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## **FINAL STUDY**

**Albania EITI Social Impact of Extractive Industries in Local content & employment**

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## **Abstract**

“Extractive Industry” is a term that is often used to describe non-renewable resources, such as oil, gas and minerals. Revenues from Extractive Industries often concentrate wealth and power in the hands of the few, thereby exacerbating inequality, poverty and levels of corruption. Moreover, this ‘easy’ revenue protects governments from being responsive to the electorate, as other forms of tax collection become less necessary, weakening state-society relations.

Indeed, decision-making processes become removed from the needs and interests of local groups, leading to neglect and the breakdown of a just and fair social contract between the government and the governed. Furthermore, the appreciation of currency is followed by huge and sudden increases in revenues from mine and oil production. This causes exports to become uncompetitive and industries such as manufacturing and agriculture to decline. Consequently, in many cases countries have been unable to translate soaring Gross Domestic Product (GDP) into corresponding improvements in citizens’ welfare. Instead, natural resources actually inhibit the establishment of conditions that nurture peace, namely: an economy that distributes benefits equitably and transparently; a representative government that is not corrupt and which encourages social cohesion; vibrant civil society organizations; and, an independent judiciary.

When mismanaged, natural resources - far from being a blessing - quickly become a curse. As demands for resources such as oil increase as a result of rapid economic growth, and as populations continue to rise, so will competition for ever scarcer resources, placing enormous stress on the environment with diverse repercussions on society.

There is an ongoing debate on the relevance of social impact and corporate social responsibility (CSR) and its ability to provide visible development in the Extractive Industry. In this Study, we consider two major EI’s agreement, Alb Petrol and draw on a sample from communities in which these companies operate in order to determine their social impact and CSR on various dimensions of community development.

We find that, in Albania, the debate is not about whether these Extractive Companies are developmental or not, but rather what strategies and policies scan help increase their social impact in the communities resources, of whom they are using CSR efficiency.

Findings suggest that social impact and/or CSR accounts for several visible infrastructure in

Extractive Industry's communities. However, there is a major flaw in empowering community members and their improving.

## Abbreviations

For purpose of this study, abbreviations will be used to facilitate the use/mentioning of following concepts:

CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
Constitution	Constitution of the Republic of Albania
Contracts/Agreements	Concession or Public Private Partnership contracts entered between the Ministry and companies operating in the EI according to the meaning given by the Law on Concessions
CSR	Corporate Social Responsibility
DCM	Decision of Council of Ministers
ECHR	European Court of Human Rights
EITI Albania	Albania Extractive Industries Transparency Initiative
EI	Extractive Industries
GDP	Gross Domestic Product
Hydrocarbons Law	Law no. 31/2012 "On Hydrocarbons"
ICESCR	International Covenant on Economic, Social and Cultural Rights
Labour Code	Law No.7961, date 12.07.1995 "Labour Code of the Republic of Albania", as amended;
Law on Concessions	Law No.125/2013 "On the concessions and public private partnership", as amended;
Ministry	Ministry of Industry and Energy
Mining Law	Law No.10304, dated 01.07.2010 "On the Mining Sector in Albania"
ICCPR	International Covenant on Civil and Political Rights
Study or Scoping Study	Means this study required by EITI Albania, under the specifications stipulated in the Terms of Reference of the Project.
TORs	Terms of Reference of the Study

## 1. Introduction

The EI is a very important contributor in the economy of a country. It provides those kind of inputs that are necessary for the functioning of other sectors of economy. Therefore, the development of the EI, is closely related to the social and economic development of the community, where such industry is developed.

There are many arguments that EI are necessary to support the global, national or regional economy, there are also many important counterarguments about how EI activities could be better regulated, contained, or even eliminated when necessary, in order to reduce the negative social effects, in those cases when these exceed the benefits and positive effects.

Despite the long list of benefits deriving from the EI, there is also a lot to consider related to the negative impact of such industry. Of course, that there is not a sharp dividing line between the positive and negative impacts that EI causes, because in many cases the positive impacts has its negative results. Anyhow, it is very necessary to acknowledge all effects of the performance of EI, especially to the communities where EI operates and to a country in general.

In various contexts, social and economic impacts of mining and hydrocarbons industry are assessed using different sets of indicators and targets.

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EI in Albania predates its independence and over the years, the industry has established strong roots in communities and has contributed to the country's economic growth significantly. GDP, especially affected by the situation created by COVID-19, in the third quarter of 2020 is estimated to decrease by 10.23%, compared to the third quarter of 2019 (and among other activities, we mention also the negative contributed activity: Trade, Transport, Accommodation and Food Service with - 4.11 percentage points).

Over the past few decades, beyond the industry's contribution to Albania's GDP, there are about 10,000 enterprises which employ over 17,9% of the employed people (INSTAT, 2019). In recent years, as a way of giving back to society, the global EI is making plans and implementing actions of Corporate Social Responsibility (CSR) and this is also the case for the industry in Albania, even though not known as such, but just simply, implement social projects to communities where the companies are working.

EI extractive industry in Albania not only should consider CSR as a mechanism of giving

back to society but also as an evolution growing into a long-term community sustainable development plan. Thus, it is recommended that extractive companies collaborate with communities in which they operate and even beyond, to initiate and fund projects that aim at economic and social development. For instance, mining communities in Diber, such as Bulqiza amongst others have been identified to have over 115,000 residents (INSTAT, 2019). This, in principle, presents several threats to inhabitants of mining communities.

Thus, given the diverse environmental impacts associated with the extraction and use of minerals, and the social impacts on the local communities associated, it is expected that the mining industry and communities work together to ensure sustainable exploitation of mineral resources. Where this is not done, there may be invariably many conflicts and confrontations between mining companies and communities.

However, concerns are raised about the feasibility and success of such projects. These projects should respond to the main priorities and needs of the impacted communities resulting from broad community discussions. Over the years, EI companies have adopted various social impact policies and projects, particularly within their area of operation, with the intention of improving the livelihood of community members, and this is reflected in the Agreements stipulated with the Albanian Government in case of oil industry. Such agreements try to embrace several social impact activities such as charitable donations and social investment and/or direct integration of vulnerable populations into a corporation's regular business (local employment). While in case of mineral industries, this is not applicable due to the lack of any CRS requirements in the relevant licenses issued for research, exploration and exploitation of minerals, and rests with the companies itself in cooperation with the communities or local government to implement project with social impact.

In Albania, legal requirements often lag behind social standards, thus, voluntary initiatives such as CSR can temporarily augment them. Blowfield and Frynas (2005) suggest that CSR can be useful and act as a catalyst, which would cause government and national legislations to be enforced promptly.

In this Study, we will identify a list of typical social impacts occurring in the EI sector. We will also perform a review of the legislation in force related to the mining and hydrocarbons industry

and to the EI in general as well, associated with findings on several problematic issues which need to have a legal solution, giving also respective recommendations.



## **2. Social impact of Extractive Industry in Albania**

In Albania, like in many countries, companies of the EI have continually been criticized and accused of acting socially and environmentally irresponsible.

Lately we haven't seen changes taking place in this field, in addition to a growth in the "moral conscience" of organisations. The related aspects of ethics and sustainability have increased in importance, but social responsibility has not been added to the traditional objectives. All this has led to a gap of the economic, social and environmental results of community, thus avoiding what constitutes the basis of Corporate Social Responsibility. Companies have developed CSR initiatives as part of their business strategies, with the aim of building a more friendly relationship with the societies in which they operate. Since they prepare for the agreement with Ministry, the companies present a plan for projects with a direct social impact to the communities. This is considered as a major tool that gives them the "social license" to operate as it has been identified to calm down community activism. These initiatives (social impact projects) mainly focus in the areas of education and health amongst other things. The success of these social projects has never been measured; thus, most firms rely on a few indicators in order to note their success. For instance, for most companies absence of tension between the firm and the community and the absence of dispute and litigations are considered indicators of their good performance in regards of being socially compliance. While for the community, the presence of some visible infrastructure usually suffices.

The industrial development and exploitation of the EI thus requires a transparency in their performance, in order for the communities to be more involved. Nevertheless, a crucial role in this case plays not only the central government, but also the local government, which can act as interlocutor between the companies and the very needs of the community, also by being responsible for the well being and wellfair of the relevant communities.

In Albania there are a variety of policies, laws, practices and initiatives that together provide a viable framework for social projects / initiatives to be implemented. At the moment, the government responds to social responsibility issues by mandating and facilitating friendly social impact practices. However, plans are underway to pass a national policy on CSR in the extractive industry sector which will define parameters by which the mining and other corporate entities operate to improve the livelihoods of people within their catchment area.

Internal responsibility affects issues that are related to the workers (occupational safety, job security, professional careers), and to shareholders (profitability and economic results). Meanwhile, where we aim to stop is external responsibility that links the company with governments, administrations and society, which includes aspects that show respect for natural surroundings, and the establishment of productive relations with the community (integration into related social groups, and promotion of the local economy). On the basis of these two facets, we intend to bring a report which allow us to deal with the new demands of social and sustainable management. One of the first suggestions consists in the adoption of instruments of self-regulation for the companies, such as good practice codes, which establish a number of principles for social conduct. Another alternative lies in the incorporation of social objectives into the companys strategic planning. These objectives improve relations with the community and are aimed at progressively decreasing effects on the society. Absolutely , it is important attention to the introduction of a CSR management system, which ought to be integrated into the mission and values of a company and which may include ethics and sustainability relating to all the actions and decisions that may be taken

### **3. Study design**

With the final aim the realization of this study, H&H team of consultants used several tools in order to collect information and come into some main conclusions. The team referred to different documents (being national strategic documents or sectorial strategies and/or local level strategies or action plans such as strategies of territory especially related to the selected three cases), research studies, assessments documents, legal frame, local institutions databases, other NGO-s study documents, national strategy documents, and Ministries database and policies, in order to gather advanced information relevant to the objective of the assignment. Furthermore the team closely consulted EITI provided documents as listed in web links in ToR-s.

Secondary data were also found also by different sources, such as Ministries (Agriculture and Rural Development, Tourism and Environment, Finance and Economy, etc.) and national governmental Agencies for macro-level statistical data. Local government institutions, local NGO-s, extractive industry actors, businesses are good sources for information as well. Donor organizations publications and documents will also be used.

Meetings and interviews were held with identified stakeholders and mostly with the individuals and representatives of the extractive industries and communities to better understand the social and economic impact of the people living in the affected areas. The stakeholders involved in the interviewing process included individuals or groups and organisations that are positively and/or negatively impacted by decisions and actions of the EI, as well as those that have an interest in the decisions that are made from EI, their products and services. We will consider stakeholders that have a direct and indirect impact from EI.

Furthermore the team of experts has worked on the following:

- review the practices of the companies and will identify the best models,
- review the employment contracts and licensing with the view of the social and economic impact in the life of the citizens living in the areas where the natural resources are exploited;
- identify the problems on the management of the natural resources and how they can be improved with the final aim to improve the life of the individual and communities not only in social and economic aspect, but in a wider sense;

- evidence the importance of the social responsibility principles that needs to be included in all business policies of the companies working in EI, by exploiting natural resources, from which has to gain not only the economic operators but all the citizens not only locally speaking but also nationally.

Implementation of the above was realized by closely and attentively identifying the impact of better management of the natural resources in order for the benefit of all actors involved, and how can this better management can impact socially, economically and legally the life of the communities.

Further H&H made a thorough analyze of the legal standard the EI have to fulfill in order to operate by respecting closely the involvement by employment of the locals and increasing their socio-economic level and that of the communities. It was identified all kind of contracts, licenses, and permits, authorizations needed for an operator in extractive industries, in order to review if all matters and issues related to the employments impact are included as obligations for these operators. By doing so, it was easier to identify further the obligations of the operators in relation to the protecting of the minorities such as underage employees or gender issues.

In complying with the assignment the team did a thorough investigation and research on the social and economic standard applied by the extractive industries by aiming to provide the need to increase corporate responsibility which is missing as a concept in general, not only in this kind of industries. The corporate responsibility with be evaluated by taking into consideration specific social-economic and employment impact.

#### 4. EI sector in Albania and the case study

Improving economic and social welfare is related, among other things, to the sustainable development of the country, creating opportunities for expanding public investment as a result of increasing budget revenues collected in an environmentally friendly manner and in order to preserve natural resources of the country. In this framework, the rational use of underground resources of chromium, oil and gas is one of the pillars of development, as long as the activity of public institutions is effective. Albania is considered a holding hydrocarbon country, crude oil production has experienced large fluctuations, reaching the highest level of 2.250.000 tons in 19749 and the lowest level of 316.000 tons in 2000. It should be noted that since this year, production of oil has had an upward trend, reaching the highest level in the amount of 1.369.484 tons in 2014<sup>1</sup>.

In addition, starting from 2003, it is found that the specific weight of oil produced by the public sector (Albpetrol sh.a) is constantly falling and the production by the private sector represented by hydrocarbon agreements increases. Hydrocarbon agreements are of the "production sharing" type, which provides for the coverage of contract costs from the hydrocarbons produced and the division between the state and the contractor of the amount of hydrocarbons remaining after covering these costs, in accordance with a defined scale or formula in the hydrocarbon agreement. It is also estimated that the EI industry sector should be one of the sectors of employment for certain areas, although in 2014, they accounted for less than 1% of total registered workers.<sup>11</sup> Since 2004, a total of 16 agreements have been signed for the development and production of hydrocarbons<sup>12</sup> (on-shore), of which only five are in production phase: Bankers, Transatlantic, Transoil, Sherwood and Phoenix. According to MEI data, crude oil production in 2015 by hydrocarbon companies belongs at 92% to Bankers Petroleum for the Patos-Marinza resource (of which Sherwood is a branch), Transatlantic at 5.2%, Transoil at 2.2% etc<sup>2</sup>.

In general, the development of the hydrocarbon sector through the provision of resources through hydrocarbon agreements is characteristic of economically poor countries, with weak institutions and a poorly developed legal basis, enabling the provision of foreign financial,

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<sup>1</sup>“Auditimi performance - Procedura dhe rezultatet e marrëveshjeve hidrokarbure në Shqipëri, Dhjetor 2016”, Kontrolli i Lartë i Shtetit, page 7;

<sup>2</sup>“Auditimi performance - Procedura dhe rezultatet e marrëveshjeve hidrokarbure në Shqipëri, Dhjetor 2016”, Kontrolli i Lartë i Shtetit, page 7-8-9;

human, technical capital and experience in the field of oil and gas exploration, development and production. In this way, countries that have proven natural oil reserves through these agreements aim to expand exploration areas and increase exploration power, improve production from existing wells, and use modern technology of hydrocarbon extraction industry to increase production in a rational use of underground resources, preserving and protecting the environment. In conclusion, the development of oil exploration, research and production through hydrocarbon agreements is closely linked to the form, content, ratio of obligations and their implementation period set out in these agreements; as well as their continuous and comprehensive monitoring, in view of the sustainable economic and financial development of the country<sup>3</sup>.

Regarding the mining industry, about 572 mining permits are active and only 11 of them have requested temporary suspension, due to the difficulties that have come from the COVID-19 pandemic since March 2020. By this time, investment plans had been implemented by companies. All entities that hold mining licenses, have developed their activity in full compliance with the development strategy of the mining sector and project programs set for 2020, although the price of chromium for more than a year has a significant reduction. With the spread of the pandemic, as in all other sectors, in this sector there was a decrease in mining production<sup>4</sup>.

Currently there are 9 active mining exploration permits and 572 mining exploitation permits. Referring to the development strategy in the sector of the mining industry, the mining law and bylaws in its implementation, the government has foreseen important developments in the mining sector and mainly in the development of chromium ore, copper ore, ferro-nickel ores and nickel- silicate ores, of sources with construction material and decorative stones. Of course, there is a special interest from different entities for investments in these new mining areas and consequently, there will be new competitive procedures for the development of these areas. A special importance, despite the situation created by the pandemic, has been paid to the protection of the environment during the exercise of mining activity.

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<sup>3</sup>“Auditimi performance - Procedura dhe rezultatet e marrëveshjeve hidrokarbure në Shqipëri, Dhjetor 2016”, Kontrolli i Lartë i Shtetit, page 10;

<sup>4</sup> <https://www.monitor.al/rindertimi-ka-zgjuar-interesin-per-prodhimin-e-materialeve-ndertimore-2/> in connection with <https://www.infrastruktura.gov.al/lejet-minerare-ekzistuese/>

## **5. Legal and Regulatory Review**

### **5.1. Applicable Legislation**

The EI is divided into two important sectors:

- (i) The mining industry;
- (ii) The hydrocarbons industry.

These sectors are regulated by means of respective legal and sublegal acts.

#### **5.1.1. Mining Legislation**

The mining industry sector, after bearing and facing many problems during the transition period, is finally regulated by means of Law No.10304, dated 01.07.2010 "On the Mining Sector in Albania" and its sublegal acts.

This law has as its main objective the promotion of mining activity through transparency and free competition and increasing of the public benefit. On the other hand, it is in its focus the protection of the environment and public health from the risk of mining and mining industry waste.

For purpose of this Study, are considered the following legal and sublegal acts, related to the mining industry sector:

- Law No.10 304, dated 15.7.2010 "On the mining sector of the Republic of Albania", as amended;
- Law No.135/2016 "For safety and health at work, emergencies and rescue in mining and underground in hydropower works";
- Law No. 9975 "On National Taxes" as amended
- DCM No.362, dated 29.4.2011 "On the approval of rules and transfer criteria, and rules, the application manner for extension of deadlines and conversion of mining permit;
- DCM No. 214, dated 20.4.2018, "On the organization and functioning of the National Authority for Safety and Mining Emergencies";

- DCM No. 52, dated 31.1.2018, “On some additions and changes to the decision No. 218, dated 11.3.2015, of the Council of Ministers, “On determining the criteria, procedures and rules for the usage, on the surface and underground, of adjacent areas, with existing permits and changing the coordinates for mining permits defined in space with three coordinates”;
- DCM No. 214, dated 20.4.2018, “For the organization and functioning of the national authority for Safety and Mining Emergencies”;
- DCM No. 218, dated 11.3.2015, “To determine the criteria, procedures and rules for the use, on the surface and underground, of the adjacent areas, with existing permits and change the coordinates for mining permits defined in space with three coordinates”, as amended;
- DCM No. 741, dated 9.9.2015 “For the approval of the form, cases of return and the way of calculating the financial guarantees for the rehabilitation of the environment, for the realization of the minimum work program and the realization of the investment in the mining activity”;
- DCM No.436, dated 16.6.2011 “For some changes in the decision no. 538, dated 26.5.2009 of the council of ministers for licenses and permits that are treated by or through the national licensing center (QKL), and some other common bylaws”, as amended;
- DCM No.232, dated 23.3.2011 “For the approval of the functions of the responsible structures in the mining sector of the Republic of Albania”;
- DCM No.320, dated 21.4.2011 “On the approval of competition procedures and criteria and deadlines for reviewing applications for obtaining mining permits in competing areas”, as amended;
- DCM No.1109, dated 30.7.2008 “To insure employees, employed in the mining activity, from accidents at work”;
- Guideline No.255, dated 03.11.2015, “To define the conditions and fees servitude agreements in horizontal underground mining” of the Ministry of Infrastructure and Energy;
- Guideline No.17, dated 28.01.2015 “To define the criteria for approving the subcontracting right of the mining permit, for exploration, for exploitation or for exploration- discovery- exploitation” of the Ministry of Infrastructure and Energy;



- Guideline No. 10 dated 26.01.2015 “On the rules and procedures for reviewing administrative appeal of licensed mining entities” of the Ministry of Infrastructure and Energy;
- Guideline No.718, dated 03.10.2011 “On the manner of assessing the financial guarantees of mining permits” of the Ministry of Infrastructure and Energy;
- Order No. 306, dated 13.04.2011, “On the procedures and form of drafting the annual mining plan”, of the Ministry of Infrastructure and Energy;
- Order No.305, dated 13.04.2011, “On the procedures and form of drafting the action program for the implementation of the mining strategy”, of the Ministry of Infrastructure and Energy;
- Order No.304, dated 13.04.2011, “On the approval of the form and content of the mining activity development project”, of the Ministry of Infrastructure and Energy;
- Order No.387, dated 20.05.2011, “On the approval of the form and content of the mine conservation project”, of the Ministry of Infrastructure and Energy;
- Order No.386, date 20.05.2011 “On the approval of the rules for the use of mining data of a mining permit”, of the Ministry of Infrastructure and Energy;
- Order No.384, dated 20.05.2011, “On the approval of the registration procedures and the documentation that is registered in the mining cadastre and in the mining register as well as the form and the procedure of reporting this documentation by the owners of the mining permits”, of the Ministry of Infrastructure and Energy;
- Order No. 190, dated 13.12.2013 “To control and discipline the subcontracting of the right to use the mining permit”, of the Ministry of Infrastructure and Energy;
- Guideline No.8/2, dated 23.8.2013 “For a change in the Guideline no. 26, dated 4. 9.2008 “on national taxes”, as amended” of the Ministry of Economy.

