The Annual Progress Report presents the activity of the Multi-Stakeholder Group (MSG) and the Albanian EITI Secretariat for the period January-December 2019. The report is an essential mechanism that serves to address Albania’s progress as an EITI compliant country. It also provides a great opportunity to identify the level of transparency in the use and strengthening of natural resource management in accordance with EITI standards.

When I was appointed as Head of the EITI National Secretariat in November 2019, I was aware of the fact that I would be facing many unresolved issues as well as new challenges along with the rest of the staff and MSG members. As a result, with the support of the Ministry of Infrastructure and Energy and of all stakeholders involved in the process of ensuring transparency in extractive industry, we have managed to settle in real time some issues that could otherwise hamper the activity of the EITI National Secretariat in the future. Given the importance that such issues had not only for the institution, but also for its transition to a new phase, they have been dealt with immediate priority: the delay of the World Bank Grant (TF 0A6493), the conclusion of the bidding procedure regarding the selection of the Independent Administrator for the preparation of EITI Report 2017-2018 and the start of activities foreseen in the Work Plan for the following year. Meanwhile, 2019 was marked by a series of activities of institutional nature, organized in collaboration with local and foreign experts, aimed at aligning the National Secretariat’s work with its main objective that consists in the promotion and implementation of the Transparency process in Extractive Industries.

Among our priorities for the 2020 are the establishment of a national register of Beneficial Ownership and ensuring accessibility to information regarding companies operating in extractive industry. The EITI National Secretariat and the Multi-Stakeholder Group (MSG) will join efforts in order to make this happen. I would like to emphasize that the future of the transparency process in extractive industries depends significantly on the strengthening of the tripartite partnership between the government, companies and civil society, where all three together will help fulfill our joint mission that is the implementation of EITI standards in compliance with EITI requirements.

GENCI TËRPO

HEAD OF EITI NATIONAL SECRETARIAT
GENERAL ASSESSMENT OF 2019 PERFORMANCE

IN ACCORDANCE WITH REQUIREMENT 7.4 (a) (i)
The Multi-Stakeholder (MSG) Group organized five meetings in 2019. The meetings focused on the Finalization of Corrective Actions recommended by the Validation Mission; Initiation of procedures for the appointment of new Civil Society Members in the MSG; Annual Assessment for MSG Members; Completion of the pilot project for Commodity Trading and addressing the recommendations given by the EITI International Secretariat; Addressing the issues regarding Mining Royalty and effective income management at local level; Publication of Real Owners (Beneficial Ownership) within the official deadlines set by the EITI International Secretariat as one of top priorities; Introduction of new MSG members; Discussion on the existence and materiality of ‘quasi fiscal’ expenditures; Review of the EITI Standard in line with the recommendations of the International Secretariat; Establishment of a Work Group for the subsequent follow-up of the recommendations left by the Validation Mission and the recommendations of the EITI Report; Meeting with the World Bank Mission in Tirana to discuss EITI priorities and sustainable sectorial vision; Presentation of the new Head of the National Secretariat and issues related to EITI’s implementation and activities in Albania.

There have been some changes at the management level in the EITI Secretariat.

In February, the Deputy Minister of the Ministry of Infrastructure and Energy, Mr. Ilir Bejtja, was introduced as the new Chairman of the Multi-Stakeholder Group while in November, Mr. Genci Tërpo was appointed Head of the EITI National Secretariat.

The national Secretariat and the Organization for Security and Cooperation in Europe, OSCE - Presence in Albania, signed in 2019 the Memorandum of Understanding for Cooperation aimed at promoting transparency and raising public awareness on the good governance of natural resources, ensuring the effective management, distribution and transparency of revenues from the Mining Royalty at local level, and addressing the environmental and social impacts of the Extractive Industry activity.
THE 2019 OUTREACH AND COMMUNICATION ACTIVITIES BRIEFLY
During 2019, the Multi-Stakeholder Group (MSG) has organized meetings with international and local organizations to support the EITI Initiative in Albania.

WORKSHOP ON COOPERATION BETWEEN NATIONAL SECRETARIAT AND EITI UKRAINE SECRETARIAT IN DISCLOSING BENEFICIAL OWNERSHIP

DECEMBER 16-18

A three-day business visit was organized in Ukraine, as one of the countries that created the world’s first register of Beneficial Ownerships for legal entities and government officials’s property register. Representatives of the EITI National Secretariat and Civil Society, members of the Multi-Stakeholder Group (MSG) participated in these meetings. Meetings were held with EITI Ukraine Secretariat executives and representatives, National Bank of Ukraine Specialists, Anti-Corruption Action Center, Civil Society Members, representatives of the State Financial Monitoring Service of Ukraine, Youcontrol, and with the Chair of Open Government Partnership Coordination Council. Mr. Genci Terpo, Head of EITI National Secretariat, praised Mr. Oleksiy Orlovsky, member of the EITI International Board and Ms. Dina Narezhneva, Manager at the International Renaissance Foundation who facilitated and organized bilateral meetings, as opportunities to enhance mutual cooperation between the two EITI Secretariats, in support of issues and specifications on Beneficial Ownership declaration. On this regard, referring also to the Ukrainian practice, Mr. Tërpo emphasized the steps to be taken by the EITI National Secretariat following the activities set out to identify and reflect Beneficial Ownership in the field of extractive industry in Albania. Mrs. Anila Hajnaj and Mrs. Ola Mitre, representatives of Civil Society, members of the Multi-Stakeholder Group (MSG), emphasized the role that Civil Society must play as a ‘third sector’ distinct from government and business. The publication of Beneficial Ownership in 2020 as one of the basic requirements of the EITI International has prompted the Albanian side, specifically the Ministry of Finance and Economy, to draft a new law aimed at creating a register that will disclose the names of Beneficial Ownership and accessibility to the entity data.

