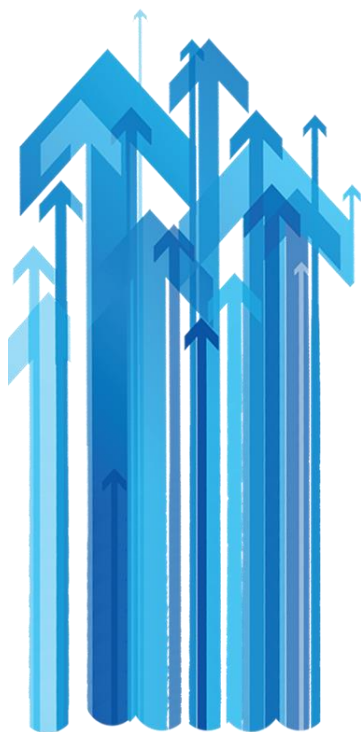


2015

# EITI ANNUAL ACTIVITY REPORT





## *General assessment on annual performance*

In 2015, the Albanian EITI Secretariat published for the second consecutive year two EITI reports, for the years 2013 and 2014. In addition to taxes and other payments made to the government by oil, gas, and mining sector, these reports also included for the first time disclosure and transparency data analysis for the hydro-energy sector. The EITI reconciliation reports for 2013 and 2014 fiscal years have been compiled and coordinated by the Deloitte Audit Albania, the Independent Administrator.

The Albanian EITI Secretariat, in line with the EITI Standard, prepared the 2015 work plan. There was a reorganization of activities including unaccomplished activities from the 2014 work plan. A few studies played an important role during 2015, such as the study on “Potential revenue capacity from the extractive industry” aimed to informing the public and increasing transparency about potential revenues from the extractive industry. The inclusion of the hydro-energy sector for the first time in the 2013 and 2014 EITI reports sought to prepare and firstly presented “Feasibility study for EITI data integrated systems”, a study based on current data systems and the possibility of a system that could automatically generate data for EITI reports. The Albanian EITI Secretariat also published a study on “Mapping Exercise on extractive industry” regarding the collection, processing and publishing of EITI data on nine areas of extractive industry.

For the first time, the Albanian EITI Secretariat organized a training program carried out by an experienced foreign international consultant to all EITI stakeholders and staff. The key issues addressed during the three-day workshop held in early December for civil society, parliamentarians, officials, journalists and members of the MSG related to the good functioning of the EITI initiative such as the governance of natural resources, EITI standard, social and environment aspects, fiscal regime, legislation and contracts in the Albanian extractive sector.

The Communication Strategy, designed to raise further awareness among locals about the EITI initiative as well as revenue management from extractive industries and for achieving the core objectives of Albanian EITI Secretariat, was for the first time successfully implemented. The new Albanian EITI ad was broadcast on national and local televisions. The Head of EITI Secretariat, Ms. Dorina Çinari, took part in many interviews by answering questions about the EITI objectives and mission.



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

The EITI Work Plan for 2015 was assessed and approved by the Albanian MSG and Secretariat, after discussions between the parties led to a common view on the topic. The objectives and activities carried out by the EITI Albania in 2015 are as follows.

### *Objective 1 2015 Work Plan*

It was agreed that the Work Plan shall follow the practices, standards and principles based on the EITI Standard. The participation of the stakeholders constitutes an integral part of the planning, data collection, report evaluation and result dissemination process.

### *Objective 2 MSG*

The MSG was very active in 2015. Some of the major achievements include the approval of the terms of reference and the contract agreement with the Independent Administrator for the 2013 and 2014 EITI Reports. In 2015, the MSG reflected and adopted greater participation of stakeholders and civil society representatives, where at the request of MSG chairman, Mr. Ilir Bejtja, the board meetings, apart from MSG members, could also be attended by representatives from other institutions or organizations and also long-term contributors of the EITI Initiative were invited at each MSG meeting. The two vacancies from civil society were replaced in accordance with the proposal and procedures of the civil society itself, one representative from the mining industry and the other from the oil industry.

### *Objective 3 Raising public awareness on transparency*

The goal of EITI Communication Strategy is to raise awareness over transparency issue in the extractive industry. The Albanian Secretariat implemented a publicity campaign through an advertising company and designed the communication tools based on the communication strategy. For the first time, a new advertisement on Albanian EITI was produced and broadcasted on local and national media. The Albanian EITI also organised informal meetings with journalists, press conferences for the publication of the 2013 and 2014 EITI Reports, interviews for the print and visual media, and for the first time a summary of the main findings of 2013 and 2014 EITI reports as well as a banner with the EITI name and logo. Special attention was also paid to social media.



#### ■ *Objective 4 Study on potential capacities of extractive industry revenues*

The Albanian Secretariat and MSG, based on the World Bank fund designated for Albanian EITI, made a request for expression of interest for the selection of a firm that will conduct a study on *Revenue Potential from Extractive Industry in Albania*. The contract with the winning consultant firm, Ernst & Young et Associates, was signed on April 2, 2015. The study aimed at ensuring the potential contribution of the extractive industry in Albania, namely oil, gas and mineral reserves, to the state budget and GDP.

