



2018 ANNUAL PROGRESS REPORT



EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE SECRETARIAT JUNE 2019 ALBANIA



GENERAL ASSESSMENT OF 2018 PERFORMANCE IN ACCORDANCE WITH REQUIREMENT 7.4 (a)

(i)

Four meetings of the Multi-Stakeholder Group (MSG) were held in 2018.

In these meetings has been discussed and reviewed the 2018-2019 EITI Work Plan; Corrective Actions Plan set by the EITI International Board regarding the Validation Process in Albania; Updates and status of the Commodity Trading Pilot Project, approval of the Terms of Reference for the Independent Administrator, who would prepare the 2017 EITI Report; Terms of Reference for EITI Communication and Promotion Activities.

The Multi Stakeholder Group (MSG) addressed with special importance the following areas of EITI activity in Albania:

TERMS OF REFERENCE FOR THE 2017 AND 2018 EITI REPORT

The Multi-Stakeholder Group (MSG) and the EITI National Secretariat drafted the Terms of Reference for the Independent Administrator who will prepare the 2017 and 2018 EITI Report. This draft has been discussed in all of its phases; include comments and suggestions made by members of the MSG, as well as the civil society groupings and business representatives.

The EITI National Secretariat has proposed and supported the fact that for the first time is required the participation of sectorial technical capacity staff from mines and hydrocarbons as team of Independent Administrator.

Along with, the EITI National Secretariat has included in the Terms of Reference for the Independent Administrator new elements such as: Monitoring the Safety at Work and Life of Employees in the Mining and Petroleum Sector; Emphasis on the revenues of local governments and communities received by mining activities in their region, as well as the environmental and social impact of these activities; Engagement of the Independent Administrator on the organization of workshops on materials prepared in the function of the EITI Annual Report.

CORRECTIVE ACTIONS FROM THE VALIDATION PROCESS

The Multi-Stakeholder Group (MSG) and the EITI National Secretariat, after being acquainted with the Corrective Action document, emerged by the Validation Process for Albania, discussed and approved an Action Plan for steps to be followed. One important matter was the discussion on the improvement of the MSG operation format, the reconfiguration of its members and the inclusion of Albpetrol as a fully-fledged MSG member, taking into account and according to EITI Standard the important weight that Albpetrol sh.a. has in reporting for the Hydrocarbon sector.

THE 2018 OUTREACH AND COMMUNICATION ACTIVITIES BRIEFLY

MEETINGS FOR COLLABORATION

During 2018, the Head of the EITI National Secretariat has organized meetings with International and Local Organizations to support and empower the EITI Initiative in Albania.

COMPLIANCE ADVISOR OMBUDSMAN (CAO)

September 20, 2018

This Round Table held in Tirana helped addressing the problems that emerge in our communities as well as the negotiating process for resolving disputes between communities and businesses operating in extractive areas. The Head of EITI National Secretariat stated that Transparency narrows the space of corruption, while good governance goes far beyond simply Transparency.

Link: <http://www.albeiti.org/takim-mbi-problematikat-dhe-sfidat-e-zgjidhjes-se-mosmarveshjeve-ndermjet-bizneseve-dhe-komuniteteve-2/>

COOPERATION WITH THE OSCE PRESENCE IN ALBANIA

June 26, 2018

The Organization for Security and Cooperation in Europe Presence in Albania supported the EITI activity in Albania in 2013-2014. Restitution of support is seen as a very important factor for expanding the National Secretariat activities.

Link: <http://www.albeiti.org/per-nje-platforme-bashkepunimi-ndermjet-sekretariatit-kombetar-eiti-dhe-organizates-per-siguri-dhe-bashkepunim-ne-evrope-prezenca-ne-shqiperi-osbe-2/>

COOPERATION WITH GOVERNMENT INSTITUCIONS OF KOSOVO

March 9, 2018

The EITI National Secretariat and Kosovo's government representatives expressed their mutual interest in facilitating Kosovo's membership process in EITI Initiative by following the Albanian experience.

Link: <http://www.albeiti.org/official-meeting-with-kosovos-independent-commission-for-mines-and-minerals-kicmm/>

COOPERATION WITH FIAA

February 13, 2018

A joint meeting between the Albania EITI and FIAA reinforced commitment to increase the level of cooperation that will improve the business commitment in the extractive sector.

Link: <http://www.albeiti.org/takim-me-fiaa-lidhur-me-aktivitetin-e-sekretariatit-eiti-ne-shqiperi-2/>

COOPERATION WITH SWISS EMBASSY

February 8, 2018

This meeting underlines the support of Swiss government for Albania and its commitment to work with the Albania EITI by identifying the priorities and fields where can specifically contribute to increase Transparency in the use and good governance of natural resources in Albania.

Link: <http://www.albeiti.org/takim-i-drejtorit-te-sekretariatit-albeiti-z-ardit-kamberi-me-zv-ambasadorin-e-konfederates-se-zvicres-z-philipp-keller-2/>

February 28, 2018

The publication of the 2016 Annual EITI Report aims to promote Transparency in Natural Resources Governance in Albania. The publication of the 2016 Annual EITI Report finalizes the annual activity of the EITI National Secretariat, focusing on the promotion of Transparency and good Natural Resource management of the country, also resulting in cooperation with MSG and Interest Groups.