MEETING FOR THE ROYALTY IMPACT ON SUSTAINABLE DEVELOPMENT

NOVEMBER 19

The EITI National Secretariat, the OSCE Presence in Albania and the Agency for Support of Local Self-Government organized a technical level meeting on sustainable development of the royalty impact.

The OSCE Mission representative, in her speech emphasized the very important role of the process for drafting the Royalty Platform, in close coordination with local government units, as part of the extractive areas long term development platform.

Executive Director of the Association for Local Autonomy stressed the importance of revising the value of the royalty on the sectorial impact and support for the municipalities optimization of addressing issues related to royalty and extractive industry.

The representative of the EITI National Secretariat, mentioned the focus of EITI activity on sustainable development in the areas and communities where the extractive industry operate, emphasizing the importance of prudent and transparent use of natural resources and their socio-economic and environmental impact.


THE 4TH INTER-MUNICIPAL MEETING IN BULQIZA: MINING INDUSTRY AND ROYALTY ISSUES

OCTOBER 30

In Municipalities of Peshkopia, Bulqiza, Mat and Klos there are 156 chromium mining permits for chromium production as well as 7 companies in the extraction of limestone, marble limestone, alabaster etc. Under the support of the OSCE Mission, its representative focused on the royalty platform process for a close coordination with the local government units and the central institutions as an integral part of this process. Representatives of the municipalities expressed concerns related to the environmental and infrastructural impacts of the extractive industry activities, as well as the need to consider changing the legal framework regarding the revenue that municipalities should benefit from the concessionary activity in the HPP which are active in the territories covered by these municipalities.
Representatives of the EITI National Secretariat discussed the potentials and advantages of increasing local government cooperation with the EITI National Secretariat to the transparency reporting process to maximize the social and environmental impact of royalty in local community and strengthening local capacities in the framework of a long-term development platform of extractive industrial areas, which was initiated by the Albanian Government.


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**MEETING WITH THE AMBASSADOR OF BRAZIL-SIGNIFICANCE AND ASSESSMENT FOR THE EITI IMPLEMENTATION**

**SEPTEMBER 27**

By an invitation of the Brazilian Embassy in Tirana, a business meeting was held between the Brazilian Ambassador to Albania Mr. Francisco Carvalho Chagas and the Head of National Secretariat, in the context of significance and assessment of the EITI International standards implementation advantages. Ambassador Chagas expressed interest in conceptualizing the initiation of the process of Brazil’s involvement in the EITI Global Initiative. Albania is the only country in the region as a member of the EITI Global Initiative and EITI National Secretariat expresses its full willingness to provide its experience and assistance to all international partners who plan to initiate the EITI implementation process.

THE THIRD INTER-MUNICIPAL WORKSHOP ON ROYALTY ISSUES

SEPTEMBER 25

The workshop was attended by Secretariat and MSG representatives, the OSCE Presence representatives, leaders and staffs of the municipalities of Berat, Kuçova, Skrapar, Ura Vajgurore; and representatives of Ministry of Finance and Economy, Ministry of Environment and Tourism, Ministry of Justice, ADISA, General Directorate of Taxation, AKBN, Ministry of Health and Social Welfare /State Agency for Children’s Rights and Protection, Civil Society, FIAA, experts contracted by the OSCE, etc. In these four municipalities operates 59 mining permits companies (in the extraction of limestone, silicon sand, marble limestone, decorative stones etc.); as well as in the petroleum sector “Shell Upsteram Albania B.V." in the exploration phase the “Sherwood International Petroleum” Ltd and “Albpetrol” sh.a. companies. Head of the Department of Good Governance at the OSCE Mission Presence Mrs. Arianna Briganti emphasized the OSCE’s commitment to support a transparent process for sustainable development, as well as environmental and social optimal impacts of the extractive industry activities in local units and communities.


MEETINGS WITH THE REPRESENTATIVES OF BERAT, KUÇOVA, URA VAJGURORE AND SKRAPAR MUNICIPALITIES

SEPTEMBER 2-3

Consultative meetings were organized by EITI National Secretariat and the OSCE Presence. In these meetings with the representatives of each of the four Municipalities were discussed issues related to: Delivering and maximizing the social and environmental impact of the royalty on beneficiary communities; Problems related to the environmental effects of extraction activities; Strengthening local capacities for the use of legal instruments in the fight against informality; Following the full procedural steps for removal of forest-grazing fund
of the mining exploitation permit areas in accordance with the legislation in force; Impact of Extractive Industry activities on road infrastructure etc.

