



28 June 2019

H.E. Belinda Balluku
Minister of Infrastructure and Energy
Republic of Albania

ALBANIA ACHIEVES MEANINGFUL PROGRESS UNDER THE EITI STANDARD

Your Excellency,

The EITI Board agreed on 17 June 2019 that Albania has made meaningful progress overall in implementing the 2016 EITI Standard, with considerable improvements across several individual requirements.

I would like to take this opportunity to congratulate the Government of Albania and the Multi-Stakeholder Group (MSG) for using EITI implementation in Albania to bring more transparency and accountability to the extractive sector in the country.

In taking this decision, the Board recognised Albania's efforts to use the EITI as a diagnostic tool of government's public finance management of extractive revenues. Public reporting of subnational transfers of royalties has generated significant public interest. The Board encourages Albania to further enhance public disclosures, particularly related to license allocations and state participation in oil and gas. It also encourages the comprehensiveness and reliability of those disclosures, including at the subnational level. The Board welcomes Albania's consideration of opportunities to systematically disclose the data required under the EITI Standard.

The Board has determined that Albania will have 12 months, i.e. until 17 June 2020 before a third Validation to carry out corrective actions regarding civil society engagement (1.3), license allocations (2.2), state participation (2.6), comprehensiveness of disclosures (4.1), direct subnational payments (4.6) and data reliability (4.9). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Albania's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board and the International Secretariat stand ready to support your government's efforts to implement the EITI.

Yours sincerely,



Fredrik Reinfeldt
Outgoing Chair
Extractive Industries Transparency Initiative

cc.

Mr Ilir Bejtja, Deputy Minister of Infrastructure and Energy
Mr Ardit Kamberi, Head of the AlbEITI Sekretariat

ANNEX.-

Decision in full








The EITI Board agrees that Albania has partly addressed the corrective actions from the country's first Validation. Consequently, Albania has made meaningful progress overall with implementing the EITI Standard, with considerable improvements across several individual requirements. The Board recognises Albania's efforts to use the EITI as a diagnostic tool of government's public finance management of extractive revenues. Public reporting of subnational transfers of royalties has generated significant public interest and demonstrated the importance of the EITI in providing a platform for multi-stakeholder oversight. Albania's EITI implementation is also recognised as having provided a key centralised source of information on the extractive industries, in some cases being the key source of data on licenses and contracts. The Board nonetheless encourages Albania to further enhance public disclosures, particularly related to license allocations, state participation in oil and gas and the comprehensiveness and reliability of disclosures, including at the subnational level. While civil society has made welcome efforts to better structure the constituency's coordination, the Board encourages the constituency to further expand its membership to ensure representation of the diversity of civil society active in Albania. The Board welcomes Albania's consideration of opportunities to improve government and company disclosures through systematic disclosures of data required under the EITI Standard.

The Board has determined that Albania will have **12 months**, i.e. until **17 June 2020** before a third Validation to carry out corrective actions regarding civil society engagement (1.3), license allocations (2.2), state participation (2.6), comprehensiveness of disclosures (4.1), direct subnational payments (4.6) and data reliability (4.9). Failure to achieve meaningful progress with considerable improvements across several individual requirements in the third Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Albania's MSG may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

Assessment card

EITI Requirements		Level of progress					Direction of Progress
Albania Second Validation scorecard		No progress	Inadequate	Meaningful	Satisfactory	Beyond	
Categories	Requirements						
MSG oversight	Government engagement (#1.1)						=
	Industry engagement (#1.2)						=
	Civil society engagement (#1.3)						→
	MSG governance (#1.4)						→
	Work plan (#1.5)						=
Licenses and contracts	Legal framework (#2.1)						=
	License allocations (#2.2)						→
	License register (#2.3)						→
	Policy on contract disclosure (#2.4)						→
	Beneficial ownership (#2.5)						
	State participation (#2.6)						→
Monitoring production	Exploration data (#3.1)						=
	Production data (#3.2)						=
	Export data (#3.3)						=
Revenue collection	Comprehensiveness (#4.1)						←
	In-kind revenues (#4.2)						=
	Barter agreements (#4.3)						
	Transportation revenues (#4.4)						
	SOE transactions (#4.5)						=
	Direct subnational payments (#4.6)						→
	Disaggregation (#4.7)						=
	Data timeliness (#4.8)						=
	Data quality (#4.9)						→
Revenue allocation	Distribution of revenues (#5.1)						→
	Subnational transfers (#5.2)						=
	Revenue management & expenditures (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1)						→
	SOE quasi-fiscal expenditures (#6.2)						→
	Economic contribution (#6.3)						=
Outcomes and impact	Public debate (#7.1)						=
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)						→
	Outcomes & impact of implementation (#7.4)						=
Overall assessment	Meaningful progress, with considerable improvements						→

Legend to the assessment card

	No progress. All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	Inadequate progress. Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	Meaningful progress. Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	Beyond. The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

The EITI Board agreed the following corrective actions to be undertaken by Albania. Progress in addressing these corrective actions will be assessed in a third Validation commencing on:

1. In accordance with Requirement 1.3.e, civil society stakeholders including but not limited to members of the MSG must be substantially engaged in the design, implementation, monitoring and evaluation of the EITI process, and ensure that it contributes to public debate. The civil society constituency is encouraged to implement all provisions of its Code of Conduct in practice, including those related to regular coordination and canvassing of views, and ensure that adequate outreach is undertaken towards all CSOs with potential interests in EITI implementation.
2. In accordance with Requirement 2.2, Albania is required to publicly disclose a comprehensive description of the process for transferring or awarding licenses in mining, oil and gas, including the specific technical and financial criteria assessed. Where licenses are awarded through a bidding process, the government is required to disclose the list of applicants (including nonwinning applicants).
3. In accordance with Requirement 2.6, Albania should publicly clarify the rules and practice related to Albpetrol's ability to raise third-party financing, any changes in state participation in the year under review and any outstanding loans and guarantees from either Albpetrol or the state to companies in the mining, oil and gas sector. Albania may wish to consider improvements in the accessibility of Albpetrol's published audited financial statements as a means of clarifying the practice of financial relations between Albpetrol and the state.
4. In accordance with Requirement 4.1, Albania should ensure that the materiality threshold for selecting companies in future EITI reporting ensures that all payments that could affect the comprehensiveness of EITI reporting be included

in the scope of reconciliation, and ensure that all material companies participate in EITI reporting. Albania may wish to consider revisiting its materiality threshold for selecting mining companies to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSG may wish to consider a 5 Validation Committee Paper 80-2 Second Validation of Albania sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden.

5. In accordance with Requirement 4.6, Albania is required to ensure that all company payments to subnational government entities, when material, are disclosed and reconciled. Albania is encouraged to publicly disclose a more detailed explanation of the types of local taxes collected by local governments and to enhance its outreach to local governments ahead of future EITI reporting and reconciliation of material direct subnational payments.
6. In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the IA agreed by the EITI Board, the MSG and IA should develop and agree quality assurance procedures for Albania's EITI reporting, based on a review of audit and assurance practices in the year under review. Albania should ensure that the IA provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the IA must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report. Albania should ensure that the IA provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided. In accordance with requirement 8.3.c.i, the MSG should develop and disclose an action plan for addressing the deficiencies in the reliability of reporting documented in the initial assessment.