

2021

ANNUAL PROGRESS REPORT

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE NATIONAL SECRETARIAT

JULY 2022



GENERAL ASSESSMENT OF 2021 ALB-EITI PERFORMANCE

We are pleased to present the 2021 EITI Annual Progress Report of the Extractive Industries Transparency Initiative, EITI Albania, which contains a summary of the activities of the Multi-Stakeholder Group (MSG) and the Albania EITI National Secretariat.

Our scope is to be transparent about how Alb EITI cooperates with local and central actors and explain how Alb EITI commitment and experience has helped to increase the awareness on the importance of regular disclosure of payments that mining, gas, oil companies and Hydropower make to the state as well as the detailed disclosure of all revenues that the State budget receives from Extractive sector.

The COVID-19 global crisis and continuous commodity price downturns have caused seismic shifts for Albania economy and the Extractive sector. In the

wake of health restrictions and fluctuating commodity prices, extractive companies have no longer been able to continue business as usual.

In this context, corporate transparency was critical to understand the actual impact of the COVID-19 crisis on the Extractive Industries sector.

Despite the actual situation, Albanian Government and EITI Albania MSG have worked hard to strengthen transparency in the Extractive Sector, in fully accordance with Requirements of EITI 2019 Standard.

EITI implementation in Albania represent a great importance and multidimensional values in transparency and enhancing governance, transparency, and accountability of the Extractive sector, while during these years it is done significant progress.

The implementation of the Extractives Industries Transparency Initiative (EITI) supports GoA's efforts to improve governance and enhance transparency in the mining and oil and gas sectors. EITI implementation in Albania is in line with the Country Partnership Framework (CPF) covering 2020- 2023, and the Systematic Country Diagnostic Update (SCD Update) "Next Generation Albania".

During 2021 ALB EITI main objectives were to:

- Realize the implementation of Corrective Actions and to fulfill the requests of the 3rd Validation of Albania;
- Mobilizing of necessary funds and financings to support the activities to improve EITI implementation and performance; Addresing issues regarding Exctractive sector and enhance the cooperation with central and local actors aiming national gerater impact and benefits from natural resources;
- Increasing participation of citizens in decisions making and promoting constructive public debate regarding natura resource management and their social and environmental impacts;

The Multi-Stakeholder Group (MSG) approved the EITI Work Plan in 12 February 2021, in accordance with EITI 2019 Standard Requirements. This work plan established the foundations of activities for 2021 which focused mainly on the following main activities:

- ❖ **Support to streamlined EITI reporting** /the recruitment of an IA to oversee the preparation of annual EITI reports covering all extractive industries for the calendar years 2019 and 2020; Consultancy services for development of standards for Local reporting; Consultancy services for the revision of current legislation for reporting by activity and Project basis in the mining; Maintenance of the Open Data portal for EITI Data and Mining Cadaster Portal.
- ❖ **Extension of sector disclosures' scope**/ Consultancy services for the inclusion of renewable energy and gas in EITI reporting; Consultancy services for assessment of impact of the Albania Beneficial Ownership Law; Consultancy services for analyzing advantages and disadvantages of foreign investment in Albania; Consulting services for analyzing the impact of oil industry in the areas where it operates; Consulting services for the assessment of current legislation on work safety in extractive industries; Consulting services on Gender and Extractives.
- ❖ **EITI Advocacy and Capacity Building** / Training for MSG members, National Secretariat staff and other relevant stakeholders (e.g. for local government units, public entities and reporting subjects) for their involvement in the EITI process and workshops focused on natural resource governance; Participation of EITI and MSG members in events organized by International EITI, international forums, and study tours or visits to/by implementing countries to share the Albanian experience, in order to share knowledge and effective ways of implementation; Supporting the implementation of the 2021-2022 EITI Communication

and Outreach strategy; Cooperation with Academic world regarding Extractive sector transparency; Supporting the Civil Society representatives in their EITI implementation involvement.

In 2021 was finalized the closing of the WB Grant no. TF0A6493 financing under the Extractive Global Programmatic Support (EGPS).

During 2021 the EITI Albania MSG has approved the ToRs for contracting an Independent Administrator (IA) for preparing the 2019–2020 EITI Report. The ToRs are drafted in accordance with Board Decision including corrective actions and respective recommendations from EITI International.

The MSG and EITI Albania Secretariat have tried to accelerate the official procedures to realize the objective and activities foreseen in the Work Plan but during 2021 we have not in our disposition the necessary valid funds allocated by WB or other donors to support EITI implementation.


The funds by WB have been approved in principle by WB from April 2021 and during entire year EITI- Albania worked closely with World Bank on making effective the Grant for the Support to Albania Extractive Industries Mainstreaming Process (P177130), but due to bureaucratic procedures and changing of the structures in the WB organization it was not possible to disburse the funds and to complete in due time the foreseen activities, including the preparation of the EITI Reports 2019-2020 in time.

On the other hand taking into account the extraordinary problematic situations of the last years of emergencies in Albania, starting from the devastating effect of the Earthquake that hit Albania in November 2019; the hard effects of the Covid-19 Pandemic situation for the period 2020-2021, results that Albanian Government has found impossible to finance the main activities of AlbEITI from the state budget, due to the economic and financial

emergencies to cope with the above-mentioned extraordinary situations and challenges.

During 2021 AlbEITI has had a strong commitment to diversify and receive funds or other donations from Foreign Business operating in Extractive Industries in Albania or other sources, but none of them has been not materialized, taking into account the hard effects of the economic crisis and the Pandemic Covid-19 that has substantially affected the activities of these businesses.

In the context of financial funds absence none of the abovementioned planned activities included in the Work Plan 2021 has been implemented.



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

OBJECTIVE EITI INTERNATIONAL VALIDATION

The 3rd EITI Validation of Albania was scheduled to commence on 17 June 2020. Due to the transition to the revised Validation model, the EITI International Board rescheduled the 3rd Validation to commence on 1 October 2021.

Albania EITI collated documentation for Validation using the Board-agreed data collection templates on "Stakeholder engagement", "Transparency" and "Outcomes and impact".

The first official MSG meeting in 2021 with the presence of the EITI International Secretariat Validation team representatives was on 25 March 2021.

The files and documents required by the Validation team have been available on the Albania EITI website. The International Secretariat's Validation team prepared an initial

assessment following the Validation procedure and Validation Guide. In accordance with the Validation procedure, a public call for stakeholder views on EITI implementation was open from 1 September to 1 October 2021.