Link: http://www.albeiti.org/takime-me-perfaqesesit-e-bashkive-berat-kucove-ura-vajgurore-dhe-skrapar/

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**EITI GLOBAL CONFERENCE-PARIS 2019**

**JUNE 17-19**

Under the label "Open Data Build Trust – Open data Build Trust", the world's largest 3-year periodical forum of EITI International was organized and with a very wide participation of over 1,000 representatives from 98 different countries.

Albania was represented at the global EITI event by a delegation composed of the MSG and the Albanian National Secretariat, representatives of the Ministry of Infrastructure and Energy, representatives of the Civil Society and Business of extractive industry and by the representatives of the OSCE Mission in Albania.

The 2019 EITI Global Conference, Paris, once again evidently reflected the enormous importance of the implementation and promotion of Transparency in the Extractive Industries sectors as one of the most efficient and guaranteed mechanisms for maximizing public benefit from natural resources and identifying EITI as a very efficient international co-operation and co-ordination platform for combating corruption and informality, as well as improving government systems in the function of natural resources well-management.

During sessions of the Conference, the new format of the 2019 EITI Standard was presented, including improvements such as: Reporting on Environmental Impact, State Enterprise Transactions; Contract Transparency; Gender Balance in EITI Processes; as well as Disintegrated Contract Reporting.

The results of the Second EITI International Validation process for Albania’s progress in April 2019 were also highlighted in the 43rd Meeting of the EITI International Board during conference proceedings.

National EITI and the OSCE Presence organized in the Municipality of Vlora the Second Inter-municipal Workshop on the Impact of Royalty in Local Communities. Head of the Department of Good Governance OSCE Mission Presence, as well the OSCE representative introduced the OSCE priorities and scenarios for a sustainable, transparent and by an optimal environmental and social impact of Extractive Industry activity. The Mayor of Vlora, presented the issues related to the real impact of the development of the Extractive Industry activity in the local infrastructure and environmental aspect in the city of Vlora, pointing out the importance of optimizing the development of the extractive industry activities, on the city’s tourist importance of seaside.


The Energy Charter International Secretariat presented in this Forum the publication of the 2018 Secretariat EIRA on Risk Assessment in the Energy Sector and Energy Security in Energy Charter Member States. Albania is classified as Low Risk in the energy sector and in the Transparency component Albania is rated at a very high score of 83 points, leaving behind many other countries in the Transparency Classification in the Energy Sector such as Croatia, Greece, Bosnia, Hungary, Montenegro, etc.

EITI-OSCE: INTER-MUNICIPAL ROUNDS MEETINGS IN FOUR SOUTH MUNICIPALITIES

MAY 20-21

National EITI and the OSCE Presence organized series of workshops in the four South Albanian Municipalities: Saranda, Himara, Selenica, Vlora, focusing on the discussions of the local government relations with extractive industries companies and by addressing the socio-economic and environmental impact in the local communities by such activities and the touristic potentials capability in some of these municipalities.


EITI AT THE INTERNATIONAL CONFERENCE ‘ON THE INTEGRAL DEVELOPMENT OF MINING INDUSTRIES WITH MINIMAL IMPACT ON THE ENVIRONMENT’

MAY 10

The International Conference addressed issues related to the presentation of the mining potential of the two countries, policies and strategies for the sustainable development of the sector, minimizing the negative environmental impacts from the mining activity, and strengthening the real Albania-Kosovo cooperation in the Mining sector.

In the speech delivered by EITI National Secretariat was emphasized the importance of promoting and implementing the Transparency process in Mining activity, as well as the active role of Albania EITI cooperation with Kosovo’s state structures, regarding the initiation of Kosovo’s membership process in the EITI International Initiative.

Link: http://www.albeiti.org/eiti-ne-konferencen-nderkombetare-per-zhvillimin-integral-te-industrise-minerare-me-ndikim-minimal-ne-mjedis-2/
EITI-OSCE: FIRST INTER-MUNICIPAL WORKSHOP WITH LOCAL GOVERNMENT ON ROYALTY ISSUES
MAY 9

In the first inter-municipal workshop with local government, representatives of Fier and Patos Municipalities was presented the value of revenues generated by the royalty in these municipalities and was discussed with the Ministry of Finance and Economy representatives regarding the calculation and minimization of the delays caused by the royalty distribution as well as specific recommendations for optimizing this process. The General Director of Agency for the Support of Local Self-Government introduced the process initiated by the Albanian Government for designing a Long-term Platform to the development of extractives industries and processing areas through an Inter-Ministerial Working Group. OSCE representative, Mr. Qëndro presented the issues related to inter-municipal co-operation of royalty distribution at the local level.


EITI-OSCE: REGIONAL TECHNICAL PREPARATORY MEETINGS
APRIL 25

After signing the Memorandum of Understanding, the National EITI Secretariat and the Organization for Security and Cooperation in Europe, OSCE Presence in Albania, organized preparatory Regional technical meetings in the largest oil municipalities: Patos, Roskovec and Fier, in order to identify royalty management regional strategic objectives.

