prevention of money laundering and terrorism financing", which calls for the application of these terms to companies operating in the Extractive Industries, the Albanian EITI Secretariat published in January 2017, pursuant to the 2016 EITI Standard, a report on the national legislative and regulatory framework (Legal and Regulatory Review of the Albanian national legislative framework Report) and prepared the EITI law, which contains provisions for BO. The government is currently working to approve this Law.

Also, in January 1, 2017, like all EITI implementing countries, Albania published the BO Roadmap that indicates the steps planned to be undertaken to achieve a real transparency of Beneficial Ownership by 2020. This includes building an institutional and legal framework, putting in place the reporting processes and registers that contain BO data. It also includes capacity building for government officials that implement reporting requirements. And it also shows how easily companies can disclose the real owners and help civil society to use ownership information.

Relations with LGUs on Royalties income and Social and Environmental Impact

During 2017, the National Secretariat organized meetings with representatives of local government units, and discussed the financial gains that municipalities had received or not from mining royalty and the necessity for these revenues to be used for public investment. Also the participants in these meetings discussed about the Social and Environmental Impact of Extractive Industries in these areas.



General assessment on annual performance

(Chronology of EITI National Secretariat main activities in 2017)



- Due to the importance it has for the EITI implementation in Albania, the National EITI Secretariat organized in January 31, 2017 a meeting with MSG members on the drafting of the Law "On transparency in extractive industries and use of natural resources in the Republic of Albania". At this meeting, the contracted company Eurosupport-Fineurop Support S.r.l presented a comparative analysis on Albanian Legal and Regulatory Framework and its compliance with the EITI Standards. Within this scope, the Draft Law on Transparency was prepared by the contractor. The purpose of this law is to promote and ensure Transparency in extractive industries and the use of natural resources in general through the implementation of international EITI standards. Also, at this meeting, the Independent Administrator (IA), Deloitte Audit Albania presented the draft EITI Report for 2015 and discussed regarding payments that were reconciled so far.
- The 2015 EITI Annual Report was published in February 1, 2017. Also, the Secretariat worked intensively throughout 2017 on the finalization of the EITI Report 2016.
- In February 27, the Civil Society Support Agency in cooperation with the National EITI Secretariat organized a round table on "Transparency and accountability in the extractive industry in Albania". The meeting between the Secretariat and Civil Society, which was the first of its kind in the country, aimed at establishing cooperation between Civil Society Organizations and the Secretariat, and at enhancing the dialogue between the two important stakeholders with considerable influence in the promotion of transparency in extractive industry. The ongoing cooperation between EITI Albania and CSOs is considered crucial to the fulfillment of the EITI mission itself and continues to remain one of the main objectives of the Albanian Secretariat.

The organizations present at the meeting discussed on the ways available to promote active engagement of civil society in the conception, implementation, monitoring and assessment of transparency enhancement in the extractive industry. An important part of the discussion focused on the legal or regulatory factors that prevent or hinder the free and active participation of civil society in the implementation of the EITI standard.

- In March 2017, the EITI Albania launched an information campaign to promote the 2015 EITI Report in extractive areas such as Patos, Fier, Bulqiza and Pogradec. The Secretariat Working Group held local meetings with local government representatives regarding the financial gains that municipalities had received or not from mining royalty and the necessity for these revenues to be used for public investment.
- Similar meetings with a focus on the role that EITI plays in community development were organized with high school students living in these areas. They also discussed the role that young people should play in the community with regards to this initiative.
- In March 21, 2017, in the context of expanding cooperation among extractive companies in the country, the MSG and the EITI Secretariat it was organized another important activity regarding transparency in the extractive industry. The National Secretariat in cooperation with Antea Cement organized a MSG meeting and a joint visit to the Antea Cement premises in Borizanë, Kruja where they visited the working site, the cement carriers where they observed mining operations and environment rehabilitation. In the meeting, Antea Cement supervisors presented achievements made over years and introduced the Integrated Report of Social Responsibility and Sustainable Development that is published annually for all stakeholders in the framework of transparency policies.

- In March 31, 2017, in the context of expanding the cooperation among the operating companies in the country, the EITI Albanian Secretariat organized a round table with representatives of the Extractive Industry in Albania. Representatives from the main companies operating in the extractive industry in Albania discussed various issues in the field and about the measures to be taken in order to create a suitable environment for their activity, such as improving the legal framework, fiscal policies and by increasing cooperation between companies and state institutions.