Virtual stakeholder consultations were undertaken from 13 to 25 October 2021.

On June 22, 2021, was held a online Meeting with the participation of the International EITI representatives and Validation Team, Alb EITI MSG and the EITI National Secretariat staff to ensure the efficient implementation of the process of 3rd Validation and addressing the most important issues related and focused mostly on Requirements 2 and 3 of the EITI Standard.

The fourth Validation online Meeting on July 12, 2021, between the EITI International Secretariat/ Validation Team representatives and (MSG), the EITI National Secretariat staff as well as the official representative of the company Deloitte Albania, in the capacity of Independent Administrator on the EITI Report 2017-2018, was focused mainly in the implementation of the Corrective actions regarding the Requirement 4 of the EITI Standard.

The fifth Validation online Meeting on August 2, 2021, between the EITI International Secretariat/ Validation Team representatives and (MSG), the EITI National Secretariat staff was focused mainly in the implementation of the Corrective actions regarding the Requirements 5 and 6 of the EITI Standard.

The sixth Validation online Meeting on August 16, 2021, between the EITI International Secretariat/ Validation Team representatives and (MSG), the EITI National Secretariat staff was focused mainly in the implementation of the Corrective actions regarding the Requirement 7 of the EITI Standard.

The draft assessment prepared by the Validation team was shared with the MSG for feedback on 6 December 2021, with a deadline of 3 January 2022. MSG comments were received on 31 December 2021, after which the assessment was finalised for the Validation Committee's review.

The EITI International Board Decision on 16.02.2022 (Decision 2022-15/BM-52), concluded that **Albania has achieved a moderate overall score in implementing the 2019 EITI Standard** (82 points). The overall score reflects an average of the three component scores on "Stakeholder engagement", "Transparency" and "Outcomes".

The EITI Board commended Albania for achieving a high score on "Outcomes and impact" (87 points). This reflects Albania EITI's contributions to policy dialogue and reform on issues relevant to the extractive industries, including to the development of Beneficial Ownership and Mining legislation as well as Environmental regulations.

The Board commended the Albanian EITI's emphasis on issues relevant to energy transition, including reporting on the hydropower sector, and for ensuring that EITI objectives are aligned with national priorities for the extractive industries. Albanian stakeholders, particularly civil society, have used EITI data on subnational revenues and transfers to support policy engagement.

Albania was awarded 2.5 additional points for the effectiveness and sustainability of EITI implementation.

On "Transparency", Albania reached a moderate score (77 points). Albania has made commendable efforts to build on existing systematic disclosures to improve the comprehensiveness of EITI reporting, although challenges remain in opening up subnational revenue collection from the extractive industries. The Board welcomed the improvements in disclosures related to state participation and encourages Albania to expand the use of EITI reporting to track the future contributions of Gas transit revenues associated with the newly commissioned Trans-Adriatic Pipeline.

Albania has made progress on new aspects of the 2019 EITI Standard related to Contract transparency, Beneficial Ownership, Project Level reporting and Environmental payments.

The Board encouraged Albania to explore further opportunities to restructure annual EITI reporting and build on its open data and cadastre portals to add value to existing systematic disclosures.

Albania achieved a moderate component score also on "Stakeholder engagement" (83 points). Stakeholders have effectively used the EITI platform for public debate on reform of the extractive industries. The government remains fully engaged in EITI implementation, while civil society has gradually expanded its engagement, outreach, and coordination with the broader constituency.

However, the Board noted evidence of the weakening of industry participation in EITI and highlighted the opportunity for companies to use EITI implementation to improve their corporate performance on environmental, social and governance indicators.

The multi-stakeholder group has overcome challenges caused by the Covid-19 pandemic to retain oversight of all aspects of EITI implementation, although further efforts to consider gender aspects of representation in EITI implementation are encouraged.

The Board has determined that Albania will have until a next Validation commencing on 1 April 2024 to carry out corrective actions.

OBJECTIVE **WB GRANT NO TF0A6493 FINALIZATION**

In 2021 was finalized the closing of the WB Grant no. TF0A6493 under the Extractive Global Programmatic Support (EGP) in the context of the Project Agreement between Republic of Albania (Recipient) and the International Bank of Reconstruction and Development (World Bank), acting as administrator of Grant funds provided by the Multi-Donor Trust Fund, dated February 26, 2016.

The Grant closing date was December 31, 2020, the Disbursement Deadline Date was April 30, 2021 and the final disbursement transaction was recorded by the World Bank on April 22, 2021.

In 2021 Alb - EITI successfully finalized the WB Grant no. TF0A6493 funds implementation.

OBJECTIVE **EITI CAPACITY BUILDING**

In the framework of the Cooperation Agreement signed on 2019 between the EITI Albania Secretariat and EITI Ukraine., it was held in Tirana an official Meeting **on May 14, 2021**, with the participation of Alb EITI and EITI Ukraine representatives . In this meeting, was discussed the enhancing process of deepening the bilateral cooperation between our two EITI National Secretariats, was exchanged and discussed information regarding the annual analysis of the work on the main activities of the two National Secretariats. Also was discussed and exchanged experience regarding the New model of the International Validation to take place in October 2021.

On November 23, 2021, official representatives of Alb EITI participated in the Round Table with the Region of Euroasia and Southeast Asia organized by the EITI International Secretariat in Oslo, focused in the efficient management of the extractive sector, the importance of the state owned enterprises transparency, climate change crisis and the reduction of the fossil fuels use.

On December 14, 2021, official representatives of Alb EITI participated in the Energy Transition Regional Conference and Seminar organized by the EITI International Secretariat in Oslo, focused on the new policies to enable platform for EITI implementin countries in Euroasia and Asia Pacific for the preparation of Energy Transition. In the discussion of the Representative of Alb EITI National Secretariat was shared the Albania experience and example regarding the contribution made in this direction, being one of the pioneers of the inclusion of the Hydroenergy Chapter in its annual Reprting , as well as the preparatory work to include the RES in the future EITI Reporting.

In the context of Capacity Building during 2021 the staff of the National Secretariat EITI has participated in online trainings organized by ASPA (Albanian School of Public Administration) for civil servants.

OBJECTIVE COMMUNICATION AND OUTREACH ACTIVITIES

In the context of the EITI Communication and Outreach Strategy 2021-2022 as a result of joint efforts aimed to improve visibility and transparency towards the achievement of strategic goals of the MSG and the EITI National Secretariat, the involvement of the Ambassador for Public Relations helped convey a professional message in creating a public image.