### 5.1.2. Hydrocarbons Legislation

The hydrocarbons (Oil and gas) sector, is regulated by Law no. 7746, date 28.07.1993 "On Hydrocarbons" and its sublegal acts. This sector was initially regulated after March 1993, when the state created the joint stock company "ALBPETROL" with 100% state capital, which operated in the field of development, production and trading of crude oil and natural gas.

ALBPETROL sh.a., has under its administration all oil fields in Albania and all exploration blocks.

For purpose of this Study, are considered the following legal and sublegal acts, related to the oil and gas industry sector:

- Law no. 7746, date 28.07.1993 "On Hydrocarbons", as amended;
- Law 102/2015 "On the natural gas sector", as amended.
- DCM No. 429, dated 26. 6.2019 "On the quality of some combustible, liquid materials, for thermal, civil and industrial use, as well as use in water transport vehicles (sea, river and lake)"
- DCM No. 685, dated 14.11.2018, "On the approval of practices for the promotion of joint, regional investments in the infrastructure of the energy sector".
- DCM No. 590, dated 9.10.2018, "On the approval of the natural gas market model".
- DCM No. 573, dated 3.10.2018, "On the approval of rules and procedures in the exercise of supervisory functions in the natural gas sector of the Ministry responsible for energy".
- DCM No. 87, dated 14.2.2018, "On the approval of the development plan of the natural gas sector in Albania and the identification of priority projects".
- DCM No. 69, dated 7.2.2018, "On the approval of the conditions and the procedure of defining the supplier of the last possibility with natural gas".
- DCM No. 417, dated 10.5.2017 "On the approval of the emergency plan for natural gas, in accordance with the minimum standards of security of supply, as well as the rules to guarantee safe and efficient supply of natural gas".
- DCM No. 425, dated 10.05.2017 "On the organizational rules, the commission functioning for certification of the employee status of the oil and gas industry, criteria and procedures for issuing a special official certificate."
- DCM No. 344, dated 19.04.2017 "On some amends and additions to the decision No.970, dated 2.12.2015, of the Council of Ministers, "On defining the procedures and conditions for issuing licenses for trading crude oil and its by-products"
- DCM No. 848, dated 7.12.2016 "On the establishment of the company "ALBGAZ" sh.a and the determination of the public authority that will represent the state as owner of the shares of "ALBPETROL" sh.a and "ALBGAZ" sh.a" Companies.
- DCM No.808, dated 16.11.2016 "On the approval of the refinery concession license for the joint stock company "RBH BELINE""

- DCM No. 717, dated 12.10.2016 “On some amends in Decision no. 19, dated 14.1.2015, of the Council of Ministers, “On the procedures and conditions for granting, transferring and renewing the concession license for a refinery for carrying out the crude oil refining activity for the production of its by-products”.
- DCM No.355, dated 11.05.2016 “On the approval of the refinery concession license for the joint stock company “AM-OIL””
- DCM No. 266, dated 6.4.2016 “On the approval of the production sharing contract, between the Ministry of Energy and Industry of the Republic of Albania (represented by the National Agency of Natural Resources) and Albanides Energy sh.pk, for the exploration, development and production of hydrocarbons on land, in Albania, Block 8.
- DCM 248, dated 30.03.2016 “For the removal from the public forest and pasture fund and the reduction in volume of the areas that will be used by the company tap-ag for the extension of the pipeline for sectors 4a, 4b and 5a, in the regions of Korça, Berat and Fier.”
- DCM No.226, dated 23.03.2016, “On some changes in the decision No.111, dated 26.01.2011, of the Council of Ministers “On a change in the decision No. 486, dated 25.07.2007, of the Council of Ministers “On the interruptions of the activity of the ships that transport oil, gas and their by-products, in the ports of Durrës and Shengjin ”, amended
- DCM No. 225, dated 23.03.2016 “On the approval of status change, from agricultural land to construction land, for the areas that are expected to be affected by the construction of the third package of access roads and bridges of the tap project (by-pass of Çorovoda), which will be made available to the Trans Adriatic Pipeline AG (tap AG) for temporary use”
- DCM No. 224, date 23.03.2016 “On the approval of the change of status, from agricultural land to construction land, for the areas that are expected to be affected by the construction of compressor stations sksh02 and sksh03, of the tap project, which will be made available to the company Trans Adriatic Pipeline AG ( tap AG), for permanent use”
- DCM No. 212, dated 16.3.2016, “On defining the conditions and technical rules for the processing of cylinders filled with liquid petroleum gas (GLN)”
- DCM No.180, dated 09.03.2016, “On defining the minimum amount of biofuels and other renewable fuels that will be used during 2016 in the transport sector”

- DCM No. 62, dated 27.01.2016 “On the approval of the implementation of the simplified procedure for the amendment of the national sector plan for the Trans Adriatic Pipeline (TAP Project), approved by decision No.1, dated 04.07.2013, of the National Council of the Territory, “On the approval of the national sector plan for Trans Adriatic Pipeline (TAP Project)”
- DCM No.1062, dated 23.12.2015 “On the approval of the technical rule "On equipment and communities under pressure" and defining of the list of harmonized standards”
- DCM No.970, dated 02.12.2015 “On defining the procedures and conditions for issuing licenses for trading crude oil and its by-products”
- DCM No. 803 dated 30.09.2015 “To make available to the Trans Adriatic Pipeline AG (TAP AG), through the permanent use of state-owned land affected by the construction of the above-ground infrastructure of the Trans Adriatic Pipeline project (TAP Project)”
- DCM No. 802 dated 30.09.2015 “To make available to the company Trans Adriatic Pipeline AG (TAP AG), through the use and creation of a permanent servitude on state lands affected by the construction of the construction corridor and the corridor of the pipeline system, of the Trans Adriatic Pipeline project (TAP Project)”
- DCM No. 692 dated 29.07.2015 “On the expropriation and temporary use, for public interest, of real estate, private property, affected by the construction of bridges and access roads of the Trans Adriatic Pipeline project”
- DCM No.551, dated 18.06.2015 “On the approval of criteria and procedures for obtaining the certificate of professional permit for research-design and implementation activities for research, production, processing, transportation, storage and trade of hydrocarbons”.
- DCM No. 335 dated 22.04.2015 “On some changes in decision no. 279, dated 12.4.2012, of the Council of Ministers, “On the approval of the list of objects of hydrocarbon operations, part of the agreement concluded on 26.7.1993, between the Ministry of Industry, Mineral Resources and Energy (today the Ministry of Energy and Industry) and Albpetrol, Oil and Gas Economic Community (today the company "Albpetrol", sh.a)”
- DCM No. 281 dated 01.04.2015 “To make available to the Trans Adriatic Pipeline company (tap ag), through the use, of the lands of state lands affected by the construction of the access roads of the Trans Adriatic Pipeline project (tap project)”

- DCM No. 411 dated 13.05.2015 “On the procedures and conditions for issuing and renewing the oil pipeline concession license for the import, export and transportation of crude oil”.
- DCM No. 413 dated 13.05.2015 “On the approval of the status change from agricultural land into land plot, for construction, for the parcels that will be affected by the construction, by the company TAP AG, of the passage road (helping roads), “Pronovik - Zgërbonjë-Antena”, Berat Region.
- DCM No. 618 dated 07.07.2015 “On some changes and additions to the decision No. 281, dated 1.4.2015, of the Council of Ministers, “On making available to the company Trans Adriatic Pipeline AG (TAP AG), through usage of the lands of state that are affected by the construction of the access roads of the Trans Pipeline project Adriatic (TAP Project)”
- DCM No. 410 dated 13.05.2015 “On establishing, organizing and functioning of the Technical State and Industrial Inspectorate”
- DCM No. 551 dated 18.06.2015 “On the approval of criteria and procedures for obtaining the certificate of professional permit for research-design and implementation activities for research, production, processing, transportation, storage and trade of hydrocarbons”
- DCM No. 335 dated 22. 4.2015, “On some changes in Decision no. 279, dated 12.4.2012, of the Council of Ministers, “On the approval of the list of objects of hydrocarbon operations, part of the agreement concluded on 26.7.1993, between the Ministry of Industry, Mineral Resources and Energy (today the Ministry of Energy and Industry) and Albpetrol, Oil and Gas Economic Community (today "Albpetrol", Company sh.a.)".
- DCM No. 105 dated 04.02.2015 “On the approval of the status change, from agricultural land to construction land, for the parcels that will be affected by the construction by the Company TAP AG of the access roads (helping roads) of the TAP Project”.
- DCM No. 104 dated 04.02.2015. “On the approval of Technical Rules and safety criteria, second part, On the minimum requirements of technical design, construction and operation of transmission and distribution systems of Natural Gas, GNL Installations, storage facilities and direct lines”.

- DCM No.50 dated 21.01.2015 “On the removal from the national pastures and forest fund of the forest area that will be used by "TAP-AG" Company for the construction of the road "Pronovik - Zgërbonjë - Antena".
- DCM No. 755, dated 12.11.2014 “On defining the procedures and conditions for the issuance of "Processing License" for processing plants of petroleum by-products”
- DCM No.366 dated 11.06.2014 “On the removal from pasture and forest fund of the forest and pasture area that will be used by TAP-AG Company for the construction of road network.
- DCM nr 19, dated 04.01.2015 “On the procedures and conditions for granting, transferring and renewing the concession license for a refinery for carrying out the crude oil refining activity for the production of its by-products”
- DCM No.1081 dated 18.12.2013 “On the establishment of the Inter-Institutional Commission for the coordination of work in the implementation of the Trans Adriatic Pipeline (TAP) project”
- DCM No.1030 dated 27.11.2013 “On the approval of technical rules and safety criteria, the first part, for the minimum requirements of technical design, construction and operation of natural gas transmission and distribution systems, GNL installations, storage facilities and direct lines”
- DCM No. 279, dated 12.4.2012, “On the approval of the list of objects of hydrocarbon operations, part of the agreement concluded on 26.7.1993, between the Ministry of Industry, Mineral Resources and Energy (today the Ministry of Energy and Industry) and Albpetrol, the Economic Community of Oil and Gas (today Albpetrol Company, sh.a.)
- DCM No. 713 dated 25.08.2010 “On defining the rules for the conditions and procedures for issuing permits for the construction and use of pipelines and infrastructure of Natural Gas systems”
- Joint Guideline No.17, dated 12.06.2015 “To define the list of goods and services used in the implementation of the search phase of hydrocarbon operations by hydrocarbon exploration companies, which are exempt from VAT, as well as exemption procedures”
- Joint Guideline No.3946, dated 10.06.2016, “On the collection and storage of quality data on medium to heavy liquid fuels (GAS OIL), heavy liquid fuels (HEAVY FUEL OIL) and liquid fuels marine (MARINE FUEL)”.

### 5.1.3. Other related legal/sublegal acts

For purpose of this Study, are also considered the following legal and sublegal acts, which are combined with the above legislation of the respective sectors, in order to regulate other issues or aspects of the activity of the extractive industry:

- Law No.7961, date 12.07.1995 “Labour Code of the Republic of Albania”, as amended;
- Law No. Nr.9062, datë 8.5.2003 “The Family Code”, as amended;
- Law No.10 019, date 29.12.2008 “Electoral Code of the Republic of Albania”, as amended
- Law No.8/2017 “On the status of the employees in the industry of oil and gas”, as amended;
- Law No. 9970, date 24.7.2008, “On gender equality in society”, as amended;
- Law No. 10 221, date 4.2.2010, “For Protection from Discrimination”, as amended;
- Law No.29/2019 “For the supplementary financial treatment, of the employees who have worked in the underground mines, the employees of the oil and gas industry and the employees who worked in metallurgy.
- Law No.125/2013 “On the concessions and public private partnership”, as amended;
- Law No. 10.237, date 18.02.2010 “On occupational health and safety”
- Law No.7703, date 11.05.1993 “For social security in the Republic of Albania”, as amended;
- Law No.9975, date 28.07.2008 “On national taxes”, as amended;
- Law No.10 440, date 07.07.2011 “On environmental impact assessment”, as amended;
- Law No.146.2014 “For public notice and consultation”

## **5.2. Social and Economic Benefits of the EI**

In this paragraph will be assessed the social and economic benefits of EI, through an assessment of economical levels and sources of incomes of the affected population and the role of the natural resource management in the livelihood of individual households and communities.

The impacts of EI are reflected on different aspects of the economy of a region or country, such as the government or local revenues deriving from the taxes and other institutional fees, incomes from the employment etc.

In consideration of the economical level and the importance of the EI, it is to be mentioned that such industries operate in rural areas, whose economy was mainly based on agriculture and livestock. It is for that reason, that EI can have a significant positive social and economic impact on rural economies.

In consideration of the above, the Mining Law and the Hydrocarbons Law provide different financial benefits.

#### 5.2.1. Incomes from the employment

The Hydrocarbons Law, has stipulated the obligation of the Ministry to prepare a development plan, for those areas where an EI will operate. The development plan is a plan for the development and production of hydrocarbons discovered in a contract area, prepared in accordance with the requirements of Article 6 of this law, and the relevant provisions of the hydrocarbon agreement for this contract area.

In its article 6, the Hydrocarbons Law has stipulated the obligation of the legal entities contracted by the Ministry, to give priority to the employment and qualification of Albanian citizens, as well as the use of domestic goods and services, compared to those foreign ones, in accordance with the clauses to be included in the development plan. Furthermore, this law has also stipulated the obligation of the legal entities contracted by the Ministry to take proper care of the protection of the environment as well as for the well-being of the people residing in the areas where the hydrocarbon operations are carried out according to the agreement.

In accordance to this Hydrocarbons Law, the abovementioned provision is implemented in the contracts entered between the Ministry and companies operating in the EI activity. As an example is the contract entered between the Ministry and Albanides Energy shpk, approved by means of DCM No.266, date 06.04.2016. Article 16 of this contract has stipulated the obligation of the company to contract and train Albanian employees, when possible and appropriate for the working process. Article 17 of the same contract has stipulated the obligation of the company to give priority to Albanian products and services rather than those foreign ones.



Despite the abovementioned “promising” legal and contractual provisions, the results seem to be not quite satisfactory. INSTAT, as the national source of information on statistics, has performed a Labour Force Survey, 2016-2017, related to the statistics on the employment in Albania, in different areas and sectors. Considering this survey, EI is included in the same sector together with energy, gas and water supply. The information published by INSTAT is as follows<sup>5</sup>:

Aktiviteti ekonomik	2016	2017	Economic activity
<b>Gjithsej (numër)</b>	<b>1.157.177</b>	<b>1.194.969</b>	<b>Total (number)</b>
Bujqësi	40,2	38,2	Agriculture
Prodhim	10,1	10,1	Manufacturing
Ndërtim	6,5	6,9	Construction
Industri nxjerrëse, Energji, gaz dhe furnizimi me ujë	2,6	2,4	Mining and quarrying; Electricity, gas and water supply
Tregti, Transport, Hoteleri, Shërbime të biznesit dhe administrative	24,3	25,0	Trade, Transportation, Accommodation and Food, and Business and Administrative Services
Administrim publik, Shërbimet Sociale, dhe aktivitetet e shërbime të tjera	16,1	17,4	Public Administration, Community, Social and other Services and Activities

As results from the above information, the employment in the EI (taken together with other sectors of industry) for 2016-2017, varies between 2,4% – 2,6% of the total employment in Albania, which compared to other sectors of economy, is the lowest of all.

Another statistics published by INSTAT, is that related to the payment range in different sectors of economy. Same as the abovementioned survey, this publication of INSTAT, has included the information on the EI together with that of other sectors, such as manufacturing, water supply etc. According to these statistics on the level of payments in the EI, INSTAT has issued the following records<sup>6</sup>:

Economic activity according to NACE Rev 2	2015			2016			2017			2018			2019		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>Total</b>	<b>47,900</b>	<b>50,451</b>	<b>44,664</b>	<b>47,522</b>	<b>50,084</b>	<b>44,354</b>	<b>48,967</b>	<b>51,392</b>	<b>46,018</b>	<b>50,589</b>	<b>53,181</b>	<b>47,490</b>	<b>52,380</b>	<b>54,940</b>	<b>49,411</b>
Agriculture, forestry and fishing	34,322	35,282	31,540	34,062	34,395	33,250	36,264	37,163	34,305	36,907	37,529	35,486	36,911	37,753	35,069
Mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	41,256	51,555	30,212	40,334	49,699	30,894	40,390	49,301	31,916	42,190	51,541	33,454	44,150	53,759	35,172
Construction	41,104	42,078	35,857	41,866	42,719	37,377	43,104	44,057	37,903	43,688	44,457	39,737	42,235	42,284	41,997
Wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities	33,486	35,019	30,826	33,984	35,683	31,127	34,627	36,044	32,224	36,799	38,303	34,330	39,045	40,651	36,495
Information and communication	77,314	83,612	68,899	75,328	80,085	68,953	73,471	78,427	66,893	75,784	81,683	68,162	80,022	85,468	73,232
Financial and insurance activities	101,439	111,507	94,519	101,348	111,868	94,193	103,641	116,080	95,406	106,475	121,348	96,997	107,702	118,629	100,775
Real estate activities; Professional, scientific and technical activities; administrative and support service activities	53,473	53,098	53,571	54,056	55,604	51,515	55,940	57,190	53,960	59,124	60,625	56,816	59,477	61,143	56,992
Public administration and defence; compulsory social security; education; human health and social work activities	55,566	60,146	51,833	56,139	61,000	52,297	59,921	64,869	55,969	61,082	66,108	57,149	63,119	68,404	59,081
Arts, entertainment and recreation, repair of household goods and other services	46,501	43,624	51,060	46,227	43,437	50,422	49,427	47,647	52,078	51,492	49,608	54,202	57,547	59,760	55,653

As for the above table, in the EI sector, same as in the other sectors included in the same group, the average gross applied payment range is from 30,212 All – 53,759 All, which is actually very close to the minimal approved payment in the Republic of Albania. This is far from the realisation of the purpose of the applicable law in EI sector, to contribute in the socio-economic level of the community or beyond in the economy of the country.