The meeting focused especially on the level of transparency in the extractive industry and cooperation between state institutions and companies operating in these areas as two main key points for the development of this sector. The participants in the meeting also discussed on the importance and functioning of EITI Albania by focusing on the disclosure of financial payments and data in the extractive sector.

- On April 22, 2017, in Tirana, was organized a Workshop "On the Membership Process of Kosovo in EITI" by the Ministry of Economic Development of the Republic of Kosovo and Kosovo Civil Society KFOS. With the invitation of the organizers at this meeting participated the coordinators of the EITI



Albania Secretariat, whom discussed regarding the "Albanian Experience and Challenges to the EITI" related to the Albanian experience of EITI membership and meeting the requirements of the EITI Standard. At the end of the meeting, the need for further cooperation between the Kosovo government structures and the Albanian Secretariat EITI was assessed, with the intent to promote Kosovo to integrate into the international EITI processes.

- The EITI National Secretariat from 05 to 09 June 2017 hosted the Validation Mission by the EITI International Secretariat based in Oslo. The Validation Process for Albania started on 1 April 2017 and was finalized on February 13, 2018.

Out of a total of 28 chapters reviewed by the Validator, Albania achieved satisfactory progress in 14 of them, meaningful progress in 13 chapters and inadequate or no progress in only one chapter. At the end of the Validation Process, the International EITI Board assessed Albania as having achieved Meaningful Progress overall in implementing the EITI Standard.

- On 23-24 October 2017, the Government of Indonesia and the EITI International Secretariat organized the International Conference on Beneficial Ownership in Jakarta, Indonesia, in a global effort to fight tax evasion and corruption. Representatives from 52 countries participated in this conference to engage and discuss the necessary steps to be taken in the transparency of the Beneficial Owners of companies in the oil, gas and mining industries. At this conference Albania participated with its delegation, with representatives from the National Secretariat EITI Albania and the Ministry of Infrastructure and Energy. In addition to participating in plenary sessions, representatives of the Albanian delegation held multilateral meetings, discussing Albania's experience and its performance in implementing the EITI Standard.

Several workshops were held during the conference, focusing on specific topics such as: How to designate politically exposed persons and asset declarations; Both government and civil society work together to promote transparency for Real Beneficiaries; How to Build a Register of Beneficial Owners; How to Use and Analyze Real Beneficiaries Data; How to create a legal and regulatory framework for the transparency of the Beneficial Ownership, in which there were participants from the Albanian delegation.

As part of the engagement in this Global Initiative and in view of the publication within 2020 of the Beneficial Owners, Albania in January 2017 has published the Roadmap to the steps that will be followed and is approving the Draft Law on Transparency that includes Provisions for the Beneficial Ownership.

- In November 2017, the Director of the Albanian National Secretariat of the Global Extractive Industries Transparency Initiative (AlbEITI) Mr. Ardit Kamberi held a Meeting with the Media and journalists from News 24, Ora News, Monitor, Panorama.

Responding to journalists' questions, he stressed the importance of the mission of the National Secretariat EITI Albania, which promotes Transparency in the process for good governance of the country natural resource, in compliance with the EITI International Standard. It also highlighted the priorities of the National Secretariat EITI Albania, focusing on promoting Transparency to prevent Corruption, Providing citizens with an updated official database to demand the fair use of national revenues, with the aim and contribution to Economic Growth, Sustainable Development and Positive Social and Environmental Impact.

- A new element in the activity of the National Secretariat EITI this year is the participation of Albania in a Pilot Project, organized by the International Secretariat on Transparency in Commodity Trading, carried out by state owned companies (SOEs), in our case Albpetrol Sh.a. The project is funded by the EITI International Secretariat in Oslo, which has contracted Deloitte Audit Albania for the project.
- On 6 December 2017, the National Secretariat EITI organized a meeting at the premises of the Ministry of Infrastructure and Energy, regarding the procedures for the final preparation of the EITI Report 2016.

The meeting was attended by the Deputy Minister and at the same time the Chairman of MSG; the EITI Albania National Secretariat EITI, as well as representatives of the Directorates of the line at MIE, representatives of subordinated institutions, the National Agency of Natural Resources (AKBN), the Albanian Geological Survey (SHGJSH), and representatives of the Independent Administrator, Deloitte Audit Albania, contracted by the EITI Secretariat for the preparation of the EITI Report 2016. This meeting focused on the discussion of the requirements of the Independent Administrator Deloitte Audit Albania, regarding the issues encountered in the EITI data collection, officially reported by the respective Directorates of MIE, as well as AKBN, SHGJSH etc.