Raising the institutional profile of the MSG and the EITI National Secretariat, open dialogue, trust and transparency are essential in building partnerships with all actors involved in the EITI process. In this context the Ambassador for Public Relations FOT eiti Albania Mr. Ledion Krisafi – (Consultant) has made the below publishings in the media:

- 1. Publication by Ledion Krisafi The pandemic reduces the income from the mining industry:*

<https://www.youtube.com/watch?v=o1AqlxHCGIA>

- 2. Publication by Ledion Krisafi Transparency in the Extractive Industry, Scan TV*

<https://www.youtube.com/watch?v=J5Q-ZRD6khl>

Having a base of about 5,000 followers on its official Facebook page, the EITI National Secretariat used this platform as the main medium to present the AlbEITI activity and the priorities and vision.

OBJECTIVE MANAGEMENT AND MAINTENANCE OF EITI OPEN DATA PORTAL AND MINING CADASTER PORTAL

During 2021 Alb EITI has realized the management and maintenance of the EITI Open Data Portal, which constitutes a novelty for the EITI National Secretariat and

significantly increased transparency and public information related to the Extractive sector and Hydropower sectors.

The Open Data Portal being accessible to the public, civil society, media and businesses/potential investors, provided detailed information required by the EITI Standard 2019 (Requirement 7- Open Data), in order to stimulate public debate and also help to improve good governance policies in Extractive Industries.

In the same goal Alb EITI during 2021 has realized the management and maintenance of the AlbEITI Mining Cadaster Portal, provided detailed presentation of the mining inventory, digitalization of the cartographic and alphanumeric information, and the mining Geodatabase and Web-GIS portal, that was accessible to the public, potential investors and both state institutions and local government units.

OBJECTIVE LEGAL AND REGULATORY REVIEW

Accelerating Beneficial Ownership transparency through the new Law approved for BO (Law no. 112/2020, "On the register of Beneficiary Owners", entered in force in 2021) helped to mitigate corruption and deter illicit financial flows.

This law regulates the definition of the Beneficiary Owner, the obliged entities which must register the beneficial owners, and the creation, functioning and administration of the Register of Beneficiary Owners, the procedure and the manner of registration and record keeping of the registered data of beneficiary owners, as well as penalties applicable in case of non-registration of beneficial owners.

Maintaining up-to-date public registers of company owners in the Extractive Industries provided essential data to address potential risks.

Additionally, the Government has approved DCM no. 1088, dated 24.12.2020 "On the determination of the manner and procedures for the registration and publication of the information on beneficial owners, and the notification by the competent state authorities and obliged entities.



ASSESSMENT OF PERFORMANCE IN COMPLIANCE WITH THE EITI REQUIREMENTS

REQUIREMENTS	PROGRESS
<p>EITI REQUIREMENT 1</p> <p>Oversight by the multi-stakeholder group</p> <ul style="list-style-type: none"> 1.1 Government engagement 1.2 Company engagement 1.3 Civil society engagement 1.4 Multi-stakeholder group 1.5 Work plan 	<p>The MSG in Albania has been actively involved in the implementation of EITI. Albania has continued to produce EITI reports according to the deadlines. The MSG members are engaged in the implementation of EITI, according to the sector they cover.</p> <p>State Institutions, constituent part of the MSG, have shown high engagement by making available to the EITI Initiative their structures and human resources for the EITI Reporting as well as for other information requested by the Secretariat. It should be emphasized that the companies which have their representatives in the MSG have as always shown a great commitment to the reporting process and have played a key role in publishing the payments made to the government. Also, the government has continued to fund EITI implementation under the national budget.</p> <p>Finding a comprehensive language and building a constructive cooperation makes the work of MSG Albania productive.</p> <p>MSG members from Civil Society have shown commitment to the EITI Initiative by being vocal at the online meetings for different issues. It should also be noted that with the new members of Civil Society at MSG, who became part of it in early 2019, the CS representation at MSG has taken on an even better and more stable spirit. CS members during 2021 have not only been active in the issues raised for discussion but have continued their work to disseminate information about the EITI process in Albania through newspaper articles or posts across social networks. Despite the absence of funds allocated by the World Bank for funding various project and activities and the difficulties caused by the global Covid-19 pandemic the EITI Albania has worked with great dedication to approve in early 2021 an</p>

	<p>ambitious work plan mentioned in the paragraphs above.</p> <p>The National MSG during 2021 has held 5+5 meetings which due to the pandemic have been held online where various issues related to the implementation of EITI in Albania and 3rd International Validation process have been discussed. The MSG has been not only participatory but also extremely engaged with comments and discussions in the presentations of all final products for various activities set out in the work plan etc.</p>
<p>EITI REQUIREMENT 2</p> <p>Legal and institutional framework, including allocation of contracts and Licenses</p> <p>2.1 Legal framework and fiscal regime</p> <p>2.2 License allocations</p> <p>2.3 Register of licenses</p> <p>2.4 Contracts</p> <p>2.5 Beneficial ownership</p> <p>2.6 State participation</p>	<p><u>The legal framework and fiscal regime</u></p> <p>License allocations. Albania has made public the free oil zones and companies interested enter into negotiations with the Albanian government. Mining licenses are provided by the Ministry of Infrastructure and Energy based on Law No. 10 304 dated 15.07.2010 "On Mining Sector in the Republic of Albania, as amended".</p> <p>The annual mining program, approved by D.C.M defines competing mining areas and free zones. For competitive mining areas, interested parties are subject to a public competition where the winner's assessment is made on the basis of the criteria set by law.</p> <p>For open areas, the license is issued to the interested subject who meets the terms of the permit by principle - first in time, the first in the rights.</p> <p>The publication of the Annual Mining Plan and all the competitive procedures is done in the Public Procurement Agency and in the official website of MEI.</p> <p>According to the 2017-2018 EITI Report and in accordance with requirement 2.4.b, Albania has made progress in disclosing new oil contracts and all hydropower concession terms.</p> <p>Oil and gas agreements were allocated through ad hoc negotiations procedures up August 2013.</p> <p>Information on recipient licensees and joint operations were publically disclosed in MEI's website.</p> <p>Building of new hydropower plants is done with BOT type concession (Building, Operation, Transfer). The winner which is announced after an open competitive procedure called by MEI</p>

