





# Preface

This is the detailed activity report of Extractive Industries Transparency Initiative – EITI for 2016, as part of the country's membership in the EITI International organization and compliance with the EITI standard, a process marked by positive achievements as well as notable and measurable progress, and which has gained considerable appraisal from our partners both home and abroad.

In 2016, EITI implementation in Albania entered a new phase. The natural progress of EITI processes, has increased our responsibilities making us move from the "initial efforts" phase to a new phase, that of "sustainable development", hence inciting us to focus and invest in those activities that will enable the sustainability and consolidation of EITI processes.

The preparation of EITI Report 2015 was by all means at the core of our activity, not as an end in itself, but as a scoping tool for the entire Extractive Industries sector in Albania. EITI Albania wants to see its activity grow from year to year. In 2015, as part of the transparency on natural resource governance, Albania officially declared that it will extend reporting to the hydro-energy sector, aiming at good governance of natural resources, as part of country's priorities and policy for sector reform, and amids the challenges and speculations about corruption that the sector is actually facing. It is the Albanian government's commitment to ensure sector's transparency. For the third consecutive year, we consolidated the voluntary reporting on hydro-energy sector in compliance with the EITI standard.

We have identified as a central part of our agenda for 2016 the comparative analysis between the Albanian Legal Framework and EITI Standard, as an essential part of this process.

Based on the findings discovered during the preparation of 2013 and 2014 EITI reports, we identified the need to work on reviewing and adopting the Albanian legal framework so as to meet the requirements of EITI Standard and other initiatives in order to ensure a normal



flow of the EITI reporting process and faciliate the work for the preparation and adoption of required legal provisions and liaison with other laws.

The analysis carried on the Albanian legal framework underlined the gaps and highlighted the changes and/or amendments that need to be made in the laws related to the EITI processes with the aim not only to ensure compliance with the EITI standard but also, transparency and accountability regarding the way the revenues generated by extractive industries in Albania are collected and used.

Frequent on-site communication activities and capacity building for stakeholders occupied an important place in our work. The EITI process has brought about new partners, such as students, scholars, lawmakers, analysts, members of parliaments, etc. They should be part of the EITI processes and all communication must be in accordance with their specifications.

Our work in 2016 focused also on MSG strengthening, regulation and institutionalization.

# General assessment on annual performance



In December 2015, the EITI Report for the years 2013 and 2014 was published. In January 20, 2016, a joint press conference was held for this purpose between the Albanian EITI Secretariat and the Ministry of Energy and Industry. The Minister of Energy and Industry, Mr. Damian Gjiknuri and Head of EITI Secretariat,

Mrs. Dorina Çinari, highlighted in their speech the fact that transparency in the extractive



industry contributes to the country's good governance and appreciated the certified data coming from extractive industry sectors. In addition to taxes and other payments made to the government by oil, gas and mining sectors, these reports included for the first time data from the hydropower sector, disclosed through a transparency analysis. Deloitte Audit Albania, the Independent Administrator, compiled and coordinated the reconciliation of EITI reports for the two fiscal years.

Following the publication of EITI reports for 2013 and 2014, Mrs. Dorina Çinari gave the first television interview on January 7, 2016 while responding to all questions addressed to her regarding the findings of EITI report as well as EITI objectives and mission in general.

As one of the EITI implementing countries, Albania was represented at the EITI Global



Conference held in Lima, Peru on February 24-25, 2016, by state institutions, civil society in MSG and Albanian EITI Secretariat. The event focused on the EITI global activity over a three year period and in his speech, the Minister of Energy and Industry, Mr. Damian Gjiknuri stated that Albania as a country facing major challenges in terms of transparency in general and EITI processes in particular,

has marked considerable progress. Although the country was threatened with "suspension from the EITI initiative" in 2014, it managed to publish four EITI reports for the 2014-2015 period in accordance with EITI standards, and for the first time in the EITI history, it proposed the inclusion of the hydropower sector in EITI reports. Mr. Gjiknuri declared once again the Albanian Government support in EITI processes and global initiative efforts to disclose the Beneficial Owners.





During its stay in Peru, the Albanian delegation held meetings with different civil counterparts, society partners and Head of EITI Secretariat. Mr. Jonas Moberg. The newly elected FITI Board chairman, Mr. Fredrik Reinfeldt met with the Albanian delegation at the EITI Albania exhibition stand.

On April 27-28, 2016, the first Conference of the International Chromium Development Association was held in Tirana. Representatives from the largest chromium and ferrochromium companies from about 30 countries around the world such as South Africa, Singapore, China, Japan, Turkey, England, France, Switzerland, Sweden, USA, Italy, India, Belgium, United Arab Emirates etc. gathered to hold for the first time in Tirana the Members' Meeting. This meeting was organised by the International Chromium Development Association (ICDA) in cooperation with AlbChrome and served as a good opportunity for the world's largest chromium and ore producers and traders to learn about the dynamics of Albanian economy as well as the possibilities provided by the chromium market and industry potential for foreign markets. The Minister of Energy and Industry presented in his speech data from EITI Reports 2013-2014 stating that chrome production occupies 76% of domestic ore production.

In 2015, in the context of expanding the activities over natural resources governance, Albanian EITI volunteered to participate in the pilot project undertaken by Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) to assess the impact of extractive industry on the local economy. On May 3, 2016, Mining Shared Value, a venture between Engineers Without Borders Canada and Deutche Gesellschaft fur Internationale Zusammenarbeit (GIZ) started the implementation of the pilot phase in Tirana and Albanian EITI coordinated the whole piloting process.



The activity started with a formal introduction to the project on "Creating a Standardized Reporting System on public procurement in mining areas", and representatives from state institutions, local government where the mining industry operates, mining companies, civil society as well as representatives from the Faculty of Mining Geology were invited to attend the event. In June, 2016, the project proceeded with field investigations, meetings with the largest companies in the extractive industries and interviews with stakeholders.

With a focus on communication and continuous capacity building, EITI Albania in cooperation with World Bank representatives held on June 9, 2016, in Tirana a workshop with the participation of MSG members, state institutions involved in the EITI process, other civil society actors interested in the EITI process and Albanian Secretariat staff. The meeting highlighted and praised Albania's progress in implementing the EITI standard and identified the oncoming challenges and other activities which will contribute to the effective implementation of reforms in the extractive industry.

The workshop focused on two major developments concerning EITI in 2016 a) Introduction to the new EITI standard, and the effects it will bring about in future reportings or the EITI processes themselves and b) Detailed training on Beneficial Owners, definitions, global practices and expectations of the EITI process up to 2020.

The stakeholders and the government of Kosovo have repeatedly expressed their interest to join the Extractive Industries Transparency Initiative. During 2016, they have sent to the Albanian EITI Secretariat various invitations to collaborate as well as requests to support Kosovo in the EITI process. Of course, they have our total support in the process.