The process of preparing the 2016 EITI Report included: All companies operating in the exploration and production of Oil and Gas; 120 Mining Companies (with a contribution of over 80% of total mining), as well as 12 Hydro-Energetic companies.

Link: <http://www.albeiti.org/konference-per-prezantimin-e-raportit-eiti-2016-dhe-promovimin-e-transparences-ne-aktivitetin-e-shfrytezimit-te-burimeve-natyrore-ne-shqiperi-2/>

NEWS CHRONICLE

January 4-5, 2018

March 5, 2018

The main focus of the news chronicle was to show the most important findings of the EITI Report 2016 in terms of industrial activity, financial disclosure, legal framework and contribution in the state budget.

A studio interview with the Head of EITI National Secretariat was conducted by the SCAN TV journalist.

Links: <http://www.scan-tv.com/prodhimi-naftes-akbn-per-9-mujorin-u-prodhuan-rreth-730-mije-ton/>

<http://www.scan-tv.com/te-ardhurat-ngga-renta-ndikim-pozitiv-rritja-e-cmimeve-ne-tregun-nderkombetar-2/>

https://www.youtube.com/watch?time_continue=2&v=XLWjQ0afaVA

January 18, 2018

February 13, 2018

Writing and publication of an editorial piece mainly focused on the EITI Standard as a benchmark for internal and foreign investors when it comes to extractive industries. The editorials also describe how much financial value has a sector when is followed by Transparency.

Links: <http://www.mapo.al/eiti-ne-shqiperi-rekomandimet-kryesore-per-industrine-nxjerrese/>

<http://www.albeiti.org/eiti-ne-shqiperi-rekomandimet-kryesore-per-industrine-nxjerrese-nga-enio-civici/>

<http://www.mapo.al/transparenca-ne-sherbim-te-mirembajtjes-se-burimeve-natyrore/>

<http://www.albeiti.org/transparenca-ne-sherbim-te-mirembajtjes-se-burimeve-natyrore/>

http://esc.albaniaenergy.org/sq/2018/01/21/esc_adriatic-2/transparenca-ne-sherbim-te-mirembajtjes-se-burimeve-natyrore-nga-enio-civici/

CONFERENCE PARTICIPATION

Conference attendance is seen by the EITI National Secretariat as an important step for gaining and sharing experience with other bodies.

11th INTERNATIONAL PLENARY MEETING FOR THE DIALOGUE ON THE DEVELOPMENT POLICIES OF NATURAL RESOURCES –OECD

December 12-13

The Dialogue on Natural Resources Development Policies is a multi-year intergovernmental process in exchanging practices and co-ordination between OECD partner countries that produce minerals, oil and gas, on the use of natural resources for structural transformation and sustainable development. By the invitation of the event's organizers, representatives of the National Secretariat EITI Albania participated for the first time.

Link: <http://www.albeiti.org/sekretariati-eiti-pjesemarres-zyrtar-ne-eventin-e-oecd-te-takimit-te-11-te-plenar-nderkombetar-per-dialogun-mbi-politikat-per-zhvillimin-bazuar-ne-burimet-natyrore-2/>

15th JUBILEE VIENNA ECONOMIC FORUM- VIENNA FUTURE DIALOGUE 2018

November 19, 2018

A representative from EITI Albania was invited and took part at this Forum to considering the important role that foreign investors plays and the potential that Albania offers for new investments in the field of infrastructure, energy and industry.

Link: <http://www.albeiti.org/forumi-ekonomik-i-vjenes-dialogu-i-te-ardhmes-ekonomia-takon-politiken-15th-jubilee-vienna-economic-forum-vienna-future-dialogue-2018-2/>

EITI BOARD MEETING AND THE INTERNATIONAL CONFERENCE ON BENEFICIAL OWNERSHIP DISCLOSURE

October 31-November 2, 2018

EITI Albania was invited to attend at the 41st EITI Board and BO Conference in Dakar, Senegal. The EITI Albania has focused on Beneficial Ownership Disclosure as a central part of its activity, by incorporating international standards in the drafting and finalization of the legislation regarding Transparency in Extractive Industries and the preparation of the Public Register on Beneficial Ownership in coordination with several institutions of the same spectrum.

Link: <http://www.albeiti.org/takimi-i-bordit-nderkombetar-eiti-dhe-konferenca-nderkombetare-per-beneficial-ownership-disclosure-dakar-senegal/>

ECONOMIC AND ENVIRONMENTAL DIMENSION IMPLEMENTATION

October 15-16, 2018

OSCE organized in Vienna a high-level meeting addressing the strategic challenges related to the energy sector, how cooperation in this sector can lead to political security, regional collaboration to ensure more attractive markets, job creation, social welfare and resolution of regional conflicts. The National EITI Secretariat participated in this event and is currently working to establish a consistent cooperation platform in areas of mutual interest with the OSBE presence in Albania.