#### ■ *Objective 5 Hydro-energy study*

The hydropower sector, although with a relatively low contribution to GDP and State Budget, plays an important role in the sustainable economic development of the country and data from this sector were published for the first time in the 2013 and 2014 EITI reports. A study to assess the contribution of the hydropower sector to the Albanian economy was conducted ahead of the MSG and Alb EITI decision to include water resources in the EITI reports. A contract was signed with Deloitte Audit Albania shpk (Ltd) on 11 February, 2015 while the study was published on 7 April, 2015.

#### ■ *Objective 6 Feasibility Study for EITI Data Integrated Systems*

The World Bank grant was used for the selection of a consulting firm for the Study on *Integrated Data Systems for Albanian EITI*. The study produced a technical report which provides information on the current status of State Institutions systems regarding the possibility of data generation for EITI and proposed an IDMS solution for the integrated EITI data generation. The DM Consulting Services (DMCS) was then selected in compliance with the World Bank selection procedures whereas the contract was signed on 04 February, 2015. The study was published on 26 March, 2015. The Albanian EITI Secretariat published the study in its official website.



#### ■ *Objective 7 Mapping Exercise on extractive industry*

The working group also considered the preparation of a pilot study, mapping exercise for the collection, processing and publication of EITI data. The main goal of this service is the collection and processing of the data required to build and operate an online public information line to recognize, use, analyze and evaluate the legal and social-economic data indicators of extractive industry areas as well as the objectives achieved in order to initiate concrete measures and actions for the further progress of these areas. The DM Consulting Services (DMCS) was selected for this purpose in compliance with the World Bank selection procedures whereas the contract was signed on 26 October, 2015. The study was published on 24 December, 2015, in collaboration with the Ministry of Energy and Industry, National Agency of Natural Resources, and other agencies that are closely related to the EITI Initiative in Albania.

#### ■ *Objective 8 Reporting of annual activities for 2014*

The annual activity report 2014, based on the objectives of the Work Plan 2014, conducted an assessment on Alb EITI performance and progress during 2014.

#### ■ *Objective 9 2013 EITI Report and 2014 EITI Report*

The Albanian EITI Secretariat publishes its 6th EITI report. The 2013 and 2014 EITI Reports were published on 23 December, 2015. In addition to taxes and other payments made to the government by oil, gas and mining companies, this data reconciliation report includes for the first time data from the hydropower sector. Deloitte Audit Albania, the Independent Administrator, prepared and coordinated the reconciliation of the EITI report for the two fiscal years, 2013-2014. Deloitte Audit Albania, in collaboration with the Albanian EITI Secretariat, organized a workshop on 27 July, 2015, in the premises of the Ministry of Energy and Industry, with all the administrators of oil, mining and hydropower companies regarding data reporting and disclosure. Instructions, formats and documents relevant to the EITI reporting for 2013 and 2014 were made available to all participants. The report was discussed and approved by MSG during the meeting of Albanian EITI Board held in December and was published on the Alb EITI official website. On January 8, 2016, the Head of EITI Secretariat, Ms. Dorina Çinari, gave the first television interview on the publication of the 2013 and 2014 EITI Reports.



#### *Objective 10 Reconciliation– Good governance of extractive industry revenues in local government*

In its meeting held on March 23, 2015, the MSG and the Albanian EITI Secretariat decided over the establishment of a working group on the subject “Reconciliation of royalty income received by Patos Municipality and administration of funds for the benefit of the community for 2012”. The royalty income for the Municipality of Patos for 2012 is higher compared to the other areas of the industry. The report was prepared by the Albanian EITI Secretariat based on data reported by the Ministry of Finance, Budget Directorate, and the assessment of work and procedures followed in the Municipality of Patos and the Commune of Mbrostar. The study was published on 09 October, 2015.

#### *Objective 11 Institutionalization of Albania EITI*

On 12 March, 2015, the Albanian Parliament approved the changes to the hydrocarbon law No. 7746, dated 28 July, 1993 (exploration and production) which also includes a clause on EITI Initiative in Albania. In the framework of Extractive Industries Transparency Initiative, the contractors that have signed hydrocarbon agreements, tax and customs administrations, as well as local and central government bodies have the liability to report to the Extractive Industries Transparency Initiative in accordance to the standard set by this initiative and the requirements specified in the regulations prepared in compliance with the obligations set out for the Extractive Industries Transparency Initiative which is entitled to publish the data.

#### *Objective 12 MSI Integrity Report*

On February 2015, the Albanian EITI Secretariat published on its official website ([www.albeiti.org](http://www.albeiti.org)) the report on “Preservation of foundations, Assessment of the Governance of Multi-stakeholder Groups of Extractive Industries Transparency Initiative, MSI Integrity. The report was presented to MSG members for further steps and was discussed at the next Board meeting. The Board decided the establishment of a working group consisting of three MSG members, a civil society representative, a company representative and a representative from state institutions, and with the support of the Secretariat, brought to light the findings of the report on Albania. Based on MSI Integrity Report, the working group decided to prepare the new terms of reference for the MSG.



#### *Objective 13 Enrichment of EITI Reports*

The 2013 and 2014 EITI reports include reporting on CSR activity within the framework of EITI reports.