In June 24-25, 2016, the Kosovo Foundation for Open Society along with Eurasia Hub organized a training workshop with stakeholders in Kosovo on the Extractive Industries Transparency Initiative EITI. EITI Albania participated actively throughout the activity, firstly in providing training about EITI and secondly in informing the participants over Albania's experience and progress in EITI, from the compilation of early reports up to extending its scope to include for the first time in the 2013 and 2014 EITI reports the hydropower sector.



Furthermore, at the request of the Government of Kosovo, notably in the context of preparation of development strategies and policies in the mining sector and Kosovo's membership in international EITI Secretariat, EITI Albania organized on October 6, 2016 in Tirana a bilateral meeting between representatives of the Mining Department at the Ministry of Economic Development of the Republic of Kosovo, Directorate of Policies for Mining Development at the Ministry of Energy and Industry in Tirana and Albanian EITI. The meeting served as a full training session on EITI. Albania's experience and challenges it has been facing since its early stages in the EITI processes were also discussed. The Head of Albanian Secretariat, Mrs. Dorina Çinari expressed her support to help Kosovo on its path to join EITI, based on Albania's current experience as a member country in the EITI Association.

In July - August 2016, as part of the preliminary work for the EITI Report 2015, the Secretariat of Extractive Industries Transparency Initiative held a series of meetings in areas where extractive industry operates with representatives from extractive companies, local government, local civil society and residents. The meetings were mainly held in those cities where extractive industry is mostly concentrated. These meetings were aimed at training the participants on completing the EITI reporting, and discussing over the payments made by companies to local government, investments in community, royalty collected, etc.

In this string of meetings mentioned above, on September 6, 2016, the Independent Administrator "Deloitte Audit Albania" and the Albanian EITI Secretariat held in the premises of the Ministry of Energy and Industry the annual training workshop on data collection and analysis, and EITI reporting process. All reporting companies and institutions were provided with relevant instructions and forms related to EITI Report 2015.

During the meeting, a full training session was held for EITI reporting parties on Beneficial Owners and future requirements on mandatory reporting for BOs in 2020. Complete definitions were also made available on the so-called BOs accompanied with an explanatory form.

In view of preparation of EITI report, the Companies were asked to pilot BO reporting in accordance with the form and definitions provided during training. The results of this pilot project were disclosed in the EITI Report 2015.



During September-November 2016, the Albanian EITI Secretariat held for the third consecutive year the EITI Survey. The survey was conducted for the purpose of developing a more effective communication strategy to increase and public impact and discourse in the context of good governance of natural resources at national level. The questionnaire consisted of 21 questions, aiming to assess citizens' knowledge on the extractive industry in Albania and if enough investments have been made in their community through incomes generated by this industry. This survey was carried out in Burrel, Krastë, Bulqizë, Patos, Fier, Vlorë, Selenicë, Librazhd, Përrenjas, Pogradec, Rrëshen, Kukës, Vau Dejës and Tirana. A sample of 100 citizens were surveyed in each area. Further meetings were organized with high school students on the role that EITI plays in community development.

In order to develop a more effective communication strategy, the Individual Consultant, Mrs Emanuela Zaimi, prepared for MSG and EITI Albania, "The Final Communication Strategy and EITI Action Plan, November 2016-December 2017". The Communication Strategy was unanimously approved by both the MSG and EITI Secretariat.

EITI Albania and FIAA - Foreign Investors Association of Albania, signed a Cooperation Agreement in October 2016 where FIAA joins EITI Albania in its efforts to promote the principles of transparency among investors in this sector, capacity building and exchange of good practices. FIAA will also act as an administration body for the selection of companies in the EITI's MSG.

On October 27, 2016, the Tirana branch of BALcanOSH.net-Regional CSOs, organized an activity entitled ""Increasing capacities and strengthening the role of regional CSOs for improving labour conditions and labour dialogue with public institutions". The activity was also supported by the Albanian EITI Secretariat which aims to include in the future EITI reports more information and topics related to working conditions, safety at work, number of employees, insurance payments and occupational health by increasing the transparency level in extractive industries. The activity was attended by representatives from civil society organizations, sindicates, municipalities, Albanian EITI Secretariat, local and foreign experts in the field and visual and written media as well.



On October 27-29, 2016, Albanian EITI Secretariat attended the Third Edition of the International Exhibition of "Energy and Construction", which was organized by Tirana Expo Centre in cooperation with the Ministry of Energy and Industry. The main focus of the exhibition was the promotion and development of local industry. Albanian EITI participated in this event for the second consecutive year by presenting the EITI Report for 2013-2014, the Summary Report for 2013-2014, the EITI Roadmap and Brochure.

During 2016, EITI Albania has largely contributed to the mitigation of disagreeements among various groups of interest in the communities where extractive industry operates, by sharing with the residents all the information it has on this regard as clearly and transparently as possible.

CAO, Complaince Ombudsman/Advisor and Albanian EITI Secretariat organized several meetings with the residents of Marinza oilfield, as the largest oilfield area in Albania. Representatives from Bankers Petroleum, Civil Society and officials from Municipality of Roskovec addressed and discussed issues related to the use of incomes for community needs and environmental pollution.

In accordance with EITI's main objectives for 2016, Albanian EITI Secretariat prepared for the MSG the draft Beneficial Ownership roadmap on reporting activities for the disclosure of real owners by 2020. The document contains a list of activities expected, resources required, budgets and stakeholders involved in the process. The document was handed out to the MSG members for comments and suggestions and on December 31, 2016 it was officially published.

Furthermore, the Comparative Analysis on Albanian Legal Framework and EITI Standard 2016, prepared by the consulting company, EUROSUPPORT srl., was also finalized and submitted to MSG for further comments. The analysis included a review of the Albanian legal basis related to each requirement of the EITI standard and brought forward important proposals that will need to be approved in 2017. Currently, we have a full proposal to compile the Albanian law on the Extractive Industries and Natural Resources Transparency.



On December 13, 2016, the Albanian EITI Secretariat, in cooperation with the Department of Mining Policy in the Ministry of Energy and Industry and the Prefecture of Kukesi region, organized a roundtable with the extractive industry companies operating in this area. The benefits of extractive industries from EITI reporting, constitute the core of constructive discussions.

On December 15, 2016, the Albanian EITI MSG in cooperation with Albanian, organized a visit to the Albanian Entre and Mining Site where they closely observed the working area. The purpose of this visit was to increase cooperation between operating companies in the country and the EITI Secretariat.

EITI Albania's central activity was the preparation of EITI report for 2015. The process began in July 2016 and ended in December 2016. EITI Albania has been able to coordinate an extremely voluminous activity in a massive process. Following certain reports made by the Independent Administrator, Deloitte Audit Albania, that a number of companies operating in the extractive industry had failed to report information on payments made to the gorvernment for the fiscal year 2015, the Albanian EITI Secretariat undertook direct on-site meetings with the managers of non-reporting companies. As was the case with "Brajani 2013" and other companies that had not yet reported for 2015 in order to support individual companies in the reporting process, or with "AYEN AS Energy sh.a" to set a positive example for all energy companies in terms of deadlines and quality in EITI reporting, thus underlining the fact that EITI reporting constitutes firstly a legal obligation, and secondly a contribution to ensure full transparency in the extractive sector in Albania.