Link: <http://www.albeiti.org/sekretariati-eiti-shqiptar-merr-pjese-ne-takimin-e-nivelit-te-larte-te-osbe-ne-viene-per-implementimin-e-dimensionit-ekonomik-dhe-mjedisor-2018/>

KIEV, UKRAINE EVENT ON ENHANCING THE ROLE OF CIVIL SOCIETY

July 3-5, 2018

The World Bank Extractives Global Practice and the EITI International Secretariat organized an event on enhancing the role of Civil Society in the EITI process and the MSG commitment. The Head of EITI National Secretariat presented the EITI activity in Albania and held meetings with colleagues from participating countries.

Link: <http://www.albeiti.org/kiyevukraine-event-per-iniciativen-eiti-organizuar-nga-banka-boterore-dhe-sekretariati-nderkombetar-eiti-2/>

OTC-OIL AND GAS OFFSHORE TECHNOLOGY 2018

April 30 to May 3, 2018

By the invitation of the US Embassy in Tirana the Head of EITI National Secretariat took part at this International conference in Houston Texas, USA. The conference laid emphasis on the specific strategic importance of national, regional and global energy security in the context of current economic, political, social and environmental challenges.

Link: <http://www.albeiti.org/the-international-conference-otc-oil-and-gas-offshore-technology-2018-30-april-to-3-may-houston-texas-usa/>

LOCAL MEETING

Meetings with local authorities play a very important role for the progress of the EITI initiative implementations. During 2018, EITI Albania Secretariat organized several meeting in the areas with extractive industries.

MUNICIPALITY OF ROSKOVEC

November 12, 2018

Bankers Petroleum is the largest oil production company in Albania located and supervised by the Municipality of Roskovec. The EITI National Secretariat sees the Local Structure role very important in improving social and economic environment.

Link: <http://www.albeiti.org/promovimi-i-transparences-eiti-ne-nivel-lokal-bashkia-roskovec-2/>

MUNICIPALITY OF PUKA AND FUSHË ARRËZ

September 7, 2018

Mining companies operating mainly in the extraction of copper, chromium, kaolin and small HPP concessions operating in the territory of these Municipalities. Meetings with the local authorities focused on the importance of Transparency in the good governance of natural resources, as the best means and policy for sustainable and attractive business climate.

Link: <http://www.albeiti.org/ne-kuader-te-takimeve-me-strukturat-lokale-ne-daten-07-09-2018-nga-ana-e-sekretariatit-kombetar-eiti-shqiperi-u-realizuan-takime-me-drejtues-ne-bashkite-puke-dhe-fushe-arrez-me-qellim-promov/>

MUNICIPALITY OF POGRADEC

June 5, 2018

22 mining activities are currently underway, mainly in the mining of chromium and iron-nickel minerals and 15 entities with small HPP Concessions are in the territory of this municipality. At the meeting it was specify the importance of real business inclusion in the EITI process, in cooperation with Central Institutions, Local Government and Civil Society to promote Transparency in natural resources management.

Link: <http://www.albeiti.org/takim-me-perfaqesues-te-pushtetit-lokal-dhe-te-bizneseve-ne-sektorin-minerar-ne-pogradec-2/>

FAIR

INTERNATIONAL FAIR OF TIRANA

November 23, 2018

Participation at the National fair shows the commitment the EITI National Secretariat has undertaken to promote EITI Initiative and by generating national and international cooperation between economic and trade groups of interest.

Link: <http://www.albeiti.org/eiti-shqiperi-rrit-bashkepunimin-me-grupet-e-interesit-2/>

2018 REGIONAL ENERGY INVESTMENTS FAIR

October 5-6, 2018

Visitors from the wider public and business were able to get acquainted with the work and the role played by the EITI Initiative in promoting foreign investment in the country by obtaining official, coherent and certified information on the basis of the International EITI Standard.

Link: <http://www.albeiti.org/eiti-shqiptar-merr-pjese-ne-panairin-rajonal-per-investimet-ne-energjiine-elektrike-2/>

MSG MEETINGS

During 2018, four (4) MSG meetings were held and all issues placed on the agenda are discussed and approved by MSG members. The each meeting Agenda, Minutes of Meetings, Presence List, MSG Decisions are found on the Albania EITI official website.

JUNE 21 <http://www.albeiti.org/takim-me-grupin-nderinstitucional-te-punes-per-diskutimin-e-termave-te-references-per-aktivitetet-kryesore-eiti-si-dhe-progres-raportin-vjetor-2/>

MAY 15 <http://www.albeiti.org/msg-and-national-eiti-secretariat-meeting-concerning-the-action-plan-for-the-optimization-of-corrective-actions-emerged-from-the-international-validation-process/>

MARCH 28 <http://www.albeiti.org/mbledhje-e-grupit-nderinstitucional-te-punes-eiti-msg/>

DECEMBER 7 <http://www.albeiti.org/commodity-trading-dhe-beneficial-ownership-ne-fokusin-e-aktivitetit-eiti-2/>

WORKSHOP ON COMMODITY TRADING

June 29, 2018

The EITI requirement 4.2 seeks to provide the necessary transparency, on how much State-Owned companies in EITI countries benefits from volumes sold and revenues received from oil, gas and minerals and how much these revenues are transferred to the state budget. Representatives of MSG, state institutions, representatives of Albpetrol and interest groups present in the workshop discussed in a constructive form about finding of the preliminary Report in order to optimize the conclusions and recommendations that will be reflected by Deloitte's on the Final Report.