#### *Objective 14 Surveys in EITI impact*

After the publication of the 2011 and 2012 EITI Reports and the EITI advertisement in local and national televisions, on September 29, 2015, the Albanian EITI Secretariat launched a second survey about the EITI impact on the community. The number of questionnaires rose from 500 to 700 compared to the first survey conducted on September 23, 2014. This initiative was carried out until December 2015 and served as a promotion tool regarding EITI implementation in Albania and also provided the possibility to have direct meetings with the residents of extractive areas such as Bulqiza, Librazhdi, Kukesi, Patosi, Fieri, Përrenjasi, and Tirana. The questionnaire consisted of 18 questions, aiming to assess the knowledge of the population in general and of the residents of these areas in particular about the extractive industry and Albanian EITI work, data and results. The survey showed that the residents still lack information regarding the latest developments in the extractive industry and also their discontent over the small number of investments in the community.

#### *Objective 15 Developing the communication strategy for 2016*

The package for the public awareness campaign for the activities foreseen in the Communication Strategy 2015 was amended regularly and therefore was applied even in the second half of the year. This led to the postponement of the Communication Strategy 2016 for 2017, for which a competent and reliable consulting firm shall be selected.

#### *Objective 16 EITI capacity building*

The Albanian EITI Secretariat undertook training programs considering the important cooperation and capacity building for parliamentarians, officials, MSG members, journalists and EITI staff over the governance of resources in the extractive industry, fiscal regime, legislation, EITI standard as well as social and environmental impacts caused by the extractive industry. The Albanian EITI Secretariat, in compliance with the World Bank



selection procedure, selected *Columbia Center on Sustainable Investment School* for a three-day training that was held on 2-4 December 2015. The first day of training brought together the parliamentary group of the Committee on Productive Activity, in a conversation which focused on the challenges of accountability and how EITI could serve as a tool for parliamentarians. In the second part of the day, the focus shifted to journalists and scholars who discussed over the presentations of *Columbia Center on Sustainable Investment School* focusing on extractive industry sustainability as well as legal and fiscal framework. In the second and the third day, the workshop was attended by members of MSG and official representatives of institutions that play a key role in the EITI process, such as representatives from Tax and Customs Administration, Ministry of Finance, the Albanian Geological Survey, the National Agency of Natural Resources, Ministry of Energy and Industry, etc. At the start, the participants followed an introduction on the accountability and transparency in the oil and mining sectors resulting from the implementation of the EITI initiative in Albania. The second day of training was closed with discussions over the legal and regulatory frameworks in Albania. In the last day, the workshop focused on the fiscal frameworks, revenue management as well as social and environmental impacts that affect the connection between the industry and community.

#### **Objective 17** *Information Dissemination*

The Albanian EITI Secretariat launched for the first time in national and local televisions the EITI advertising campaign. The advertising campaign aims to draw public's attention over Albania's natural resources and how these resources are actually handled. It then states that it is the EITI Initiative that publishes data about the extractive industry, the quantities produced, where are natural resources located, the number of employees in this industry, what do we benefit and how a better management of revenues from the extractive industry will lead to better public services, as well as more hospitals, schools and infrastructure. New leaflets were also produced for this purpose along with a summary of main data from the 2011 and 2012 EITI reports. The new leaflets were distributed to the interviewed residents in the areas where the second survey was carried out.





## Assessment of performance in compliance with the EITI requirements

On December 23, 2015, MSG and Albanian EITI Secretariat published in a joint report the EITI Report for 2013 and 2014 fiscal years. Payments reported by all licensees companies operating in exploration of oil, gas, hydro-power and mining; all licensees companies operating in production of oil and gas, hydro-power and by large producers in the mining sector. The license register and manner of registration taken from extractive industry entities, licensees granted and their coordinates, data summary in accordance with the IMF model for the evaluation and implementation in the coming years etc., that previously were not reflected in EITI reports are also identified. Furthermore, MSG and EITI Secretariat requested from the Albanian government institutions to report the revenues received from these companies. Under the requirements of EITI Standard is included the contextual information on extractive and hydro-energy sector.

### Evaluation of EITI requirements in respective Reports

Requirements	Progress
<p>1. EITI Requirement 3.1</p> <p><i>Compiling contextual information: The multi-stakeholder group should agree the procedures and responsibilities for the preparation of the contextual information for the EITI Report. The information should be clearly sourced.</i></p>	<p>For the compiling contextual information the MSG and Albania EITI asked industries and regulatory agencies, charged by law to support and reporting on EITI to provide data not only for the fiscal one but also to provide for the Albanian EITI Secretariat data on macroeconomic, exports and collected revenues from extractive industry.</p>

<p>2. EITI Requirement 3.2 (A)</p> <p><i>This information must include a summary description of the fiscal regime, including the level of fiscal devolution, an overview of the relevant laws and regulations, and information on the roles and responsibilities of the relevant government agencies.</i></p>	<p>2013 and 2014 EITI Report highlights a summary of the main requirements of law and regulation and applicable fiscal regime applied to each sector.</p>
<p>3. EITI Requirement 3.2 (B)</p> <p><i>Where the government is undertaking reforms, the multi-stakeholder group is encouraged to ensure that these are documented in the EITI Report.</i></p>	<p>2013 and 2014 EITI Report provide a description of expected changes regulation and fiscal regime of the oil and gas sector.</p>
<p>4. EITI Requirement 3.3</p> <p><i>The EITI Report should provide an overview of the extractive industries, including any significant exploration activities.</i></p>	<p>Report provides an overview of the upstream sector of oil and gas, mining and hydro-energy sector in Albania. Also an information on significant exploration activities is provided for the oil and gas sector and for the mining sector.</p>
<p>5. EITI Requirement 3.4 (A)</p> <p><i>Size of the extractive industries in absolute terms and as a percentage of GDP, including an estimate of informal sector activity.</i></p>	<p>Report provides information on GDP measured at current prices and relative size of the extractive industry and power sector. The Ministry of Finance could not provide an estimation of informal activity in the Albanian economy and more specifically in the oil and gas, mining and hydro-energy sectors.</p>
<p>6. EITI Requirement 3.4 (B)</p> <p><i>Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees, and other payments) in absolute terms and as a percentage of total government revenues.</i></p>	<p>Government's revenue for main benefit streams is summarized. Barriers and limitations on disclosure of total government's revenue for all benefit stream are explained.</p>