### 5.2.2. Incomes of other rights deriving from the employment

One of the benefits deriving from the activity of the EI, are those that derive from the employment, such as the social and health insurances and other costs deriving from the payment, trainings taxes etc. In the following table published by INSTAT, are calculated the costs of an employer (EI company) related to the employment of a employee, which are called “labour costs”, compared between different economic activities<sup>7</sup>:

Aktiviteti ekonomik	Kostoja e punës gjithsej Total labour cost	prej të cilës - of which					
		Kompensimi i të punësuarve me pagë Compensation of employees		Kosto të trajnimit profesional Vocational training costs	Shpenzime të tjera Other expenditures	Taksat e punës Taxes	Subvencionet e marra nga ndërmarrjet Subsidies received by the employer
		Pagat dhe shpërblimet Wages and Salaries	Kontributet e sigurimeve (pjesa e punëdhënësit) Employer's social contributions				
në përqindje - in percentage							
Gjithsej	100.00	83.99	14.26	0.42	1.16	0.22	-0.06
Industri nxjerrëse	100.00	84.26	14.10	0.21	1.40	0.02	0.00
Industri përpunuese	100.00	83.29	13.97	0.74	1.04	1.13	-0.15
Furnizimi me Energji Elektrike, Gaz e Avull dhe me Ajër të Kondicionuar	100.00	85.79	14.17	0.01	0.03	0.00	0.00
Aktivitetet me ujë të ngrohtë, kanalizimeve, menaxhimit të mbeturinave dhe regullimit	100.00	83.70	14.23	0.18	1.82	0.14	-0.07
Ndërtimi	100.00	84.73	14.47	0.07	0.59	0.16	-0.02
Tregtia me shumicë dhe pakicë; Ripanimi i automobilitave e motoçikletave	100.00	84.29	14.37	0.38	0.93	0.03	0.00
Transport dhe magazinim	100.00	81.88	13.79	0.02	4.35	0.06	-0.11
Akomodimi dhe aktivitetet e shërbimit të ushqimit	100.00	82.76	14.74	0.22	1.99	0.29	0.00
Informacioni dhe Komunikacioni	100.00	84.15	14.25	1.40	0.14	0.06	0.00
Aktivitetet financiare dhe Sigurimit	100.00	84.55	13.82	1.45	0.13	0.05	0.00
Pasuritë e patundshme	100.00	83.78	14.40	0.05	1.78	0.00	0.00
Aktivitetet profesionale, Shkencore dhe teknike	100.00	84.78	14.43	0.27	0.49	0.03	0.00
Aktivitetet administrative dhe Shërbimet mbështetëse	100.00	81.56	13.51	0.63	4.19	0.11	0.00
Arsimi	100.00	85.07	14.68	0.05	0.26	0.00	-0.06
Shëndëtesia dhe veprimtari të tjera sociale	100.00	83.68	14.76	0.21	1.49	0.04	-0.19
Art, Argëtim dhe zbavitje	100.00	84.99	14.24	0.01	0.74	0.02	0.00
Aktivitetet të tjera shërbimi	100.00	85.35	14.58	0.11	0.06	0.03	-0.14

<sup>7</sup> <http://www.instat.gov.al/al/temat/tregu-i-pun%C3%ABs-dhe-arsimi/kosto-e-pun%C3%ABs/>

What is the most evident information in this table, is that the social contribution paid by the employers of the Mining sector, is at a “law level”, compared to other sectors of economy. No information is included for the Hydrocarbons sector.

According to Law No.8/2017, the employees who have work or are still working in the hydrocarbons industry, are entitled to the “oilman status”, which is a specific status given to this category of workers, due to the complexity of the work and the possible health conditions that this kind of work may cause. This status not only that foresees the right to early retirement, but it provides a number of direct benefits in terms of salary, pension, treatment of the unemployed, the right to rehiring, and the right to healthcare.

This law stipulates benefits to the oilmen who are employed such as their right to early retirement, to the unemployed oilmen who are given priority in terms of employment and if they meet the requirements provided for by the law, also an allowance equal to 80% of the minimum age at a national level.

The law provides benefits also for those who have retired. Based on their service length, they will benefit an addition of 1% to 4% to their current pension.

Except the above, there is also an initiative to approve a law for the status of miners. Two attempts are made, with two different project-laws, file with the Parliament respectively on 31.03.2017 and 20.09.2017. The first project-law was withdrawn and the second was not approved by the Parliament. Actually there is not a project-law filed with the Parliament for approval, anyhow there are some attempts to draft another project-law. Referred to the publications made in the official website of the Ministry, a working group is created for the preparation of the project-law on the status of miners. This working group has participated in several discussions with representatives of unions for a proposed project-law. The Ministry has called on all unions to join the discussions and agree on a final draft of project-law, to propose it to the Parliament.<sup>8</sup>

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<sup>8</sup><https://www.infrastruktura.gov.al/statusi%20gijknuri%20interpelance%20me%20minatore%20grup%20pune%20bashke%20me%20sindikatat%20per%20draftin/>

### **Problems related to Oilman Status:**

The Law on Oilman Status was seen as a law that gives the right of this category of employees to fair benefits and remuneration due to the difficulty of their work. Despite all the positive aspects, from the moment of its adoption, the application of this law faced many problems.

There are two categories of oilmen who are the beneficiaries according to the approved law:

- Oilmen workers who were still employed on that date and former unemployed oilmen workers who have not reached retirement age, according to the existing law before February 2017.
- Oilmen who are retired on the date of adoption of the status law.

Regarding the first category, the application and creation of personal files started with a lot of delay, which means that the responsible instances were not yet prepared to grant that Status. The Law on Status, of this category, is still unenforceable.

For the group of retired oilmen, on the date of adoption of the law, the process of creating personal files began immediately with the adoption of the Law, but by the Social Insurance Institute and the Regional Directorates of Social Insurance, which had the legal obligation only to issue a Special Certificate, based on the confirmation of the Workbook, was accompanied by incorrections as it took over the competencies and responsibilities that belonged to the Inter-Ministerial Commission, causing a lot of confusion. Meanwhile, dozens of elderly oil workers have passed away and the balance will be in favor of reducing the number of beneficiaries in the coming years<sup>9</sup>.

Due to bureaucratic problems, the application of this law was also met with protests by former oilmen workers who accused the government of forgetting them by delaying the granting of their status. The former oilmen workers insist that the law has not been implemented yet<sup>10</sup>.

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<sup>9</sup> <http://www.gazetadita.al/cpo-ndodh-me-statusin-e-naftetarit/>

<sup>10</sup> <https://www.topalbaniaradio.com/v7/statusi-i-naftetarit-serish-protesta-ne-fier/>

### 5.2.3. Incomes from property rights

The Hydrocarbons Law in its article 3 has stipulated that all hydrocarbon deposits that exist in their natural state, within the jurisdiction of Albania, are the exclusive property of the Albanian state, which is represented by the relevant Ministry and all these resources will be used for the benefit of the Albanian people.

Furthermore, in its article 10, the same law has stipulated that in case the implementation of a hydrocarbon agreement requires the use of immovable property, in private ownership, the situation must be resolved according to the legislation in force, so as not to impede the implementation of the agreement during the period contractual.

The same or approximate stipulations are found also in the Mining Law. In its article 3 this law stipulates that all minerals in natural form, found in the territory of the Republic of Albania, belong to state and are public property.

The mining right is a distinct and independent right from that of the ownership over the surface of the land where the EI activities are located. The relations between the beneficiary of the mining right (EI companies) and the holder of the ownership right over the property, where the minerals are located, are regulated by agreement, according to the legislation in force.

Article 34 of the Mining Law stipulates that the holder of the mining permit (as well as of the mining right) enjoys the right of legal (compulsory) mining servitude over the any state or private ownership property, in case there is a need to exercise a mining activity. The mining servitude, is the right of the company operating in a EI activity for the use of the property for the purpose of fulfilling the obligations deriving from mining permits, regulated according to the provisions of the Civil Code. The term of the servitude is the term of validity of the mining permit and the rules for exercising the servitude are determined according to the principle of the least damage to the service property and according to the type of mining permit.

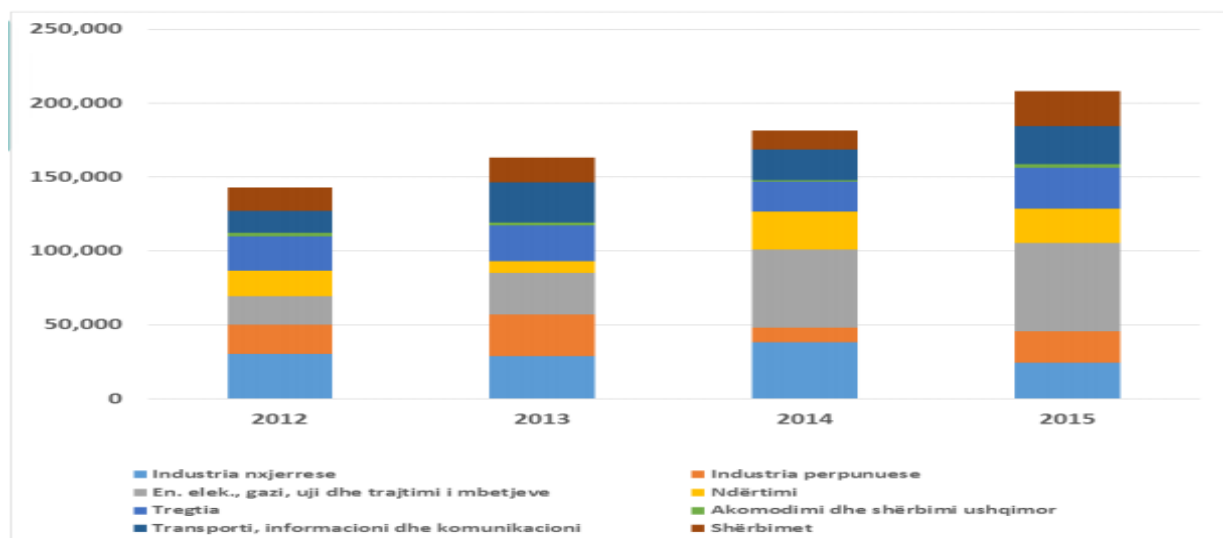
The company, owner of the mining permit and of the mining servitude, has the obligation to pay to the owner of the property, serving to the mining activity, the compensation for the use of the property.

In cases when the mining activity for a permitted mining area, is of special public interest and problems arise in relation to the landowner, the area is expropriated. The criteria, procedure and price of expropriation are determined in accordance with the requirements of the legislation in force for expropriations of public interest<sup>11</sup>. This also creates a benefit to the landowners. The discussion remains to the amount of evaluation.

Given that the activity of the EI is mainly concentrated in rural areas, with a low economic level, the benefit that property owners from companies that operate in the EI, is significant and helps them to improve their economy and standard of living in general.

#### 5.3.4. Development of infrastructure

The presence of a EI activity, can also contribute to local development, when mining companies engage in providing and improving local infrastructures (e.g. road network, power and water supply etc.), which in turn allow local populations to access easier and faster, health, education services, etc.



The above diagram shows the investment level in the economy, according to the different sectors. The light blue color shows the investments of the EI<sup>12</sup>.

<sup>11</sup> Article 34 of the Mining Law.

<sup>12</sup> Një vështrim mbi treguesit e zhvillimit ekonomik të shqipërisë”, Albanian Investment Council, page 13.

### **5.3. Economic sustainability of the Communal Management**

Based on data reported by government agencies listed in EITI Report 2016, EI sector and hydropower are calculated collectively to consist in not more than 6% of production gross domestic product in 2016, in the amount ALL 87,483 million. Exports from the extractor sector have increased significantly by over 100% until 2013, when they reached 96.7 billion ALL or 39% of total exports. It percentage has dropped to 19% of the total exports in 2016 or 47.0 billion ALL, simultaneously affected by the decline of international oil prices and increase of oil refining activity in the country.

Based on data reported by the GDT, license holders involved in the sector extractive in the oil, mining and hydropower plants have employees approximately 16,500 staff where they make up 1.4% of manpower registered by INSTAT in December 2016<sup>13</sup>.

#### **5.3.1. The Royalty**

EI activities normally create economic incomes. Companies, which act in the EI activity, generally are driven by the purpose of creating profits due to the activity, while the purpose of the government which controls the terms and conditions under which companies perform their activity, is guided by a completely different purpose, to promote social or economic development.

By such means, the legislation has foreseen the obligation of the Ministry to prepare and approve the Development Plan, in accordance to its goals related to the promotion of social and economic development. All companies performing an activity in the field of EI, shall comply with the Development Plan, in order to obtain the right to carry out this activity.

One of the benefits that the Mining Law and the Hydrocarbon Law has stipulated, is the royalty fee.

According to the Mining Law and Oil and Hydrocarbons Law, any legal entity, who is licensed and operates in the EI, according to a contractual relationship with the ministry in charge for the

economy, must pay a royalty fee for the natural resources extracted from, above and below the land of the Republic of Albania.

The mining royalty is the tax which is applied for the minerals extracted from the aboveground and underground of the territory of the Republic of Albania as well as for the by-products of these minerals. The mining royalty is calculated as a monthly liability of the taxpayer, at the time he sells mineral products. This royalty is in the amount of 5% of the income, in case of the sale of the products. In the case of export of mineral products, the royalty is paid at the time of the export declaration. 5% of revenues from royalty fee goes to the local government, where the activity is performed.<sup>14</sup>

As for the above, it results that the operation of the EI brings benefits for the local government, due to the collection of the royalty fee. The percentage of the distribution of the royalty, is shown in the following table:

No.	Labelling the group of minerals according to the mining law	The percentage of the royalty	
Group I <b>Metallic minerals</b>	1	Silver minerals	10
	2	Gold minerals	10
	3	Copper minerals	6
	4	Chromium minerals	6
	5	Nickel minerals (nickel-silicate)	6
	6	Iron minerals (iron- nickel)	5
	7	Lead minerals	5
	8	Zinc minerals	7
	9	All the other metallic minerals	4
Group II <b>Non-metallic minerals</b>	10	All non-metallic minerals	4
Group III <b>Coals and Bitumen</b>	11	Coals	5
	12	Bitumen	5
	13	Bituminous sands	5
	14	Oil reserves	5

<sup>13</sup> Raporti i Progresit Vjetor 2019, EITI, faqe 35

<sup>14</sup> Article 4, point 1 of Law No. 9975 “On National Taxes” as amended



	15	Pyro-bitumen	6
Group IV <b>Minerals and the Construction Materials</b>	16	Granite	6
	17	Limestone	5
	18	Gabbro	5
	19	Basalt	4
	20	Conglomerates	7
	21	Marble	7
	22	Building tiles	7
	23	Plagiogranites	5
	24	Sandy	7
	25	Serpentine	5
	26	Travertine	5
	27	Troctolite	5
	28	All other minerals of the fourth group	5
Group IV <b>Precious Stones</b>	29	All the minerals of the fifth group	10
Group VI Semi-precious stones	30	All the minerals of the sixth group	10
Group VII <b>Oil and Gas</b>	31	Seventh Group (VII) Oil and Gas	10

### 5.3.2. Findings for the Royalty

The royal fee is collected from the sales of taxable oil, gas and minerals and is registered in the State Budget. According to the Law on National Taxes No. 9975, dated 28 July 2008, as amended, a part of the tax on the right of the rent will be divided for each of the local government unit (LGU) in the proportion of their contribution to domestic production of oil, gas and minerals.

Regulatory framework for the local rent transfer until November 2014, Law on National Taxes required that 25% of the royal fee to be divided to each of the local government unit (LGU) in

proportion to their contribution within the term of the law of the annual budget. The formula for dividing a rent in beneficiary LGU is not published and transfers made cannot relate to their contribution of the LGU in collecting the rent. The countries that produce oil can benefit from the local transfer of the rent until the year 2014.

On 27th November, 2014, The Albanian Government submitted the amends on the Law of National Taxes, where LGU are entitled to receive 5% of the generated rent from oil and mineral sales extracted in their area. Under these new conditions, the rent transfers are related with the contribution of LGUs and are not affected by any other budget transfer in accordance with the law on annual budget.

Instruction No. 26 dated 4.9.2008 "On the National Taxes", as amended, lists the equalization procedures to be carried out by the benefiting LGUs to ensure the fair allocation of the royalty. Therefore, each LGU will agree at the end of month, on the royalty payments made by the licensees operating in the LGU area, with the Regional Tax Directorate and customs. Regional Tax Directorates and Customs must submit the analytical list of LGUs collected and acquired from the reduction of income in the Directorate of Budget in the Ministry of Finance, after receiving the reconciliation, the Ministry of Finance starts the monthly transfers of the royalty, as authorized by the LGU. IN the case of oil companies, which operate simultaneously in several LGUs, the instruction determines the royalty share to be divided. Currently, the Albanian government is reconsidering the percentage of the royalty that will be transferred to LGU.<sup>15</sup>

During the research and meetings held for purpose of this Study, is noted that the most problematic issue related to the royalty fee, is the lack of the development plan for its management and distribution. In the pilot areas under monitoring, it is noted that the municipalities do not perform a study to evidence the necessities of the community and plan the necessary investments in accordance to this plan. For such reason, it is impossible to evidence the use of the royalty by the municipalities.