- On 20-21 December 2017, the EITI Albania Secretariat, in cooperation with the Ministry of Infrastructure and Energy, organized the International Conference on "Utilizing Potentials and Advantages of Albania as a Member of the EITI International" / "Taxes and the Legal Framework of the Extractive Industries -the case of Albania and the best international practices ". This International Conference was attended by the Deputy Minister of Infrastructure and Energy Mr.



Enis Aliko, World Bank Director in Tirana, Mrs. Maryam Salim, Mr. Ervin Mete, Director of the Cabinet of the Ministry of Finance and Economy, as well as representatives of OSCE, UNDP, US Embassy and Swiss Embassy in Tirana. Also the event was attended by many representatives of International Partners, Financial Institutions, International Experts in the Fiscal and Legal Area, Representatives of Central Institutions, Representatives from MFE, General Directorate of Customs and Taxes, Albanian Geological Survey, National Agency of Natural Resources, Albpetrol, Albgaz, TAP, Shell Albania, representatives of Companies operating in Extractive Industries, as well as representatives of Civil Society and members of the MSG.

During the Conference was broadcasted a video message by the Head of the International Secretariat EITI, Mr. Jonas Moberg. In his speech he emphasized that we should continue with fuller reporting of the TAP project progress, improvement of monitoring and planning in the communities where natural resources are extracted, as well as transparency, starting with the identification of Real Owners of companies operating in the extractive industry. Mr. Moberg, regarding the Validation Process, assessed the progress Albania has made.

In her speech, the World Bank Country Director in Albania, Mrs. Maryam Salim appreciated the level of cooperation and engagement of Albania in the EITI process.

Also in the event discussed representatives of the Extractive Industries, such as Shell Albania, Antea Cement; Leaders of the American Chamber of Commerce, Representatives of the Foreign Investors Association (FIAA), Representatives of Civil Society; Representatives of the Academic and Scientific World, Directors of MIEs, Head of AKBN, Albanian Geological Survey, Albpetrol, Albgaz; International Experts, Representatives of Deloitte Audit Albania, etc.

- On December 20, the Event of the International Conference was accompanied by a Photographic Exhibition, which highlighted many aspects and views of the activity in Mining, Hydrocarbon and Electro-Energy sectors in Albania. The purpose of this exhibition was to bring to the attention of the public and interest groups, the exploitation of the Extractive Industry potentials, and its effect on the social and economic life of the country.

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



OBJECTIVE 2016 EITI Report

- In view of the requirements of the Independent Administrator Deloitte Audit Albania, regarding the issues encountered in the EITI data collection, officially reported by Businesses and several government institutions, the MSG decided to postpone the publication of the EITI 2016 Report in February 2018.

OBJECTIVE VALIDATION

- The National EITI Secretariat in the period 05-09 June 2017 received the Validation Mission from the EITI International Secretariat centered in Oslo, Norway. Validation is an essential element of the EITI process and serves as an external and independent evaluation mechanism.

Validation in Albania started on 1 April 2017.

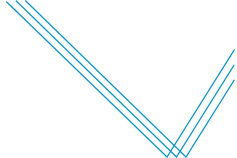
Initially, the process started with the data collection stage, which continued until the end of May 2017.

The Validation Mission consisted of Mr. Alex Gordy, Director of Validation and Mrs. Oliana Valigura, Leader for Eurasian Countries. The mission met with members of the MSG (government, companies, and civil society) as well as with key stakeholders not directly participating in the MSG.

The EITI National Secretariat invited all stakeholders to become part of this very important process for the work of the Secretariat itself.

On June 5, 2017, the MSG and the representatives of the Validation Mission held their first meeting in the framework of the Validation Process for Albania. This meeting preceded the meetings that took place with each of the stakeholders (government, extractive companies and civil society) until June 9, 2017.

The Validation Mission after the meetings has worked and has sent at the end of September the Draft Initial Validation Report and the Draft Validation Report by the Independent Validator. Both reports were distributed to MSG for comments.



Also, in this Report it is set a list of strategic recommendations that can help Albania to use even more EITI as an instrument to support reforms.

From the Final Validation Report which arrived to the Secretariat on 15 November 2017, Albania has made Significant Progress in meeting the EITI requirements.