<p>7. EITI Requirement 3.4 (C)</p> <p><i>Exports from the extractive industries in absolute terms and as a percentage of total exports.</i></p>	<p>Information on exports from extractive industries in absolute term and as a percentage to total exports is presented.</p>
<p>8. EITI Requirement 3.4 (D)</p> <p><i>Employment in the extractive industries in absolute terms and as a percentage of the total employment.</i></p>	<p>Employment in the extractive industries in absolute term and as a percentage to total employment is presented.</p>
<p>9. EITI Requirement 3.4 (E)</p> <p><i>Key regions/areas where production is concentrated.</i></p>	<p>Report provides information on main districts where production is concentrated respectively: for oil and gas; for mining sector; and for the hydro-energy sector.</p>
<p>10. EITI Requirement 3.5 (A)</p> <p><i>Total production volumes and the values of production by commodity, and, when relevant, by state/region.</i></p>	<p>Production quantities and values by commodity and region are shown. Data shown and price used for valuation are clearly sourced and alerted.</p>
<p>11. EITI Requirement 3.5 (B)</p> <p><i>Total export volumes and the value of exports by commodity, and, when relevant, by state/region of origin.</i></p>	<p>Volumes, values and destination countries of exports are disclosed for the oil and gas sector; mining sector and hydro-energy sector.</p>
<p>12. EITI Requirement 3.6 (A)</p> <p><i>An explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and</i></p>	<p>Rules and practices governing the financial relations between the State and the SoEs in the oil and gas sector and hydro-energy sectors are described respectively for relations between the State and Albpetrol; and for relations between the State and KESH, OST and OSSH. No SoEs were identified in the mining sector.</p>

<p>third party financing.</p>	
<p>13. EITI Requirement 3.6 (B)</p> <p><i>Disclosures from SOE(s) on their quasi-fiscal expenditures such as payments from social services, public infrastructure, fuel subsidies and national debt servicing. The multi-stakeholder group si required to develop a reporting proces with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint venture.</i></p>	<p>The State's subsidizes the power sector through regulating the energy costs. In addition granted and guaranteed loans to the SoEs in the hydro-energy sector. These are described in Report. No other payments made for quasi-fiscal expenditure are identified in the sector.</p>
<p>14. EITI Requirement 3.6 (C)</p> <p><i>Disclosure form the government and SOE(s) of their level of beneficial ownership in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiariesand joint ventures, and any changes in the level of ownership during the reporting period. This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g. full-paid equity, free equity, carried interest. Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction,including details regarding valuation and revenues. Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed in the EITI Report.</i></p>	<p>Disclosure of the Government and Albpetrol's level of beneficial ownership in oil and gas projects in the Albania is provided. In the hydro-energy sector the Government granted BOT concessions for the construction of medium and small HPPs. HPP and surrounding infrastructure will be transferred to the Government at the end of the concessions. Revenue on privatization of HPPs in 2013 is also provided.</p>

<p>15. EITI Requirement 3.7 (A)</p> <p><i>The EITI Report should indicate which extractive industry revenues, whether cash or in-kind, are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of these revenues must be explained, with links provided to relevant financial reports as applicable, e.g. sovereign wealth and development funds, sub-national governments, state-owned enterprises, and other extra-budgetary entities.</i></p>	<p>Report provides a summary of allocation of direct revenue generated by the oil and gas, mining and hydro-energy sectors between the National budget and other public entities and SoEs, showing whether these payments are made in cash or in kind. Payments in kind are marked and identify revenue.</p>
<p>16. EITI Requirement 3.8 (A)</p> <p><i>A description of any extractive revenues earmarked for specific programmes or geographic regions. This should include a description of the methods for ensuring accountability and efficiency in their use.</i></p>	<p>Government expenditures and budgets do not provide details of funds earmarked for specific programs in the sectors of oil, gas and mining. Funds planned to be invested in the hydro-energy sector are also shown.</p>
<p>17. EITI Requirement 3.9 (A), (B), (C)</p> <p><i>The term license in this context refers to any license, lease, title, permit, or concession by which the government confers on a company(ies) or individual(s) right to exploit oil, gas and/or mineral resources. b) Implementing countries are required to maintain a publicly available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies covered in the EITI Report: i. License holders(s), ii.coordinates of the license area, iii.date of application, date of award and duration of the license, iv. In the case of production licenses, the commodity being produced. It is expected that the license register or cadastre includes information about licenses held by all entities, including companies and individuals or groups that are not</i></p>	<p>License terms granted in each sector are provided.</p>