Link: <http://www.albeiti.org/workshop-per-transaksionet-e-lendeve-te-para-nga-shoqerite-me-kapital-shteteror-commodity-trading-2/>

ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SPECIFIED SET OUT IN THE 2018 ALBEITI WORK PLAN REQUIREMENTS IN ACCORDANCE WITH REQUIREMENT 1.5 and 7.4.

(a)(iv)

OBJECTIVE 2017 AND 2018 EITI REPORT

Due to the objective delays of WBs funds, the 2017 and 2018 EITI report has not yet started and is in procurement phase.

OBJECTIVE VALIDATION

During 2018, Albania was in the process of Validation II, which continued during the beginning of 2019 by the Validation Mission that reviewed all the steps taken by Albania for the Corrective Actions left out by the First Validation. At the end of May 2019, the Validator's Final Report was received and on June 17, 2019 the decision was taken by the EITI International Board for Validation II of Albania.

OBJECTIVE LEGAL AND REGULATORY REVIEW

During 2018, on legal and regulatory review, the Terms of Reference for Beneficial Ownership were drafted. These ToRs have been discussed, commented and approved by MSG, the EITI International Secretariat and the World Bank.

Due to objective delays of WB funds, this procedure is in the procurement phase.

OBJECTIVE EITI CAPACITY BUILDING

During 2018, are organized capacities building activities and are mentioned at the above activities section.

OBJECTIVE COMMUNICATION ACTIVITIES

During 2018, numerous communication activities have been organized and are mentioned at the above activities section.

ASSESSMENT OF PERFORMANCE IN COMPLIANCE WITH THE EITI REQUIREMENTS IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(ii)

REQUIREMENTS	PROGRESS
<p>EITI REQUIREMENT 1</p> <p>Oversight by the multi-stakeholder group</p> <ul style="list-style-type: none"> 1.1 Government engagement 1.2 Company engagement 1.3 Civil society engagement 1.4 Multi-stakeholder group 1.5 Work plan 	<p>The MSG in Albania has been actively involved in the implementation of EITI. Albania has continued to produce EITI reports according the deadlines. The MSG members are engaged in the impementation of EITI, according the sector they cover. State Institutions, constituent part of the MSG, have shown high engagement by making available to the EITI Initiative their structures and human resources for the EITI Reporting. For subjective reasons by exluding only a small number of delays, Companies have shown commitment to the reporting proces and the extractive companies, has continued to play their role disclosing their payments and the Government disclosing its revenues received from extractives companies. Also, the government has continued to fund EITI implementation under the national budget. Finding a comprehensive language and building a constructive cooperation makes the works of MSG Albania productive. However, it should be noted the vacuum that happen in the MSG structure by not replacing some seats from CSO members that willingly resigned. MSG members from Civil Society have shown commitment to the EITI Intitiative by being vocal at the meetings for diffrent issues. What is seen as concern is the lack and not the fulfillment of the three vacant seats of this group on the EITI MSG. The EITI Albania, despite having faced a lack of funding, due to objective reasons the WB funding delayed, has not stopped the work to succesfully complete the objectives of EITI National Secretariat and trying to fullfill the activities agreed in the work plan.</p>
<p>EITI REQUIREMENT 2</p> <p>Legal and institutional framework, including allocation of contracts and Licenses</p>	<p>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".</p>

- 2.1 Legal framework and fiscal regime
- 2.2 License allocations
- 2.3 Register of licenses
- 2.4 Contracts
- 2.5 Beneficial ownership
- 2.6 State participation

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.

License allocations. Albania has made public the free oil zones and companies interested enter into negotiations with the Albanian government.

Mining licenses are provided by the Ministry of Infrastructure and Energy based on Law No. 10 304 dated 15.07.2010 "On Mining Sector in the Republic of Albania, as amended". The annual mining program, approved by V.K.M., defines competing mining areas and free zones. For competitive mining areas, interested parties are subject to a public competition where the winner's assessment is made on the basis of the criteria set by law. For open areas, the license is issued to the interested subject who meets the terms of the permit by principle - first in time, the first in the rights.

The publication of the Annual Mining Plan and all the competitive procedures is done in the Public Procurement Agency and in the official website of MEI.

According to EITI 2016 Report and in accordance with requirement 2.4.b, Albania has made progress in disclosing new oil **contracts** and all hydropower concession terms. The EITI draft law proposes the publication of contracts. All concession contracts are approved by D.C.M and signed by the Minister of Infrastructure and Energy.

After signing the contract, the operator draws up a detailed implementation plan. Before the approval, this plan is again subject to state technical objections. Almost Oil and gas agreements were allocated through ad hoc negotiations procedures up August 2013. Information on recipient licensees and joint operations were publically disclosed in MEI's website. 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.