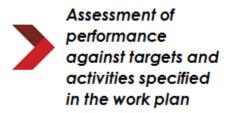
Capacity building and continuous training in good governance of natural resources of parties involved in EITI processes has also been one of the major objectives of our work for 2016.

In December 2015, EITI Albania organized personalized training workshops on Natural Resource Governance from Columbia University and Earth Institute NY. Workshops were organized for Journalists, Parliamentarians, Scholars, MSG members and other stakeholders on topics such as: fiscal packages, legal framework, environmental protection, economic impact etc.



Under the auspices of EITI Secretariat for building capacities in natural resources management, the Legal Directorate in the Ministry of Energy and Industry which deals with disputes arising between parties in the execution of concession contracts, sent its representatives for a more thorough and specialized training on International Agreements and International Arbitration organized by Columbia University, NY.

In this context, EITI Albania established a communication with Columbia University and Houston University during December 2016 to send 8 other representatives from Albanian EITI network for a more thorough training in 2017. Representatives of the Ministry of Finance, Tax Directorate, Directorate of Policies and Development of Hydrocarbons and EITI will be part of the group that will attend the next training workshops.



# — Objektivi 1 2016 Work Plan

EITI 2016 work plan for was sent to MSG members for further proposals and discussions through a circular on February 3, 2016 and on February 17, 2016 it was unanimously approved by Albanian EITI MSG. EITI 2016 work plan was drawn up in accordance with the EITI standard and was published in the official website of the Albanian EITI Secretariat following its approval.



### — Objektivi 2 2015 Annual Activities Report

Based on the objectives and activities of the EITI 2015work plan, the Albanian EITI Secretariat carried out an assessment on the performance and progress of work in 2015. 2015 became the second year in which two reports were published by the Albanian EITI Secretariat, the EITI Report 2013, and EITI Report2014. These reports included for the first time disclosures and a transparency analysis of data in the hydropower sector. The publication of several studies such as the "Study on potential revenue capacity from the extractive industry" aiming at raising public awareness and increasing transparency over potential income from the extractive industry, have also played a special role during the 2015. The inclusion for the first time of the hydropower sector in EITI reports 2013-2014 required firstly the preparation and presentation of a "Feasibility study on water resources" in Albania. The publication of the "Feasibility study on integrated EITI data systems", a study based on current data systems and the possibility to create a system where data are automatically generated for EITI reports, constituted a significant achievement. The Albanian EITI Secretariat has also published the "Extractive Industry Exercising Map" aiming at collecting, processing and publishing of EITI data for 9 extractive areas.

# → Objektivi 3 MSG

The Albania EITI MSG also approved the ToRs for EITI Report 2015; the list of companies that will be included in the report, based on the reasoning on materiality threshold; the ToRs for the Independent Administrator 2015-2016; The inclusion in EITI Report 2015 of all payments made to local authorities with a materiality threshold of 5000 USD; The disaggregated presentation in the EITI Report 2015 of payments made for public works and infrastructure in accordance with contractual obligations as well as payments or investments made by companies in the context of social responsibility with a materiality threshold of 5000 USD; The Terms of Reference for Local and International Consultancy regarding the review of Albanina legal and regulatory framework; the Work Plan 2016 and EITI Communication Strategy for the years 2016-2017. For each decision, the Albanian EITI Secretariat and MSG have consulted all the parties involved in the EITI process, taking into account their suggestions.



During 2016, the Albanian EITI Secretariat has also submitted to MSG a number of issues to be addressed, approved etc.

In early January 2016, the MSG received a request from Publish What you Pay demanding the participation of CSOs in the nomination and election of EITI board members.

In February, under the auspices of Albanian EITI Secretariat, a meeting was organized between representatives of Civil Society in MSG and representatives of World Bank Donor, focusing on the importance of CSOs' role in increasing public awareness towards transparency.

EITI Albania submitted in early February the Activity Report 2015 for further comments, discussion and approval.

In July 2016, Albania was invited by the EITI International Secretariat to participate in a pilot project aimed at extending transparency to oil, gas and mining commodity trading. The Albanian MSG expressed its willingness to become involved in this project.

In November, the Beneficial Ownership Roadmap was submitted to MSG for further comments and approval.

EITI Albania and MSG also compiled during 2016 the new regulation regarding MSG activity in the context of new developments of EITI process in Albania, the consolidation of its work and new requirements of the EITI standard. Albanian MSG presented its comments and made changes to the new regulation which was then submitted to the World Bank and the EITI International Secretariat, Oslo, for additional opinions. The new regulation was signed in December 2016 by the Minister of Energy, Mr. Damian Gjiknuri and was published on the EITI Albania official website.



### — Objektivi 4 Legal and regulatory review

Ensuring a stable legislation for the implementation of EITI initiative in Albania by improving guidelines, existing orders and regulations regarding EITI reporting has been one of the key topics of discussion at the meetings of Albanian EITI MSG. Following the initiative for revision of the legal framework, the Albanian EITI Secretariat selected the contractor Eurosupport-Fineurop Support S.r.I. The final draft of the report was sent on December 30, 2016 which was widely discussed and addressed during an open presentation organized by the Albanian EITI Secretariat in January 2017. The document was approved by MSG and interested parties on February 10, 2017.

# Objektivi 5 2016-2017 Communication Strategy

The first EITI and MSG communication campaign for the period 2011-2013 focused on introducing the EITI initiative and establishing the foundations for EITI promotion in Albania, particularly in extractive areas.

The second communication campaign undertaken in 2015 focused not only on the EITI's principles and concrete benefits, but also on the first comparative data presented in 4 EITI reports, EITI 2009, EITI 2010, EITI 2011 and EITI 2012.

With the Communication Strategy for 2016 -2017, EITI Albania and MSG aim at informing the public about the results of EITI report 2013-2014 and EITI report 2015 which was published in January 2017. The new communication strategy requires that information flows in all directions simultaneously and affect all target groups. The ultimate goal is to help interested parties to engage in dialogue over issues regarding the governance of natural resources and EITI issues, in order to help shaping the necessary policies and reforms in the sector.