<p><i>included in the EITI Report, i.e. where their payments fall below the agreed materiality threshold. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained in the EITI Report, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them. c) Where the information set out in 3.9(b) is already publicly available, it is sufficient to include a reference or link in the EITI Report. Where such registers or cadastre do not exist or are incomplete, the EITI Report should disclose any gaps in the publicly available information and document efforts to strengthen these systems. In the interim, the EITI Report itself should include the information set out in 3.9 (b) above.</i></p>	
<p><b>18. EITI Requirement 3.10 (A) dhe (B)</b></p> <p><i>Implementing countries are required to disclose information related to the award or transfer of licenses pertaining to the companies covered in the EITI Reports, including: a description of the process for transferring or awarding the license; the technical and financial criteria used; information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.</i></p> <p><i>Where licenses are awarded through a bidding process during the accounting period covered by the EITI Report, the government is required to disclose the list of applicants and the bid criteria.</i></p>	<p>Information on current process for allocating licenses and comments on the level of transparency are provided.</p>

<p>19. EITI Requirement 3.11</p> <p><i>Beneficial ownership</i></p>	<p>MEI announced that currently there are no organized initiatives to build a register including the beneficial ownership chain for licensees and concessions granted in the sectors.</p>
<p>20. EITI Requirement 3.12</p> <p><i>Contracts</i></p>	<p>Government policy for contract disclosure is commented. Mining industry contracts are publicly identified in National Licensing Center. Oil industry contracts still remain unpublished.</p>
<p>21. EITI Requirement 4.1 (A) dhe (B)</p> <p><i>In advance of the reporting proces, the multi-stakeholder group si required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds. Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report. A description of each revenue stream, related materiality definitions and thresholds should be included in the EITI Report. In establishing materiality definitions and thresholds, the multi-stakeholder group should consider the size of the revenue streams relative to total revenues. The multi-stakeholder group should document the options considered and the rationale for establishing the definitions and thresholds. b) The following revenue streams should be included: i. The host government's production entitlement (such as profit oil). ii. National state-owned enterprise production entitlement. iii. Profit taxes. iv. Royalties. v. Dividends. vi. Bonuses, such as signature, discovery and production bonuses. vii. Licence fees, rental fees, entry fees and other considerations for licencës and/or concessions. viii. Any other significant payments and material benefit to government. Any revenue stream or benefits should only be excluded where they are not applicable or where the multi-stakeholder group agrees that their omission will not materially affect the comprehensiveness of the</i></p>	<p>Report provides information on materiality thresholds set, reporting entities and payments selected for reconciliation by the MSG, including comments on accuracy and limitation of information used for the establishing materiality, reporting entities and payments to be reported.</p>

<p><i>EITI Report.</i></p>	
<p><b>22. EITI Requirement 4.1 (C)</b></p> <p><i>Sale of the state's share of production or other revenues collected in-kind: Where the sale of the state's share of production or other revenues collected in-kind si material, the government, including state-owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated to levels commensurate with the reporting of other payments and revenues streams (Requirement 5.2.e). Reporting could also break down disclosures by the type of product, price, market and sale volume. Where practically feasible, the multi-stakeholder group si encoured to task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting proces.</i></p>	<p>Share of oil payments collected in-kind by Albpetrol and process applied by Albpetrol for the sale of oil is described. Details of volumes, values and contractors for the year 2013 and 2014 are also disclosed.</p>
<p><b>23. EITI Requirement 4.1 (D) dhe (E)</b></p> <p><i>Infrastructure provisions and barter arrangements: The multi-stakeholder group and the Independent Administrator are required to consider whether there are any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure Works), in full or partial Exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. To be able to do so, the multi-stakeholder group and the Independent Administrator need to gain a full understanding of: the terms of the relevant agreements and contracts, the parties involved, the resources which have been pledged by the state, the value of the balancing benefit stream (e.g. infrastructure works, and the materiality of these agreements relative to conventional contracts. Where the multi-stakeholder group concludes that these</i></p>	<p>No infrastructure barter agreements, granting oil and other commodities in exchange for building infrastructure are currently identified in the upstream sector of oil, gas and mining. Material provision reported by operating companies for building infrastructure, social expenditures and indemnifications included in TAPs host country agreement are described.</p> <p>Local Government Units have been invited and have reported payments over \$5000 benefited from extractive industry entities and the central government for payments over \$50000 obtained as above.</p>



*agreements are material, the multi-stakeholder group and the Independent Administrator are required to ensure that the EITI Report addresses these agreements, providing a level of detail and transparency commensurate with the disclosure and reconciliation of other payments and revenues streams. Where reconciliation of key transactions is not feasible, the multi-stakeholder group should agree an approach for unilateral disclosure by the parties to the agreement (s) to be included in the EITI Report.*

*e) Social expenditures: where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, the EITI Report must disclose and, where possible, reconcile these transactions. i. Where such benefits are provided in-kind, it is required that the EITI Report discloses 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. ii. Where reconciliation is not feasible, the EITI Report should include unilateral company and/or government disclosures of these transactions. iii. 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 approach for voluntary unilateral company and/or government disclosures to be included in the EITI Report.*