The royalty, as explained above, is a national tax, which is collected by the tax authorities, acting as the agent of the state to collect this tax. Furthermore, the percentage stipulated by the law, goes to the local government. By such means, another issue, is that that the dedicated

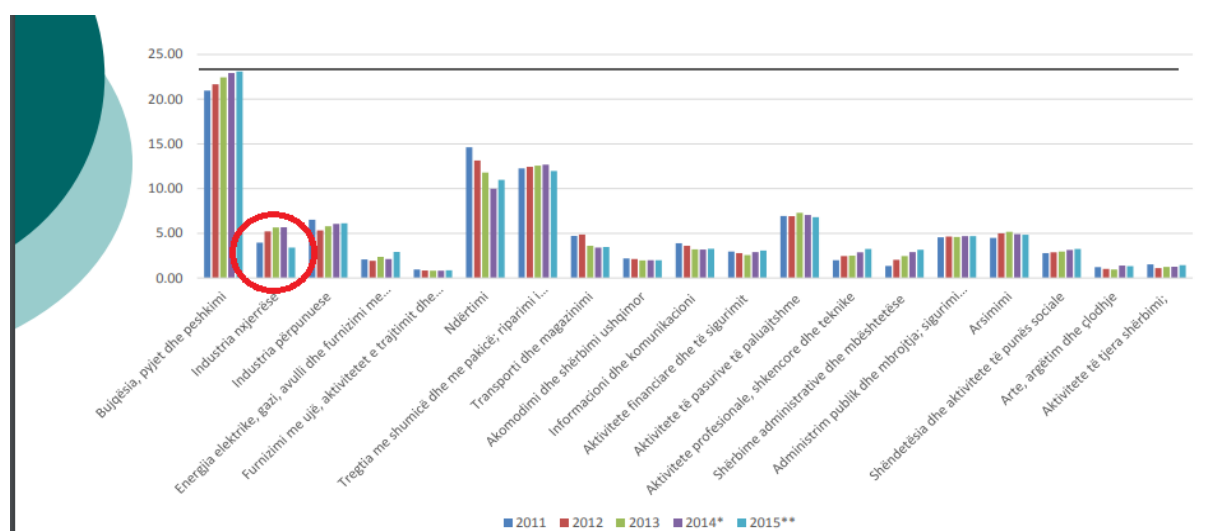
percentage of this tax, is not paid to the local government by the central government. This result, is derived also by a survey performed by the Albanian Center for Development and Integration, which has found as follows <sup>16</sup>:

*“The survey found that local government units did not make maximum use of legal instruments, and as a result, could not be imposed or heard by the central government for their concerns about the difficulties and delays in calculating or collecting of percentage from the royalties.”*

Also according to EITI’s Annual Report, it is noticed that 5% of the rent is not transferred to LGU, the law is not fully implemented and as a result the entire local community does not have any benefits from the wealth it owns. In the last two years of reporting (according to EITI’s annual reports), the mineral royalty in 2015 was distributed by LGUs in a total of 3.5% and in 2016 of 4.2%.

Another issue, which is being debated, is also the percentage amount of the royalty dedicated to the local government. Considering the impact of the EI in the local communities, this percentage is very low and, even in the case of full use of it, it will not “reimburse” to the community the real impact of EI. It is for such reason that there are several attempts to increase such percentage, in accordance to the real impact of EI and the necessities of the communities<sup>17</sup>.

Despite the above analysis in paragraphs 5.3. and in consideration of findings in 5.4., the results of the economic growth, for the period 2011-2015 clearly shows that the EI has a insignificant contribution in the economic growth.



According to a study performed by the Albanian Investment Council, the Albanian economy is a mainly service - oriented economy, where services contribute with about 63% in the growth of the economy. Other contributing sectors are agriculture (about 20%), construction (about 10%) and industry (with a modest contribution of extractive and processing industry at about 5%). Slightly growing sectors for 2015 have were agriculture and construction.<sup>18</sup> (*Please refer to the diagram in the red circle*)

#### **5.4. Socio-economic aspects included in the contracts and permits of EI companies**

##### 5.4.1. Contractual provisions

The contract to be entered between the companies operating in the EI, shall reflect a guarantee for the Ministry, to ensure not only that the purpose of the contract will be achieved, but will also be achieved the goals of Ministry related to the socio-economic impact, according to the Development Plan. For this purpose, are included in these contracts special provisions which aim to regulate the socio-economic aspects of the impact that the implementation of the contract will have.

As for the above, are taken into consideration several contracts of different companies operating in the EI sector, such as:

- In the hydrocarbon sector: Albetrol sha, Bankers Petroleum sha, Shell Upstream Albania BV, Albanides Energy shpk;
- In the mining sector: Albchrome sh.a.

In all these contracts, the socio-economic impact is supposed to be regulated by some simple provisions, which are analysed below.

The Hydrocarbons Law, which has superseded the agreement initially with Albpetrol sha, has stipulated the following socio-economic provisions:

- In its article 6, the Hydrocarbons Law has stipulated the obligation of the legal entities contracted by the Ministry, to give priority to the employment and qualification of Albanian citizens, as well as the use of domestic goods and services, compared to those

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<sup>17</sup> [http://albneteiti.org/?page\\_id=800&lang=de](http://albneteiti.org/?page_id=800&lang=de)

<sup>18</sup> “Një vështrim mbi treguesit e zhvillimit ekonomik të shqipërisë”, Albanian Investment Council, page 5.

foreign ones, in accordance with the clauses to be included in the development plan. Furthermore, this law has also stipulated the obligation of the legal entities contracted by the Ministry to take proper care of the protection of the environment as well as for the well-being of the people residing in the areas where the Hydrocarbon Operations are carried out according to the agreement.

- In its article 10, the Hydrocarbons Law has stipulated the obligation of any private or public entity to provide its immovable property for purpose of the implementation of a hydrocarbon agreement, to be entered with a company operating in EI.

Considering the contract entered between the Ministry and Albanides Energy shpk, approved by means of DCM No.266, date 06.04.2016, we note that there are some provisions related to the socio-economic impact of the implementation of this contract. For example, article 16 of this contract has stipulated the obligation of the company to contract and train Albanian employees, when possible and appropriate for the working process. Article 17 of the same contract has stipulated the obligation of the company to give priority to Albanian products and services rather than those foreign ones.

On the other hand, the Mining Law has linked the socio-economic regulation with the minerar strategy as it is been referred to the article 8 of this law. The minerar strategy is proposed by the Ministry and approved by the Council of Ministers to define the policies, development priorities, programs of action and management of mineral resources, in line with the objectives of the national development strategy. The action program to implement the minerar strategy, stipulates, among other issues, the needs for human and professional resource development, in mining activities as well as the rules for the implementation of measures for safety at work and employee safety.

Except of the abovementioned laws which regulate in general the minerar and hydrocarbon sectors, another law was later adopted, related to the safety and health of employees working in the mining activity and in the underground of hydropower works. Law No.135/2016 constitutes a policy for safe development of mining and rescue activity. This law defines responsibilities, rights and obligations for all participants in the development of this industry, both for the state, entrepreneurs, contractors, subcontractors, as well as for employees.

The most innovative part of this law, is chapter III "Execution of the works", which includes provisions related to the development of works, information of employees, training of employees and monitoring of breakdowns. This law has also stipulated the incorporation of a new authority, which is in charge of the inspection of all companies performing activity in mining sector.

Another important legislation in force in the mining sector is the DCM No.1109, date 30.07.2008, which has stipulated the obligation of companies which are licensed to perform mining activities, to insure their employees from personal accidents at work, according to a contract, with an insurance company.

There is no specific legal act for the the safety and health of employees working in the hydrocarbons activity. Anyhow, this aspect of the employment of these category of workers, may be also covered by the Labor Code Provisions as well as Law No. 10.237, date 18.02.2010 "On occupational health and safety"

#### 5.4.2. Permits

According to the Mining Law, the "mining permit" is the administrative act, issued in accordance with this law, to carry out mining activities in the permitted area and for the minerals defined in it. Mining permits are given to interested entities, winners of a public competition, while in the mining areas defined in the annual mining program, as "open areas", according to article 8 of the Mining Law, the mining permit is granted to the interested entity, which meets the conditions of the permit.

The state gives mining rights to domestic or foreign legal entities, according to a competition procedure, in accordance with the requirements and deadlines set out in the legal procurement provisions. This procedure should also include the technical, financial criteria of the investment and the competitor's experience in the field of mining activities. The competition procedure and deadlines are determined by a decision of the Council of Ministers. The state grants mining rights to legal entities, domestic or foreign, in accordance with the provisions of the legislation in force on concessions. There are several types of mining permits.

In any case, mining permits are given to legal local or foreign entities that according to the Mining Law, have the necessary technical skills and experience, file an extractive project and activity in accordance with the technical rules, file an environmental rehabilitation plan in accordance with environmental protection law, file a structured plan for the closure of mining activity, a waste management plan, file the necessary financial security for the operation of the mining activity, submit the document that contains the expression of the written opinion and approval of local government related to the activity.

#### 5.4.3. Legal provisions

Notwithstanding the Contractual Provisions mentioned above, which are mainly superficial and not detailed, the contracts refer to the relevant applicable laws and therefore the legal provisions are automatically applicable.

Regarding the above, the Mining Law has some provisions regarding the regulation of the socio-economic aspects of the activity of the extractive industry. According to this law, companies operating in this industry among others, have the following obligations:

- to pay the royalty, according to the type of mining permit, within the deadlines set in the legislation in force.
- to take the necessary safety measures to protect the life and health of employees and other persons accessing the mining permit area, in accordance with applicable law and regulations on occupational safety and security techniques;
- to take the necessary measures to ensure the working conditions, according to the legislation in force;
- to insure the employees from accidents at work, according to the insurance legal provisions in force;
- to provide medical services in the permitted area or near it, according to the legislation in force;
- to undertake the mandatory training of staff, according to the legislation in force;
- to maintain the confidentiality of data.

Furthermore, we find the following provisions in some sublegal acts:

- Order No.305, date 13.04.2011 of the Ministry “On the procedures and form of drafting the action program for the implementation of the mining strategy”: *The action plan for the implementation of the mining strategy is the medium-term mining planning document, which is drafted based on the mining strategy and is valid for a period of 3 years. The action plan should contain:.....e) the needs for the development of human resources, professional in the mining activity*<sup>19</sup>;
- Order No.305, date 13.04.2011 of the Ministry “On the approval of the form and content of the mining activity development project”: Annex 1 “The content and form for the performance of the mining activity...” among others requires from the applicant company to obtain and provide information on demography, community economy level and main economic activities, information on employment and specialization of Albanian citizens, impact on the health and livelihood of community, provide information on transport and the necessary measures, provide information of the estimated salaries to be applied according to the professional level of the employees<sup>20</sup>.
- Order No.387, dated 20.05.2011, “On the approval of the form and content of the mine conservation project”: The mining conservation project is based on the following principles:....b) taking preventive and protective measures for the life and health of communities, pollution in soil, water, flora and fauna, environment and ecosystem in general and infrastructure, c) consultation with local government authorities<sup>21</sup>;

## **5.5. Illegal employment and the child labour prevention in EI**

The standard of child labour involves different aspects such as minimum age for admission to employment, light work, hard and hazardous work as well as worst forms of child labour. These aspects are regulated in legislation level aiming to prevent child labour below the given age, to determine under which special conditions a child is allowed to work and to protect them of any risks at work or exploitation forms.

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<sup>19</sup> Order No.305, date 13.04.2011 of the Ministry “On the procedures and form of drafting the action program for the implementation of the mining strategy”, article 1.

<sup>20</sup> Order No.305, date 13.04.2011 of the Ministry “On the approval of the form and content of the mining activity development project”: Annex 1, points 2/c, 2/d, 8, 9/f;

<sup>21</sup> Order No.387, dated 20.05.2011, “On the approval of the form and content of the mine conservation project, article 6, points b and c.



ILO does not have a specific definition on child labour standard but in two ILO Conventions specifically Convention on minimum age and Convention on the worst form of child labour bring significant concepts, which facilitate in establishing a definition of child labour.

The employment in mining and hydrocarbon sectors does not have any specific regulation in the respective laws, therefore the international principles and the general provisions of Labour Code take place. By such means, the 'illegal employment' shall be considered any employment relationship, constituted against the international provisions and against those of the Labour Code.

The Charter of Fundamental Rights of The European Union, in its article 32 has stipulated as follows, related to child labour:

*“Article 32: Prohibition of child labour and protection of young people at work*

*The employment of children is prohibited. The minimum age of admission to employment may not be lower than the minimum school-leaving age, without prejudice to such rules as may be more favourable to young people and except for limited derogations.*

*Young people admitted to work must have working conditions appropriate to their age and be protected against economic exploitation and any work likely to harm their safety, health or physical, mental, moral or social development or to interfere with their education.”*

Furthermore, according to article 98 of the Labour Code, the employment of children under age 16 is forbidden. Exceptionally, children between the ages of 15 and 16 can be employed during school holidays only in light work, according to determinations made in Article 99 of this Code. These special provisions of the Labor Code, related to employees under the age of 18, shall apply for any employment relationship at any work or profession.

In article 99 the Labour Code has defines the meaning of the "light work" which is allowed to be performed by children of age 16 - 18. 2. "Light work" by means of this Code, is any work that, due to its nature of tasks and conditions, does not affect the safety, health or development

of children or their participation in school, professional programs or trainings, or their ability to benefit from these trainings.

The Council of Ministers determines the easy works and establishes rules of the maximum duration and conditions of performance of the work for children and of the work for adult employees.

The Labour Code contains also the concept of "hard work" in article 100. According to this article only adults over 18 can be employed in difficult works which pose a risk to their health or personality. Hard or dangerous jobs and special rules for the duration and conditions of their performance are determined by a DCM.

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More and beyond the Labour Code, the UN Declaration of Human Rights contains many articles, which are closely related to the employment, such as: Right to Equality; Freedom from Discrimination; Right to Life, Personal Security; Freedom from Slavery; Freedom from Torture and Degrading Treatment; Freedom of Opinion and Right to Information; Right of Peaceful Assembly and Association; Right to Social Security; Right to Desirable Work and to Join Trade Unions; Right to Rest and Leisure; Right to Adequate Living Standard; Right to Education; Right to Participate in the Cultural Life of Community. Each one of these articles is relevant to the operations of mining companies around the world and could be used as a road map for improved governance structures.

Below are highlight a few of these rights, and their implications for the mining sector.

- **Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment.** Community members who wish to work in mining operations shall have rights to work not only to random job positions but also to more complex and professional positions in mining operations. For such reason, they shall have the right to be trained by the mining company, in order to become competent workers and to benefit from it.
  
- **Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if**

**necessary, by other means of social protection.** Minimum wage legislation ought to exist in every jurisdiction in which the mining sector enters and mining companies ought to abide by these regulations.

- **Everyone has the right to join professional unions for the protection of his interests.** Mining unions may negotiate in order for the professionals to benefit different funds such as education, qualification and sufficient training according to their job position, medical services, fair salaries and other benefits deriving from the job position, education, qualification and sufficient training according to their job position etc. The professional qualification helps to create sustainable jobs so that if a mining company leaves, this employee is still employable, either within the same sector or others.
  
- **Everyone has the right to Adequate Living Standard.** This standard speaks for itself: *“(1) Everyone has the right to a standard of living adequate for the health and well-being of himself (sic) and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control. (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.”*

These human rights are internationally agreed and shall be implemented in any aspect of life, including the work and professional life, especially in these kind of works which are considered “hard works” and eventually EI companies need to pay e special attention to the respect of human rights.

## **5.6. Professional education; Transferring of skills**

As mentioned above, the Mining Law has some provisions related to the professional education of the employees, especially related to the training of Albanian citizens. This law has stipulated as an obligation of the holder of a mining permit to undertake the mandatory training of staff, according to the legislation in force.<sup>22</sup>

Some of the Contracts as well have simple and merely basic provisions related to the employment or the training and education of the employees, as these provisions are quoted above. Anyhow, the contract usually make reference to the good practices and International Standards, which are internationally known, approved and accepted.

Despite that, if we go back to the results of the table related to the costs of employment the training costs appear to be in a low range, compared to other important sectors of economy, in a percentage of 0.21%.

## **5.7. Analysing the addressing of gender issues in the participation of EI activities**

The EI remains a male-dominated industry as compared to the other industries. Anyhow, this practice is not related to any legal provision or requirement. On the contrary, the law stimulates the equal possibilities between genders and furthermore the involving of females in any kind of activity.

Related to the above Republic of Albania has ratified a several international acts to promote and defend gender equal right sas well as women's rights, such as:

- The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and its addiditional protocol, ratified on 1994;
- International Covenant on Civil and Political Rights – (ICCPR), ratified on 1991;
- International Covenant on Economic, Social and Cultural Rights (ICESCR), ratified on 1991;
- European Convention on Human Rights (ECHR), ratified on 1998;

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<sup>22</sup> Article 36, point 7 of the Mining Law.

Furthermore, the Constitution of the Republic of Albania has sanctioned as constitutional principles the principle of equality and that of gender equality;

*"Everyone is equal before the law. No one can be unjustly discriminated against on grounds such as gender".*

The implementation of this principle constitutes a necessary condition for the legally performance of all activities by private or public entities.

In this context, can be mentioned some of the main laws that provide opportunities and means to guarantee the equality between men and women, such as:

- The Family Code: This law is based on the principle of gender equality in private and family life.
- The Electoral Code: Contains important provisions that guarantee not only the right to vote for women, but also the right to be elected to high representative central and local bodies.
- Law "On gender equality in society" which regulates social relations in public life, especially related to education, work and services, based on the principle of gender equality in society.
- The Law on Protection from Discrimination: This law which regulates the implementation and observance of the equality and non-discrimination principle, related to gender and other reasons.
- The Labour Code: With regard to gender-based discrimination at work, the recent changes include as new and important principle that employers must take into account in employment relationships, the non-discrimination for any cause or reason. For example, termination of an employment contract in violation of the principle of non-discrimination (for any cause or reason) is already considered termination of a contract without reasonable cause, which requires compensation of the employee.

Despite the above, according to the statistics, in general, 50.6% of the total number of employees is male and 49.4% is female. Male employees predominate in the mining and

quarrying industry by about 89.7%, while female employees predominate in the human health and social work activities sector by about 73.7%. According to the size of the enterprise, male employees predominate in enterprises with 10-49 employees and female employees predominate in enterprises with over 1000 employees<sup>23</sup>.

During October 2018, the gender pay gap on average hourly earnings was 6.81%. The gender pay gap shows the difference between a male's average hourly earnings and that of a female, and this difference has been greater in the mining and quarrying industry, with 34.9% and lower in the administrative and support service activities sector, with - 11.5%. Gender inequality of earning is higher for full-time employees at 7.1% while for part-time employees it is lower at - 1.5%. According to working hours, women account for the largest share of part-time employees with 57.5%, while among full-time employees women account for 49.2%<sup>24</sup>.

The gender pay gap on average hourly earnings is higher in the Mining and quarrying industry with about 34.9% (Fig.2). In this sector, the gender pay gap of the average hourly earnings is higher in the occupations of specialists with higher education (professional) by about 60.4% and lower in the occupations of managers with about - 47.1% (T.8.3). In the Administrative and support service activities, the gender gap on average hourly earnings is lower with about -11.5% (Fig.2). In this sector, the gender gap of the average hourly earnings is higher in the occupations of Craft and related trades workers, with about 31.7% and lower in the occupations of Skilled agricultural, forestry and fishery workers, with about -15.8% (T.8.3)<sup>25</sup>.

The gender gap on average hourly earnings is higher for employees with secondary education with about 21.2% (Fig.6). For these employees, the gender gap of the average hourly earnings is higher in the activity of the the Mining and quarrying industry, with about 43.3% and lower in the activity of the Administrative and Support Services activities, with about - 7.5% (T. 8.2). Gender gap on average hourly earnings is lower among higher education employees, about 11.5% (Fig.6). For these employees the gender gap of the average hourly earnings is higher in the activity of the Mining and quarrying industry with about 44.5% and lower in the activity of Arts, entertainment and recreation with about -8.8% (T.8.2)<sup>26</sup>.