The Individual Consultant, Mrs.Emanuela Zaimi, contracted under the World Bank's IC Procurement procedure and approved by MSG decision No. 3, dated 10.31.2016, submitted to the Albanian EITI Secretariat the "Final EITI Communication Strategy and Action Plan, November 2016-December 2017". Through this strategy, the Albanian EITI Secretariat aims to target the main groups of interest such as local communities, local government, state



institutions, civil society organizations, extractive industry companies, journalists, students, etc. and select the most appropriate communication channels to increase the level of public awareness in the governance of extractive sector. In addition, given the issues raised at the meetings held during the "EITI Survey 3", the Albanian EITI Secretariat has included in the new Communication Strategy November 2016 - December 2017 a series of informational activities such as: the organization of roundtable discussions with CSOs, journalists, press conferences on EITI reports for 2015 and 2016, open workshops with the students of the faculty of geology and mining, journalism, finance, economy, awareness campaigns in extraction areas and informational workshops for the residents of communities affected by extractive industry, campaigns in national and local television stations, trainings of local government staff members and many other comprehensive activities. The new Communication Strategy received unanimous approval from both the Albanian MSG and EITI Albania.

Community surveys, the establishment of a strategy in complicane with the objectives to be achieved, the listing of all communication activities required to achieve impact, and finally, the bidding process for these activities, showed that in order to achieve some good public perception and awareness indicators, it is necessary to undertake intensive and extensive activities with significant financial costs and resources. Despite its internal efforts to generate results, EITI Albania's current resources are very limited to fulfill the purpose.

# — Objektivi 6 Communication activities

- The publication of EITI report 2013-2014 was followed by a huge press conference. The
  Report was extensively described in the program "Argument" hosted by economic
  journalist Enio Civici in Scan TV. <a href="http://youtu.be/7JeWBLyJyil">http://youtu.be/7JeWBLyJyil</a>
- Following the launch of EITI Report 2013-2014, the Albanian EITI Secretariat organized a series of meetings and workshops with all stakeholders. The Report was then submitted to representatives of extractive companies, local units, civil society, donors, central government institutions, parliamentary groups, environmental organizations, etc. The Albanian EITI Secretariat has also organized meetings with college and high school students in the cities where the extractive companies operate. The meetings



served as an apportunity to present EITI Report 2013 and EITI Report 2014 and to talk about the importance of the implementation of the EITI Initiative in community development. A series of awareness and informational meetings were held with companies operating in extractive industry. To increase efficiency, we printed the EITI Report 2013-2014, the Summary Report 2013-2014, EITI Roadmap and Brochures, which were then distributed to all stakeholders, guests and participants in the workshops and activities organized by the EITI Secretariat.

The Minister of Energy and Industry. Mr. Damian Gjiknuri attended the two-day global conference of Extractive Industry Transparency Initiative, which took place in Lima, Peru. The Extractive Industries Transparency Initiative (EITI) is an international initiative launched in 2002, with the support of the then UK Prime Minister. The EITI standard seeks to establish business transparency in extractive industry, so that income generated by this sector can help contribute to the country's development. In his speech, the Minister Gjiknuri stated that Albania, from a laggard country, has marked considerable progress since it has managed to publish within a two-year period a number of reports in compliance with EITI standards. "In the last 20 years, the economic pattern has changed but oil, gas and mineral extraction industry still plays an important role in the country's economy. Transparency over the way these resources are used becomes very important" said Minister Gjiknuri.

In order to increase transparency, Mr.Gjiknuri called for the expansion of EITI Initiative to include bigger economies as major stakeholders. One of EITI's future objectives at international level which emerged during the discussions held at the conference relates to the identification of the real owners of companies that exploit natural resources of the member countries.

"There has been considerable progress, but there is still much to do. This is a good initiative, despite it being implemented by a small group of countries. We discussed here today on how to increase transparency, how to fight corruption. Transparency is crucial in order to understand who are the real owners of companies exploiting natural resources. But will we be able to make this initiative a global initiative, by increasing the number of member countries and by enforcing transparency on the



beneficial ownership of companies exploiting natural resources" added Mr.Gjiknuri. During his stay in Peru, the Minister Gjiknuri met with his counterparts and the Head of EITI Secretariat, Mr. Jonas Moberg. The latter congratulated Albania for all the work done during the last two years for the publication of a number of reports in compliance with transparency standards.

- Mining Shared Value, a venture of Engineers Without Borders Canada and the Deutche Gesellschaft für Internationale Zusammenarbeit (GIZ), under the auspices of Albanian EITI Secretariat, held an informal meeting on May 3, 2016 at "Rogner Hotel Tirana" to present the project on "Establishing a Standardized Reporting System on public procurement in mining areas". The meeting was attended by representatives of state institutions such as: the Ministry of Energy and Industry, the National Agency of Natural Resources, Albanian Geological Survey, local government in areas in which mining industry operates, mining companies, civil society, Faculty of Geology and Mining, etc. The project aims to demonstrate the opportunities and challenges that mining companies face with regard to the acquisition and reporting on goods and services purchased from local companies. These kind of meetings and getting to know how mining companies deal with this issue, will help develop a standard which can provide guidance on how local procurement can meet the needs of mining companies and at the same time the expectations of local communities. Through public procurement at local level, companies can contribute to the economic development of communities and support long-term mining interests. Companies that share their perspective on this project will help in developing a practical reporting and implementation document for all companies.
- Tirana Expo Centre in collaboration with the Ministry of Energy and Industry organized on 27-29 October 2016, the Third Edition of the International Exhibition of "Energy and Construction" focusing on the promotion of local industry and growth of regional interaction in the field of renewable energy, energy efficiency, alternative energy use, construction, hydrocarbons, etc. It is the second consecutive year that Albanian EITI Secretariat attneds this event, in which it presented the EITI Report for 2013-2014,



the Summary Report for 2013-2014, the EITI Roadmap and Brochure. The event received wide coverage and attratced significant media interest.

• On December 13, 2016, EITI Albania in cooperation with representatives of the Directorate of Mining Policy in the Ministry of Energy and Industry and the Prefecture of Kukesi Region, organized a roundtable with Extracting Industry Companies that operate in this region. The meeting's principal topic was the EITI initiative, the benefits arising from industry involvement in EITI reporting, social license received from the community, concrete difficulties encountered in the reporting process as well as the clarification of certain ambiguities related to reporting details. Other issues related to sector governance and on-site challenges faced by extractivecompanies were also subsequently discussed with Mr. Mehmet Hasanlami, Policy Director at the Ministry of Energy and Industry.

#### https://www.facebook.com/eitialbania/?ref=bookmarks

• The Albanian EITI Secretariat also paid considerable attention to providing stakeholders with constant information. We focused on sharing updated information by continuously posting our activities in Albania EITI's facebook page @EITI as well as official website www.albeiti.org. Improving EITI's website and including in its sections questions and comments about the EITI initiative and the issues it deals from specialists, investors, domestic and foreign, public and private entities, has turned into a constant objective.

# — Objektivi 7 2015 EITI Report

The work for the preparation of EITI Report 2015 started in August 2016. The Terms of Reference for the EITI Report 2015 were discussed and approved by the Albanian MSG, EITI International Secretariat and the World Bank. Deloitte Audit Albania was re-elected as Independent Administrator.