WORLD BANK MISSION IN TIRANA TO DISCUSS EITI PRIORITIES AND VISION FOR SUSTAINABLE SECTORIAL DEVELOPMENT

APRIL 11-12

Representatives of the World Bank Mission in the meeting with the EITI National Secretariat discussed the progress of the World Bank Grant, in support of EITI activity in Albania, as well as on the real prospects for continuing this fruitful cooperation. The World Bank Mission also held an extended meeting with MSG EITI, where provided a presentation of the World Bank’s successful international funding experiences that have helped systematize EITI processes and sectoral good governance (including licensing processes, collection and allocation of extractive industries etc.), in support of EITI processes.


ENDORSEMENT MEMORANDUM OF UNDERSTANDING FOR COOPERATION BETWEEN THE EITI NATIONAL SECRETARIAT AND THE OSCE PRESENCE IN ALBANIA

APRIL 2

At the OSCE premises in Tirana was signed the Memorandum of Understanding on Cooperation between the EITI National Secretariat and the Organization for Security and Co-operation in Europe, OSCE – Presence in Albania. The Memorandum was signed by the OSCE Ambassador to Albania and the Head of EITI National Secretariat. The institutional cooperation platform consists in promoting transparency and public awareness of good governance of natural resources/extractive industries and capacity building of local government authorities.

MEETING BETWEEN THE REPRESENTATIVES OF THE SWISS EMBASSY IN ALBANIA, MSG AND THE EITI NATIONAL SECRETARIAT

FEBRUARY 29

The EITI National Secretariat made an analysis of the EITI activity implementation in Albania and the work done so far by the MSG and the Secretariat focusing on transparency promotion of good administration process of income deriving from the Hydrocarbons, Mining and Hydro-power sectors in Albania. The Civil Society organizations representative in MSG presented the work of Civil Society within the EITI and made an expose of the Project funded by the Swiss Embassy on Royalty.


SECOND EITI INTERNATIONAL VALIDATION PROCESS IN ALBANIA

MARCH 18

Considering the Second International Validation process of EITI activity in Albania, were held meetings with the EITI International Secretariat Validation Mission representatives. The Validation Mission conducted meetings in the premises of the Ministry of Infrastructure and Energy with the Head of MSG and MSG members, central institutions representatives, Civil Society Organizations representatives, Local Government; Foreign Investors Association in Albania, NANR, Albpetrol sha, representatives of Donors and International Partners, as well as representatives of foreign embassies accredited in Albania.

The EITI National Secretariat participated in “Civil Society, its role in the Extractive Industry Transparency” workshop organized by the Albanian Center for Development and Integration (part of MSG – EITI), in cooperation with the Swiss State Secretariat for Economic Affairs, SECO, the Swiss Embassy in Tirana. Topics on Civil Society Involvement Program in the Natural Resources Utilization Process and EITI Activity in Albania; Royalty and local communities; Fiscal Regime and revenue management; Community Rights in Social and Environmental Matters; Beneficial Ownerships; The CSOs Code of Conduct in the EITI process; Obligations of entities and companies using natural resources, etc were presented during workshop sessions. On the second day of the event, after the training of CS representatives, was organized the election process of representatives of civil society organizations as new members of MSG-EITI, in order to address Corrective Actions 1.3 and 1.4 as and in accordance with the EITI International Standard procedures.

Civil society organizations supported by SECO-Swiss Embassy, through the project “Strengthening Civil Society in the Albanian EITI process” organized the election for the new CSO-MSG members. A survey conducted in 10 municipalities as the first phase referring to the assessment of the knowledge and understanding of the EITI and related benefits and obligations by the CSO, population and other stakeholders, came out with conclusions and recommendations for the four main actors participating in the EITI process (see Survey on the EITI Knowledge, resources http://albneteiti.org/).

The information collected through survey, was used to design the EITI-CSO strategy in order to expand AlbNet-EITI Coalition, reaching areas where natural resources are extracted, with actors who are committed to work in the field of transparency of extractive industry.

Also Albanian Center for Development and Integration-MSG member through monitoring of the Royalty in 5 municipalities, a project supported by SDC-Swiss Embassy and “Leviz Albania” made possible to identify problems faced with reallocation of the royalty, application of procedures according to the law and to the legal framework. Conclusions and recommendations provided by Monitoring Report (see “Mineral Royalty Monitor Report”, resources http://albneteiti.org/) made possible relevant improvement of reallocation procedures which reflected in more income of revenues. Also the Monitoring Report was used as the base of the OSCE strategy on royalty.

MSG-CSO members are already focal point for information not only for AlbNet-EITI coalition members but also for local power institutions where natural resources are extracted.

COMBINED EFFORT TO INCREASE SYNERGY WITH THE INTERNATIONAL INVESTORS IN THE TRANSPARENCY PROCESS

JANUARY 22

Cooperation with representatives of SHELL Upstream Albania BV (branch of Royal Dutch Shell) was assessed to increase synergy in the Transparency process between state and reputable international investors and as a guarantee for promoting an attractive climate for foreign investments and sustainable economic development in Albania.