The **register of licences** is publicly available in ALBEITI website: www.albeiti.org

This register is updated every 6 months.

Also the Ministry of Infrastructure and Energy has published an public register of mining licences:

<http://www.infrastruktura.gov.al/lejet-minerare-ekzistuese>

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 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 2016, 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 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.

State participation a) The State-owned entities in Albania are defined by article 213 of the Law 9901 dated 14.04.2008 “On entrepreneurs and commercial entities”, as commercial entities owned and controlled directly or indirectly by central government or the local government, whereas control is the power to govern activities of the commercial entities. This law suggests that in case of matters requiring a qualified majority, the Shareholders’. The definition of SOEs is explained in the EITI 2016 Report and the MSG agreed with this definition during the EITI reporting process.

b) The level of ownership of SOE(s) is explained in the EITI 2016 Report.

EITI REQUIREMENT 3

Exploration and production

3.1 Exploration

All the exploration, production and exports data are documented in the EITI Albania Report and once the report is finished, is published in the albeiti website: www.albeiti.org

3.2 Production
3.3 Exports

EITI REQUIREMENT 4

Revenue collection

- 4.1 Comprehensive disclosure of taxes and revenues
- 4.2 Sale of the state's share of production or other revenues collected in kind
- 4.3 Infrastructure provisions and barter arrangements
- 4.4 Transportation revenues
- 4.5 Transactions related to state-owned enterprises
- 4.6 Subnational payments
- 4.7 Level of disaggregation
- 4.8 Data timeliness
- 4.9 Data quality and assurance

Comprehensive disclosure of taxes and revenues

The tax system that is applied in Albania for the extraction industry sector is the same that apply to the entire country's economy, value added tax (TVSH), profit taxes, dividends + royalties, bonuses, and other significant payments and material benefit to government. Mineral rent from the government is seen as a tax for the development of this area. To give impulse or development to the processing industry in the country, the government reduced the royalty for the processed chromium ore (ferrochrome) from 6 to 3 percent. The EITI Report shows a comprehensive tax overview gathered by the government for 2016.

Sale of the state's share of production or other revenues collected in-kind

In the EITI Report 2016 are disclosed the revenues collected in-kind by Albpetrol.

Infrastructure Provision and Barter Agreements

EITI 2016 Report includes an assessment of the applicability of infrastructure provisions and barter arrangements in the oil and mining sectors, disclosed respectively in the chapter 3 and 4.

Transportation revenues

The Albanian state does not receive transit tax. Albpetrol pipelines are not currently operating. Two crude oil pipelines link ARMO's oil terminal in Vlorë with Fieri and Ballshë 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.

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.

Jonian Adriatic Pipeline (IAP Project)

The Albanian Government has prompted the 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.

Transactions related to state-owned enterprises Albpétrol pays to the Government taxes, as applied to all commercial oil companies and dividends in its capacity of sole shareholder of the

company. Both Albpetrol and MIE informed that there are no special arrangements governing the transfers from Albpetrol to the Government and vice-versa. Albpetrol has been profitable so far, despite its large employee cost base. Albpetrol's financials show volatile profit results. Revenue is primarily derived from sale of available oil. Operating profits in 2016 are 62% lower than in 2013. This substantial drop is affected by decline in both oil prices and oil quantities, which are derived from Albpetrol's own oil production and share of oil collected from PSAs granted for areas under Albpetrol's license agreement. In 2015 and 2016, Albpetrol managed to reduce its personnel costs which comprise a key cost component. Based on the information disclosed in its financial statements, Albpetrol has not received, nor granted any loan to the Government so far. Albpetrol holds substantially large overdue trade receivables from ARMO amounting to ALL 12 billion at the end of 2016.

Sub-national payments Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to Law on National taxes no. 9975, dated 28 July 2008, amended, a portion of royalty tax shall be allocated to each local government unit ("LGU") in proportion with their contribution to the domestic output of oil, gas and mining.

Data quality and assurance, Applied Accounting Standards The current regulatory provisions in Albania require that the incorporated entities apply International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) or the National Accounting Standards (IAS), published by the National Accounting Council for accounting purposes and legal reporting.

Applied Auditing Standards All entities, including participating joint stock companies ("SHA") and limited liability companies ("KPS") are subject to statutory audit, excluding those KPS classified as smaller units. LAW No. 10 091, dated 5.3.2009 "ON LEGAL AUDIT, ORGANIZATION OF THE PROFESSION OF THE LEGISLATIVE AUDITOR AND THE APPROVED ACCOUNTANT" (amended by Law No. 10 297, dated 8 July 2010, No. 47/2016, dated Article 41, Legal entities obliged for the statutory audit of the financial statements (amended by letter "c" by Law No. 47/2016,

dated 28.4.2016) Are obliged to carry out the statutory audit of the annual financial statements, before their publication, by legal auditors or audit firm:

a) all commercial companies, regardless of their form, which apply international financial reporting standards;

b) all joint stock companies, which apply financial reporting to national accounting standards;

c) limited liability companies that apply financial reporting to national accounting standards when, over two years in succession, they exceed two of the following three indicators:

i - total of balance sheet assets at closing of the relevant accounting period, amounts to or exceeds the amount of ALL 50 million;

ii- the amount of income from the economic activity (turnover) in that accounting period amounts to or exceeds the amount of ALL 100 million;

iii- there are, on average, 30 employees during the accounting period.