The Validation Committee has reviewed the Validation Final Report and supporting documentation (including comments from MSG, Independent Administrator and National Secretariat EITI Albania). The Validation Committee has recommended to the EITI Board for Albania's compliance with EITI requirements.

The EITI Board determined that the requirements have been met and agreed on the overall compliance of the country in accordance with requirement 8.3.a.ii of the EITI Standard.

The EITI Board on 13 February 2018 decided that Albania has made Meaningful Progress in the implementation of EITI. The EITI Board made some Recommendations which should be implemented by 13.02.2019.

OBJECTIVE **Legal and regulatory review**

Currently EITI Albania is adopting the draft Law "On the transparency of the activities of the extractive industries and the use of natural resources in the Republic of Albania". The purpose of this law is to promote and ensure the enhancement of transparency in the extractive industries activities and the use of natural resources in general through the implementation of EITI's international standards, to improve the legal framework for EITI's report by harmonizing it with the EITI Standard.

Also, this Draft Law includes legal provisions for the declaration of Beneficial Ownership.

OBJECTIVE **EITI capacity building**

A very important topic for 2017 has been the training of Human Resources by considering it as a very important asset in the EITI process.

In this context, was held the training at Columbia University, New York, USA on 03-18 June 2017 and 31.07. 2017-10-08, 2018, and at the University of Huston, GEDS, Texas, USA, date 06-28 05 2018, from representatives of the EITI National Secretariat, Ministry of Infrastructure and Energy, Albgaz and members of MSG, who expressed their interest in being part of these trainings.

OBJECTIVE **Communication activities**

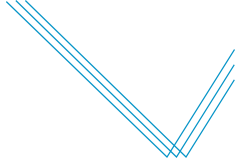
- In January 2017, the EITI National Secretariat entered into contractual relations with Source One, IQ Consulting, and Mr. Enio Civici as the Ambassador of EITI.
- Source One company and EITI National Secretariat, signed a contract for the "Public awareness campaign referring to the Communication Strategy (Campaign in Visual and Written Media, Internet and Social Media), which includes the organization of 2 Press Conferences for EITI 2015 and 2016 Reports; printing of the EITI 2015 Report and the EITI 2016 Report; printing of the Summary of the EITI 2015 and 2016 Reports; testing the impact of the old EITI Albania TV spot in Tirana and districts; production of television spots, 7 and 45 seconds; campaign on television (national and local); campaigning in electronic media; press campaign at Monitor magazine; Sustained communication sponsored in social media; preparation of information bulletin, electronic newsletter; the preparatory work for the EITI photographic exhibition and the opening of the exhibition.
- Almost all of the communications activities have been realized, except the printing of the EITI 2016 report and printing of the Summary of EITI 2016 Report. EITI National Secretariat EITI has amended the contract to realise these activities during 2018.
- IQ Consulting and EITI National Secretariat, signed a contract for the organization of a round table with extractive industry operators; organizing a roundtable with CSOs and organizing an EITI International Conference. All three of these activities are implemented within the deadlines set in the contract.
- Mr. Enio Civici and the EITI National Secretariat signed a contract to represent EITI Albania as it's Ambassador, to moderate the Roundtable with Civil Society Organizations; to moderate the round table with extractive industry operators; to moderate the Press Conference for the EITI 2016 Report; to enable the continuity of communication in social media, facebook; for the preparation of 6 television chronicles; preparation of 7 headlines articles in print and online media.

The activities were carried out in accordance with the contract. The Ambassador moderated the Press Conference for the EITI 2016 Report and prepared two chronicles and three editorials related to the completion and publication of the EITI 2016 Report to be published in February 2018.

Assessment of performance in compliance with the EITI requirements

Requirements	Progress
<p>1. EITI Requirement 5.3</p> <p>Revenue management and expenditures</p> <p>The multi-stakeholder group is encouraged to disclose further information on revenue management and expenditures, including: a) A description of any extractive revenues earmarked for specific programs or geographic regions. This should include a description of the methods for ensuring accountability and efficiency in their use. b) A description of the country's budget and audit processes and links to the publicly available information on budgeting, expenditures and audit reports. c) Timely information from the government that will further public understanding and debate around issues of revenue sustainability and resource dependence. This may include the assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of</p>	<p>The revenues collected by the State Budget from the extractive industry are added to other revenues and are naturally allocated through budget items. There is no specific allocation of these revenues in budget programs with the exception of the Royalties where 5% passes to local government according to the areas where the extractive industry operates. At the same time, these revenues account for about 5% of the state budget.</p> <p>AKBN manages a part of the revenues from Hydrocarbon Agreements. AKBN has not given so far any information on how these revenues are allocated in its budget.</p> <p>The Albanian government collects revenue from oil and gas sector through oil production, bonuses, royalty, profit and dividend tax, income from employment. The report shows the distribution of total revenues generated by oil operations between the Albanian Government, Albpetrol, AKBN and private oil companies. The Albanian Government's interest in PSA is</p>