ASSESSMENT OF PERFORMANCE AGAINST TARGETS AND ACTIVITIES SPECIFIED SET OUT IN THE WORK PLAN REQUIREMENTS

IN ACCORDANCE WITH REQUIREMENT 1.5 AND 7.4 (a) (iv)
Due to the objective delays of WBs funds, the finalization of the procurement procedure for the Independent Administrator for the 2017-2018 EITI Report has been concluded in January 2020 and a contract has been signed with the Deloitte Albania sh.p.k which is working to complete these reports.

OBJECTIVE VALIDATION

At the end of May 2019, the Final Evaluation Report was received from the Validators and on June 17, 2019 the decision was taken by the International EITI Board for the second Validation of Albania.

In January 2020, MSG discussed and suggested the steps to be followed for Corrective Actions issued by the II Validation Mission and the measures that should be taken to be accomplished. The Independent Administrator has been informed of these steps to be reflected in the 2017-2018 EITI Report.

OBJECTIVE EITI CAPACITY BUILDING

During 2019, are organized capacities building activities and are mentioned at the above activities section.

OBJECTIVE COMMUNICATION ACTIVITIES

During 2019, numerous communication activities have been organized and are mentioned at the above activities section.
ASSESSMENT OF PERFORMANCE IN COMPLIANCE WITH THE EITI REQUIREMENTS

IN ACCORDANCE WITH REQUIREMENT 7.4 (a) (ii)

<table>
<thead>
<tr>
<th>REQUIREMENTS</th>
<th>PROGRESS</th>
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<tbody>
<tr>
<td>EITI REQUIREMENT 1</td>
<td>The MSG in Albania has been actively involved in the implementation of EITI.</td>
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<tr>
<td>Oversight by the multi-stakeholder group</td>
<td>Albania has continued to produce EITI reports</td>
</tr>
</tbody>
</table>
1.1 Government engagement
1.2 Company engagement
1.3 Civil society engagement
1.4 Multi-stakeholder group
1.5 Work plan

according the deadlines. The MSG members are engaged in the implementation of EITI, according the sector they cover. State Institutions, constituent part of the MSG, have shown high engagement by making available to the EITI Initiative their structures and human resources for the EITI Reporting. For subjective reasons by excluding only a small number of delays, Companies have shown commitment to the reporting process and the extractive companies, has continued to play their role disclosing their payments and the Government disclosing its revenues received from extractives companies. Also, the government has continued to fund EITI implementation under the national budget. Finding a comprehensive language and building a constructive cooperation makes the works of MSG Albania productive. However, it should be noted the vacuum that happen in the MSG structure by not replacing some seats from CSO members that willingly resigned. MSG members from Civil Society have shown commitment to the EITI Initiative by being vocal at the meetings for different issues. What is seen as concern from previous years and implemented in early 2019, was is the lack and not the fulfillment of the three vacant seats of this group on the EITI MSG. By replacing the seats of MSG’s Civil Society has given vitality of CS in MSG nad to the EITI implementation in Albania. Business grouping in MSG has always been commendable continuing with the same intensity to engage in the EITI implementation in Albania. The EITI Albania, despite having faced a lack of funding, due to objective reasons the WB funding delayed and due to the resignation of the Head of National Secretariat and the appointment of the new Head (a process that took several months from 2019), has not stopped the work to successfully complete the objectives of EITI National Secretariat and trying to fulfill the activities agreed in the work plan.

<table>
<thead>
<tr>
<th>EITI REQUIREMENT 2</th>
<th>Legal and institutional framework, including allocation of contracts and licenses</th>
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<tbody>
<tr>
<td>2.1 Legal framework and fiscal regime</td>
<td>Currently EITI Albania is adopting the draft Law &quot;On the transparency of the activities of the extractive industries and the use of natural resources in the Republic of Albania&quot;. The purpose of this law is to promote and ensure the enhancement of transparency in</td>
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the extractive industries activities and the use of natural resources in general through the implementation of EITI’s international standards, to improve the legal framework for EITI’s report by harmonizing it with the EITI Standard.
Also, this Draft Law includes legal provisions for the declaration of Beneficial Ownership.

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

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

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

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

After signing the contract, the operator draws up a detailed implementation plan. Before the approval, this plan is again subject to state technical objections. Almost Oil and gas agreements were allocated through ad hoc negotiations procedures up August 2013. Information on recipient licensees and joint operations were publically disclosed in MEI’s website. Construction of power plants is subject to 10 to 20 permits from various regulatory bodies, including: environmental
permit (annual), building permits (prior to construction), permission to use water resources (annual), power production license (before the start of production), permission to connect to the power transmission network etc.

The **register of licences** is publicly available in ALBEITI website: [www.albeiti.org](http://www.albeiti.org)

This register is updated every 6 months.