We clarify that the mining entities that report to the EITI Report are generally limited liability companies and a considerable part of them do not meet the condition that compels them to audit their balance sheets by an independent expert.

Level of disaggregation The Level of disaggregation is represented in Appendix 1, 2, 3 of the EITI 2016 Report.

Data timeliness The EITI 2016 Report was produced and published in accordance with the EITI requirements, on 15 February 2018.

Data Quality and assurance EITI 2016 Report provides an assessment of the assurance procedures performed on the numbers reported by the government entities and licensees in this report. Chapter 10, provides details of the reconciliation of flows for the year 2016 and lists all entities who fail to report in 2016, including disclosure of impact

	<p>based on unilateral reporting from the government entities.</p> <p>Recommendations for improvements are also listed in EITI 2016 Report. The EITI Albania MSG is drafting and approving an action plan on following up the EITI 2016 Report Reccomandations so all the requirements will be covered aming to improve the EITI reporting in Albania.</p>
<p>EITI REQUIREMENT 5</p> <p>Revenue allocations</p> <ul style="list-style-type: none"> 5.1 Distribution of extractive industry revenues 5.2 Subnational transfers 5.3 Revenue management and expenditures 	<p>Distribution of extractive industry revenues</p> <p>Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to Law on National taxes no. 9975, dated 28 July 2008, as amended, a portion of royalty tax shall be allocated to each local government unit ("LGU") in proportion with their contribution to the domestic output of oil, gas and mining. Regulatory framework on subnational transfers of royalty Up to November 2014, the Law on National taxes requested 25% of royalty tax to be allocated to each local government unit ("LGU") in proportion with their contribution, however within the terms of the annual budget law. The formula for allocating royalty to the beneficiary LGUs was not disclosed and the transfers made could not be linked to the LGUs contribution in royalty levied. Up to 2014, only oil producing countries could benefit from the subnational transfers of royalty. On 27 November 2014, the Government of Albania introduced changes to the Law on National taxes, whereby the LGUs are entitled to receive 5% of the royalty generated from sales of oil and minerals extracted in their district. Under these new terms, royalty transfers are linked to the LGUs contribution and not affected by any other budgeted transfer in accordance with the annual budget law. Instruction no. 26, dated 4.9.2008 "On national taxes", amended ("the instruction") lists the reconciliation procedures to be performed by the beneficiary LGUs to ensure fair allocation of royalty. Accordingly, each LGU shall agree at the end of the month royalty payments made by licensees operating in the LGU district, with the regional directorate of taxes and customs. The regional directorates of</p>

taxes and customs shall submit analytical list of royalty collected and benefiting LGUs to the Directorate of Budget at Ministry of Finance ("MF"). Upon receipt of the reconciliations, MF initiates monthly transfers of royalty to LGUs. In case of oil companies, which operate simultaneously in several LGUs the instruction sets the share of royalty to be allocated. Actually the Albanian government is again reviewing the percentage of the royalty that will be transferred to LGU-s.

Subnational transfers 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. 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.

Revenue management and expenditures 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. 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. 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 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. MIE (Ministry of Infrastructure and Energy) publishes in its website financial information on expenses by nature and program <http://infrastruktura.gov.al/>

EITI REQUIREMENT 6

Social and economic spending

- 6.1 Social expenditures by extractive companies
- 6.2 Quasi-fiscal expenditures
- 6.3 The contribution of the extractive sector to the economy

Social expenditures by extractive Social expenditures are material 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.

Quasi- fiscal expenditure The EITI Albania MSG discussed in the meeting of 12. 02. 2019 the existence of quasi-fiscal expenditure in Albania and their materiality. The statement of MSG on this issue will be sent separately to the International Secretariat and will be covered in the next EITI Report.

The contribution of the extractive sector to the economy. Based on data reported by Government agencies shown in EITI 2016 Report, the extractive sector and hydropower accounted collectively to no more than 6% of the gross domestic product in 2016, amounting to ALL 87,483 million¹.