Based on previous EITI Reports and other research, the Multi-Stakeholder Group decided that the EITI Report 2015 should cover:

o Data obtained from 8 governmentagencies,



- 15 types of payments made by approximately 107 companies to other central or local governmentagencies (see Annex 1),
- o 9 companies from the petroleum sector (100% of sector),
- o 15 companies from the hydropower sector (or 97%),
- o 83 companies from the mining sector (or 88%).

In August 2016, given the difficulties encountered in the last years regarding delays in the collection of company statements, the MSG, represented by Mr. Ilir Bejtja, issued requests to all companies and state agencies involved in reporting to ensure their immediate commitment.

On September 6, 2016, the Independent Administrator Deloitte Audit Albania in collaboration with EITI Albania held in the premises of the Ministry of Energy and Industry an informing workshop for reporting companies and institutions over the data collection process and reporting method for the EITI Report 2015. All relevant instructions and reporting forms regarding the EITI Report 2015 were made available to the audience present in the event.

Despite the great commitment of the parties involved in reporting, it required a great deal of work to obtain data from both companies and governmentagencies. Therefore, we were not able to publish the report within the deadline, December 31, 2016. The final draft was distributed on January 17, 2017, and was approved on February 1, 2017.

The Independent Administrator, Deloitte Audit Albania sent an explanatory email to the Albanian EITI Secretariat stating that delays in reporting process hampered the publication of the EITI Report 2015 within December 2016. The EITI Report 2015 is expected to be published in the first months of 2017.

# — Qbjektivi 8 2016 EITI Validation

Based on the new EITI Standard, the validation process was expected to start on October 1, 2016. The EITI Board decided to extend the validation for Albania in April 2017.



Objektivi 9 Study on the use of royalty income transparency and extractive industries companies donations in the local government

The data belonging to this study have been part of the scope and have been included in the EITI report 2015.

### — Objektivi 10 Surveys in EITI impact

During the period between September - November 2016, the Albanian EITI Secretariat organized for the third consecutive year the EITI Survey. The survey was conducted in the context of developing a more effective communication strategy and of obtaining statistical data about EITI impact in the community. The questionnaire consisted of 21 questions, intended to generate information on citizens' knowledge about extractive industries, the EITL Initiative and investments made in their communities with income generated by this industry. The survey was conducted in the cities of Burrel, Krasta, Bulgiza, Patos, Fier, Vlora, Selenica, Librazhd, Përrenjas, Pogradec, Rrëshen, Kukës, Vau Dejes and Tirana. A sample of 100 citizens were surveyed in each area. As in the previous years, the response to the question "What kind of natural resources are found in Albania/ your city/ your area?" showed that 95% of respondents were aware of extractive activities taking place in the community but with low levels of trust whether industry exploitation contributed to the economic, social and cultural development of communities. Furtehrmore, given the low percentage of positive answers to the question "Have you ever heard of EITI, the Extractive Industries Transparency Initiative?, we are encouraged to carry out a more intensive promotional campaign in areas in which extractive industry operates. The survey lasted until the beginning of November 2016 and also served as a promotional tool for the EITI Initiative, with the staff of the Albanian EITI Secretariat organizing meetings with representatives of all relevant municipalities and discussing about the implementation of the EITI Initiative in Albania, the publication of EITI annual reports, as well as about the problems the municipalities face in the collection and reconciliation of revenues in general or royalties in particular which are generated and distributed for community use.



# — Objektivi 11 Additional projects

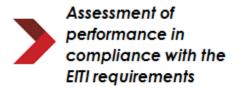
#### Not yet started

### — Objektivi 12 EITI capacity building

- Considering the importance of capacity expansion, the Albanian EITI Secretariat in collaboration with the Albanian School of Public Administration undertook training programs for EITI's staff.
- Representatives of World Bank Mission in Tirana held on June 9, 2016 a training workshop for the MSG members, the staff of Albanian EITI Secretariat and representatives of state institutions involved in the EITI process. The participants emphasized and commended Albania's progress in implementing the EITI Standard and discussed future challenges and activities that will contribute to the effective implementation of reforms in the extractive industry. We might add here the invitations sent to MSG members to apply for participation in the trainings provided by Columbia University, where five people will be selected to attend this training in 2017.
- For this purpose, on September 6, 2016, the Independent Administrator, Deloitte Audit Albania and EITI Albania held a full training and informational session for all EITI reporting companies regarding Beneficial Ownership (Beneficial Owners) and future mandatory reporting requirements for BO in 2020. Complete definitions on BOs as well as explanatory forms were made available to all attendees.
- According to the National Working Practice Program and Prime Minister's Decision
  no. 395 dated 29.04.2015, "On approval of the National Working Practice Program for
  Public Administration and other public institutions", the National Secretariat of
  Extractive Industries Transparency Initiative (EITI Albania) published a notice for two
  applicants in the fields of: Hydrotechnics and Finance/Accounting and accepted
  one applicant for the second consecutive year. At the end of the practice period
  (internship), the applicant was offered a one-year employment contract by EITI
  Albania.



• In December 2015, EITI Albania organized for stakeholders personalized training workshops on Natural Resource Governance from Columbia University and Earth Institute NY. Workshops were organized for Journalists, Parliamentarians, Scholars, MSG members and other stakeholders on topics such as: fiscal packages, legal framework, environmental protection, economic impact etc. Under the auspices of EITI Secretariat for building capacities in natural resources management, the Legal Directorate in the Ministry of Energy and Industry which deals with disputes arising between parties in the execution of concession contracts, sent its representatives for a more thorough and specialized training on International Agreements and International Arbitration organized by Columbia University, NY. In this context, EITI Albania established a communication with Columbia University and Houston University during December 2016 to send 8 other representatives from Albanian EITI network for a more thorough training in 2017. Representatives of the Ministry of Finance, Tax Directorate, Directorate of Policies and Development of Hydrocarbons and EITI will be part of the group that will attend the next training workshops.



Based on the requirements of the new EITI standard, the EITI Report 2015 includes contextual information on extractive and energy sectors, as well as payments made by all selected licensees, operating in the fields of oil, gas, mineral exploration and energy production; all licensees operating in oil, gas and hydropower production and the largest producers in the mining sector. State institutions were asked to report the income received from these companies. The companies involved in the disclosure of payments made to the state in the 2015 Report occupied 100% of oil and gas sector, 95% of hydropower sector and 88% of the mining sector.



# $\neg$ Assessment of performance in compliance with the EITI requirements

# **Requirements**

#### 1. EITI Requirement 5.3

# Revenue management and expenditures

multi-stakeholder group is encouraged to disclose further information on revenue management and expenditures, including: a) A description of any extractive revenues earmarked for specific programs or geographic regions. This should include a description of the methods for ensuring accountability and efficiency in their use. b) A description of the country's budget and audit processes and links to the publicly available information budgeting, expenditures and audit reports. c) Timely information from the government that will further public understanding and debate around issues of revenue sustainability and resource dependence. This may include the assumptions

# Progress

The revenues collected by the State Budget from the extractive industry are added to other revenues and are naturally allocated through budget items. There does not exist any specific allocation of these revenues in budget programs. At the same time, these revenues account for about 3% of the state budget.