	<p>(Ministry of Infrastructure and Energy) after being published by PPA (Public Procurement Agency). After the announcement of the winner the subject must complete the necessary documentation defined by law.</p> <p>The register of licences is publicly available in ALBEITI website: www.albeiti.org This register is updated every 6 months. Also the Ministry of Infrastructure and Energy has published a public register of mining licences: http://www.infrastruktura.gov.al/lejet-minerare-ekzistuese</p> <p>The new Law 112/2020 “On beneficial ownership register” was approved on July 29,2020 and the declaration of beneficial ownership begun during 2021. As required by the new law the company participation in publishing the beneficial ownership is required for all domestically registered companies. This information will be available in a register administrated by the NBC. The legal framework provided for the publication of direct owners but not the beneficiary ownership as required by the EITI standard. Companies selected as reporting entities were asked to provide information on beneficial ownership.</p> <p>State participation a) The State-owned entities in Albania are defined by article 213 of the Law 9901 dated 14.04.2008 “On entrepreneurs and commercial entities”, as commercial entities owned and controlled directly or indirectly by central government or the local government, whereas control is the power to govern activities of the commercial entities. This law suggests that in case of matters requiring a qualified majority, the Shareholders'. The definition of SOEs is explained in the 2017-2018 EITI Report and the MSG agreed with this definition during the EITI reporting process. b) The level of ownership of SOE(s) is explained in the 2017-2018 EITI Report.</p>
EITI REQUIREMENT 3	All the exploration, production and exports data are documented in the EITI Albania

<p>Exploration and production</p> <p>3.1 Exploration 3.2 Production 3.3 Exports</p>	<p>Report and once the report is finished, is published in the albeiti website: www.albeiti.org</p>
<p>EITI REQUIREMENT 4</p> <p>Revenue collection</p> <p>4.1 Comprehensive disclosure of taxes and revenues 4.2 Sale of the state's share of production or other revenues collected in kind 4.3 Infrastructure provisions and barter arrangements 4.4 Transportation revenues 4.5 Transactions related to state-owned enterprises 4.6 Subnational payments 4.7 Level of disaggregation 4.8 Data timeliness 4.9 Data quality and assurance</p>	<p>Comprehensive disclosure of taxes and revenues The tax system that is applied in Albania for the extraction industry sector is the same that apply to the entire country's economy, value added tax (TVSH), profit taxes, dividends + royalties, bonuses, and other significant payments and material benefit to government.</p> <p>Mineral rent from the government is seen as a tax for the development of this area. To give impulse or development to the processing industry in the country, the government reduced the royalty for the processed chromium ore (ferrochrome) from 6 to 3 percent. The EITI Report shows a comprehensive tax overview gathered by the government for 2017-2018.</p> <p>Sale of the state's share of production or other revenues collected in-kind In the EITI Report 2017-2018 are disclosed the revenues collected in-kind by Albpetrol.</p> <p>Infrastructure Provision and Barter Agreements EITI 2017-2018 Report includes an assessment of the applicability of infrastructure provisions and barter arrangements in the oil and mining sectors, disclosed respectively in the chapter 3 and 4.</p> <p>Transportation revenues The Albanian state does not receive transit tax. Albpetrol pipelines are not currently operating. Two crude oil pipelines link ARMO's oil terminal in Vlora with Fieri and Ballshi refineries and with the two refineries between them. Both pipelines are not operating due to obsolescence. The oil pipeline network has a total length of 188 km and a capacity of 2.5 million tons per year. The Trans Adriatic Pipeline (TAP) AG is a union of several International companies established with the purpose to planning, developing and building TAP's pipeline. The Albanian government has entered into talks with the TAP consortium for setting a Transit Tax. TAP is currently the largest contributor of the direct foreign investments in the country. As set in the Host Government Agreement between TAP and the GoA, TAP will spend EUR 14 million in</p>

	<p>the infrastructure and other investments in the benefit of civil society and communities.</p> <p>Transactions related to state-owned enterprises Albpetrol pays to the Government taxes, as applied to all commercial oil companies and dividends in its capacity of sole shareholder of the company. Both Albpetrol and MIE informed that there are no special arrangements governing the transfers from Albpetrol to the Government and vice-versa. Albpetrol has been profitable so far, despite its large employee cost base. Albpetrol's financials show volatile profit results. Revenue is primarily derived from sale of available oil. Albpetrol has not received, nor granted any loan to the Government so far.</p> <p>Sub-national payments Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to Law on National taxes no. 9975, dated 28 July 2008, amended, a portion of royalty tax shall be allocated to each local government unit ("LGU") in proportion with their contribution to the domestic output of oil, gas and mining.</p> <p>Data quality and assurance, Applied Accounting Standards The current regulatory provisions in Albania require that the incorporated entities apply International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) or the National Accounting Standards (IAS), published by the National Accounting Council for accounting purposes and legal reporting.</p> <p>Applied Auditing Standards All entities, including participating joint stock companies ("SHA") and limited liability companies ("KPS") are subject to statutory audit, excluding those KPS classified as smaller units. LAW No. 10 091, dated 5.3.2009 "ON LEGAL AUDIT, ORGANIZATION OF THE PROFESSION OF THE LEGISLATIVE AUDITOR AND THE APPROVED ACCOUNTANT" (amended by Law No. 10 297, dated 8 July 2010, No. 47/2016, dated Article 41, Legal entities obliged for the statutory audit of the financial statements (amended by letter "c" by Law No. 47/2016, dated 28.4.2016) Are obliged to carry out the statutory audit of the annual financial statements, before their publication, by legal auditors or audit firm:</p> <p>a) all commercial companies, regardless of</p>
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	<p>their form, which apply international financial reporting standards;</p> <p>b) all joint stock companies, which apply financial reporting to national accounting standards;</p> <p>c) limited liability companies that apply financial reporting to national accounting standards when, over two years in succession, they exceed two of the following three indicators:</p> <p>i - total of balance sheet assets at closing of the relevant accounting period, amounts to or exceeds the amount of ALL 50 million;</p> <p>ii- the amount of income from the economic activity (turnover) in that accounting period amounts to or exceeds the amount of ALL 100 million;</p> <p>iii- there are, on average, 30 employees during the accounting period.</p> <p>We clarify that the mining entities that report to the EITI Report are generally limited liability companies and a considerable part of them do not meet the condition that compels them to audit their balance sheets by an independent expert.</p> <p>Level of disaggregation The Level of disaggregation is represented in Appendix 1, 2, 3 of the EITI 2017-2018 Report.</p> <p>Data timeliness The 2017-2018 EITI Report was produced in accordance with the Contract (21.12.2020) and published in January 2021. Despite the difficulties caused by the pandemic, the closure for a long time of the entire economy and social life (long quarantine) the 2017-2018 EITI report was successfully realized.</p> <p>Data Quality and assurance EITI 2017-2018 Report provides an assessment of the assurance procedures performed on the numbers reported by the government entities and licensees in this report. Chapter 10, provides details of the reconciliation of flows for the year 2017-2018 and lists all entities who fail to report in 2017-2018, including disclosure of impact based on unilateral reporting from the government entities.</p> <p>Recommendations for improvements are also listed in EITI 2016 Report. The EITI Albania Secretariat is drafting an action plan on following up the EITI 2017-2018 Report Recommendations and with the approving of MSG all the requirements will be covered</p>
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	aming to improve the EITI reporting in Albania.
<p>EITI REQUIREMENT 5</p> <p>Revenue allocations</p> <p>5.1 Distribution of extractive industry revenues</p> <p>5.2 Subnational transfers</p> <p>5.3 Revenue management and expenditures</p>	<p>Distribution of extractive industry revenues</p> <p><i>In the extractive industry like all branches of the economy is applied the Law on National Taxes no. 9975, dated 28 July 2008, as amended, where the revenues are collected by the state and are distributed in accordance with the law. Particular for the extractive industry is the tax on royalty and where a part of it passes to the Local Government Units (LGUs) in which this activity takes place. The legal framework for local royalty transfer has undergone through chanefges in years.</i></p> <p><i>On 27 November 2014, the Government of Albania introduced changes to the Law on National taxes, whereby the LGUs are entitled to receive 5% of the royalty generated from sales of oil and minerals extracted in their district without any conditionality.</i></p> <p><i>The regional directorates of taxes and customs shall submit analytical list of royalty collected and benefiting LGUs to the Directorate of Budget at Ministry of Finance ("MF"). Upon receipt of the reconciliations, MF initiates monthly transfers of royalty to LGUs. (This law still applies today).</i></p> <p><i>During 2019-2020 Alb-EITI in cooperation with the OSCE organized in the local units a series of meetings where the extractive industry has activity and on the benefits that these communities have from this industry and issues related to their activity. This activity was crowned with a national meeting where a document with a concrete proposal was issued. The Albanian government is considering the requests of local units with activity in the extractive industry where the main problem is the increase of the royalty percentage that will be transferred to the LGU.</i></p> <p>Subnational transfers <i>The Ministry of Finance and Economy is in the process of improving the procedures in order to ensure the accuracy and completeness of royalty distribution in accordance with the new legal requirements.</i></p> <p>Revenue management and expenditures <i>The revenues collected by the State Budget from the extractive industry are added to other revenues and are naturally allocated through budget items. There is no specific allocation of</i></p>