	<p>Exports from the extractive sector have increased substantially by over 100% up to 2013, when they reached ALL 96.7 billion or 39% of total exports. This share dropped to 19% of total exports in 2016 (chart 4) or ALL 47.0 billion (chart 5), simultaneously affected by the decrease in international prices for oil and the increase of domestic oil refining activity. Based on data reported from the GDT, license holders engaged in the extractive sector of oil, mining and hydropower sector employed collectively approximately 16,500 staff accounting for 1.4% of the registered workforce reported by INSTAT in December 2016.</p>
<p>EITI REQUIREMENT 7</p> <p>Outcomes and impact</p> <p>7.1 Public debate 7.2 Data accessibility 7.3 Discrepancies and recommendations from EITI Reports 7.4 Review the outcomes and impact of EITI implementation</p>	<p>Public debate The EITI report in Albania is comprehensible and publicly accessible. Both EITI Reports and Summary Data File are available online in open data format. Also paper copies of the EITI Reports are constantly produced and distributed to stakeholders. The Reports are published in Albeiti website both in albanian and english language. The EITI Albania Report is used widely by stakeholders on the public debate. The organization of meetings with journalists from local and national media, the editorials, chronicles writings and the organization of meetings with local and foreign interest groups clearly shows the commitment of the MSG and the EITI National Secretariat to promote a nationwide public debate and to influence in the economic and social development of communities.</p> <p>Data accessibility The EITI National Secretariat publishes the EITI Reports on its website and all parties concerned have full access for the required data. Hard copies of EITI Reports and Summary Reports are widely distributed to relevant stakeholders.</p> <p>Discrepancies and recommendations from EITI Reports Descrepanices and recommendations in EITI Reports are discussed in the MSG meetings. Lately the National Secretariat proposed that a permanent subgroup should be created within MSG. This group will follow the implementation of the EITI Report reccomandations and also the Corrective Actions raised by the Validation until their complete fulfillment.</p> <p>Review the outcomes and impact of EITI implementation To overcome the obstacles</p>

that arise in this direction, the EITI National Secretariat and MSG have worked closely with the parties involved in the process. Many communication and promotion activities with all the stakeholders were conducted from the EITI National Secretariat and the MSG. Adopting the Transparency Law is a promising statement but at the same time it requires work coordination by the parties involved. 2020 will be the year of the publication of Beneficial Ownerships and as a member of the EITI, Albania is pursuing the right steps to fulfill this global obligation. A BO Roadmap of all the steps to be followed was published in January 2017. EITI National Secretariat has performed and is conducting all the foreseen activities in this roadmap. The draft Law "On the transparency of the activities of the extractive industries and the use of natural resources in the Republic of Albania" includes legal provision for the declaration of BO. Many meetings were performed from EITI National Secretariat and lately from CSOs, members of MSG, with Local Government Units in the areas where extractive industries operates, companies and civil societies representatives, to promote EITI, inform on EITI Report, issues on EITI Reporting. On the other hand, organizing meetings with journalists from national and local media. Informing media on the EITI initiatives work and mission is a path that reflects a serious commitment to transparency in the extractive sector. The novelty that led to the organization of the EITI Survey was for the EITI National Secretariat the best way to analyze the public's perception of the EITI impact and implementation in Albania. Survey results showed that the local and central administration (affected by EITI Reporting) lacked information on EITI requirements. As a result, the EITI National Secretariat decided that the activities foreseen in the Work Plan would play a key role in organizing informative activities mainly focusing on this group. We can express that local government (when an extractives industry operates) and central administration by responding on time and with quality to the EITI Initiative requirements and obligations proves that the EITI Work Plan has achieved the objective in this regard.

Progressive growth of reporting companies in the EITI. Over the years, the percentage of reporting by the extractive companies has increased progressively, aiming at a greater

involvement of the sectors.

I. In the oil sector for EITI Reports have reported 100% of companies operating in this sector.

II. In the Mining sector, the number of companies has increased from year to year and the percentage of production realized by these companies in concrete terms is:

1. In 2012, 69 companies, reporting 77.1% of the mining production.

2. In 2013, 81 companies, reporting 85% of the mining production.

3. In 2014, 99 companies, reporting 87% of the mining production.

4. In 2015, 105 companies, reporting 89% of the mining production.

5. In 2016, 128 companies reporting, 90% of the mining production.

III. In the Electric Power sector have reported the main companies operating in this sector.

- In 2015, 13 companies, reporting 90% of electricity production.

- In 2016, 12 companies, reporting 90% of electricity production.

Frequent changes within staff in some of institutions have caused confusion and difficulty, but friendly approach between the parties has brought into the concrete results.

OVERVIEW OF THE MULTI-STAKEHOLDER GROUP'S RESPONSES TO THE RECOMMENDATIONS FROM RECONCILIATION AND VALIDATION, IF APPLICABLE IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(iii)

Throughout 2018, the MSG has discussed and has taken measures for corrective actions emerged from the First Validation process and the EITI Board decision on Validation of Albania, dated 13.02.2019. A brief summary of the measures taken are listed as below:

Corrective Action 1 (#1.3)

Civil Society in accordance with Corrective Action no. 1.3 has drafted and submitted within the deadline set by the EITI International Board, May 13, 2019, the Action Plan. Shortly before the start of the Second Validation but within the deadline, civil society has organized new elections by selecting the new members in MSG. Coordination among civil society members, MSG representatives has improved and increased the capacity of the civil society grouping in 12 associations.