A part of the proceeds from Hydrocarbon Agreements are managed by NANR. NANR 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 tax and income from direct investments in the sector. The report shows the distribution of total income generated by oil operations between the Albanian Government, Albpetrol, NANR and private oil companies. Albanian government's interest in PSA is managed by Albpetrol and NANR, which receive from PSAs: bonuses, share of oil production and other income derived from non-execution of contract terms such as fines and executed warranties.



underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from the extractive sector.

MEI (Ministry of Energy and Industry) publishes in its website financial information on expenses by nature and program:

http://www.energjia.gov.al/al/publikime/trasparenceper-publikun/te-dhena-financiare-te-mei.

#### 2. EITI Requirement 4.4

#### **Transportation revenues**

Where revenues from the transportation of oil, gas and minerals are material. the government and stateowned enterprises (SOEs) are expected to disclose the revenues received. The published data must be disaggregated to levels commensurate with the reporting of other payments and revenue streams (Requirement 4.7.). Implementing countries could disclose: i. A description of the transportation arrangements including: the product; transportation route(s); and the relevant companies and

aovernment entities.

The Albanian state does not receive transit tax. Albertrol pipelines are not currently operating.

Two crude oil pipelines link ARMO's oil terminal in Vlora with Fieri and Ballshi refineries and with the two refineries betwenn 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 merger of several companies established for the purpose of planning, developing and building the natural gas pipeline TAP. According to MEI, and in accordance with European Union regulations on free gas transit, the agreement does not foresee a gas transit fee.



SOE(s), including involved in transportation. Definitions of the relevant transportation taxes, tariffs or other relevant payments, and methodologies used to calculate them. iii. Disclosure of tariff rates and volume of the transported commodities. Disclosure of revenues received by government entities and SOE(s), in relation to transportation of oil, gas and minerals. v. Where practicable,

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

#### 3. EITI Requirement 6.1

# Social expenditures by extractive companies

a) Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries

and,

possible.

must disclose

where

The Minsitry of Energy and Industry claims that there does not exist such type of payment in petroleum agreements, mining and hydropower concessions.

Albanian EITI and the Independent Administrator do not have access to such agreements due to confidentiality clauses.

Even the companies themselves have not reported material amounts during the reporting process, or have reported costs incurred due to their own initiatives, but not arising as part of some obligations.

Some contractual expenses are foreseen in the TAP



reconcile these transactions. Where such benefits are provided in-kind, it is required that implementing countries disclose the nature and the deemed value of the in-kind transaction. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed. Where reconciliation is not feasible. countries should provide unilateral company and/or government disclosures of these transactions. b) Where the multi-stakeholder that group aarees discretionary social expenditures 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-

Agreement.

It would be better to discuss access to these agreements in the future in order to make an analysis of other payments included in the agreements which can be in the form of social expenditures.



governmental third party, the multi-stakeholder group may wish to agree an approach for voluntary unilateral company and/or government disclosures.

#### 4. EITI Requirement 5.2

#### Subnational transfers

a) Where transfers between national and sub-national government entities are related to revenues aenerated by the extractive industries and are mandated by a national constitution. statute or other revenue sharing mechanism, the multi-stakeholder group is required to ensure that material transfers disclosed. are Implementing countries should disclose the revenue sharina formula,

if any, as well as any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity. The multi-stakeholder group

The Ministry of Finance 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 amount distributed to each LGU depending on the areas where oil or gas is produced.

encouraged reconcile these transfers. Where there are constitutional or significant practical barriers to participation of subnational government entities, the multistakeholder group may seek adapted implementation accordance with Requirement 8.1. b) The multi-stakeholder group encouraged to that ensure any material discretionary or ad-hoc transfers are also disclosed and where possible reconciled.

#### 5. EITI Requirement 2.5

#### Beneficial ownership

a) It is recommended implementing that countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) that bid for, operate or invest in extractive assets, including the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is Where exerted. beneficial possible, ownership information 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



should be incorporated in existing filings by companies corporate regulators, stock exchanges agencies regulating extractive industry licensina. Where this information is already publicly available, the EITI Report should include guidance on how to access this information. b) It is required that: i. The EITI Report documents the government's policy and MSG's discussion disclosure beneficial ownership. This should include details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway related beneficial ownership By disclosure. ii. January 2017, the multistakeholder group publishes a roadmap for disclosing beneficial ownership information accordance with clauses (c)-(f) below. The MSG will determine milestones and deadlines in the roadmap, and the MSG will evaluate implementation of the roadmap as part of the MSG's annual activity report. c) As of 1

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 temployees 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 businees relationships." In view of preparing the EITI report 2015, the MSG asked reporting entities and contracting authority, MEI, to report information on beneficial owners in compliance with the definitions of the EITI standard, MEI 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 chose 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.

January 2020, it is required that implementing countries request, and companies disclose. beneficial ownership information for inclusion in the EITI report. This applies to corporate entity(ies) that bid for, operate or invest in extractive assets and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Any gaps or weaknesses in reporting on beneficial ownership information must be disclosed in the EITI Report, including naming any entities that failed to submit all or parts of the beneficial ownership information. Where a country is facing constitutional or significant practical barriers to the implementation of this requirement by January 2020, the country may seek adapted implementation in accordance with requirement 8.1. d) Information about the identity of beneficial owner should include the name of the beneficial owner, the

nationality, and the country of residence, as well as identifying any politically exposed persons. It is also recommended that the national identity number, date of birth, residential or service address, and means of contact are disclosed. e) The multi-stakeholder group should agree an approach for participating companies assuring the accuracy of the beneficial ownership information they provide. This could include requiring companies to attest the beneficial ownership declaration form through sign off by a member of the senior management team or senior legal counsel, or supporting submit documentation. Definition of beneficial ownership: i. beneficial owner respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. ii. The multi-stakeholder group should agree appropriate definition of the term beneficial owner. The definition should be aligned with

(f)(i) above and take international norms and relevant national laws into account, and should include ownership threshold(s). The definition should also specify reporting obligations for politically exposed persons. iii. Publicly listed companies, including wholly-owned subsidiaries. are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed. iv. In the case of joint ventures, each entity within the venture should disclose its beneficial owner(s), unless it is publicly listed or is a wholly-owned subsidiary of a publicly listed company. Each entity is responsible for the accuracy of the information provided. g) The EITI Report should also disclose the legal owners and share of ownership of such companies.

# 6. EITI Requirement 2.4 **Contracts**

a) Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms

Contracts are not made public for confidentiality reasons. The EITI draft law proposes that all contracts are made public. All concessionary contracts are signed by the Minister of Energy and Industry as the contracting authority and by the Council of Ministers.