	<p>these revenues in budget programs with the exception of the Royalties where 5% passes to local government according to the areas where the extractive industry operates.</p> <p>NANR manages a part of the revenues from Hydrocarbon Agreements. NANR has not given so far any information on how these revenues are allocated in its budget. The Albanian government collects</p> <p>revenue from oil and gas sector through oil production, bonuses, royalty, profit and dividend tax, income from employment.</p> <p>The report shows the distribution of total revenues generated by oil operations between the Albanian Government, Albpetrol, AKBN and private oil companies.</p> <p>The Albanian Government's interest in PSA is administered by Albpetrol and NANR, which received from PSA: bonuses, share of oil production and other income derived from non-execution of contract terms such as fines and executed warranties. MIE (Ministry of Infrastructure and Energy) publishes in its website financial information on expenses by nature and program</p> <p>http://infrastruktura.gov.al/</p>
<p>EITI REQUIREMENT 6</p> <p>Social and economic spending</p> <p>6.1 Social expenditures by extractive companies</p> <p>6.2 Quasi-fiscal expenditures</p> <p>6.3 The contribution of the extractive sector to the economy</p>	<p>Social expenditures are material expenditures made by companies in the sector of Extractive Industries to the benefit of the public and civil society, as mandated by law or by contract with the government.</p> <p>The government and oil companies involved in the oil sector informed that currently applicable oil deals do not include mandatory social payments to be made by oil companies for the benefits of communities.</p> <p>The time and amount of social payments are decided by oil companies at their discretion. Companies must present these costs to NANR/Albpetrol for approval as part of the annual budget.</p> <p>Quasi- fiscal expenditure</p> <p>The EITI Albania MSG discussed in the meeting organized with the participation of the International Validation Team representatives the existence of quasi-fiscal expenditure in Albania and their materiality. MSG statement on this issue in accordance with the requirement 6.2 of the EITI standard stated that MSG agree with the definition given by the Independent Administrator in the EITI report</p>

	<p>regarding the quasi-fiscal expenditures and that the law and regulations governing the activity of Albpetrol sh.a do not include these types of expenses. MSG EITI Albania also stated that the Albanian legal framework does not provide any obligation for “quasi-fiscal expenses” even for companies licensed that operate in the extractive industry in Albania.</p> <p>The contribution of the extractive sector to the economy.</p> <p>Based on data reported by Government agencies shown in EITI 2017-2018 Report, the extractive sector and hydropower are accounted respectively for the year 2017, 5.1% of gross domestic product at 78,504 million ALL and for the year 2018, 6.1% of gross domestic production at 100,534 million ALL. Exports from extractive sector are accounted respectively for the year 2017, 15% of total exports in the amount of 44 billion ALL and for the year 2018 18 % of total exports in the amount of 51 billion ALL. Based on the data reported by the GDT companies operating in the extractive and power industry had over 40,000 employees respectively for each year 2017 and 2018.</p>
<p>EITI REQUIREMENT 7</p> <p>Outcomes and impact</p> <p>7.1 Public debate</p> <p>7.2 Data accessibility</p> <p>7.3 Discrepancies and recommendations from EITI Reports</p> <p>7.4 Review the outcomes and impact of EITI implementation</p>	<p>Public debate The EITI report in Albania is comprehensible and publicly accessible. Both EITI Reports and Summary Data File are available online in open data format. Also paper copies of the EITI Reports are constantly produced and distributed to stakeholders. The Reports are published in Albeiti website www.albeiti.org both in albanian and english language. The EITI Albania Report is used widely by stakeholders on the public debate. The organization of meetings with journalists from local and national media, the editorials, chronicles writings and the organization of meetings with local and foreign interest groups clearly shows the commitment of the MSG and the EITI National Secretariat to promote a nationwide public debate and to influence in the economic and social development of communities.</p> <p>Data accessibility The EITI National Secretariat publishes the EITI Reports on its website and all parties concerned have full access for the required data. Hard copies of EITI Reports and Summary Reports are widely distributed to relevant stakeholders. In December 2020</p>