<p>future fiscal revenues expected to come from the extractive sector.</p>	<p>administered by Albpetrol and AKBN, which received from PSA: bonuses, share of oil production and other income derived from non-execution of contract terms such as fines and executed warranties.</p> <p>MIE (Ministry of Infrastructure and Energy) publishes in its website financial information on expenses by nature and program http://infrastruktura.gov.al/</p>
<p>2. EITI Requirement 4.4</p> <p>Transportation revenues</p> <p>Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) are expected to disclose the revenues received. The published data must be disaggregated to levels commensurate with the reporting of other payments and revenue streams (Requirement 4.7.). Implementing countries could disclose: i. A description of the transportation arrangements including: the product; transportation route(s); and the relevant companies and government entities, including SOE(s), involved in transportation. ii. Definitions of the relevant transportation taxes, tariffs or other relevant payments, and the methodologies used to calculate them. iii. Disclosure of tariff rates and volume of the transported commodities. iv.</p>	<p>The Albanian state does not receive transit tax. Albpetrol pipelines are not currently operating.</p> <p>Two crude oil pipelines link ARMO's oil terminal in Vlora with Fieri and Ballshi refineries and with the two refineries between them. Both pipelines are not operating due to obsolescence. The oil pipeline network has a total length of 188 km and a capacity of 2.5 million tons per year.</p> <p>The Trans Adriatic Pipeline (TAP) AG is a union of several International companies established with the purpose to planning, developing and building TAP's pipeline. The Albanian government has entered into talks with the TAP consortium for setting a Transit Tax. TAP is currently the largest contributor of the direct foreign investments in the country. Since the beginning of the construction until the end of 2016, TAP has invested about EUR 1.5 billion, out of this EUR 1 billion were invested in 2016. As set in the Host Government Agreement between TAP and the GoA, TAP will spend EUR 14 million in the infrastructure and other investments in the benefit of civil society and communities.</p> <p>Jonian Adriatic Pipeline (IAP Project)</p> <p>The Albanian Government has prompted the</p>



Disclosure of revenues received by government entities and SOE(s), in relation to transportation of oil, gas and minerals.

v. Where practicable, the multi-stakeholder group is encouraged to task the Independent Administrator with reconciling material payments and revenues associated with the transportation of oil, gas and minerals.

possibility of implementing the Adriatic Pipeline (IAP) Project, in order to create a Joint Regional Infrastructure aiming to use Caspian gas into the markets of Albania, Montenegro, Southern Croatia and Bosnia and Herzegovina.

Because of IAP the planned route and transport capacities, IAP Project comprises a strategical important part of the gas transmission network in Albania.

Gas infrastructure in Albania

Government of Albania approved the Law no.102/2015 "On gas sector" in March 2015. This law will govern the development and operation of the gas transmission and distribution infrastructure in Albania.

In 2016, the Government established the Operator of the Gas transmission system, Albgaz sh.a. and announced the drafted master plan for the gas sector. This study costed about EUR 1.1 million and financed by EU.

The draft master plane analyses the use of gas in the industry, transport and household, etc. TAP will be the primary source of gas supply followed by the Ionian-Adriatic Pipeline (IAP) and other potential reserves in the country. The draft master plan considers the possibility of linking Kosovo and Macedonia to the Albanian network of gas transmission. In addition, the plan considers the possibility of underground gas storage tanks in the Divjakë Dumre.

According to the study, domestic gas consumption needs are forecasted at 2,167 million m3 in 2040 (including agriculture and transport). In the same year, potential use of gas in production of electrical power is estimated at 770 million m3, while potential use of gas in the oil refining process is forecasted at 89 million m3.