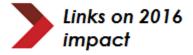


attached to the exploitation of oil, gas and minerals.

b) It is a requirement that the EITI Report documents the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include relevant legal provisions, actual disclosure practices and any reforms that planned are underway. Where applicable, the EITI Report should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published. c) The term contract in 2.4(a) means: i. The full text of any contract, concession, productionsharing agreement or other agreement granted by, or entered into by, the government which provides the terms attached to the exploitation of oil gas and mineral resources. ii. The full text of any annex, addendum or rider which establishes details relevant to the exploitation rights described in 2.4(c)(i) or After signing the contract, the operator designs a detailed implementation plan. Prior to its approval, the plan is subject to technical evaluation. The construction of hydropower plants requires 10 to 20 licenses and permits from various regulatory bodies, including: the (annual) environmental permit, building permit (before construction), (annual) permit for the use of water resources, license for energy production (before the start of production), permit for the connection to the transmission network, etc.

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





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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 2015 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.

This proposal was viewed with great interest by the Multi-Stakeholder Group. EITI Albania submitted the recommendations made by the Independent Administrator to all relevant institutions involved in reporting to help take the measures for their implementation. However, both reporting state institutions and operators are reluctant to start the



implementation of certain initiatives as long as they are not included in or regulated through government instructions, laws or DCMs

For this reason, EITI Albania, after the approval of the Multi Stakeholder Group, initiated the analysis of the legal framework in support of the EITI initiative and proposed the relevant improvements that will enable the implementation of recommendations.

#### Recommendation 2 Assurance proces

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.

This recommendation has caused discussions and sparked resistance particularly from reporting companies, due to additional costs resulting from audit statements dedicated for EITI.

#### 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.

This recommendation has been officially submitted to the Ministry of Energy and Industry. Again, this recommendation is based on the need to improve the legal and regulatory framework in full harmony with the existing framework of the industry.



#### Recommendation 4Lack of centralized reporting at government level

In order to enhance effectiveness and efficiency of reporting from the Government we recommend 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, we 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. we recommend 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.

The Petroleum Law (as amended in March 2015) and Law on Mining (as amended in October 2014) request operating licensees respectively in the oil and gas sector and mining sector to report data and information in accordance with the EITI Standard. In addition, both laws demand reporting from the General Directorate of Taxes, Albanian Custom Administrate and the central and local public institutions collecting revenue from the sector.

In order to ensure continues implementation of these requirements we recommend the MSG introduces complementary regulation addressing continues cooperation of the LGUs and their transparency disclosures. In this context, the MSG and EITI's efforts to improve reporting will be aligned with Government Initiatives for the consolidation of Local Government activity.



# 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, we recommend looking for opportunities to produce such disaggregated payment information from the GDT's MIS.

#### Recommendation 7Publication 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 statics on the sector such as:

- o Production size and quality details (gravity of oil, concentration of minerals etc.),
- o Investments (number of wells and mineshaft hold / developed),
- o Environmental rehabilitation projects and costs,
- o 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 were 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.

This recommendation has been sent for implementation to all state agencies involved in the EITI process, but as long as these requirements are not foreseen by law or other government acts, their implementation is hampered by too ordinary obstacles. For this reason, EITI Albania, after the approval of the Multi Stakeholder Group, initiated the analysis of the legal framework in support of the EITI initiative and proposed the relevant improvements that will enable the implementation of the above recommendations.

# 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.

This recommendation was welcomed by MSG and was sent to NANR for implementation. The institution has conducted various analyses and measurements so far, but has not yet presented the data in the format required by EITI.



### 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.

Implementation of this recommendation which requires government agencies to maintain their systems is highly costly. The systems were not initially designed to meet the reporting needs required by EITI. However, during 2016, the General Tax and Customs Directorates have generated from their systems condensed information on the industry.

#### 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. This activity constitutes one of



MEI's priorities, but the implementation of these recommendations requires dedicated resources and processes.

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

Deloitte Audit Albania recommends MEI establish processes to ensure maintenance of a public accurate and updated register of licenses in accordance with EITI Requirement 2.3. The license register or cadastre 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 (NUIS), contact details, address etc. will facilitated the communication with entities selected to report in the EITI report.

MEI is in the process of setting up an an online licensee register. Meanwhile, for the purpose of EITI reporting and with NANR contribution, this register is published by EITI Albania.

#### Recommendation 12 Transparency over license allocation

We recommend 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. As far as the mining sector is concerned, MEI publishes bid notices, terms of reference and evaluation criteria on its website: www.energjia.gov.al and on the Public Procurement Agency website: www.app.gov. al. The Public Procurement Agency (PPA), is a public agency reporting directly to the Prime Minister. PPA oversees public procurement activity, including mining licenses and concessions.

#### Recommendation 13 Reconciliation of subnational transfers

In order to increase transparency and ensure that the new law changes are fully implemented, we recommend the MSG to include reconciliation of subnational transfers of royalty or other assurance procedures in the forthcoming EITI reports.

EITI Albania started to implement this recommendation in 2016. We have conducted meetings in all municipalities where mining activities take place to raise their awareness on the potential of this financial contribution.

We have also demanded that MoF prepare detailed reports on how the accumulated royalty is calculated and distributed. There are still shortcomings to this process due to the ongoing territorial and administrative reforms.

## Recommendation 14 Regulatory aspects in the context of EITI reporting

Barriers listed above needs to be addressed through regulatory enforcement. We recommend the MSG establish complementary regulation addressing all aspects of:

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

- o Timing and form of reporting by licensees
- o Timing and form of reporting by recipient public entities
- o Timing and form of reporting concerning the contextual information
- Level of assurance to be obtained for each reporting
- o Forms to address aspects of confidentiality etc.



The regulation need also to address time required for each reporting entity and public institution to adopt to the requirements and plan the EITI reporting accordingly, to allow for an effective process.

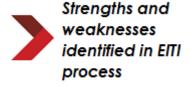
Reporting templates and instructions shall be reviewed and updated for changes in EITI scope and requirements, regulation updates, and new facts affecting the extractive industry (i.e. new revenue streams, licensees etc.). Selection of the reporting entities should be planned and communicated months ahead of the reconciliation work schedule. We suggest 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. 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.





#### <u>\_\_Strengths</u>

During 2016, the Albanian EITI Secretariat saw an increase in interactive activities and cooperation between companies operating in the country and EITI Secretariat.

The EITI reporting is not considered a new process anymore. The parties are fully informed and familiar with the process. Large companies have consolidated the reporting process while government agencies are well-informed on the requirements: the inclusion in EITI Report 2015 of all payments made to local authorities with a materiality threshold of 5000 USD; the disaggregated presentation in the EITI Report 2015 of payments made for public works and infrastructure in accordance with contractual obligations as well as payments or investments made by companies in the context of social responsibility with a materiality threshold of 5000 USD.