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<sup>23</sup> INSTAT, Structure of Earnings Survey, 2018, page 9;

<sup>24</sup> INSTAT, Structure of Earnings Survey, 2018, page 9;

<sup>25</sup> INSTAT, Structure of Earnings Survey, 2018, page 15;

<sup>26</sup> INSTAT, Structure of Earnings Survey, 2018, page 15;

The sectors of façon, mining industry, and construction have employed about 85 thousand people or about 22% of the total of employees from the producers of goods and services in the country<sup>27</sup>.

The table below shows the Gender Inequality Index in the labour market, during the period 2013-2019<sup>28</sup>.

Gender Inequality Index		
		Labour market
		Labour market participation rate
2013	Men	0.62
	Women	0.44
	<b>Gender Inequality Index</b>	<b>0.20</b>
2014	Men	0.64
	Women	0.44
	<b>Gender Inequality Index</b>	<b>0.11</b>
2015	Men	0.64
	Women	0.47
	<b>Gender Inequality Index</b>	<b>0.14</b>
2016	Men	0.65
	Women	0.50
	<b>Gender Inequality Index</b>	<b>0.09</b>
2017	Men	0.67
	Women	0.50
	<b>Gender Inequality Index</b>	<b>0.14</b>
2018	Men	0.68
	Women	0.51
	<b>Gender Inequality Index</b>	<b>0.07</b>
2019	Men	0.68
	Women	0.53
	<b>Gender Inequality Index</b>	<b>0.10</b>

<sup>27</sup> "Labour Standards in Albania", Institute for Democracy and Mediation, page 37.

<sup>28</sup> "Women and Men in Albania, 2020", INSTAT, page 162

## 5.8. Considerations:

### 5.8.1. On the key role of the Civil Society in the Transparency process

According to a Practical Guide for Civil Society published by the United Nations Human Rights Council the principles framing the relationship between public authorities and civil society actors are outlined<sup>29</sup>:

- Participation – Civil society’s role in society is recognized and civil society actors are free to act independently and advocate positions different from those of public authorities.
- Non-discrimination – All civil society actors are invited and enabled to participate in public life without discrimination of any kind.
- Dignity – Public authorities and civil society actors have the shared aim of improving lives, while performing different roles. Mutual respect is crucial to this relationship.
- Transparency and accountability – Acting in the public interest requires openness, responsibility, clarity, transparency, and accountability from public officials.

Also, the Constitution of the Republic of Albania sanctions the principles of the rule of law and respect for fundamental human rights and freedoms. One of these rights is that of organizing collectively, for any lawful purpose, which guarantees the individual active participation in society. Ensuring this right ensures individuals participation in decision-making processes at all levels. Public participation in the decision-making process of the Albanian Parliament brings individuals closer to governance by creating the opportunity to address problems and provide appropriate solutions to them; evaluate the results of implementing policies, supervising the activities of their elected officials to make them more accountable, etc.

The participation, especially of civil society, in the legislative process serves to improve the quality of the legislation reviewed and adopted. We find the “public consultation” and “transparency” included in some legal acts within the framework of the EI. However, no special importance has been attached to these principles.

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<sup>29</sup> “Civil Society Participation in Decision Making in Albania”, Institute for Democracy and Mediation in Albania, page 15.



In consideration of the Law No.10 440, date 07.07.2011 “On environmental impact assessment”, as amended, public consultation and civil society participation, have an important role before the approval of the initiation of a certain activity. This law enables the verification, as much as possible, of any possible social impact of the activity of the EI. Despite the fact that this law does not exhaustively regulate the assessment of the social impact of the EI, it nevertheless provides an opportunity for civil society to express its opinion and provide assessment or possible solutions regarding the social impact of a company operating in the EI sector. Therefore, according to this law, among the projects for which is required an in-depth environmental impact assessment, are listed the also the EI activities.

The principles of “public consultation” and “transparency” within the framework of the EI sector, are included also in the DCM No.685, date 14.11.2018 “On the approval of practices for the promotion of joint, regional investments in the infrastructure of the energy sector”. This DCM has stipulated that the state authority must undertake any form of participation and public consultation, before the issuing of the permit, according to the provisions of law no. 146/2014<sup>30</sup>.

Except of the above, EITI Albania standard has stipulated as an obligation of a state, the engagement of civil society. In this context, the representation of the general public, individuals or interest groups is guaranteed, in the process of public consultation for any state decision-making related to the EI. This obligation, constitutes a further guarantee for a decision-making which coincides with the public interests. Furthermore, the multi-stakeholder group of EITI Albania is composed of representatives from the civil society, in order to guarantee the representation and participation of the civil society in the addressing of problems and decision-making process in EI sector.

#### 5.8.2. On the role of the public in the decision-making processes related with EI

One of the EITI Albania requirements is the public debate. To comply with this requirement, the multi-stakeholder group must ensure that government and company disclosures comprehensible, actively promoted, publicly accessible and contributes to public debate.

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<sup>30</sup> DCM No.685, date 14.11.2018 “On the approval of practices for the promotion of joint, regional investments in the infrastructure of the energy sector”, chapter IX, point 20.

### 5.8.3. On the benefitions of citizens from the EITI informative platform, regarding the good-governance of the natural resources

EITI informative platform offers a detailed information on revenues generated from the extraction of natural resources are available for the public to see. Being informed, help the public to react in cases of any misuse or bad administration of the natural resources as well as to provide informed opinions and be better represented in the multi-stakeholder group of EITI Albania.

## **6. Findings**

For purpose of this Study, are performed the following steps, meetings and actions:

Meetings with representative of authorities:

- 15.10.2020 – Meeting with Anila Hajnaj (Executive Director Albanian civil society network MSG EITI member );
- 15.10.2020 – Meeting with the Director Ilia Gjermeni;
- 22.10.2020 – Meeting with the Mayor of Kucova Municipality;
- 02.11.2020 – Meeting with Prof.Doc.Perparim Alikaj ( MSG EITI member );

Except the above, several meetings are held with the interviewed for the fulfilment of the questionnaires on 22.10.2020, 28.10.2020; 02.11.2020, 03.11.2020, 05.11.2020.

### **6.1. Mining Industry in Bulqiza**

Bulqiza is a region, which lies in the northeastern part of the country and is included in the prefecture of Dibra. Life in this area takes place in two dimensions. There are actually two Bulqiza, the geographically extending Bulqiza and the underground Bulqiza. The biggest chromium mine in the country is situated within the territory of Bulqiza Municipality. Its exploitation started in 1948 and there are 41 % of the mineral reserves there. 90 % of employment in Bulqiza is in the chromium mining and enrichening. The current economic development is mainly based on the Chromium Mine, which is one of the biggest of its type in the country, and the chromium enrichment factory. There is also some agriculture and farming and some private businesses as well. The former centralized mine has been fragmented into hundreds of concession companies.

According to the Ministry of Energy, by the end of 2019, there have been active a total of 264 mining exploitation permits for chromium ore, of which three permits are concessional. These permits are distributed in 12 districts of the country and in the two belts of ultrabasic rocks. The largest number of exploitation permits, 117 permits or 47% of all exploitation permits, is located in Bulqiza district. In 2008, there were 68 exploitation permits, while in 2013 this

number had reached 118. In 2000, the government signed the concession of Bulqiza deep wells and the Chromium Enrichment Factory in Bulqiza and Klos, as well as Ferrochrome plants in Burrel and Elbasan, for 30 years. With these companies "Darfo" founded the company "DARFO ALBANIA" on April 14, 2000. After nine years, in July 2009, "DARFO" sells 100% of the share capital of the concession company "DARFO ALBANIA" to the company ACR Holding "and after that, the name of the company is changed to " Albanian Chrome "with the same NIPT. On January 17, 2013 "Balfin Group" bought the shares of the company "Albanian Chrome" (ACR), the company "DCM DECO-metal GmbH-DCM Beteiligungs GmbH, (BIRN) and this company currently manages this mine. This company has over 1 thousand workers, while some important elements are safety and the investment that extends the life of the mine up to 30 years. According to the company AlbChrome, the highest salary for miners is 87 thousand new lek, then there are also contributions for food and other things. The payroll fund is nearly 1 million dollars. While the total value of the investment is around 55 million.

AlbChrome sh.p.k. has invested in the technology of mineral exploitation and processing, in facilities such as: Construction of a deep well in the Bulqiza Chrome Mine, which facilitates the production of chromium ore from the depths of the Bulqiza mine, reduces production costs, creates more favorable conditions to mine workers. At the same time, this company has invested in the opening of the Klos Bulqiza traverbank, with a length of over 5 km, which will discharge water from the depths of the Bulqiza mine and transport the ore through this traverbank. Investments in these two facilities reach the amount of about 20 million euros.

However, in order to assess the different views from the varies actors, a questionnaire was held in Bulqiza, comprising, private sector, local authorities, civil society organizations, miner, and local citizens. The findings from this process are listed as following:

This questionnaire was completed by thirty people of whom 50% belong to the age group 25-34 years, 30% belong to the age group 35-44 years, 10% belong to the age group 45-54, 10% belong to the age group 55-64. Of the total number of interviewees, 30% of them represent local authority target group, 20% are from business, 30% are workers, 20% are citizens.

The questions are related with basic indicators of social impacts assessment criteria's such as i) economy, income and security; ii) Employment and education; iii) Land use and territorial aspects; iv) Demography; v) Environment, health and safety and vi) Human rights.

The addition questions was about “*how much the target groups know about EITI - Extractive Industries Transparency Initiative*”. More than 40% answered that they do not know EITI. Out of the 60% who positively answered to this question, the respondents provide the following information: 30% answered they know a little about it, 20% answered that they have attended meetings, and 10% they know a lot about it.

### **Economy, income and security.**

The first group of questions aimed to assess the impact of mining industry to Local Economy and revenues from this industry. The respondents answered these questions for the positive and negative impacts of how i) revenues contribute in local economy; ii) revenues affect the growth of production and export; iii) how much the revenues contribute to improved livelihood; and iv) effect in incomes per families and citizens. More than 90% of the answers (27 out of 30 answers) are that mining gives positive impact in revenues for local economy and 10% (3 out of 30) answered for negative impact.

The second group of questions of “economy income” focused in the business opportunities of the mining in local economy. All the persons interviewed answered these questions for the positive and negative impacts of i) business opportunities; ii) employment opportunities; iii) revitalization of the market. More than 83% of the answers (25 out of 30 answers) confirms that mining gives positive impact in revenues for local economy and 12% (5 out of 30) answered for negative impact.

The third group of questions of the “economy income” focused on corruption influence in the mining sector. All the 30 individuals answered these questions for the positive and negative impacts of i) how much corruption affects the obtaining of permits and licenses; ii) corruption affects legal issues; iii) corruption in managing the mining resources. More than 75% of the answers (22 out of 30 answers) are that corruption has negative effect in mining sector and 25% of the respondents do not believe that corruption has negative effect and the process of obtaining permits, licenses and other legal issues is in the good track or has positive impact.

The fourth group of questions of the “economy income” focused in working conditions about cloths, equipment, accidents, in mining sector. All the 30 individuals answered the questions for the positive and negative impact of EI in i) working conditions in the mining for equipment and worker cloths; and ii) accidents in workplace. More than 85% of the answers (28 out of 30 answers) are that work conditions have negative impact, there are many accidents in the mining and equipment and clothes are in bad conditions. Only 15% of respondents thinks positively for work conditions in the mining (the respondents belong to the business group of respondents).

The fifth group of questions of “economy income” focused on the level of treatment of actors in the mining sector (inequality). All the 30 individuals interviewed answered the questions for the positive and negative impacts of i) inequality in the implementation of legal rights; ii) inequal treatment at work; iii) inequality in the distribution of salaries and incomes; iv) inequality in income tax payments. More than 70% of the answers (21 out of 30 answers) see the treatment of actors in the mining sector inequal and according to them this attitude has negative impact. The other 30% (9 out 30) consider as normal that actors are treated differently having into consideration the combination of factors such as production, legal rights, treatment at work, distribution of salaries and incomes based on production and sales etc.

The sixth group of questions of “economy income” focused on social tension. The respondents provide opinion on how EI has an impact on i) level of incentives for the treatment of workers; ii) social conflicts between workers and owners about salaries; iii) inequality in the distribution of salaries and incomes; iv) conflicts between landlords and residents of the area for the use of resources; v) conflicts between formal and informal business or criminality; vi) conflicts between business and the local authority; vii) conflicts with trade unions, activist groups.

More than 70% of the answers (21 out of 30 answers) declare that social conflict has negative impact in the relation of the mining business with different conflict issues. The biggest conflict they refer to is the negative impact (80%) caused due to conflicts between landlords and residents of the area for the use of resources.

### Conclusions on Economy, income and security

*Overall, we can say that EI can have both positive and negative impact in the local economy. This is reported both at local and national scale. Mining often gives stimulus to local economy and increase population income and business opportunity, also in other sectors. However, income inequality, i.e. an unfair distribution of the benefits coming from resource extractions and corruption due to the bad management of mineral wealth, can trigger social tensions. Conflicts can also arise between companies and illegal miners, as well as anti-mining activists. Increased poverty can also occur, if local population lose traditional means of livelihood, and when governments fail in reinvesting revenues from mining.*

### **Employment and Education**

The questions under this part of the questionnaire tried to collect information from the respondents about i) economic opportunities from mining industry; ii) increasing poverty as a cause of loss of means, jobs and opportunities of life; iii) lack of government policies for reinvestment of revenues from mineral resources. More than 60% of the answers (18 out of 30 answers) have declared the poverty has negative impact in the relation of the mining businesses. From the perspective of the local authorities, they declare that mining sector contributes in reduction of poverty, but people that work or are doing business in the mining, declare that the poverty is increased because the price of the mineral is low, the market is collapsing and there is lack of government policies for reinvestment of revenues from mining resources to generate jobs and incomes for the mining area.

The second group of questions for Employment and Education focused on how EI impacts employment and issues it encounters, responding to i) direct or indirect employment growth for the residents of the area and ii) employment growth at regional and national level. More than 60% of the answers (18 out of 30 answers) have declared that mining has positive impact in increasing the employment at local and national level and less than 40% (12 out of 30) are sceptic for the role of mining in employment and declare that it has negative impact.

The third group of questions for Employment and Education focused on vocational training and education issue checking for the positive and negative impact of EI on i) improving skills at work through specializing and qualifying/Trainings; ii) technical vocational schools; iii) studies

in schools or universities. More than 56% of the answers (17 out of 30 answers) have declared that mining sector in the area has positive impact in increasing the employment skills and education opportunities. There is a vocational school operating in Bulqiza and people have gained experience and skills for mining sector services. Furthermore, less than 44% (13 out of 30) are sceptic for the role of mining in enhancing employment skills and they declare mining has negative impact for education opportunities and improving skills. They emphasize that mining businesses (companies) do not organize training and provide qualification for their staff. Furthermore, young generation does not show interest to follow their studies in Geology University (mining sector).

The fourth group of questions for Employment and Education focused on labor force and employment of children. All the 30 respondents answered these questions for the positive and negative impacts. i) whether children work in the mining sector, being under working age; ii) poor working conditions; iii) low salaries. More than 80% of the answers (24 out of 30 answers) declared the negative impact EI has in treatment of labor force and employment of children issues. Poor work conditions, low salaries and whether children work under working age, are listed as main problem in Bulqiza. However, the respondents clarify that children underage are working illegally, for their own families, and only above the ground. Mining companies in Bulqiza are not employing children underage.

The fifth group of questions for Employment and Education focused on poor working conditions; i) unhealthy workplace environment and poor health care; ii) life safety facilities and accident causes; iii) housing conditions for workers on site or in the house. More than 76% of the answers (23 out of 30 answers) have declared the negative impact the poor working conditions are having in the quality of life. They consider working in the mines unsafe with unhealthy working conditions. The negative impact is related to poor and dangerous working conditions, low wages, health impacts, accidents and fatalities. There are many cases of accidents in mining sector in Bulqiza.

The sixth group of questions for Employment and Education focused on lack of freedom; i) lack of freedom to create genuine trade unions for workers; ii) low level of organizations/trade unions so far; iii) special status of the miner/oilman has not been approved/implemented according to the standards and conventions in force. More than 63% of the answers (19 out of



30 answers) have confirmed that there is lack of freedom in organizations of structures that advocate for workers' rights. There are structures (workers unions) organized but they lack the capacities and skills. These structures should function independently and fight for the rights of miners, but the feeling of most of respondents is that the members of unions lack commitment and willingness to perform correctly. They are even afraid to be confronted with the management of the companies, and lack capacities to fulfil their role in compliance with the legal requirements.

#### Conclusions on Employment and Education

*Summarizing, mining sector has a positive impact on both employment and education (job creation both in the mining sector and indirectly in other sectors) as confirmed from many respondents. Educational opportunities offered by the vocational school in Bulqiza and employee skill development ensure further potential positive outcomes. Negative impacts relate to the quality of jobs (including poor and dangerous working conditions, low wages, health impacts, accidents and fatalities, substandard housing provided to workers, lack of freedom in organizing trade unions activities).*

#### **Land use and territorial aspects**

The first group of questions for Land use and territorial aspects focused on improvements of infrastructure in the area; i) improvement of road infrastructure; ii) improvement of access in drinking water; iii) improvement of health care centers, sports environment, cultural and education activities. More than 97% of the answers (29 out of 30 answers) have declared that mining industry has negative impact in the infrastructure or community services such as for drinking water, irrigations, schools, health center etc. The negative impact is related with non-respecting the community responsibilities as stated in their contractual obligations. The mining companies in many cases damage the infrastructure (roads) due to transportation of minerals. The mining companies cut the trees and sometimes damage drinking water pipeline or electrical system. Only one respondent (coming from the business target group) answered that there is no negative impact.

The second group of questions for land use and territorial aspects focused on expropriation; i) population displacement and resettlement; ii) consequent unemployment landlessness; iii) homelessness; iv) loss of common resources; and v) impoverishment of living standards; vi)

forceful acquisition of land. About 80% of the respondents (24 out of 30) have declared that mining has negative impact in land use in the area. The companies are facing conflicting situations with residents for expropriation. The negative impact is related with non-respecting the properties of the villages and use of land without permission and in common agreement with local residents.

The third group of questions for land use and territorial aspects focused in access to land, forestry and pasture; i) Limited access to land ii) consequent impact on livelihood; iii) food insecurity; iv) and loss of protected areas. More than 50% of the answers (15 out of 30 answers) have declared that mining has negative impact in land use, and it is destroying the nature. The negative impact is related with non-respecting the property land for agriculture, cutting and deforestation. It also negatively impacts agriculture quality production and development of tourism. However 50% of the respondents still think that such impact is not that negative.