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

In the Albanian legislation, the term **Beneficial Owner** is defined by Law No. 9917, dated 19.5.2008 “On prevention of money laundering and financing of terrorism”, as amended, article 2/paragraph 12, as the natural person who owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person. Ultimate effective control is the relationship, in which a person:

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

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

The National Registration Center which carries out its activity based on the Law No. 131/2015 “On the National Registration Center” as amended, based on article 67, clearly states that every person has the right to receive, without any obstacles, in electronic form, as desired, extracts of the recorded data on each entity. Extracts may be issued for certain data of the entity and/or actions history performed by an entity. In simple or historical extract, in addition to many data, complete data are given on the entity as the company administrator, its steering director’s board, names of all shareholders and respective percentage.

In view of preparing the EITI report 2016, the MSG asked reporting entities and contracting authority, MIE, to report information on beneficial owners in compliance with the definitions of the EITI standard. MIE has declared that the Ministry does not currently have a register as required by the EITI standard. Licensed entities were also not ready for this kind of reporting. The majority of companies choose not to fill in the forms stating that company ownership was registered in the National Registration Center. Only 17 companies reported their owners. In all cases, the owners were the same as those registered in the National Registration Center.

**State participation**

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

b) The level of ownership of SOE(s) is
EITI REQUIREMENT 3
Exploration and production

<table>
<thead>
<tr>
<th>3.1 Exploration</th>
<th>3.2 Production</th>
<th>3.3 Exports</th>
</tr>
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</table>

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

EITI REQUIREMENT 4
Revenue collection

<table>
<thead>
<tr>
<th>4.1 Comprehensive disclosure of taxes and revenues</th>
<th>4.2 Sale of the state’s share of production or other revenues collected in kind</th>
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<td>4.3 Infrastructure provisions and barter arrangements</td>
<td>4.4 Transportation revenues</td>
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<tr>
<td>4.5 Transactions related to state-owned enterprises</td>
<td>4.6 Subnational payments</td>
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<tr>
<td>4.7 Level of disaggregation</td>
<td>4.8 Data timeliness</td>
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<tr>
<td>4.9 Data quality and assurance</td>
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**Comprehensive disclosure of taxes and revenues** The tax system that is applied in Albania for the extraction industry sector is the same that apply to the entire country’s economy, value added tax (TVSH), profit taxes, dividends + royalties, bonuses, and other significant payments and material benefit to government. Mineral rent from the government is seen as a tax for the development of this area. To give impulse or development to the processing industry in the country, the government reduced the royalty for the processed chromium ore (ferrochrome) from 6 to 3 percent. The EITI Report shows a comprehensive tax overview gathered by the government for 2016.

**Sale of the state’s share of production or other revenues collected in-kind** In the EITI Report 2016 are disclosed the revenues collected in-kind by Albpetrol.

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

**Transportation revenues** The Albanian state does not receive transit tax. Albpetrol pipelines are not currently operating. Two crude oil pipelines link ARMO’s oil terminal in Vlora with Fieri and Ballshi refineries and with the two refineries between them. Both pipelines are not operating due to obsolescence. The oil pipeline network has a total length of 188 km and a capacity of 2.5 million tons per year.

The Trans Adriatic Pipeline (TAP) AG is a union of several International companies established with the purpose to planning, developing and building TAP’s pipeline. The
Albanian government has entered into talks with the TAP consortium for setting a Transit Tax. TAP is currently the largest contributor of the direct foreign investments in the country. As set in the Host Government Agreement between TAP and the GoA, TAP will spend EUR 14 million in the infrastructure and other investments in the benefit of civil society and communities.

**Transactions related to state-owned enterprises** Albpetrol pays to the Government taxes, as applied to all commercial oil companies and dividends in its capacity of sole shareholder of the company. Both Albpetrol and MIE informed that there are no special arrangements governing the transfers from Albpetrol to the Government and vice-versa. Albpetrol has been profitable so far, despite its large employee cost base. Albpetrol’s financials show volatile profit results. Revenue is primarily derived from sale of available oil. Albpetrol has not received, nor granted any loan to the Government so far.

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

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

**Applied Auditing Standards** All entities, including participating joint stock companies (“SHA”) and limited liability companies (“KPS”) are subject to statutory audit, excluding those KPS classified as smaller units. LAW No. 10 091, dated 5.3.2009 “ON LEGAL AUDIT, ORGANIZATION OF THE PROFESSION OF THE LEGISLATIVE AUDITOR AND THE APPROVED ACCOUNTANT” (amended by Law No. 10 297, dated 8 July 2010, No. 47/2016, dated Article 41, Legal entities obliged for the
statutory audit of the financial statements (amended by letter “c” by Law No. 47/2016, dated 28.4.2016) Are obliged to carry out the statutory audit of the annual financial statements, before their publication, by legal auditors or audit firm:

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

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

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

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

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

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

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

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

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

Data Quality and assurance EITI 2016 Report provides an assessment of the assurance procedures performed on the numbers reported by the government entities and licensees in this report. Chapter 10, provides details of the reconciliation of flows for the
EITI RECOMMENDATIONS
Recommendations for improvements are also listed in EITI 2016 Report. The EITI Albania MSG is drafting and approving an action plan on following up the EITI 2016 Report Recommendations so all the requirements will be covered aiming to improve the EITI reporting in Albania.