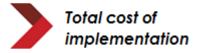
#### **Weaknesses**

Although EITI Albania has published 6 EITI Reports so far, providing detailed and coherent information on the development of the extractive industry in the country, by holding meetings and workshops with stakeholders in areas in which the extractive industry operates, it seems that citizens' knowledge of Extractive Industries Transparency Initiative is still low. We find that the costs of implementing a proper awareness campaign surpass our capacities in terms of both human and financial resources. Stakeholders engaged in EITI activities claim that their poor performance comes as a result of the lack of financial support.

Furthermore, the fact that EITI reporting is still seen as ad-hoc activity, starting and ending as a project, constitutes another weak point of the process.

Government institutions do not yet consider it as a continuous process that must be standardized and integrated with their own internal processes.





Albanian EITI Secretariat for 2016 was covered by State Budget funds, by the World Bank funds (TF0A1769) and other donor funds. The amount of State Budget fund alocated to EITI Secretariat for 2016 was 12,249 ALL.

The World Bank's grant TF 14999 has been fully completed in 2015 while all financial transactions have been carried out, closed and reconciled in April 2016 in accordance with World Bank's agreement.

The World Bank's grant TF 0A1769 for 2016 was projected to be ALL 14 255 (at the exchange rate of 125 ALL/USD) or USD 114 000 and was primarily used to finance the preparation of EITI report for 2015, the Independent Administrator, consultancy services, workshops, training activities, etc., at the amount of ALL 13.652 (at the exchange rate of 122.6 ALL / USD).

The stock fund by other donors was used to pay out consultants and EITI activities mentioned in this report.

Albanian EITI actual staf for 2016 was eight(8) employees, 7 of which are full-time employees and 1 contract employee from the newly graduated student contingent, versus 9 projected employees.



A detailed description of activities in 2016 si given below.

| FUND DETAILED BY<br>ITEMS                           | FORECAST         | COMPLETED          | %    |
|---|------------------|--------------------|------|
| A. State Budget                                     | 12,249 mijë lekë | 12,249mijë<br>lekë | 100  |
| Wages   | 7,178 mijë lekë  | 7,178 mijë lekë    |      |
| Social and health insurance, TAP                    | 3,042 mijë lekë  | 3,042 mijë lekë    |      |
| Other operating expenses                            | 2,029 mijë lekë  | 2,029 mijë lekë    |      |
| B. World Bank<br>(TF0A1769)                         |                  |                    |      |
| USD   | 114,039 USD      | 111,368 USD        | 97.6 |
| ALL   | 14,255 mijë lekë | 13,651 mijë lekë   | 95.7 |
| The situation at the beginning of the year          |                  | 0                  |      |
| The situation at the end of the year                |                  | 344 mijë lekë      |      |
| C. Other donor<br>funds                             |                  |                    |      |
| a. The situation at<br>the beginning of<br>the year |                  | 1,481 mijë lekë    |      |
| H/C Consultancy                                     |                  |                    |      |
| sector and  |                  |                    |      |
| financial closure of                                | -                | 417 mijë lekë      |      |
| the world bank                                      |                  |                    |      |
| project   |                  |                    |      |



| FUND DETAILED BY  | FORECAST | COMPLETED     | % |
|---|----------|---------------|---|
| ITEMS   |          |               |   |
|   |          |               |   |
| Social and health insurance   | -        | 67 mijë lekë  |   |
| Conferences,<br>training, etc.<br>abroad                            | -        | 104 mijë lekë |   |
| Conferences,<br>training, activities,<br>etc. within the<br>country | -        | 175 mijë lekë |   |
| VAT coverage for world bank project                                 | -        | 241 mijë lekë |   |
| Maintenance cost of web internet                                    | -        | 15 mijë lekë  |   |
| Banking<br>commissions  | -        | 9 mijë lekë   |   |
| The situation at the end of the year                                | -        | 153 mijë lekë |   |
|   |          |               |   |





The annual activity agenda for 2016 was discussed in the EITI meetings by the Albanian MSG, contributors and by all parties invloved in the EITI process, such as civil society organizations, local companies, central and local government as well as residents living in producer regions. The Albanian EITI Secretariat took into account the various suggestions made by each interested party.

Please refer to the section of "communication activities" above.

# Details of membership of the MSG during the period

The year 2016 MSG consists of five (5) civil society representatives, five(5) companies representatives and seven (7) government representatives including MSG chairman.

The representatives of Ministry of Finance, the General Tax Directorate and the Ministry of Justice in the Albanian EITI MSG were respectively replaced by new members. Mrs. Madlina Puka, the representative of civil society resigned by the Albanian EITI MSG. This position has not been filled yet. It must be stressed that contributors who have been part of the EITI initiative since its establishment are notified ahead of each MSG meeting and their suggestions are always taken into consideration.

The new EITI Albania and MSG also compiled during 2016 the new regulation regarding MSG activity in the context of new developments of EITI process in Albania, the



consolidation of its work and new requirements of the EITI standard. Following MSG approval, the new regulation was signed in December 2016 by the Minister of Energy, Mr. Damian Gjiknuri and was published on the EITI Albania official website.

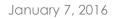
The new regulation determines the policies for MSG functioning and organization, its members' role and responsibilities, functional tasks, the role of each group within the MSG, the selection, mandate and replacement of its members. It also specifies the criteria for performance evaluation and the decision-making mode, meeting organization and documentation, etc.

| Approved | by | MSG: |  |
|----------|----|------|--|
|          |    |      |  |
| Date:    |    |      |  |





# Dorina Çinari, Head of Albania EITI at "Argument" Show in SCAN TV





Press Conference - 2013-2014 EITI Report

January 20, 2016





#### EITI conference in Peru – Minister Damian Gjiknuri

February 24-25, 2016



#### Convention for mining industry

April 27-28, 2016





#### Mining Shared Value informal meeting

May 3, 2016



#### MSG

May 6, 2016





#### World Bank Mission – Training to members of the MSG

June 9, 2016



Trajnim mbi Nismën EITI- KFOS dhe Euroasia Hub

June 24-25, 2016





#### Informative Seminar on 2015 EITI Report

September 6, 2016



EITI Survey in Vlorë

September 20, 2016





#### Civil Society Activity

September 27, 2016



EITI Survey in Librazhd -Përrenjas

October 3, 2016





#### EITI Survey in Librazhd -Përrenjas

October 5, 2016



Exchange of experiences between the Albanian EITI Secretariat Government of Kosovo

October 6, 2016





#### EITI Survey in Rrëshen

October 13, 2016



EITI Survey in Kukës

October 17, 2016





#### EITI Survey in Tirana

October 24, 2016



The third edition of energy and construction fair

October 27-29, 2016





#### MSG

#### October 31, 2016



#### EITI Survey in Vaun e Dejës

November 3, 2016





#### Community meeting in the area of Marinzës, Roskovec

November 2, 2016



Yard work direct meetings

November 22, 2016





# Roundtable with the extractive industry operators in Kukës County December 13, 2016



Albania EITI visit Albchrome management center and mine yard

December 15, 2016