<p>24. EITI Requirement 4.1 (F)</p> <p><i>Transportation: where revenues from the transportation of oil, gas and minerals constitute one of the largest revenue streams in the extractive sector, 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 5.2.e). The EITI Report could include:</i>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. Disclosure of revenues received by government entities a SOE(s), in relation to transportation of oil, gas and minerals. v. Where practicable, the multi-stakeholder group si encouraged to task the Independent Administrator with reconciling material payments and revenues associated with the transportation of oil, gas and minerals.</p>	<p>Report has reflected transport payments requests. Especially transportation through sea ports such as in Porto Romano, Durrës dhe Petrolifera, Vlorë. The stata has no income obtained from management companies that have received this right by law.</p> <p>Oil, gas and mining output is transported via trucks to the delivery point. There are no operating pipelines or SoEs engaged in the oil, gas and mining transportation sector. Information for oil and gas is disclosed.</p>
<p>25. EITI Requirement 4.2 (A) dhe (B)</p> <p><i>The EITI Report must provide a comprehensive reconsiliation of government revenues and company payments, including payments to and from state owned enterprises, in accordance with the agreed scope (Requirement 4.1). All companies making material payments to the government are required to comprehensively disclose these payments in accordance with the agreed scope. An entity should only be exempted from reporting if it can be demonstrated that its payments and revenues are not material. All government entities receiving material revenues</i></p>	<p>Report provides information on materiality thresholds set, reporting entities and payments selected for reconciliation by the MSG, including comments on accuracy and limitation of information used for the establishing materiality, reporting entities and payments to be reported. Barriers to disclosure of full revenue received by the sectors under reporting are also described.</p>

<p><i>are required to comprehensively disclose these revenues in accordance with the agreed scope. b) Unless there are significant practical barriers, the government is additionally required to provide, in aggregate, information about the amount of total revenues received from each of the benefit streams agreed in the scope of the EITI Report, including revenues that fall below agreed materiality thresholds. Where this data is not available, the Independent Administrator should draw on any relevant data and estimates from other sources in order to provide a comprehensive account of the total government revenues.</i></p>	
<p><b>26. EITI Requirement 4.2 (D)</b></p> <p><i>Sub-national payments: It is required that the multi-stakeholder group establish whether direct payments, within the scope of the agreed benefit streams, from companies to sub-national government entities are material. Where material, the multi-stakeholder group is required to ensure that company payments to sub-national government entities and the receipt of these payments are disclosed and reconciled in the EITI Report.</i></p>	<p>Material payments collected by SoEs (Albpetrol and KESH) and AKBN are analyzed. The revenue received for these payment streams are reconciled to the licensees reporting for the years 2013 and 2014.</p> <p>.</p>

27. EITI Requirement 4.2 (E)

*Sub-national transfers: 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 si required to ensure that material transfers are disclosed in the EITI Reports. The EITI Report 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 ammount that was transferred between the central government and each relevant sub-national entity. The multi-stakeholder group si encouraged to reconcile these transfers. The multi-stakeholder group si encouraged to ensure that any material discretionary or ad-hoc transfers are also disclosed and where possible reconciled in the EITI Report. 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 the Requirement 1.5.*

Subnational transfers of royalties and revenue sharing formula is described. No other of mining royalties transfer is reported by the Ministry of Finance for the mining extractive industries areas. Only hydrocarbon extractive industries areas have benefited in the reporting years of 2013 and 2014.



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

The MSG also discussed the recommendations of the 2013 and 2014 EITI Report, including the following:

### *Recommendation 1* — **Delays and discrepancies**

In order to facilitate the reconciliation and reporting work, Deloitte Audit Albania suggests establishing an annual time-scheduled process. The annual deadline for submission of declarations should be planned ahead and be included in the reporting entities schedule. Accordingly, selection of the reporting entities and requirements shall be planned and communicated months ahead of the reconciliation work schedule. Furthermore, in order to reduce the number of discrepancies with reported payments to tax authorities, the MSG may ask reporting entities to agree with tax regional offices the amount of taxes paid for the year covered by reporting, prior to submitting their EITI reporting. The Ministry should follow up on strict application of local legislation related to the financial reporting and auditing of financial statements of the companies in this sector. This will enable increase in the quality and quantity of the financial information produced in relation to the extraction activity in Albania.

### *Recommendation 2* — **Assurance process**

In the context of improving the quality of the companies reporting and at the same time obtain assurance on the reported information, Deloitte Audit Albania recommend that the Ministry requires the licensees to disclose EITI payments in the required format and other information as a separate report or in an annex to the annual financial statements. In both cases, this information should be subject to independent annual audits.

### *Recommendation 3* — **Other quality aspects of the payments analysis**

Deloitte Audit Albania suggests MEI to enforce regulatory requirement in order to achieve reporting of payments and taxes by each license terms. Comparison of trends of payments by license terms compared to level of production and taxes applied, will provide MEI with useful basis for budgeting revenues and analyzing effectiveness of fiscal policies applied in mid-term and long-term.



#### *Recommendation 4* — **Access to timely and reliable information from the reporting government entities**

In order to enhance effectiveness and efficiency of reporting from the Government, Deloitte Audit Albania recommends the following:

\_Cooperating with the Government's MIS team to establish reports that can produce from the Treasury system, information on payments collected by revenue streams from individual tax payers. For a number of reasons explained in the following points, access to reports from the Government central MIS would be the best option.

\_However, if this option is not feasible in short or medium term, Deloitte Audit Albania recommend looking for opportunities to produce such disaggregated payment information from the collecting government agencies' MIS.