	<p>AlbEITI set up the Open Data Portal with data from the extractive industry and is accessible for all. During 2021 Alb EITI has managed and maintenance the EITI Open Data Portal.</p> <p>Discrepancies and recommendations from EITI Reports Discrepanices and recommendations in EITI Reports are discussed in the MSG meetings.</p> <p>The National Secretariat proposed that a permanent subgroup should be created within MSG.</p> <p>This group will follow the implementation of the EITI Report reccomandations and also the Corrective Actions raised by the Validation until their complete fulfillment.</p> <p>Review the outcomes and impact of EITI implementation</p> <p>2021 has been a difficult year, conditioned by the pandemic which dictated the closure of many activities due to quarantine. To overcome the obstacles that arose in this regard the EITI National Secretariat and MSG have worked closely with the parties involved in the process. Many of communication and promotion activities were carried out by the EITI National Secretariat and MSG. The adoption of the Law on Transparency is promising but at the same time requires coordination of work by the parties involved. 2021 was the year of the enetering into force of Beneficial Ownership where Albania as a member of EITI adopted a special law to meet this global obligation. On January 2017, a Beneficial Ownership Guide for all steps to be followed was published. The National EITI Secretariat is carrying out all the activities set out in this guide. Many meetings have been conducted by the EITI National Secretariat and recently by the Civil Society Organization, MSG members with local government units in the areas where extractive industries operate, companies and civil society representatives, to promote the EITI and EITI reporting. Meetings with journalists from national and local media were organized. Informing the media about the work and mission of EITI Initiative is a path that reflects a serious commitment to transparency in the extractive sector. The innovation brought by the organization of the EITI Survey was for the EITI National Secretariat the best way to analyze the public perception</p>
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	<p>of the impact and implementation of EITI in Albania. The survey result showed that local and central administration (affected by the EITI reporting) had no information on the EITI requirements. As a result, the EITI National Secretariat decided that the activities provided on the work plan would play a key role in organizing information activities mainly focusing on this grouping.</p> <p>We can mention that the local government (where the extractive industry operates) and the central administration by responding on time and quality manner to the requirements and obligations of the EITI initiative proves that the EITI work plan has achieved the objective on this regard.</p> <p>Progressive growth of reporting companies in the EITI. Over the years, the percentage of reporting by the extractive companies has increased progressively, aiming at a greater involvement of the sectors.</p>
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ANY SPECIFIC STRENGTHS OR WEAKNESSES IDENTIFIED IN THE EITI PROCESS

STRENGTHS

The year that we left behind posed many hard challenges for Albania, as the cause of the global pandemic affected vital sectors of the economy. Considering this hard situation Alb- EITI has managed to represent good performance in the 3rd International Validation process.

The EITI International Board Decision on 16.02.2022 (Decision 2022-15/BM-52), concluded that Albania has achieved a moderate overall score in implementing the 2019 EITI Standard (82 points).

The EITI Board commended Albania for achieving a high score on "Outcomes and impact" (87 points).

This reflects Albania EITI's contributions to policy dialogue and reform on issues relevant to the extractive industries, including to the development of Beneficial Ownership and Mining legislation as well as Environmental regulations.

The Albanian EITI's focused on issues relevant to Energy transition, including reporting on the Hydropower sector, and for ensuring that EITI objectives are aligned with national priorities for the extractive industries. Albanian stakeholders, particularly civil society, have used EITI data on subnational revenues and transfers to support policy engagement.

Albania was awarded 2.5 additional points for the effectiveness and sustainability of EITI implementation.

Albania has made commendable efforts to build on existing systematic disclosures to improve the comprehensiveness of EITI reporting, although challenges remain in opening up subnational revenue collection from the extractive industries.

AlbEITI has made improvements in disclosures related to State participation and encourages the process to expand the use of EITI reporting to track the future contributions of Gas transit revenues associated with the newly commissioned Trans-Adriatic Pipeline.

Albania has made progress on new aspects of the 2019 EITI Standard related to Contract Transparency, Beneficial Ownership, Project Level reporting and Environmental payments.

Stakeholders have effectively used the EITI platform for public debate on reform of the extractive industries

The government remains fully engaged in EITI implementation.

Civil society has gradually expanded its engagement, outreach, and coordination with the broader constituency.

The multi-stakeholder group has overcome challenges caused by the Covid-19 pandemic to retain oversight of all aspects of EITI implementation.

WEAKNESSES

The year that we left behind posed many hard challenges for Albania, as the cause of the global pandemic affected vital sectors of the economy.

The year that we left behind posed many hard challenges for Albania, as the cause of the global pandemic affected vital sectors of the economy.

For the reasons mentioned above, the organization of face-to-face meetings with representatives of local, central government and stakeholders somewhat broke the tradition of the National Secretariat established for years with the all actors in the extractive industry sector. As it is known, face-to-face meetings create a strong interactive connection by helping to accurately perceive the problems that the communities with extractive industries have.

As the result of the 3rd Validation the International EITI Board noted evidence of the weakening of Industry participation in EITI and highlighted the opportunity for companies to use EITI implementation to improve their corporate performance on environmental, social and governance indicators.

Delays on approving and disbursing the World Bank funds left the daily work and activities of the EITI National Secretariat in a very serious situation. Finally the absence of the WB funds on 2021 made impossible the implementation and the realization of the activities foreseen in the EITI Work Plan. The Law no. 112/2020 "On the Beneficial Ownership Register" implementation ends the legal gap on on this regards.



IMPLEMENTATION OF BENEFICIAL OWNERSHIP DISCLOSURE

The Law no. 112/2020 "On the Beneficial Ownership Register" implementation ends the legal gap on on this regards.

The Beneficial Ownership Register is a state electronic database, in which are found the beneficial ownership data of the entities that have an obligation to report; collects in real time the registered data on the respective state register

administered by the state institutions, as well as it serves as official electronic archive and ensures transparency in the field of Beneficial Ownership.

The Beneficial Ownership register is administrated by the National Business Center which is responsible for: a) to record, administer, process and store in the register the data declared by the reporting entities; b) to enable the availability of the register data in accordance with article 7 of this law; c) to issue extracts for the data registered; ç) to take other actions in accordance with this law.

The law is published on the website of the EITI National Secretariat and in all relevant institutions websites.