3. EITI Requirement 6.1

Social expenditures are material

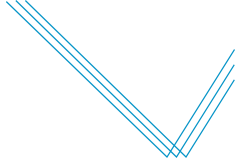
Social expenditures by extractive companies

a) Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries must disclose and, where possible, reconcile these transactions. Where such benefits are provided in-kind, it is required that implementing countries disclose the nature and the deemed value of the in-kind transaction. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed. Where reconciliation is not feasible, countries should provide unilateral company and/or government disclosures of these transactions. b) Where the multi-stakeholder group agrees that discretionary social expenditures and transfers are material, the multi-stakeholder group is encouraged to develop a reporting process with a view to achieving transparency commensurate with the disclosure of other payments and revenue streams to government entities. Where reconciliation of key transactions is not possible, e.g., where company payments are in-kind or to a non-governmental third party, the multi-stakeholder group may wish to agree an

expenditures made by companies in the sector of Extractive Industries to the benefit of the public and civil society, as mandated by law or by contract with the government.

The government and oil companies involved in the oil sector informed that currently applicable oil deals do not include mandatory social payments to be made by oil companies for the benefits of communities.

The time and amount of social payments are decided by oil companies at their discretion. Companies must present these costs to AKBN/Albpetrol for approval as part of the annual budget.



<p>approach for voluntary unilateral company and/or government disclosures.</p>	
<p>4. EITI Requirement 5.2</p> <p>Subnational transfers</p> <p>a) Where transfers between national and sub-national government entities are related to revenues generated by the extractive industries and are mandated by a national constitution, statute or other revenue sharing mechanism, the multi-stakeholder group is required to ensure that material transfers are disclosed. Implementing countries should disclose the revenue sharing formula, if any, as well as any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity. The multi-stakeholder group is encouraged to reconcile these transfers. Where there are constitutional or significant practical barriers to the participation of sub-national government entities, the multi-stakeholder group may seek adapted implementation in accordance with Requirement 8.1. b) The multi-stakeholder group is encouraged to ensure that any material discretionary or ad-hoc transfers are also disclosed and where possible reconciled.</p>	<p>The Ministry of Finance and Economy is in the process of improving the procedures in order to ensure the accuracy and completeness of royalty distribution in accordance with the new legal requirements. Under the proposed changes, the LGUs in 2015 shall have the right to receive 5% of the mining royalties generated by companies operating in their area without considering any transfer provided in accordance with the Annual Budget Law. Instruction No. 26, dated 04.09.2008 "On national taxes", as amended, defines reconciliation procedures for the allocation of mining royalties. Under this instruction, LGUs must perform reconciliation with the Regional Tax and Customs Directorates at the end of each month and send the reconciliation forms to the General Budget Directorate in the Ministry of Finance. At the same time, the regional tax and customs directorates must send within the same month analytical information on the royalty collected and beneficiary LGUs. Based on these reconciliations, the Ministry of Finance carries out royalty transfers to beneficiary LGUs in the following month.</p> <p>For oil companies, whose activity extends to several LGUs, the instruction sets out the royalty percentage amount distributed to each LGU depending on the areas where oil or gas is produced or sold.</p>
<p>5. EITI Requirement 2.5</p> <p>Beneficial ownership</p> <p>a) It is recommended that implementing countries maintain a publicly available register of the beneficial owners of the</p>	<p>In the Albanian legislation, the term "beneficial owner" is defined by Law No. 9917, dated 19.5.2008 "On prevention of money laundering and financing of terrorism", as amended, article 2/paragraph 12, as the natural person who owns or controls a customer and/or the natural</p>

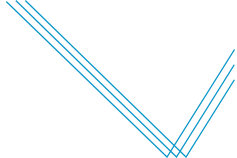
corporate entity(ies) that bid for, operate or invest in extractive assets, including the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Where possible, beneficial ownership information should be incorporated in existing filings by companies to corporate regulators, stock exchanges or agencies regulating extractive industry licensing. Where this information is already publicly available, the EITI Report should include guidance on how to access this information. b) It is required that: i. The EITI Report documents the government's policy and MSG's discussion on disclosure of beneficial ownership. This should include details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway related to beneficial ownership disclosure. ii. By 1 January 2017, the multi-stakeholder group publishes a roadmap for disclosing beneficial ownership information in accordance with clauses (c)-(f) below. The MSG will determine all milestones and deadlines in the roadmap, and the MSG will evaluate implementation of the roadmap as part of the MSG's annual activity report. c) As of 1 January 2020, it is required that implementing countries request, and companies disclose, beneficial ownership information for inclusion in the EITI report. This applies to corporate entity(ies) that bid for, operate or invest in extractive assets and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Any gaps or weaknesses in reporting on beneficial ownership information must be disclosed in the EITI Report, including naming any entities that failed to submit all or parts of the beneficial ownership information. Where a country is facing constitutional or significant practical barriers to the implementation of this requirement by 1 January 2020, the country may seek adapted implementation in accordance with requirement 8.1. d)

person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person. Ultimate effective control is the relationship, in which a person:

- a) owns through direct or indirect ownership at least 25 per cent of shares or votes of a legal person;
- b) owns at least 25 percent of votes of a legal person, based on an agreement with other partners or shareholders;
- c) defines de facto the decisions made by the legal person;
- d) Controls by all means the selection, appointment or dismissal of the majority of administrators of the legal person.

This law also defines "Politically Exposed Persons" as persons who are obliged to declare their assets in accordance with law no. 9049, dated 10.4.2003 "On the declaration and audit of assets, financial obligations of the elected and certain public officials", including family members or associated persons in close personal, working or business relationships, excluding employees of the middle or lower management level, according to the provisions of civil service legislation. This category also includes individuals who have had or have important functions in a government and/or in a foreign country, such as: head of state and/or government, senior politicians, senior officials of government, judiciary or the army, senior leaders of public companies, key officials of political parties, including family members or associated persons in close personal, working or business relationships."

In view of preparing the EITI report 2015, the MSG asked reporting entities and contracting authority, MIE, to report information on beneficial owners in compliance with the definitions of the EITI standard. MIE has declared that the Ministry does not currently have a register as required by the EITI standard. Licensed entities were also not ready for this kind of reporting. The



Information about the identity of the beneficial owner should include the name of the beneficial owner, the nationality, and the country of residence, as well as identifying any politically exposed persons. It is also recommended that the national identity number, date of birth, residential or service address, and means of contact are disclosed. e) The multi-stakeholder group should agree an approach for participating companies assuring the accuracy of the beneficial ownership information they provide. This could include requiring companies to attest the beneficial ownership declaration form through sign off by a member of the senior management team or senior legal counsel, or submit supporting documentation. f) Definition of beneficial ownership: i. A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. ii. The multi-stakeholder group should agree an appropriate definition of the term beneficial owner. The definition should be aligned with (f)(i) above and take international norms and relevant national laws into account, and should include ownership threshold(s). The definition should also specify reporting obligations for politically exposed persons. iii. Publicly listed companies, including wholly-owned subsidiaries, are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed. iv. In the case of joint ventures, each entity within the venture should disclose its beneficial owner(s), unless it is publicly listed or is a wholly-owned subsidiary of a publicly listed company. Each entity is responsible for the accuracy of the information provided. g) The EITI Report should also disclose the legal owners and share of ownership of such companies.

majority of companies choose not to fill in the forms stating that company ownership was registered in the National Registration Center. A great number of companies said they had no detailed information over the full ownership chain. Only 17 companies reported their owners. In all cases, the owners were the same as those registered in the National Registration Center.

6. EITI Requirement 2.4

Contracts

a) Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals.

b) It is a requirement that the EITI Report documents the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include relevant legal provisions, actual disclosure practices and any reforms that are planned or underway. Where applicable, the EITI Report should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published. c)

The term contract in 2.4(a) means: i. The full text of any contract, concession, production-sharing agreement or other agreement granted by, or entered into by, the government which provides the terms attached to the exploitation of oil gas and mineral resources. ii. The full text of any annex, addendum or rider which establishes details relevant to the exploitation rights described in 2.4(c)(i) or the execution thereof. iii. The full text of any alteration or amendment to the documents described in 2.4(c)(i) and 2.4(c)(ii). d) The term license in 2.4(a) means: i. The full text of any license, lease, title or permit by which a government confers on a company (ies) or individual(s) rights to exploit oil, gas and/or mineral resources. ii. The full text of any annex, addendum or rider that establishes details relevant to the exploitation rights described in in 2.4(d)(i) or the execution thereof. ii. The full text of any alteration or amendment to the documents described in 2.4(d)(i) and 2.4(d)(ii).