Corrective Action 2 (1.4.a.ii, 1.4.b.ii, 1.4.b.iii 1.4.b.vi)

In accordance with the requirements 1.4.a.ii and 1.4.b.vi, the MSG redesigned the procedures for the selection of MSG members and by Decision no. 2, dated 15.05.2019, agreed to strictly follow the selection procedures provided in the Internal Regulation of the MSG and their evaluation. Also, all stakeholder groups constituted in the MSG published the procedures for selecting members on their respective websites: www.albeiti.org; www.fiaalbania.al/; www.albneteiti.org;

Regarding the presence of Albpetrol in MSG, during the year, Albpetrol sh.a. became a full member of MSG of the extractive industry companies.

MSG in cooperation with the EITI Albania Secretariat and Civil Society during 2018 has undertaken various communication activities by informing stakeholders on the implementation of EITI in Albania.

Corrective Action 3 (requirement #2.2)

Concerning Corrective Action 3 during 2018, Albania has done a satisfactory progress in regards to the publication of licensing and transfer of licenses. In addition to their publication at the NAC, MSG and the EITI Albania Secretariat worked on completing information and publishing it on its own website, www.albeiti.org

In the summary form, the MSG in collaboration with the Secretariat has worked throughout 2018 and is continuing to complete the Corrective Actions issued by the II Valuation Mission.

Based on the Final Validation Report II and following the steps taken to address 12 Corrective Actions, by the Validation Mission II has been suggested to the EITI Board, to take into account the actions taken after the start of the Second Validation Mission (February 13, 2019) In such a case, Albania has fully addressed 7 out of 12 Corrective Actions, having "satisfactory progress" and other requirements have "significant progress" with significant improvements.

ANY SPECIFIC STRENGTHS OR WEAKNESSES IDENTIFIED IN THE EITI PROCESS IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(v)

STRENGTHS

There has been a significant quantitative and qualitative of the cooperation among the MSG grouping, and above all the Civil Society in its own communication activities and awareness as well as in the active co-operation of the EITI processes implementation in Albania.

WEAKNESSES

Delays approving due to the objective reasons of WB funds hindered the realization of activities in accordance with the deadlines set out in the Work Plan.

IMPLEMENTATION OF BENEFICIAL OWNERSHIP DISCLOSURE PLANS IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(vi)

The publication of the Beneficiary Ownership in 2020 as one of fundamental requirements of the EITI International and of the European Commission for Albania has prompted stakeholders, in particular the Ministry of Finance and Economy to commence the work on drafting a new law. This law aims to create a register that will disclose the names of the Beneficiary Ownership of companies registered in Albania activity fiscal paradises. The international assistance being taken to drafting and implementing this law aims at accessibility of entity data from the date of establishment, various decisions and until financial balances, making Transparency from the origin of bank accounts. The Multi Stakeholder-Group (MSG), having in compositions Heads of institutions involved in the law drafting, is following the process with priorities and believes that this law will have its implementing force on January 2020.

TOTAL COST OF IMPLEMENTATION

The EITI National Secretariat for 2018 was funded by the State Budget and by the World Bank Grant Project TF0A1769.

Funding from the State Budget was in the amount of 12.500.000 ALL and covered the costs of salaries and personal insurance and also used for operating expenses.

The World Bank's Grand Project TF0A1769 was used in the amount of \$ 46,721.72 for the payments of consultants contracted under this Grant.

Actual staff of the EITI National Secretariat for 2018 is 8 employees, out of which 7 full-time employess and 1 contracted worker from the contingent of newly graduated students versus 9 employees on the Organigrama.

ANY ADDITIONAL COMMENTS

The procedures that were been followed by the Albanian Government and the World Bank on the Letter of Agreement No. 2 of the Grant Agreement No. TF0A1769, brought delays and the fund planned by this grand to back the 2018 EITI Work Plan activities, couldn't be obtained and implemented by the EITI National Secretariat.

HAS THIS ACTIVITY REPORT BEEN DISCUSSED BEYOND THE MSG IN ACCORDANCE WITH REQUIREMENT 7.4.b

Meeting with the representatives from Swiss Embassy and the OSCE Presence in Albania, the organization of meetings at the local level, the 2016 EITI Report Conference and the participation on Extractive Sector Fairs are obviously indicators that EITI activity has been introduced and discussed with all stakeholders who have contributed and assisted in this process.

DETAILS OF MEMBERSHIP OF THE MSG

The organizational changes in some State Institutions and the vacancy of the two Civil Society Group seats, led to the need for an incentive by the Chair of the MSG to replace immediately and restructure the MSG. The State Institutions responded to the official letter by sending the new MSG representative of the relevant institution. The Civil Society Grouping in MSG due to lack of funds, failed to organize the elections of this grouping during 2018 but managed to fill vacancies on February 12, 2019 and the new members were presented during the MSG meeting organized on the same date. One of the recommendations from the 2018 Validation Process for Albania was the presence of the State Capital Company, Albpetrol, as a voting member, a request that was accepted and approved unanimously by MSG members. The Agenda of Meetings, Minutes of Meetings, Presence Lists and Decisions of the MSG for the Period 2018 are available on the EITI Albania official website <http://www.albeiti.org/viti-2018/>.

PICTURES FROM ACTIVITIES



APPROVED BY MSG ON JUNE 28, 2019