#### Conclusions on "Land use and territorial aspects"

*Summarizing, land competition can arise when mining projects are developed, endangering wellbeing of local population and leading to their impoverishment. Almost 80% of the answers declare for land expropriation, displacement and resettlement of local communities. A further impact linked to land use regards the limited access to land for the rural population, which implies a negative impact on livelihood and consequent food insecurity. The presence of a mine in the territory can also contribute to local development, when mining companies engage in providing and improving local infrastructures (e.g. road network, power and water supply), which in turn allow local populations to access health and education services, but in Bulqiza area this is not the case (only in very few cases). The mining companies are damaging the infrastructure, and Bulqiza still ranks as one of the poorest municipalities in Albania.*

#### **Demography and gender issues**

The first group of questions related to demography and gender focused on population growth issue; i) social opportunities due to demographic change and population growth; ii) possibilities of economic and social cultural development.

More than 70% of the answers (21 out of 30 answers) declare that the population growth has negative impact in the local demographic structure of the area, and more than 30% of answers (9 out of 30) declare that population growth has positive impact in demographic structure of Bulqiza.

The second group of questions for demography and gender focused on gender equality issue such as i) population growth creates the flow of migration and gender imbalance in the communities; ii) creating an increase in civilization and opportunities for gender equality. More than 55% of the answers (16 out of 30 answers) have declared the population growth has negative impact in the gender equality due the prevalence of male workers in the mines. Still 45% of respondents (14 out of 30) declare that population growth has positive impact in gender equality issue of Bulqiza.

The third group of questions for demography and gender focused on migration/emigration, population movement. Citizens consider working in the mining sector having a negative impact in i) creation of phenomena such as alcoholism, drugs, sexual violence, change in social and cultural norms, ii) creating chaos and trouble, weakening family relations; More than 65% of the answers (19 out of 30) declare that working in the mines causes social cohesion and spreading problems of psychological or behavioral nature (e.g., alcoholism, drug addiction, etc.), and still 35% of respondents (11 out of 30) declare that this is not the case. Employment in the mining sector is the only employment opportunity for most of the citizens in Bulqiza and surrounding and as such it positively impacts the demography and gender equality. There are no indicators on migration or emigration. Local people work and live in Bulqiza or surrounding communities, and they are back home after finishing work. While young generation prefer to emigrate rather than work in the mining industry.

The fourth group of questions for demography and gender focused on inflation phenomena; i) increasing cost of life ii) increasing cost of accommodations, food prices, house rent. Almost all the respondents answered that mining sector does not have any negative or positive impact in increasing/decreasing the cost of living.

### Conclusions on demography and gender issues

*Summarized we can say that the mining activity in Bulqiza is unlikely to attract workers from other regions and as such it is not causing migration flows and/or a change in the local demographic structure. A gender imbalance can emerge due to the prevalence of male workers, undermining social cohesion and spreading problems of psychological or behavioral nature (e.g., alcoholism, drug addiction, etc.). Mining industry is not having any inflation impact and/or the rising of accommodation costs. Some answers declare that population growth is perceived as a positive consequence of the mining activity.*

### **Environment, health and safety**

The first group of questions for Environment, health and safety focused on drinking water supply; i) reductions of quantity of water for local people because the mining companies intervene in main pipe line ii) pollutions of drinking water; More than 65% of the answers (19 out of 30) declared that mining is having a negative impact in drinking water quality and quantity. The mining activity is having environmental impacts which can directly affect the health of local communities (e.g. having toxic or carcinogenic effects) or indirectly through reduced water supply or contamination. Still 35% of the respondents (11 out 30) declare that mining activity is not having any negative impact.

The second group of questions for Environment, health and safety focused on health care issues; i) deterioration of health conditions for workers who are open to the risk of damage to health due to difficult conditions; ii) increase of social problems and mental health problems and not only, such as sexually transmitted diseases, addictions such as drug use, alcohol consumption, gambling, depression, violence in all forms. More than 55% of the answers (17 out of 30) have declared that mining activity has a negative impact in the health quality of workers, and it increases their social problems and mental health problems, such as drug use, alcohol consumption, gambling, depression, violence in all forms. However, the rest of 45% (13 out 30) declare that mining has no negative impact.

The third group of questions for Environment, health and safety focused on environmental pollution caused by mining activities; i) environment pollution influence in welfare of the local population; ii) environment degradation of flora and fauna; iii) environment degradation create problem for tourism development. More than 53% of the answers (16 out of 30 answers) have

stated that mining activity is having a negative impact in local environment because of the air pollution it is causing, damages caused to dwellings by explosive and injuries during booming mine activities, damages of flora and fauna and of the natural panorama destroying opportunities (resources) for tourism development. Still 47% of respondents (14 out 30) do not see the mining activity as negatively impacting environment and natural resources.

#### Conclusions on Environment, health and safety

*Health and safety problems can also touch local communities (e.g., through damages caused to dwellings by explosive and injuries during booming mine activities and damage of the flora and fauna of the area to influence negatively in tourism development). Environmental impacts can affect human health in local communities directly (e.g., having toxic or carcinogenic effects) or indirectly through, e.g., reduced water supply or contamination (loss of means of livelihood).*

#### **Human rights:**

The first group of questions for human rights focused on the basic principles of human rights issue; i) abusing with human rights iii) rights of vulnerable groups; and iii) the right to participate in decision-making in the organizing, complaining and protesting. More than 53% of the answers (16 out of 30 answers) have declared it has negative impact in respecting the principals of human rights. They emphasized the abusing with the rights of workers to be organized and low level of participation of workers in decision making at local government. Most of the municipal council is controlled by owners of the mines. About 47% of respondents (14 out 30) declare that it has positive impact.

The second group of questions for Human rights focused on discrimination issue; i) inequality for equal chances and opportunities with separation from politics, property and welfare ii) discrimination for sexual orientations, ethnic groups and religion faith. Almost all the respondents agree that the mining activity is not discriminating. The chances for employment are the same if they can afford the hard working in the mines.

The third group of questions for human rights focused on the rights of minority groups; i) treatment and respect of minority group rights of ethnic groups, religion faith and race. Mining industry does not have an influence on this topic. It has a positive impact as it respects all groups of people being able to participate in the mining activity.

✚ Conclusions on Human rights:

*Violation of human rights can have different forms, including discrimination of vulnerable groups, lack of stakeholder inclusion and respect of minority populations, human rights abuse and impacts on cultural and aesthetic resources. In Bulqiza mining industry has positive impact in treatment with respect, without discrimination of minority groups, or sexual orientations and gender. The negative impact was seen with the abuse with the rights of workers to be organized and low level of participation of workers in decision making at local government. Most of the municipality council members are controlled by owners of the mines.*

✚ CONCLUSIONS: About the biggest mine company in Bulqiza

*AlbChrome the biggest company in Bulqiza is committed to the health and safety of local community, the environment and the communities in which it operates. The long-term nature of its operations allow them to establish long lasting relationships with local communities where they work together to make a positive contribution to the lives of people who live near their operations and to society more generally. Albchrome pretends at working closely with local communities and treat them as a real partner. It acknowledges the importance of playing an active and positive role in the local community by operating a responsible and ethical business. Albchrome reports that its community investments are driven by the needs and resources of local communities identified through thorough consultation, research and planning. The projects the company has implemented are listed as following:*

*Human Resources Development: Revitalizing the Mine of Bulqiza and the local community;*

*Economic development: The young engineers scheme funded by AlbChrome;*

*Education and training:*

*The secondary school of Mining and Geology in Bulqiza funded by AlbChrome in supporting yearly education programs;*

*Work with governments to improve access to quality education and offer mentoring and scholarship programs to the staff children's.*

*Short professional courses funded by AlbChrome in Bulqiza and Elbasan*

*Health:*

Aim to strengthen systems and increase access to health services, including in rural and remote areas, to help provide the medical care needed in our local communities.

The Hospital of Bulqiza scheme sponsorship;

Acting as a family doctor programme invested by AlbChrome

## **6.2. Mining Industry in Librazhd, Elbasan**

The new municipality of Librazhd is situated in the east of Albania, in an area with rich flora, large forest areas and other water sources. According to the 2011 Census, Librazhd has 31,892 inhabitants. While according to the Civil Registry, this municipality has 44,181 inhabitants. The new municipality covers an area of 793.36 km<sup>2</sup>. The same questionnaire was conducted for Librazhd as in the case study of Bulqiza.

According to the Ministry of Energy, by the end of 2019, there have been active a total of 14 mining exploitation permits for chromium, quartz, decorative stone, gabbro, tractolities, iron, nickel, limestone. These permits are distributed in Fund Fushe, Hotolisht, Lunik, Varri i Plakes-Perroi i Qukut, Fshati Skroske, Komuna Qukes, Vulçan, Objekti "Kuman", Shebenik, Përroi i Shpellës, Mirakë, Babje, Dardhë, Orenjë, Katjel, Rodokal

This questionnaire was completed by thirty people out of which 73% belong to the 44-65 years old age group, 16% belong to the 25-43 years old age group and 9% belong to the 18-24 years old age group. Out of the thirty interviewees, 82% of them are males, 18% of them are females. Out of the interviewees, 18% are part of the local authority, 9% are involved in business, 18% come from the working class, 36% are citizens, 9% are retirees, 9% are students.

When asked how much they know about EITI - Extractive Industries Transparency Initiative, 9% do not know how it works, 9% have little knowledge, 10% have no information, 45% have no knowledge at all and 9% said that it does not fulfill its mission, 18% did not respond.

The questionnaire was organized in sessions and the following reflect the opinion of the respondents for each of the groups of questions.

### **Economy, income and security.**

The first group of questions aimed to assess the impact of mining industry to Local Economy and revenues from this industry. The respondents answered these questions for the positive and negative impacts of how i) revenues contribute in local economy; ii) revenues affect the growth of production and export; iii) how much the revenues contribute to improved livelihood; and iv) effect in incomes per families and citizens. The local authority considers extractive industry



having a positive impact in the revenues and to the local economy. The same applies also for the businesses who consider that the sector positively contributes to the economy, 50% of workers consider mining activity having a positive impact in this aspect believing in the development of the economy through revenues and 50% of them consider it negatively as they think the revenues are not covering their needs for living. While 25% of citizens consider it negatively by not believing in the impact of revenues in the economy and 75% consider it positively, retirees consider it positively, while students only consider it positively only if the law is implemented.

The second group of questions of economy income focused in the business opportunities of the mining in local economy. All the persons interviewed answered these questions for the positive and negative impacts of i) business opportunities; ii) employment opportunities; iii) revitalization of the market. More than 90% of the answers (27 out of 30 answers) confirm that mining gives positive impact in revenues for local economy and 10% (3 out of 30) answered for negative impact.

The third group of questions of the economy income focused on corruption influence in the mining sector. All the 30 individuals answered to the questions related to i) how much corruption affects the obtaining of permits and licenses; ii) corruption affects legal issues; iii) corruption in managing the mining resources. About 65% of the answers (19 out of 30 answers) mention that corruption has negative effect in mining sector and 35% of the respondents do not believe that corruption has negative effect. The respondents feel that local government should attract more investors to research and see the potentials for the industry as they think more licenses will provide better opportunities for local economy. The Extractive Industry positively affects the revitalization of the economy and the market, even though at a low level when we speak at the local level.

The fourth group of questions under this chapter of the questionnaire focused on the working conditions in the mine in Librazhd. All the 30 individuals answered the questions for the positive and negative impact of mining activity in i) working conditions in the mining for equipment and worker cloths; and ii) accidents in workplace. About 50% of the answers (15 out of 30 answers) respond that conditions have negative impact, there are accidents in the mine and equipment and clothes are not in compliance with safety requirements. Companies do not

handle cases of workplace accidents. Each injured person becomes part of the standard insurance scheme, however the mine companies believe they have the right policies to handle the cases.

The fifth group of questions focused on the level of treatment of actors in the mining sector (inequality). All the 30 individuals answered the questions such as i) inequality in the implementation of legal rights; ii) unequal treatment at work; iii) inequality in the distribution of salaries and incomes; iv) inequality in income tax payments. More than 90% of the answers (27 out of 30 answers) see an equal treatment of the actors in the mining activity.

The sixth group of questions focused on social tension. The respondents provide opinion on how EI has an impact on i) level of incentives for the treatment of workers; ii) social conflicts between workers and owners about salaries; iii) inequality in the distribution of salaries and incomes; iv) conflicts between landlords and residents of the area for the use of resources; v) conflicts between formal and informal business or criminality; vi) conflicts between business and the local authority; vii) conflicts with trade unions, activist groups. About 90% of the respondents mention the low incentives for the treatment of the workers thus avoiding stigmatization in social approach and 10% did not prefer to answer. More than 90% of the answers (27 out of 30 answers) declare that social conflict has negative impact in the relation of the mining business with different conflict issues. The respondents do not provide cases of conflicts and their opinion is given in their assumption and individual judgment.

#### Conclusions on Economy, income and security

*Mining industry can have both positive and negative impact in the local economy. This is reported both at local and national level. Mining often gives stimulus to local economy and increase population income and business opportunity indirectly also in other sectors.*

### **Employment and Education**

This chapter of the questionnaire provides the opinion of the respondents on i) economic opportunities from mining industry; ii) increasing poverty as a cause of loss of means, jobs and opportunities of life; iii) lack of government policies for reinvestment of revenues from mineral resources. More than 80% of the answers (24 out of 30 answers) confirm that mining industry positively impacts the employment rate in the community. However, such employment

opportunity is not appreciated and not many citizens prefer to get employed in this sector. From the perspective of the local authorities, they declare that mining sector contributes in reduction of poverty, but people that work or are doing business in the mining are not satisfied mentioning that the price of the mineral is low, the market is collapsing and there is lack of government policies for reinvestment of revenues from mining resources to generate jobs and incomes for the mining area.

The second group of questions for employment and education focused on how mining activity impacts employment and issues it encounters, responding to i) direct or indirect employment growth for the residents of the area and ii) employment growth at regional and national level; More than 50% of the answers (15 out of 30 answers) have declared that mining has positive impact in increasing the employment at local and national level, and about 50% (15 out of 30) are sceptic for the role of mining in employment and declare that it has negative impact.

The third group of questions for employment and education focused on vocational training and education issue checking for the positive and negative impact of EI on i) improving skills at work through specializing and qualifying/Trainings; ii) technical vocational schools; iii) studies in schools or universities. There is one vocational school in Elbasan, however the interest is low. The businesses want to have skilled local people employed.

The fourth group of questions for employment and education focused on labor force and employment of children; i) whether children work in the mining sector, being under working age; ii) poor working conditions; iii) low salaries. All the respondents confirmed that there are no cases of children employment. All the respondents representing the citizens' and workers' group mentioned the low level of wages, and lack of other benefits.

The fifth group of questions for employment and education focused on poor working conditions; i) unhealthy workplace environment and poor health care; ii) life safety facilities and accident causes; iii) housing conditions for workers on site or in the house. About 80% of the answers (24 out of 30 answers) agree that the working conditions in the mining sectors needs improvement. It is a dangerous job, and safety at work should be a necessity to be considered from the mine businesses.

The sixth group of questions for employment and education focused on lack of freedom; i) lack of freedom to create genuine trade unions for workers; ii) low level of organizations/trade unions so far; iii) special status of the miner/oilman has not been approved/implemented according to the standards and conventions in force. More than 75% of the answers (22 out of 30 answers) have confirmed that they feel unsupported and not well represented. There are structures (workers unions) organized but they lack the capacities, or they comply with the requests of the management. These structures do not really represent the workers' rights and voice.

#### Conclusions on Employment and Education

*Mining sector has a positive impact on both employment and education in Librazhd. However such difficult jobs should receive higher wages and other social benefits taking into consideration the difficulty level of the work, health problems caused from the difficult working conditions, accidents at work, etc.*

#### **B4. Demography and gender issues**

This session of the questionnaire was organized in 4 groups of questions.

The first group of questions related to demography and gender focused on the impact of EI in population growth; i) social opportunities due to demographic change and population growth; ii) possibilities of economic and social cultural development.

About 50% of the respondents feel that the mining activity does not impact the population growth of the area. Mining is not considered the main activity for the population of this area, and they see other opportunities as more important.

The second group of questions for demography and gender focused on gender equality issue such as i) population growth creating the flow of migration and gender imbalance in the communities; ii) creating an increase in civilization and opportunities for gender equality. Only half of the respondents preferred to provide an answer. The respondents see the mining industry as a male profession. However, the difficult work in the mining sector impacts the social life of the families as confirmed from the 50% of the respondents who answered to these questions.

The other group of questions of this session focused on migration/emigration, population movement. Citizens consider working in the mining sector having a negative impact in i) creation of phenomena such as alcoholism, drugs, sexual violence, change in social and cultural norms, ii) creating chaos and trouble, weakening family relations; More than 60% of the answers (18 out of 30) declare that working in the mines causes social problems. It also impacts the behavior and psychological state of citizens (e.g., alcoholism, drug addiction, etc). The mining activity does not create any migration. Citizens work seasonally in other regions and neighboring countries, but this is only for seasonal work.

The fourth group of questions for demography and gender focused on inflation phenomena; i) increasing cost of life ii) increasing cost of accommodations, food prices, house rent. Almost all the respondents answered that mining sector does not have any negative or positive impact in increasing/decreasing the cost of living.

#### Conclusions on demography and gender issues

*Summarized we can say that the mining activity in Librazhd is unlikely to attract workers from other regions and as such it is not causing migration flows and/or a change in the local demographic structure. Mining industry is not having any inflation impact and/or the rising of accommodation costs.*

#### **Environment, health and safety**

The first group of questions for Environment, health and safety focused on drinking water supply; i) reductions of quantity of water for local people because the mining companies intervene in main pipe line ii) pollutions of drinking water; More than 80% of the answers (24 out of 30) declared that mining is having a negative impact in drinking water quality and quantity. The mining activity is negatively impacting the surrounding environment, and if not socially protected this damage on environment will cause potential health problems as stated from 80% of the respondents.

The second group of questions for Environment, health and safety focused on health care issues; i) deterioration of health conditions for workers who are open to the risk of damage to health due to difficult conditions; ii) increase of social problems and mental health problems and not only, such as sexually transmitted diseases, addictions such as drug use, alcohol consumption,

gambling, depression, violence in all forms. Related to this question about 90% (27 out of 30) of the individuals mention that they are not having such issues in their community. However, they accept that mining activity has a negative impact in the health of miners, and sometimes this is reflected also in their social and family life.

The third group of questions of this session of the questionnaire focused on environmental pollution caused by mining activities; i) environment pollution influence in welfare of the local population; ii) environment degradation of flora and fauna; iii) environment degradation create problem for tourism development. More than 60% of the answers (18 out of 30 answers) have stated that mining activity is having a negative impact in local environment because of the air pollution it is causing, damages caused to dwellings by explosive and injuries during booming mine activities, damages of flora and fauna and of the natural panorama destroying opportunities (resources) for tourism development. Still 47% of respondents (14 out 30) do not see the mining activity as negatively impacting environment and natural resources.