#### *Recommendation 5* — **Reporting from Local Government Units**

LGUs have certain autonomy in cooperating and taxing business operating in their managed areas. To improve transparency in such cooperation in terms of payments local taxes and fees, contributions and activities made in the benefit of local communities etc. Deloitte Audit Albania recommends selecting a number of LGUs based on level of production activities reported by AKBN. Selection of reporting LGUs and requirements shall be planned and communicated months ahead of the reconciliation work schedule, in order to fit the reporting requirements within their schedules.

#### *Recommendation 6* — **Limitations on reports produced by the Tax authorities' MIS**

As recommended earlier in point 7.2.1 in order to enhance effectiveness and efficiency of reporting from overall government agencies MSG and EITI Albania shall cooperate with the Government's MIS team to establish reports that can produce from the Treasury system. However, if this option is not feasible in short or medium term, and considering the relative size of revenue collected by tax authorities from the concerned sectors, Deloitte Audit Albania recommends looking for opportunities to produce such disaggregated payment information from the GDT's MIS.



#### *Recommendation 7* — **Publication of statistics in the sector**

In order to enhance completeness and accuracy, reliability and accessibility of the contextual information, Deloitte Audit Albania recommends that the Ministry of Energy and Industry publishes on a periodical basis (at least annually) contextual information including: the potential of the industry and current production, the contribution to the economy, the strategy on the sector, events and facts, current regulation, and forthcoming changes, etc. Disclosures can include other information useful for statistics on the sector such as:

- \_ Production size and quality details (gravity of oil, concentration of minerals etc.),
- \_ Investments (number of wells and mineshaft hold / developed),
- \_ Environmental rehabilitation projects and costs,
- \_ Workforce employed average salary and subcontracting, social expenses, etc.

These can be collected and elaborated annually and provide the basis for reporting statistics and facts on the industry. AKBN, engaging in several monitoring activities in the sector can contribute to this compiling contextual through collating received information out of individual licenses' annual monitoring reports based KPIs set by the MSG on production, reserves, sales, employee number, investment in environment, social payments etc.

In addition, through use of KPIs, AKBN can summarize facts based on annual environmental studies highlighting risks and trends on a country level as well as specific areas where activity of operators in the extraction and energy sector is concentrated. In the context of improving reporting and statistics on the extractive sector, Deloitte Audit Albania recommends the Ministry of Energy and Industry consider whether to implement similar reporting requirements as in the EU Directives on Accounting and Transparency.

#### *Recommendation 8* — **Production data and values**

In addition to declarations submitted, Deloitte Audit Albania suggests that AKBN provides a comparison of the production declared with the measurements made from AKBN throughout the year, including details of mineral concentration and values based on local market transactions and exports. Transaction prices could be compared to international prices for the minerals.



#### *Recommendation 9* — **Disclosure of total government revenue**

The Central Government's Treasury collects information on all payments made by individual taxpayers despite the collecting government entity or industrial sector. As suggested in 7.2.1, through working with the Government's MIS, the MSG can derive full disclosure government's revenue in the extractive sector and hydro-energy. Such, can be pursued through maintaining an updated register of license operating including accurate data on license number and Tax identification number. The same register should be furnished in real-time to the Government's MIS. If cooperation with the Government's MIS is not possible in short or medium term, Deloitte Audit Albania suggests cooperation with tax collecting agents such as tax and custom authorities and the local government, which represent the major agents receiving and administering taxes. In addition to fulfilling a standard requirement, updated information from the Government's reporting system will enhance statistics from the sector and can be compared with other information such as production levels, structure of the industry, number of licenses etc.

#### *Recommendation 10* — **Reserves**

We understand that assessing the national reserves requires many years and comprises a heavy cost burden to the State's Budget. However, reserves are key to providing contextual information on the overall worth of the national resources in accordance with the EITI requirement 3. Deloitte Audit Albania suggests MEI to overweight the benefits from current measure of reserves across all over Albania and considers implementation of the project in certain area with significant extraction interest. In addition, coherent information on reserves proven and probable reserves in combination with tight control over current exploration and extraction activities should help with effective production and fiscal planning and prevent abuses with the national resources.

#### *Recommendation 11* — **Maintaining of an updated public register of licensees and concessions**

Implementing countries are required to maintain a publicly available register or cadaster system(s) with the following timely and comprehensive information regarding each of the licenses granted, including:

- \_ License holder(s);
- \_ Coordinates of the license area;





\_ Date of application, date of award and duration of the license; and

\_ In the case of production licenses, the commodity being produced.

The license register or cadaster shall include information about licenses held by all entities, including companies and individuals or groups that are not included in the EITI Report, i.e. where their payments fall below the agreed materiality threshold. As explained earlier in this section, maintenance of an updated public register will contribute to improvement of reporting on Government's revenue on the sector. Furthermore, accurate data on licensees, Tax identification numbers (NUI), contact details, address etc. will facilitate the communication with entities selected to report in the EITI report.

#### *Recommendation 12* — **Transparency over license allocation**

Deloitte Audit Albania recommends MEI disclose in its website for public access methods, criteria used and name non-winning bids. Such disclosure will enhance transparency of the process and contribute towards improving the effectiveness of bids and negotiations.

In addition, Albania has signed investment treaties with many countries (full list of treaties in force is provided in: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/2#iiaInnerMenu>).