Contracts are not made fully disclosed publicly for confidentiality reasons. The EITI draft law proposes the publication of contracts. All concession contracts are signed by the Minister of Infrastructure and Energy in the capacity of the contracting authority by the Council of Ministers. After signing the contract, the operator draws up a detailed implementation plan. Before te approval, this plan is again subject to state technical objections.

Construction of power plants is subject to 10 to 20 permits from various regulatory bodies, including: environmental permit (annual), building permits (prior to construction), permission to use water resources (annual), power production license (before the start of production), permission to connect to the power transmission network etc.



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



The EITI 2015 Report Recommendations are discussed in the MSG as follows:

During 2017, MSG have constantly discussed, the preliminary conclusions of the Validation Process as well as the preliminary reports submitted by the Validation Group and its preliminary draft report. National Secretariat has requested MSG comments on the Conclusions issued by the Independent Validator.

Strengths and weaknesses identified in EITI proces

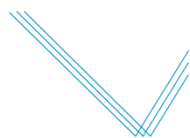


1. Strong point of EITI implementation in Albania is the inclusion of Hydropower in EITI Reports, an innovation that goes beyond the mandatory requirements of the EITI Standard.
2. Albania is the only country in the region that is part of the EITI Initiative and has implemented it successfully for years.
3. To be mentioned as a very positive achievement is that, during the Validation Process conducted in 2017, Albania was assessed with Significant Progress in the Implementation of EITI.
4. Another positive achievement during 2017 is the drafting of the Law on Transparency, sent for approval in the respective institutions.

As weak points we can mention:

1. Not timely reporting by businesses and some institutions for the EITI Report.
2. Lack of tightening legal mechanisms for extractive industry companies that do not report within the deadlines for the EITI Report.

Total cost of implementation

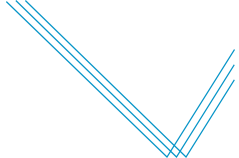


During 2017, the National EITI Secretariat was funded by the State Budget at the amount of 16.000.000 ALL. The World Bank's Project, Grand TFA01769 continued through 2017, and there was disbursed USD 285,959. The amount of USD 224,624 was spent during the year for Consultancy payments, EITI Report 2016, Operational Expenses and Trainings.

The Other Donors fund (donations from companies operating in the Extractive Industry, made during 2014 for the implementation of EITI in Albania) was used for the consultancy of website maintenance.

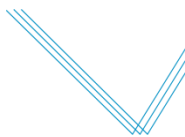
A detailed description of activities in 2017 is given below:

<i>FUND DETAILED BY ITEMS</i>	<i>FORECAST</i>	<i>COMPLETED</i>	<i>%</i>
<i>A. State Budget</i>	16,000,000 ALL	11,481,000 ALL	72
<i>Wages</i>	8000,000 ALL	6,769,000 ALL	85
<i>Social and health insurance, TAP</i>	3000,000 ALL	2,875,000 ALL	96
<i>Other operating expenses</i>	2,560,000 ALL	1,837,000 ALL	72
<i>Investment</i>	2,440,000 ALL	-	
<i>B. World Bank (TFOA1769)</i>			
<i>USD</i>	-	224.624 USD	



<i>FUND DETAILED BY ITEMS</i>	FORECAST	COMPLETED	%
The situation at the end of the year		64.150 USD	
<i>C. Other donor funds</i>			
a. The situation at the beginning of the year	153,073 ALL	ALL	
Maintenance cost of web internet	-	124,488 ALL	
Operating expenses		11.754 ALL	
The situation at the end of the year	-	16.831 ALL	

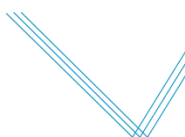
Has this activity report been discussed beyond the MSG



The 2017 annual activities report was discussed at the meetings of EITI Albania and MSG, with the EITI process contributors, civil society, operating companies in the country, central and local government and residents of extractive industry areas. The Albanian EITI Secretariat considered the various suggestions that came from each interested party.

Refer to the "Communication Actions" section above.

Details of membership of the MSG during the period



During 2017, MSG members there were: four (4) representatives from Civil Society, five (5) representatives from the extractive companies and seven (7) representatives from the government. Mrs. Madlina Puka, a civil society representative, has resigned from her functional post at EITI Albania's MSG member in June 2016. Her place in EITI Albania MSG remains vacant, despite repeated requests from the National Secretariat for its replacement.

We point out that at every meeting of the MSG all the contributors who have been part of the EITI initiative since its establishment have been informed and every their suggestion is heard and taken into consideration.

Pictures from activities