#### Conclusions on Environment, health and safety

*Mining activity in Librazhd is impacting health and safety and also causing social problems. The main negative impact it is seen in the perspective of environment. Mining activity is damaging flora and fauna of the area. Environmental impacts can affect human health in local communities directly (e.g., having toxic or carcinogenic effects) or indirectly through, e.g., reduced water supply or contamination (loss of means of livelihood).*


#### **Human rights:**

The first group of questions for human rights focused on the basic principles of human rights issue; i) abusing with human rights iii) rights of vulnerable groups; and iii) the right to participate in decision-making in the organizing, complaining and protesting. About 50% of the answers (15 out of 30 answers) confirms the mining activity the way it is organized has a negative impact in respecting the principals of human rights. This is more related to workers' rights for better wages, working hours, safety and medical care. The miners are not represented properly, and they are not involved in any decision-making processes.

The second group of questions for Human rights focused on discrimination issue; i) inequality for equal chances and opportunities with separation from politics, property and welfare ii)

discrimination for sexual orientations, ethnic groups and religion faith. Almost all the respondents agree that the mining activity is not discriminating. The chances for employment are the same if they can afford the hard working in the mines.

The third group of questions for human rights focused on the rights of minority groups; i) treatment and respect of minority group rights of ethnic groups, religion faith and race. Mining industry does not have an influence on this topic. It has a positive impact as it respects all groups of people being able to participate in the mining activity.

 Conclusions on Human rights:

*Violation of human rights can have different forms, including discrimination of vulnerable groups, lack of stakeholder inclusion and respect of minority populations, human rights abuse and impacts on cultural and aesthetic resources. The negative impact was seen with the abuse with the rights of workers to be organized and low level of participation of workers in decision making at local government.*

### **6.3. Fuel and Oil Industry in Kucova**

Kucova is one of the areas with a considerable production of oil and refinery. It has been the first city in Albania when in 1928 the first drill for oil took place. Since then Kucova is considered of important oil field included in worldwide maps. The oil fields of Kucova have been exploited since then, reaching a production of 170.000 tons per year since the first year of exploitation. While the best year of refining of oil is 1972 where the capacity of refinery reached 500.000 ton. Actually the oil fields are exploited by a state own company Albpetrol and can reach at 60.000 ton of oil per year. There are currently 1623 wells in Kucova, of which 1490 wells are in active operation and only 997 oil wells are currently operating at full capacity. Daily production has a capacity of 60 tons per day.

Kucova is part of Berat district and lies in the eastern part of the Western Lowlands. It has a total surface of 160.22 km<sup>2</sup> and a population of 55.695 habitants, having one of the most dense area population of Central Albania having 348 habitant/km<sup>2</sup>. Almost 80% of the population is situated in the city of Kucova. The employment level of Kucova is very diverse and focused on agriculture, except the main city. The services are the dominant sector covering employment at 40%, than it comes the industry nearly 33.5 and at least it is the commerce. Kucova as a region has in total 115 bussines, 786 small enterprises and 22 institution active in the area. While the oil industry which covered almost 33.5 of employment, actually is operated only by Albpetrol, the state own company. While in the city of Kucova, the oil extraction business is the main source of incomes for local families, as in 65% of the cases in a family with 4 members, at least one of them is employed in the oil field (drilling-extraction-exploration).

One of the main problems of the city is the pollution partially caused by the vehicles and partially by the oil industry. Berat District where Kucova is part too, is ranked among the regions with the highest poverty rate in the region (12.7%), compared to neighboring regions. Thus, slightly more than 347 families receive economic assistance from the state budget and about 65 families from the funds of the Municipality. This is also due to the increased number of population as also the increase of the area covered by this Municipality.

This is to consider that the region is facing social and economic problems, which need to be addressed by the central and local government. Kucova has a strange situation, as despite the



fact that the production of oil is very high, since the selling of the oil is made in another region, the royalty does not go in the local government of Kucova. Only in 2019 the part of royalty for the budget of Kucova has been only at the amount of 700.000 lek, while as mentioned above the production is more than 60.000 tons/per year. Such amount does not even covers simply issues not mentioning the main social problems faced by the region.

Kucova was selected as a case study, due to particularity of being reach in field oil, exploitation and refining, but having in return an unimportant amount of royalty, so making difficulty to evaluate the social effects of EI. Another particularity of Kucova is that in the region is operating in ET only Albpetrol, a state own company. There are no other private own business operating except rare cases and for short term of time.

Local community in Kucova are very aware of the pros and cons of exploitation of natural resources in the region. They have always supported this sector as the main source of the employment so of their income. In the past, this industry has contributed in the development of the region in many aspects, social and welfare included. Employment of the locals was normal and their organizations have their voice in the structures of the businesses exploiting the area. Whereas recently and as a result of the transition period in Albania, even Kucova is suffering from the deficiency of investment. Due to old and not renewed infrastructure and technology, it is increased the level of pollution in the surface and depth of the earth and waters. Nevertheless, actually the voice of the community is not very strong and organized, including here also the organizations of employees, so there is a lack of communication with other levels, of central and local government, as well as with the businesses operating in the region. But it should be accentuated that Kucova differently from other EI's regions does not have any property issues, gender issues or minority issues.

According to an interview with the Mayor of Kucova held at his offices, it was confirm that EI are very important for the region and Albpetrol, being the one company operation in the region, has a considerable role in the budget of Municipality as one of significant taxpayer and plays an important role in employment and has a regular employment, including females. Nevertheless, the Mayor expressed the luck of proportionality in the royalty, considering the resources of the region. As mentioned above, the royalty amounts in a value that cannot cover even a small project in social sector. In addition, it is a concern the fact that the local government is not

included in the process of licensing and the only involvement rest with the environmental permit. The local government is also interested in applying a pollution/contamination tax, which has become a due to the fact that the EI sector is also the biggest industry causing pollution in the region.

According to the Mayor of Kucova, the support of the EI business in social projects is not significant despite the several request submitted for this purpose. However, from the other side, this institution itself does not have any action plan on the social impact of the Extractive Industries.

Despite all, the presence of Albpetrol in the region is important, especially for employment reasons. Referring to a meeting held at the offices of Albpetrol, it was confirmed that the number of employees in Alpetrol, Kucova branch, is currently 306 employees, of wich 15% - 20% are women. From the interviews conducted with the engineers employed there, the working conditions were satisfactory. Relatively the safety and health at work according to the employees in Albpetrol Kucova are in accordance with the established rules and laws. Still, it count rare cases of accidents at work.

Considering the position of the three key players in this region where the natural resources are exploited, despite the effort of which of them to support one another, there is no strategy in place to evidence those social issue that needs to be addressed urgently, or in total to increase the welfare of the community.

Similarly in Kucova it has been applied the same questionnaire as in other selected regions. This questionnaire was completed by thirty five people of whom 50% belong to the age group 25-34 years, 40% belong to the age group 45-54 years, 10% belong to the age group 55-64. Of the total number of interviewees, 40% of them represent local authority target group, 10% are from business, 10% are workers, 40% are citizens.

The questions are related with basic indicators of social impacts assessment criteria's such as i) economy, income and security; ii) Employment and education; iii) Land use and territorial aspects; iv) Demography; v) Environment, health and safety and vi) Human rights.

The addition questions was about “*how much the target groups know about EITI - Extractive Industries Transparency Initiative*”. More than 20% answered that they do not know EITI. Approximately 20% didn’t respond to the question. Out of the 60% who positively answered to this question, 30% answered they know a little about it, and 30% they know a lot about it. The respondents provide the following information:

### **Economy, income and security.**

The first group of questions aimed to assess the impact of EI to Local Economy and revenues from this industry. The respondents answered these questions for the positive and negative impacts of how i) revenues contribute in local economy; ii) revenues affect the growth of production and export; iii) how much the revenues contribute to improved livelihood; and iv) effect in incomes per families and citizens. All answers (35 answers) are that the EI industry gives positive impact in revenues for local economy.

The second group of questions of “economy income” focused in the business opportunities of the refinery in local economy. All the persons interviewed answered these questions for the positive and negative impacts of i) business opportunities; ii) employment opportunities; iii) revitalization of the market. More than 85% of the answers (25 out of 35 answers) confirms that EI gives positive impact in revenues for local economy and 15% (5 out of 35) answered for negative impact.

The third group of questions of the “economy income” focused on corruption influence in the EI sector. All the 35 individuals answered these questions for the positive and negative impacts of i) how much corruption affects the obtaining of permits and licenses; ii) corruption affects legal issues; iii) corruption in managing the EI resources. More than 50 % of the answers (17 out of 35 answers) are that corruption has negative effect in EI sector and 50% of the respondents do not believe that corruption has negative effect and the process of obtaining permits, licenses and other legal issues is in the good track or has positive impact.

The fourth group of questions of the “economy income” focused in working conditions about cloths, equipment, accidents, in EI sector. All the 35 individuals answered the questions for the positive and negative impact of EI in i) working conditions in the EI for equipment and worker cloths; and ii) accidents in workplace. More than 60% of the answers (20 out of 35 answers) are

that work conditions have negative impact, there are many accidents in the EI and equipment and clothes are in bad conditions. Only 40% of respondents think positively for work conditions in the EI.

The fifth group of questions of “economy income” focused on the level of treatment of actors in the EI sector (inequality). All the 35 individuals interviewed answered the questions for the positive and negative impacts of i) inequality in the implementation of legal rights; ii) unequal treatment at work; iii) inequality in the distribution of salaries and incomes; iv) inequality in income tax payments. More than 70% of the answers (25 out of 35 answers) see the treatment of actors in the EI sector unequal and according to them this attitude has negative impact. The other 30% (10 out of 35) consider as normal that actors are treated differently having into consideration the combination of factors such as production, legal rights, treatment at work, distribution of salaries and incomes based on production and sales etc.

The sixth group of questions of “economy income” focused on social tension. The respondents provide opinion on how EI has an impact on i) level of incentives for the treatment of workers; ii) social conflicts between workers and owners about salaries; iii) inequality in the distribution of salaries and incomes; iv) conflicts between landlords and residents of the area for the use of resources; v) conflicts between formal and informal business or criminality; vi) conflicts between business and the local authority; vii) conflicts with trade unions, activist groups.

More than 50% of the answers (18 out of 35 answers) declare that social conflict has negative impact in the relation of the EI business with different conflict issues.

#### Conclusions on Economy, income and security

*Overall, we can say that EI can have both positive and negative impact in the local economy. This is reported both at local and national scale. EI often gives stimulus to local economy and increase population income and business opportunity, also in other sectors. However, income inequality, i.e. an unfair distribution of the benefits coming from resource extractions and corruption due to the bad management of mineral wealth, can trigger social tensions.*

## **Employment and Education**

The questions under this part of the questionnaire tried to collect information from the respondents about i) economic opportunities from EI industry; ii) increasing poverty as a cause of loss of means, jobs and opportunities of life; iii) lack of government policies for reinvestment of revenues from mineral resources. More than 50% of the answers (17 out of 35 answers) have declared the poverty has negative impact in the relation of the EI businesses. From the perspective of the local authorities, they declare that EI sector contributes in reduction of poverty, but the market is collapsing and there is lack of government policies for reinvestment of revenues from EI resources to generate jobs and incomes.

The second group of questions for Employment and Education focused on how EI impacts employment and issues it encounters, responding to i) direct or indirect employment growth for the residents of the area and ii) employment growth at regional and national level. More than 70% of the answers (25 out of 35 answers) have declared that EI has positive impact in increasing the employment at local and national level and less than 30% (10 out of 35) are sceptic for the role of EI in employment and declare that it has negative impact.

The third group of questions for Employment and Education focused on vocational training and education issue checking for the positive and negative impact of EI on i) improving skills at work through specializing and qualifying/Trainings; ii) technical vocational schools; iii) studies in schools or universities. More than 80 of the answers (28 out of 35 answers) have declared that EI sector in the area has positive impact in increasing the employment skills and education opportunities. Furthermore, less than 20 % (7 out of 30) are sceptic for the role of EI in enhancing employment skills and they declare EI has negative impact for education opportunities and improving skills.

The fourth group of questions for Employment and Education focused on labour force and employment of children. All the 35 respondents answered these questions for the positive and negative impacts. i) whether children work in the EI sector, being under working age; ii) poor working conditions; iii) low salaries. More than 70% of the answers (23 out of 35 answers) declared the negative impact EI has in treatment of labour force and employment of children issues. Poor work conditions, low salaries and whether children work under working age, are

listed as main problem in Kucova. However, the respondents clarify that children underage are working illegally, for their own families, and only above the ground. Refinery companies in Kucova are not employing children underage.

The fifth group of questions for Employment and Education focused on poor working conditions; i) unhealthy workplace environment and poor health care; ii) life safety facilities and accident causes; iii) housing conditions for workers on site or in the house. More than 60% of the answers (20 out of 35 answers) have declared the negative impact the poor working conditions are having in the quality of life. They consider working in the mines unsafe with unhealthy working conditions. The negative impact is related to poor and dangerous working conditions, low wages, health impacts, accidents and fatalities.

The sixth group of questions for Employment and Education focused on lack of freedom; i) lack of freedom to create genuine trade unions for workers; ii) low level of organizations/trade unions so far; iii) special status of the miner/oilman has not been approved/implemented according to the standards and conventions in force. More than 55% of the answers (19 out of 35 answers) have confirmed that there is lack of freedom in organizations of structures that advocate for workers' rights. There are structures (workers unions) organized but they lack the capacities and skills. These structures should function independently and fight for the rights of miners, but the feeling of most of respondents is that the members of unions lack commitment and willingness to perform correctly. They are even afraid to be confronted with the management of the companies, and lack capacities to fulfil their role in compliance with the legal requirements.

#### Conclusions on Employment and Education

*Summarizing, EI sector has a positive impact on both employment and education (job creation both in the EI sector and indirectly in other sectors) as confirmed from many respondents. Negative impacts relate to the quality of jobs (including poor and dangerous working conditions, low to normal wages, health impacts, accidents and fatalities, substandard housing provided to workers, lack of freedom in organizing trade unions activities).*

## **Land use and territorial aspects**

The first group of questions for Land use and territorial aspects focused on improvements of infrastructure in the area; i) improvement of road infrastructure; ii) improvement of access in drinking water; iii) improvement of health care centres, sports environment, cultural and education activities. More than 70% of the answers (20 out of 35 answers) have declared that EI industry has positive impact in the infrastructure or community.

The second group of questions for land use and territorial aspects focused on expropriation; i) population displacement and resettlement; ii) consequent unemployment landlessness; iii) homelessness; iv) loss of common resources; and v) impoverishment of living standards; vi) forceful acquisition of land. About 60% of the respondents (20 out of 30) have declared that EI has negative impact in land use in the area. The negative impact is related to the evaluation of the property during the expropriation.

The third group of questions for land use and territorial aspects focused in access to land, forestry and pasture; i) Limited access to land ii) consequent impact on livelihood; iii) food insecurity; iv) and loss of protected areas. More than 50% of the answers (15 out of 35 answers) have declared that EI has negative impact in land use, and it is destroying the nature. The negative impact is related with non-respecting the property land for agriculture, cutting and deforestation. It also negatively impacts agriculture quality production and development of tourism. However 50% of the respondents still think that such impact is not that negative.

### Conclusions on "Land use and territorial aspects"

*Summarizing, land competition can arise when EI projects are developed, endangering wellbeing of local population and leading to their impoverishment. Almost 80% of the answers declare for land expropriation, displacement and resettlement of local communities. The presence of a refinery company in the territory can also contribute to local development, when these companies engage in providing and improving local infrastructures (e.g. road network, power and water supply), which in turn allow local populations to access health and education services.*

## **Demography and gender issues**

The first group of questions related to demography and gender focused on population growth issue; i) social opportunities due to demographic change and population growth; ii) possibilities of economic and social cultural development.

More than 70% of the answers (21 out of 35 answers) declare that the population growth has negative impact in the local demographic structure of the area, and more than 30% of answers (9 out of 30) declare that population growth has positive impact in demographic structure of Kucova.

The second group of questions for demography and gender focused on gender equality issue such as i) population growth creates the flow of migration and gender imbalance in the communities; ii) creating an increase in civilization and opportunities for gender equality. More than 40 % of the answers (15 out of 35 answers) have declared the population growth has negative impact in the gender equality due the prevalence of male workers. Still 55% of respondents (20 out of 30) declare that population growth has positive impact in gender equality issue of Kucova.

The third group of questions for demography and gender focused on migration/emigration, population movement. Citizens consider working in the EI sector having a negative impact in i) creation of phenomena such as alcoholism, drugs, sexual violence, change in social and cultural norms, ii) creating chaos and trouble, weakening family relations; More than 60% of the answers (20 out of 35) declare that working in the refinery causes social cohesion and spreading problems of psychological or behavioural nature (e.g., alcoholism, drug addiction, etc.), and still 40 % of respondents (15 out 35) declare that this is not the case. Employment in the refinery sector is the only employment opportunity for most of the citizens in Kucova and surrounding and as such it positively impacts the demography and gender equality. There are no indicators on migration or emigration. Local people work and live in Kucova or surrounding communities, and they are back home after finishing work. While young generation prefer to emigrate rather than work in the refinery industry.

The fourth group of questions for demography and gender focused on inflation phenomena; i) increasing cost of life ii) increasing cost of accommodations, food prices, house rent. Almost



all the respondents answered that refinery sector does not have any negative or positive impact in increasing/decreasing the cost of living.

#### Conclusions on demography and gender issues

*Summarized we can say that the EI activity in Kucova is unlikely to attract workers from other regions and as such it is not causing migration flows and/or a change in the local demographic structure. A gender imbalance can emerge due to the prevalence of male workers, under refinery social cohesion and spreading problems of psychological or behavioural nature (e.g., alcoholism, drug addiction, etc.). Refinery industry is not having any inflation impact and/or the rising of accommodation costs.*

#### **Environment, health and safety**

The first group of questions for Environment, health and safety focused on drinking water supply; i) reductions of quantity of water for local people because the refinery companies intervene in main pipe line ii) pollutions of drinking water; More than 60% of the answers (20 out of 35) declared that refinery is having a negative impact in drinking water quality and quantity. The refinery activity is having environmental impacts which can directly affect the health of local communities (e.g. having toxic or carcinogenic effects) or indirectly through reduced water supply or contamination. Still 40% of the respondents (15 out 35) declare that refinery activity is not having any negative impact.

The second group of questions for Environment, health and safety focused on health care issues; i) deterioration of health conditions for workers who are open to the risk of damage to health due to difficult conditions; ii) increase of social problems and mental health problems and not only, such as sexually transmitted diseases, addictions such as drug use, alcohol consumption, gambling, depression, violence in all forms. More than 40 % of the answers (15 out of 35) have declared that refinery activity has a negative impact in the health quality of workers, and it increases their social problems and mental health problems, such as drug use, alcohol consumption, gambling, depression, violence in all forms. However, the rest of 60 % (20 out 30) declare that refinery has no negative impact.

The third group of questions for Environment, health and safety focused on environmental pollution caused by refinery activities; i) environment pollution influence in welfare of the local

population; ii) environment degradation of flora and fauna; iii) environment degradation create problem for tourism development. More than 50% of the answers (17 out of 35 answers) have stated that refinery activity is having a negative impact in local environment because of the air pollution it is causing, damages caused to dwellings by explosive and injuries during booming mine activities, damages of flora and fauna and of the natural panorama destroying opportunities (resources) for tourism development. Still 50% of respondents (18 out 35) do not see the refinery activity as negatively impacting environment and natural resources.