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<th>EITI REQUIREMENT 5</th>
<th>Revenue allocations</th>
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| 5.1 Distribution of extractive industry revenues | **Distribution of extractive industry revenues**
Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to Law on National taxes no. 9975, dated 28 July 2008, as amended, a portion of royalty tax shall be allocated to each local government unit ("LGU") in proportion with their contribution to the domestic output of oil, gas and mining. Regulatory framework on subnational transfers of royalty Up to November 2014, the Law on National taxes requested 25% of royalty tax to be allocated to each local government unit ("LGU") in proportion with their contribution, however within the terms of the annual budget law. The formula for allocating royalty to the beneficiary LGUs was not disclosed and the transfers made could not be linked to the LGUs contribution in royalty levied. Up to 2014, only oil producing countries could benefit from the subnational transfers of royalty. On 27 November 2014, the Government of Albania introduced changes to the Law on National taxes, whereby the LGUs are entitled to receive 5% of the royalty generated from sales of oil and minerals extracted in their district. Under these new terms, royalty transfers are linked to the LGUs contribution and not affected by any other budgeted transfer in accordance with the annual budget law. Instruction no. 26, dated 4.9.2008 "On national taxes", amended ("the instruction") lists the reconciliation procedures to be performed by the beneficiary LGUs to ensure fair allocation of royalty. Accordingly, each LGU shall agree at the end of the month royalty payments made by licensees operating in the LGU district, with the regional directorate of taxes and customs. The regional directorates of taxes and customs shall submit analytical list of royalty collected and benefiting LGUs to the Directorate of Budget at Ministry of Finance ("MF"). Upon receipt of the |
reconciliations, MF initiates monthly transfers of royalty to LGUs. In case of oil companies, which operate simultaneously in several LGUs the instruction sets the share of royalty to be allocated. Actually the Albanian government is again reviewing the percentage of the royalty that will be transferred to LGU-s.

Subnational transfers The Ministry of Finance and Economy is in the process of improving the procedures in order to ensure the accuracy and completeness of royalty distribution in accordance with the new legal requirements. Under the proposed changes, the LGUs in 2015 shall have the right to receive 5% of the mining royalties generated by companies operating in their area without considering any transfer provided in accordance with the Annual Budget Law. Instruction No. 26, dated 04.09.2008 “On national taxes”, as amended, defines reconciliation procedures for the allocation of mining royalties. Under this instruction, LGUs must perform reconciliation with the Regional Tax and Customs Directorates at the end of each month and send the reconciliation forms to the General Budget Directorate in the Ministry of Finance. At the same time, the regional tax and customs directorates must send within the same month analytical information on the royalty collected and beneficiary LGUs. Based on these reconciliations, the Ministry of Finance carries out royalty transfers to beneficiary LGUs in the following month. For oil companies, whose activity extends to several LGUs, the instruction sets out the royalty percentage amount distributed to each LGU depending on the areas where oil or gas is produced or sold.

Revenue management and expenditures The revenues collected by the State Budget from the extractive industry are added to other revenues and are naturally allocated through budget items. There is no specific allocation of these revenues in budget programs with the exception of the Royalties where 5% passes to local government according to the areas where the extractive industry operates. At the same time, these revenues account for about 5% of the state budget. NANR manages a part of the revenues from Hydrocarbon Agreements. 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 and dividend tax, income from employment. The report shows the distribution of total revenues generated by oil operations between the Albanian Government, Albpetrol, AKBN and private oil companies. The Albanian Government's interest in PSA is administered by Albpetrol and NANR, which received from PSA: bonuses, share of oil production and other income derived from non-execution of contract terms such as fines and executed warranties. MIE (Ministry of Infrastructure and Energy) publishes in its website financial information on expenses by nature and program http://infrastruktura.gov.al/

EITI REQUIREMENT 6

Social and economic spending

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

Social expenditures by extractive Social expenditures are material expenditures made by companies in the sector of Extractive Industries to the benefit of the public and civil society, as mandated by law or by contract with the government. The government and oil companies involved in the oil sector informed that currently applicable oil deals do not include mandatory social payments to be made by oil companies for the benefits of communities. The time and amount of social payments are decided by oil companies at their discretion. Companies must present these costs to NANR/Albpetrol for approval as part of the annual budget.

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

The contribution of the extractive sector to the economy. Based on data reported by Government agencies shown in EITI 2016 Report, the extractive sector and hydropower accounted collectively to no more than 6% of the gross domestic product in 2016, amounting to ALL 87,483 million1. Exports from the extractive sector have increased substantially by over 100% up to 2013, when they reached ALL 96.7 billion or 39% of total exports. This share dropped to 19% of total exports in 2016 or ALL 47.0 billion, simultaneously affected by the decrease in international prices for oil and the increase of domestic oil refining activity. Based on data
reported from the GDT, license holders engaged in the extractive sector of oil, mining and hydropower sector employed collectively approximately 16,500 staff accounting for 1.4% of the registered workforce reported by Institute of Statistics in December 2016.