These agreements impose heavy requirements on transparency of licensing and procurement procedures. Under these circumstances, lack of transparency and ineffective processes for allocation licensees could expose the Country against international arbitration claims.

#### *Recommendation 13* — **Regulatory aspects in the context of EITI reporting**

In order to overcome the barriers listed above on regulatory enforcement of reporting of cash flows Deloitte Audit Albania recommends the MSG establish complementary regulation addressing all aspects of:

\_ Preliminary analysis for establishing materiality and payments to include in reporting;

\_ Timing and form of reporting by licensees

\_ Timing and form of reporting by recipient public entities

\_ Timing and form of reporting concerning the contextual information

\_ Level of assurance to be obtained for each reporting

\_ Forms to address aspects of confidentiality etc.



The regulation need also to address time required for each reporting entity and public institution to adapt to the requirements and plan the EITI reporting accordingly, to allow for an effective process. Reporting templates and instructions shall be reviewed and updated for changes in EITI scope and requirements, regulation updates, and new facts affecting the extractive industry (i.e. new revenue streams, licensees etc.).

Selection of the reporting entities should be planned and communicated months ahead of the reconciliation work schedule. Deloitte Audit Albania suggests requesting all licensees (where possible) to submit electronic declarations via web or email. Reconciliation work may focus on a sample based on the scope of EITI reporting and changes in the sector. Provided that the EITI Albania systems support this application, approved templates and instructions may be published on the ALBEITI website, where can be downloaded by the reporting entities, filled and uploaded through a dedicated portal on the website. Officially, signed forms would be submitted thereafter by mail within the deadline set or be uploaded on the same web portal. Declarations not selected for the reconciliation process may be presented unilaterally in the report, compared to production data and total cash flows reported by the government institutions etc.

### ***Setting a deadline for submission of declarations and reconciliation work***

The annual deadline for submission of declarations should be planned ahead and be included in the reporting entities' schedule. As a result, the time required for collection of data is expected to be reduced and the accuracy of reporting would most likely be improved. The same deadline should be established for both licensees and recipient government entities. The beginning of May of the following calendar year might be considered as the deadline for submission of declarations with the reconciliation work performed in May and June.



## *Strengths and weaknesses identified in EITI process*

### Strengths

In line with the EITI standard, the Albanian EITI Secretariat included for the first time the hydropower sector in the 2013 and 2014 EITI Reports, by ranking Albania as the only country among the 50 implementing countries that adds this sector voluntarily in the EITI reports. Albania is also the only EITI country that for the second consecutive year publishes two EITI reports within a year and this motivates us to continue this Initiative with more commitment for the coming years.

### Weaknesses

In spite of the numerous activities held in 2015 for the promotion of the EITI initiative, the second survey organised by the Albanian EITI Secretariat in extractive areas showed that local population still lack knowledge over the issue. Furthermore, the lack of coherent reports has not prompted so far the interest of journalists. This was confirmed by the low participation in the workshop organised by the Albanian EITI Secretariat with journalists of print and visual media in Albania. The contract has been amended due to delays in reporting, which also led to the delay of the publication of the report.



## *Total cost of implementation*

Albanian EITI Secretariat for 2015 was covered by State Budget, World Bank funds and other donor funds. The amount of State Budget fund allocated to EITI Secretariat for 2015 was 17.160.000 ALL. The World Bank grant for 2015 was 9.214.388 ALL and 38.364 USD and mainly used to complete the 2013 and 2014 EITI Report, etc. Albanian EITI actual staff for 2015 was nine (9) employees. Other donor funds was used to pay the consultants and EITI activities referred to in this report.

A detailed description of activities in 2015 is given below.

### Budget fund

Forecast 17,160,000 ALL

Completed 15,284,732 ALL (95.89%)

### Fund detailed by items

#### *A. State Budget*

Forecast 11,350,000 ALL

Completed 7,827,000 ALL

#### *C. World Bank*

9,214,833 ALL

38364 \$

#### *B. Insurance*

Completed 3,033,731 ALL

#### *D. Other operating expenses*

State budget 2,228,481 ALL

#### *E. Investment*

Completed 2195520 ALL

#### *F. Other donor funds*

Completed 15081 \$



*Any additional comments*

We would like to take this opportunity to thank the Ministry of Energy and Industry for their continued support to the Albanian EITI Secretariat and looking forward to a long lasting relationship between both our institutions.

*Has this activity report been discussed beyond the MSG*

2015 Annual Activity Report was introduced to all MSG members, contributors and those engaged in the EITI process. Suggestions from each stakeholder have been taken into account.

*Details of membership of the MSG during the period*

The year 2015 MSG consists of 5 civil society representatives, 5 companies representatives and 7 government representatives including MSG chairman. Noted that in every MSG meetings all contributors who have been part of EITI initiative since its foundation are notified and every suggestion is taken into account. Mrs. Ilir Betja, MSG chairman invited representatives from other institutions to attend in the EITI Boards meetings.

Approved by MSG:

Date: \_\_\_\_\_

## *Pictures from activities*

Presentations on good governance of natural resources with stakeholders







## Meetings with the Faculty of Geology and Mining students



## MSG meetings





## Albanian EITI part of the movement “To clean Albania”







## PWYP and Albanian Civil Society



## Albanian Oil, Gas and Energy 2015 Summit





## Albania EITI in print



## EITI AD in local and national media