### Conclusions on Environment, health and safety

*Health and safety problems can also touch local communities (e.g., through damages caused to dwellings by explosive and injuries during booming mine activities and damage of the flora and fauna of the area to influence negatively in tourism development). Environmental impacts can affect human health in local communities directly (e.g., having toxic or carcinogenic effects) or indirectly through, e.g., reduced water supply or contamination (loss of means of livelihood).*

### **Human rights:**

The first group of questions for human rights focused on the basic principles of human rights issue; i) abusing with human rights iii) rights of vulnerable groups; and iii) the right to participate in decision-making in the organizing, complaining and protesting. More than 40% of the answers (15 out of 35 answers) have declared it has negative impact in respecting the principals of human rights. They emphasized the abusing with the rights of workers to be organized and low level of participation of workers in decision making at local government. Most of the municipal council is controlled by owners of the mines. About 60% of respondents (20 out 35) declare that it has positive impact.

The second group of questions for Human rights focused on discrimination issue; i) inequality for equal chances and opportunities with separation from politics, property and welfare ii) discrimination for sexual orientations, ethnic groups and religion faith. Almost all the respondents agree that the oil activity is not discriminating. The chances for employment are the same if they can afford the hard working in the mines.

The third group of questions for human rights focused on the rights of minority groups; i) treatment and respect of minority group rights of ethnic groups, religion faith and race. Oil

industry does not have an influence on this topic. It has a positive impact as it respects all groups of people being able to participate in the oil activity.

✚ Conclusions on Human rights:

*Violation of human rights can have different forms, including discrimination of vulnerable groups, lack of stakeholder inclusion and respect of minority populations, human rights abuse and impacts on cultural and aesthetic resources. In Kucova oil industry has positive impact in treatment with respect, without discrimination of minority groups, or sexual orientations and gender. The negative impact was seen with the abuse with the rights of workers to be organized and low level of participation of workers in decision making at local government. Most of the municipality council members are controlled by owners of the EI.*

## **7. Conclusions**

As shown in the previous section, for both mine and oil companies, social projects span across a wide and diverse spectrum of activities within the communities. This is so because mining firms are highly esteemed and expected to act as key sponsors at almost every programme and project within the regions of their operations. A critical look at the projects undertaken by AlbChrome shows that even though it has undertaken some projects, mainly due to the longevity of their mining operations, most of these projects consisted of infrastructural development in the communities with very little focus on economic empowerment of the people. Thus, although communities have benefited from such projects, the focus of most projects did not seem to have been on crucial issues like livelihood improvement. Even with the existence of schools and hospitals, some of which were established based on companies' funds; patronage to these institutions is still low. This suggests that livelihoods have not been improved sufficiently to make individuals take advantage of, and pay for, their health and education.

In this regard, it could be said that companies focus on the most cost effective and least time-consuming projects to them. Thus, we note that most CSR projects focus largely on infrastructural development and not on more resource demanding projects that may improve upon livelihoods. This does not in any way suggest that the provision of crucial infrastructure in communities does not contribute significantly to economic development. Our argument suggests that beyond infrastructural development, which appears to be the core of most CSR projects, economic empowerment should be a priority as well, since it would in the long-run, aid in livelihood improvement. One explanation offered by the mining companies which explains why much focus is put on infrastructure development is that individuals prefer to indulge in illegal mining rather than livelihood projects. This is because illegal mining has been identified to generate more money in a relatively shorter period of time. Thus, in the end individuals appear to be uninterested in livelihood improvement projects that CSR initiative funds.

We note that social impact / CSR projects presented an opportunity for mutual benefit for both the mining and oiling companies and the community. For the mining companies, the benefits could be defined in terms of the companies' ability to stay in production and measured in

terms of profits made. On the other hand, the community's benefit from CSR projects was usually in the form of compensations for damages due to operations, and also infrastructural development. However, although the benefits to the companies can be clearly quantified and even targets set to achieve these, the expected benefits to the community seem to be captured in vague political phrases, where they are led to believe they are in a better state than before. Therefore, we notice that impact of such social projects is not measured against any standards. Counting visible infrastructure as an achievement does not necessarily affect livelihoods. Thus, a relevant policy implementation is to set standards which would allow the understanding of what CSR seeks to achieve and how it visibly affects livelihoods.

In addition, we find that some level of tension exists since community members believe they are not involved in decision making. Cooperation between community members and mining firms would not only curb any tension but also position the mining companies to understand the needs of the community and act best interest of both parties. This can go a long way to affect the livelihood of community residents.

Communities not located within proximity to the mines were not as gracious with commendation as they felt that not much benefit had been extended to them as other communities. In many cases respondents were highly negative about the companies, and a quick run through the projects undertaken by the companies either revealed they were unaware or felt they had been denied access. This suggests that some form of communication gap exists between the companies and the communities which could be attributed to the use of community representatives. This appears to be a major problem. To some respondents, the use of community leaders/representatives is flawed as it does not convey the wishes of the entire community but just a select few. This suggests that there is poor oversight in ensuring that intended beneficiaries of projects are reached. As such, it is in the best interest of mining and oiling companies to ensure that community leaders and representatives represent the best interest of all community members. A special department within companies can be established to monitor this rigorously.

For some community members, mining and hydrocarbon companies have not accomplished their promises. For instance, in Librazhd the quality of drinking water is not good, and it was promised that a renovation of the water supply system and reconstruction of drinking water collection point would happen. Below we list the conclusions of this Study from the analysis

and findings from the pilot areas:

### **Conclusions related to Legal Review:**

- ❖ Conclusions related to Social and Economic Benefits of the EI
  - As results from the INSTAT information, the employment in the EI (taken together with other sectors of industry) for 2016-2017, varies between 2,4% – 2,6% of the total employment in Albania, which compared to other sectors of economy, is the lowest of all.
  - In the EI sector, same as in the other sectors included in the same group, the average gross applied payment range is from 30,212 All – 53,759 All, which is actually very close to the minimal approved payment in the Republic of Albania;
  - The social contribution paid by the employers of the Mining sector, is at a “law level”, compared to other sectors of economy. No information is included for the Hydrocarbons sector.
  - Despite legal provisions, the Oilman status has faced problems during the application, which has hindered the proper distribution of benefits from this status, while we do not have a law on the Miner status.
  - Regarding the incomes from the property right, the compensation of the owners or their expropriation brings benefits to them, but the value of compensation/expropriation remains a debated problem.
  - The presence of a EI activity, can also contribute to local development, when mining companies engage in providing and improving local infrastructures;
  
- ❖ Conclusions related to Royalty
  - During the research and meetings held for purpose of this Study, is noted that the most problematic issue related to the royalty fee, is the lack of the development plan for its management and distribution. In the pilot areas under monitoring, it is noted that the municipalities do not perform a study to evidence the necessities of the community and plan the necessary investments in accordance to this plan. For such reason, it is impossible to evidence the use of the royalty by the municipalities.

- Another issue, is that that the dedicated percentage of this tax, is not paid to the local government by the central government. The law is not fully implemented and as a result the entire local community does not have any benefits from the wealth it owns.
  - Another issue, which is being debated, is also the percentage amount of the royalty dedicated to the local government. Considering the impact of the EI in the local communities, this percentage is very low and, even in the case of full use of it, it will not “reimburse” to the community the real impact of EI. It is for such reason that there are several attempts to increase such percentage, in accordance to the real impact of EI and the necessities of the communities.
- ❖ Conclusions related to Socio-economic aspects included in the contracts and permits of EI companies
- In all mining contracts and permits, socio-economic impact is assumed to be regulated by some simple provisions which do not reflect the needs of the community.
  - To regulate the socio-economic aspect, reference will have to be made to other applicable laws, but this aspect remains unregulated specifically in contracts or permits, in accordance with the needs of the community;
- ❖ Conclusions related to Illegal employment and the child labour prevention in EI
- The employment in mining and hydrocarbon sectors does not have any specific regulation in the respective laws, therefore the international principles and the general provisions of Labour Code take place.
  - Related to employment, the EI laws does not place sufficient emphasis on the promotion of rights recognized by international acts, which can improve this aspect of working in the IN.
- ❖ Conclusions related to Professional education; Transferring of skills
- Some of the Contracts have simple and merely basic provisions related to the employment or the training and education of the employees. Despite that, the INSTAT results related to the costs of employment the training costs appear to be in a low range, compared to other important sectors of economy, in a percentage of 0.21%.

- ❖ Conclusions related to analysing of the addressing of gender issues in the participation of EI activities.
  - The EI remains a male-dominated industry as compared to the other industries. Anyhow, this practice is not related to any legal provision or requirement. On the contrary, the law stimulates the equal possibilities between genders and furthermore the involving of females in any kind of activity.
  - INSTAT information show a gender inequality both in terms of employment and income from work.
  
- ❖ Conclusions related to Transparency; Public Consultation, Involvement of the Public in Decision Making; The Role of Civil Society
  - The involvement, especially of civil society, in the legislative process, serves to improve the quality of the legislation. We find the "public consultation" and "transparency" included in some legal acts within the EI framework. However, no special importance has been attached to these principles.
  - Public involvement does not appear to be decisive in approving a contract or procedure.
  - The fact that IN did not bring the expected result to the community, shows that the voice of the public (community) was not heard. In this perspective, civil society is an important link in bridging this gap.

### **Conclusions related to Pilot Areas according to the fields of questionnaires:**

#### Conclusions on Economy, income and security

Overall, we can say that EI can have both positive and negative impact in the local economy. This is reported both at local and national scale. Mining often gives stimulus to local economy and increase population income and business opportunity, also in other sectors. However, income inequality, i.e. an unfair distribution of the benefits coming from resource extractions and corruption due to the bad management of mineral wealth, can trigger social tensions. Conflicts can also arise between companies and illegal miners, as well as anti-mining activists. Increased poverty can also occur, if local population lose traditional means of livelihood, and when governments fail in reinvesting revenues from mining.

#### Conclusions on Employment and Education



Summarizing, mining sector has a positive impact on both employment and education (job creation both in the mining sector and indirectly in other sectors) as confirmed from many respondents. Educational opportunities offered by the vocational school in Bulqiza and employee skill development ensure further potential positive outcomes. Negative impacts relate to the quality of jobs (including poor and dangerous working conditions, low wages, health impacts, accidents and fatalities, substandard housing provided to workers, lack of freedom in organizing trade unions activities).

#### Conclusions on "Land use and territorial aspects"

Summarizing, land competition can arise when mining projects are developed, endangering wellbeing of local population and leading to their impoverishment. Almost 80% of the answers declare for land expropriation, displacement and resettlement of local communities. A further impact linked to land use regards the limited access to land for the rural population, which implies a negative impact on livelihood and consequent food insecurity. The presence of a mine in the territory can also contribute to local development, when mining companies engage in providing and improving local infrastructures (e.g. road network, power and water supply), which in turn allow local populations to access health and education services, but in Bulqiza area this is not the case (only in very few cases). The mining companies are damaging the infrastructure, and Bulqiza still ranks as one of the poorest municipalities in Albania.

#### Conclusions on demography and gender issues

Summarized we can say that the mining activity is unlikely to attract workers from other regions and as such it is not causing migration flows and/or a change in the local demographic structure. A gender imbalance can emerge due to the prevalence of male workers, undermining social cohesion and spreading problems of psychological or behavioral nature (e.g., alcoholism, drug addiction, etc.). Mining industry is not having any inflation impact and/or the rising of accommodation costs. Some answers declare that population growth is perceived as a positive consequence of the mining activity.

#### Conclusions on Environment, health and safety

Health and safety problems can also touch local communities (e.g., through damages caused to dwellings by explosive and injuries during booming mine activities and damage of the flora and fauna of the area to influence negatively in tourism development). Environmental impacts can

affect human health in local communities directly (e.g., having toxic or carcinogenic effects) or indirectly through, e.g., reduced water supply or contamination (loss of means of livelihood).

#### Conclusions on Human rights:

Violation of human rights can have different forms, including discrimination of vulnerable groups, lack of stakeholder inclusion and respect of minority populations, human rights abuse and impacts on cultural and aesthetic resources. In Bulqiza mining industry has positive impact in treatment with respect, without discrimination of minority groups, or sexual orientations and gender. The negative impact was seen with the abuse with the rights of workers to be organized and low level of participation of workers in decision making at local government. Most of the municipality council members are controlled by owners of the mines.

#### Conclusions on knowledge about EITI:

From the questionnaires, it was found that the respondents' knowledge about the role of EITI was scarce and incomplete.

## 8. Recommendations:

In order to improve the EI operating sector and to achieve the optimal and maximum social and economic benefits from this sector, the following recommendations shall be considered:

❖ Related to the social and economic benefits of EI:

- National and local governments should coordinate development plans with local content plans. To avoid negative impacts, national and subnational governments should include local content development in their development strategies frameworks, coordinating closely with the EI companies to map out demands for goods, services and jobs that could be met by the national and local economy and putting in place financing options and workforce and development programs.
- As for the above, national and local governments shall identify the needs of a certain community, in terms of employment, economic and social development. On the basis of these needs, central and local governments shall obligate operating companies to direct their policies towards the development plan. The obligation of companies can be achieved for example by defining certain criteria for allowing EI companies to operate or obtain licences and permits, such as the fulfilment of certain social and economic targets, employment and training of local community etc. Only by setting ambitious local targets, may satisfy the demands of local community.
- To orient in advance the companies operating in IN regarding the investments in infrastructure and further to monitor the investments made by these companies in the local infrastructure, as a condition for the continuance of the contract.
- To enhance the collaboration between the government (central and local) with the public and especially with the local community of the areas where the EI companies operate, aiming to address the community problems and to include their solutions in the EI contracts, according to a development plan.
- To stimulate the cooperation between government, local community and EI companies, for the addressing of any problem and propose the most appropriate solutions, which shall be implemented in the development plan for the community and in the respective contract.
- The civil society and stakeholders shall take faster and more concrete steps for the preparation of a new project-law on miner status and its implementation after approval.

- To simplify procedures and to avoid bureaucracies regarding the granting of oilman status and related benefits, through closer cooperation between state institutions.
  
- ❖ Related to the Royalty
  - It is to be emphasized and highly brought into attention the recommendation of Prof.Doc.Perparim Alikaj/Mrs. Anila Hajnaj related to the distribution/use of the Royalty fee in accordance to the necessities of the local communities where the EI operate.
  - The percentage of royalty shall not be a fixed amount (as a national tax under the Law on National Taxes), but shall be calculated in accordance with a previously approved development plan for the community, depending on its identified needs and assessment of the socio-economic impact of IN in the community;
  - To simplify the legal bureaucracies regarding the payment of royalty from the central government to the local government. In this context, it shall be simplified and sped up the reporting procedures between the Directorate of Taxes / Customs and the Ministry of Finance and further between the Ministry of Finance and municipalities, aiming the transparency of this process and the speed up of the royalty payment to the municipal fund.
  
- ❖ Related to the socio-economic aspects included in the contracts and permits of the EI companies
  - In order to regulate the social and economic impact on the relevant legislation in force more complete and detailed provisions regarding the regulation of socio-economic consequences shall be included in the EI contracts. Forecasts should be mandatory for IN companies accompanied by penalties in case of non-compliance.
  - To review the criteria for issuing the mining permits, in order to include more requirements of a socio-economic nature.
  
- ❖ Related to the illegal employment and prevention of child labour in the EI
  - To integrate the substance of environmental, social, economic and human rights standards into the internal regulations of the companies operating in the EI sector (policies, by-laws, regulations, handbooks) and built respective inspection structures to make sure that the companies will operate accordingly. In this regard, the regulations or

internal policies of EI companies should be subject to control and review by licensing authorities and the Ministry.

- To stimulate the creation the professional unions of employees in order for them to acknowledge and improve the respecting of their rights;
  
- ❖ Related to the professional training/ Transferring of skills
  - Training and qualification of employees to be included in the contracts of EI companies, as an obligation of these companies.
  - In this perspective, but also in terms of socio-economic development, to review the level of applicable salaries, according to respective qualifications. This will stimulate not only the qualification of employees but also the improvement of work quality and productivity.
  
- ❖ Related to the addressing of gender issues in the participation in the EI activities
  - The rights of vulnerable population and the gender implications of the EI sector need close attention and recognition to mitigate potential impacts. Part of the long-term strategy for social impact in this sector is to ensure that it becomes a foundation for employment generation and economic development for local people.
  - EI companies should include in their policies the stimulation of women's employment, in order to reduce as much as possible the gender inequality and social impacts brought by a male-dominated industry (alcoholism, drugs, etc.).
  - EI companies should provide job positions or dedicate certain positions only to female employees.
  
- ❖ Related to the transparency, public consultation, including the public in the decision-making process, the role of civil society
  - Public consultation on socio-economic impact should be foreseen as a precondition for the approval of any contract, with the same importance that this principle has in 'environmental impact assessment', once the public/community and stakeholders have been informed on the contract to be implemented, benefits and potential negative impact.
  - To promote transparency and informed decision-making process.

- To actively engage the affected public to participate in rulemaking, licensing and monitoring of the sector, acknowledging the value of communities' and civil society participation in improving the governance of the mining sector and strengthening the implementation of the contracts;
- To put in place a range of processes and mechanisms for holding government and mining companies accountable to the public, including mechanisms that can help resolve disputes and provide effective remedies.
- To aim the effective engagement of communities and stakeholders. To establish channels of communication between stakeholders, and by ensuring all parties are provided with enough information and training to be able to engage in the process of dialogue in a meaningful way.

## 9. Closure

In conclusion, many issues about the practice of social impact by companies can be generally recommended, particularly, in enhancing the following:

- **Strengthening the institutional and legal framework:**

Establishing a robust institutional and legal framework that governs the development and management of the EIs is essential to ensure that the rights and interests of stakeholders are respected.

- **Transparent and effective management of revenues:**

EIs normally lead to vast increases in government revenues and, if improperly managed, these increases can stimulate corruption and undermine stability. A culture of transparency needs to be encouraged, and the Extractive Industries Transparency Initiative (EITI) is one of several initiatives that provides a platform to institutionalize the effective management of revenues.

- **Incorporating high-value natural resources into peace processes:**

Addressing extractive resources in the context of a peace process can be an essential part of the peace agreement, and essential for creating sustainable peace. The peace process often offers the opportunity to create a new constitutional arrangement that can address these structural issues in a way that may also help address the causes of the conflict.

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Although there remain a number of challenges to making socially impact projects (CSR) effective for development, especially for livelihood improvement, overall CSR in Albania's mining and oiling regions can be considered helpful and good for development.

Thus, in the case of Albania, the debate is not about whether such initiatives are developmental or not but rather what the best policy structures are in making them more beneficial.

A relevant policy implication is that mining and oiling companies need to pay more attention to their investments and make sure projects are executed efficiently and optimally to the benefit of all.

The bottom line is that companies have profit making goals, but bringing about development through social projects can only be achieved if extra effort is put into ensuring such initiatives

are well implemented. Lastly, given the sample limitations of this study, future research can expand the sample size to examine if a larger sample would present findings that corroborates the ones reported in this study.

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