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<th>EITI REQUIREMENT 7</th>
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<td><strong>Outcomes and impact</strong></td>
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**Public debate** The EITI report in Albania is comprehensible and publicly accessible. Both EITI Reports and Summary Data File are available online in open data format. Also paper copies of the EITI Reports are constantly produced and distributed to stakeholders. The Reports are published in Albeiti website www.albeiti.org both in albanian and english language. The EITI Albania Report is used widely by stakeholders on the public debate. The organization of meetings with journalists from local and national media, the editorials, chronicles writings and the organization of meetings with local and foreign interest groups clearly shows the commitment of the MSG and the EITI National Secretariat to promote a nationwide public debate and to influence in the economic and social development of communities.

**Data accessibility** The EITI National Secretariat publishes the EITI Reports on its website and all parties concerned have full access for the required data. Hard copies of EITI Reports and Summary Reports are widely distributed to relevant stakeholders.

**Discrepancies and recommendations from EITI Reports** Descrepanices and recommendations in EITI Reports are discussed in the MSG meetings. Lately the National Secretariat proposed that a permanent subgroup should be created within MSG. This group will follow the implementation of the EITI Report recomendations and also the Corrective Actions raised by the Validation until their complete fulfillment.

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

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

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

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

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

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

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

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

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

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

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

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

Frequents changes within staff in some of institutions have caused confusion and difficulty, but friendly approach between the parties has brought into the concrete results.
OVERVIEW OF THE MULTI-STAKEHOLDER GROUP’S RESPONSES TO THE RECOMMENDATIONS FROM RECONCILIATION AND VALIDATION, IF APPLICABLE

IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(iii)
Throughout 2019, the MSG has discussed and has taken measures for corrective actions emerged from the Second Validation process and the EITI Board decision on Validation of Albania.

A brief summary of the measures taken are listed as below:

**CORRECTIVE ACTION 1 (#1.3)**

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

**CORRECTIVE ACTION 2 (1.4.a.ii, 1.4.b.ii, 1.4.b.iii 1.4.b.vi)**

In accordance with the requirements 1.4.a.ii and 1.4.b.vi, the MSG redesigned the procedures for the selection of MSG members and by Decision No. 2, dated May 5, 2019, agreed to strictly follow the selection procedures provided in the Internal Regulation of the MSG and their evaluation. Also, all stakeholder groups constituted in the MSG published the procedures for electing members on their respective websites: www.albeiti.org; www.http://fiaalbania.al/; www.albneteiti.org;

During 2019, Albpetrol sh.a. became a full member of MSG of the extractive industry companies.

MSG in cooperation with the EITI Albania Secretariat and Civil Society during 2019 has undertaken various communication activities by informing stakeholders on the implementation of EITI in Albania.
CORRECTIVE ACTION 3 (#2.2)

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

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

IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(v)
STRENGTHS

Cooperation with International Institutions on issues regarding the promotion of Transparency and good governance of Mining Royalty in the context of social, economic and environmental impacts on local communities to ensure sustainable development.

WEAKNESSES

Failure to comply with the deadlines specified in the Work Plan for scheduled activities due to delay of funds financed by World Bank Grant.
IMPLEMENTATION OF BENEFICIAL OWNERSHIP DISCLOSURE PLANS

IN ACCORDANCE WITH REQUIREMENT 7.4. (a)(vi)
The World Bank has also finalized and approved the ToRS for Beneficial Ownership Reporting and Registration in accordance with the World Bank’s procurement procedures.

The procurement procedure for this activity is expected to be announced soon and finalized by 2020. Its implementation relies on the approval and disbursement of the World Bank Grant (the Grant was formally approved only on April 30, 2020 due to reasonable delays), and the subsequent closure because of the Covid-19 pandemic has also hindered the process.
TOTAL COST OF IMPLEMENTATION
The EITI National Secretariat for 2019 was funded by the State Budget and by the World Bank Grant Project TF0A1769.

Funding from the State Budget was in the amount of 10.900.000 ALL and covered the costs of salaries and personal insurance and also used for operating expenses.

The World Bank’s Grand Project TF0A1769 was used in the amount of $17,477 for the payments of consultants contracted under this Grant.

Actual staff of the EITI National Secretariat for 2019 is 9 employees, out of which 8 full-time employees and 1 contracted worker from the contingent of newly graduated students versus 9 employees on the Organigrama.
HAS THIS ACTIVITY REPORT BEEN DISCUSSED BEYOND THE MSG

IN ACCORDANCE WITH REQUIREMENT 7.4.b
MSG during 2019 did not publish the EITI Report and the reasons already explained throughout the Annual Progress Report have been discussed and shared with all stakeholders.
DETAILS OF MEMBERSHIP OF THE MSG
The Civil Society Grouping in MSG due to lack of funds, failed to organize the elections of this grouping during 2018 but managed to fill vacancies on February 12, 2019 and the new members were presented during the MSG meeting organized on the same date.

One of the recommendations from the 2018 Validation Process for Albania was the presence of the State Capital Company, Albpetrol, as a voting member, a request that was accepted and approved unanimously by MSG members.

The Agenda of Meetings, Minutes of Meetings, Presence Lists and Decisions of the MSG for the Period 2019 are available on the EITI Albania official website http://www.albeiti.org/viti-2019/.
PICTURES FROM ACTIVITIES