TOTAL COST OF IMPLEMENTATION

The EITI National Secretariat for 2021 was funded by the State Budget and the WB Grant no. TF0A6493 under the Extractive Global Programmatic Support (EGPS) funds.

- **Funding planned from the State Budget** was in the Total amount of 15.000.000 ALL and covered the costs of salaries and personnel insurance and also used for operating expenses.
- State budget funds realization was in the amount : 8.601.321 ALL.

In 2021 was finalized the closing of the WB Grant no. TF0A6493 under the Extractive Global Programmatic Support (EGPS) in the context of the Project Agreement between Republic of Albania (Recipinet) and the International

Bank of Reconstruction and Development (World Bank), acting as administrator of Grant funds provided by the Multi-Donor Trust Fund, dated February 26,2016.

The Grant closing date was December 31, 2020, the Disbursement Deadline Date was April 30, 2021 and the final disbursement transaction was recorded by the World Bank on April 22, 2021.

- **The Expenditures** from WB Grant no. TF0A6493 funds for the period 01 January- 22 April 2021 was in the amount : 353,374 USD.

Actual staff of the EITI National Secretariat for 2021 was 6 employees, out of which 5 full-time employees and 1 contracted worker from the contingent of newly graduated students versus 9 employees on the Organigrama.



The national multi-stakeholder group (MSG) has played a crucial role for the timely implementation and in compliance with the EITI Standard 2019. Aside from the fact that the MSG meetings were conducted in an interactive online format, the participation of key actors from the trinomial group, government, business and civil society has been satisfactory.

AlbEITI MSG has held interactive online format Meetings on 12 February 2021; 25 March 2021; 17 Jun 2021; 15 Novemeber 2021 and 29 December 2012.

In the context of 3rd Validation process Alb EITI MSG has organized 5 other meetings (detailed in the Validation Chapter of APR) with the participation of the Validation Team and EITI International Secretariat representatives.



DETAILS OF MEMBERSHIP OF THE MSG

The organizational structure of national multi-stakeholder group (MSG) has not changed by sticking to the format of 6 representatives from the Government, plus one the Chairman, 5 representatives from the Business and 5 representatives from the Civil Society.

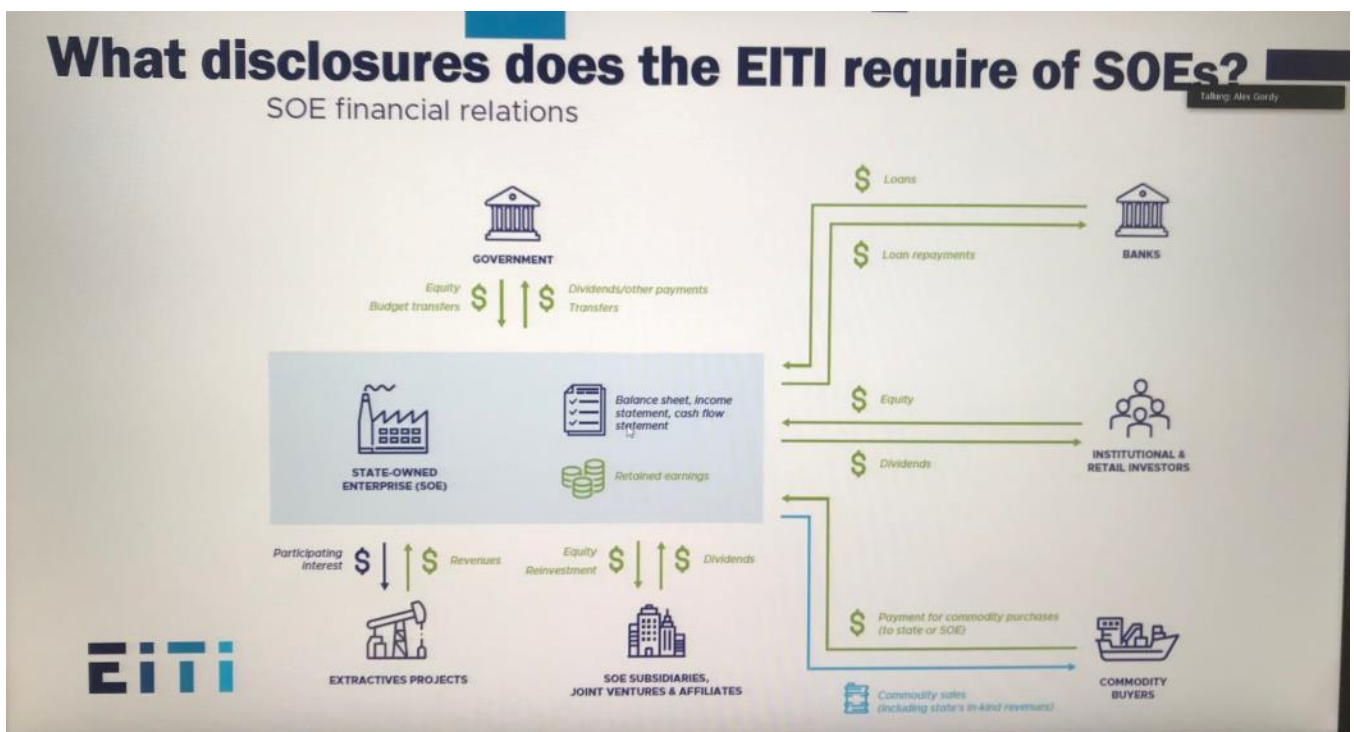
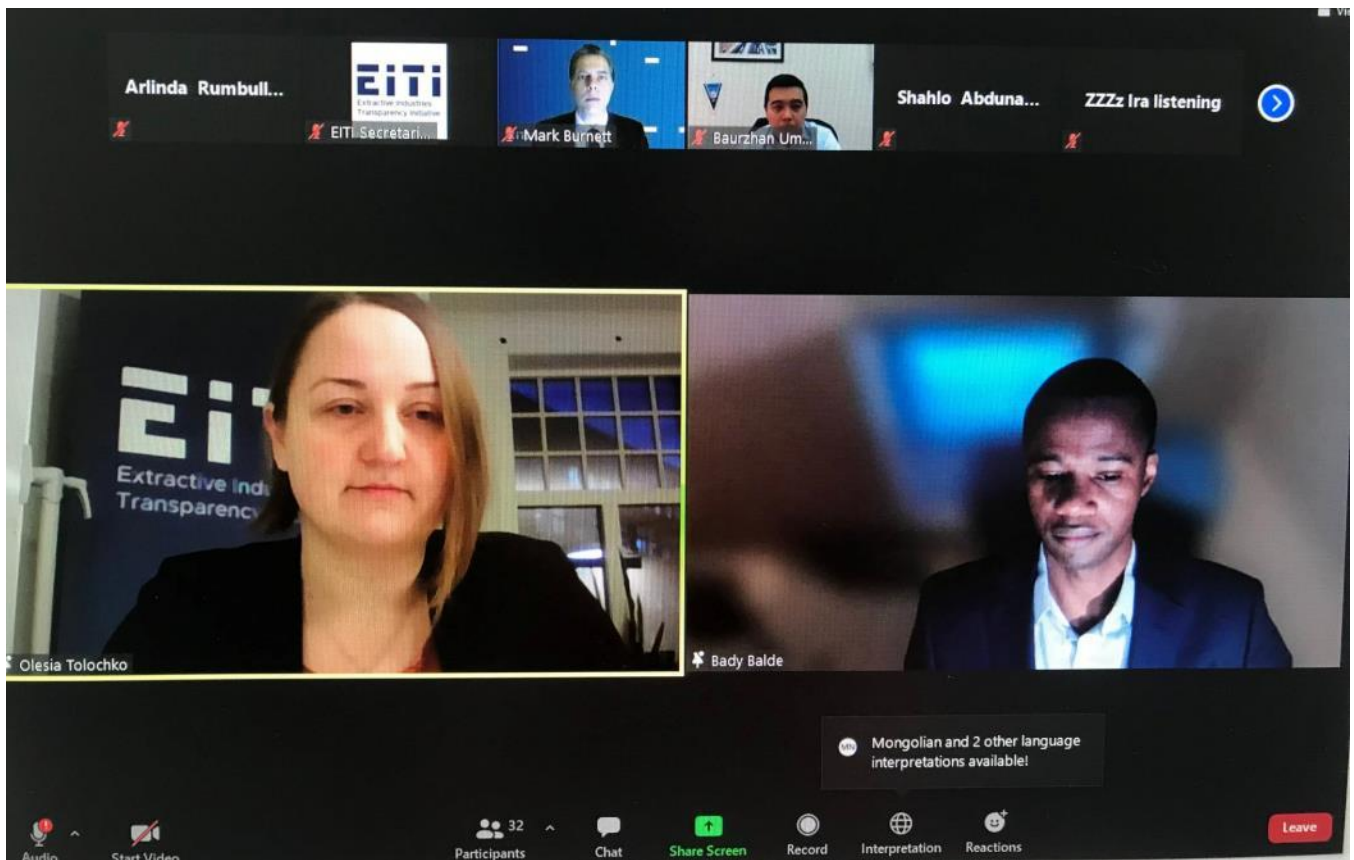
The organizational structure of national multi-stakeholder group is available on the EITI Albania official website.

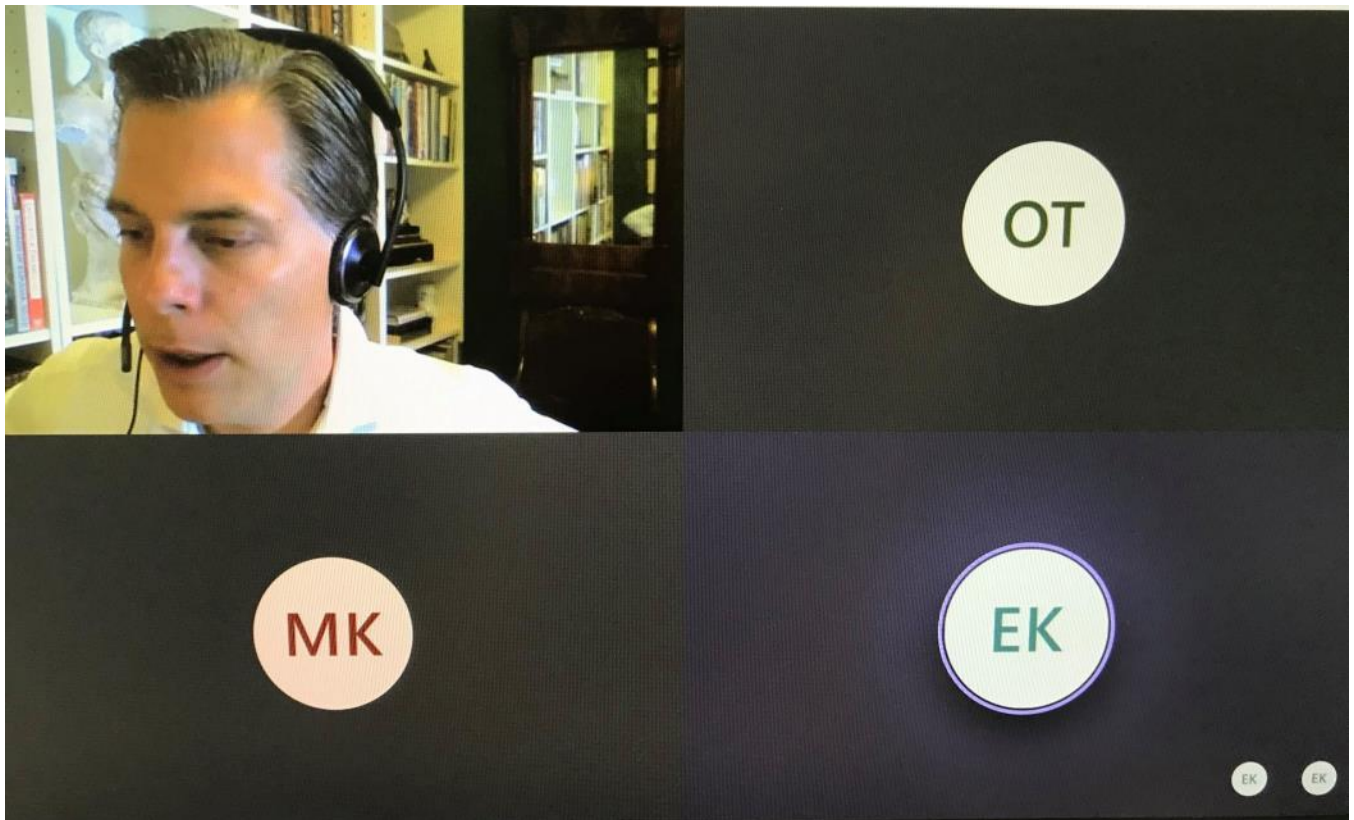


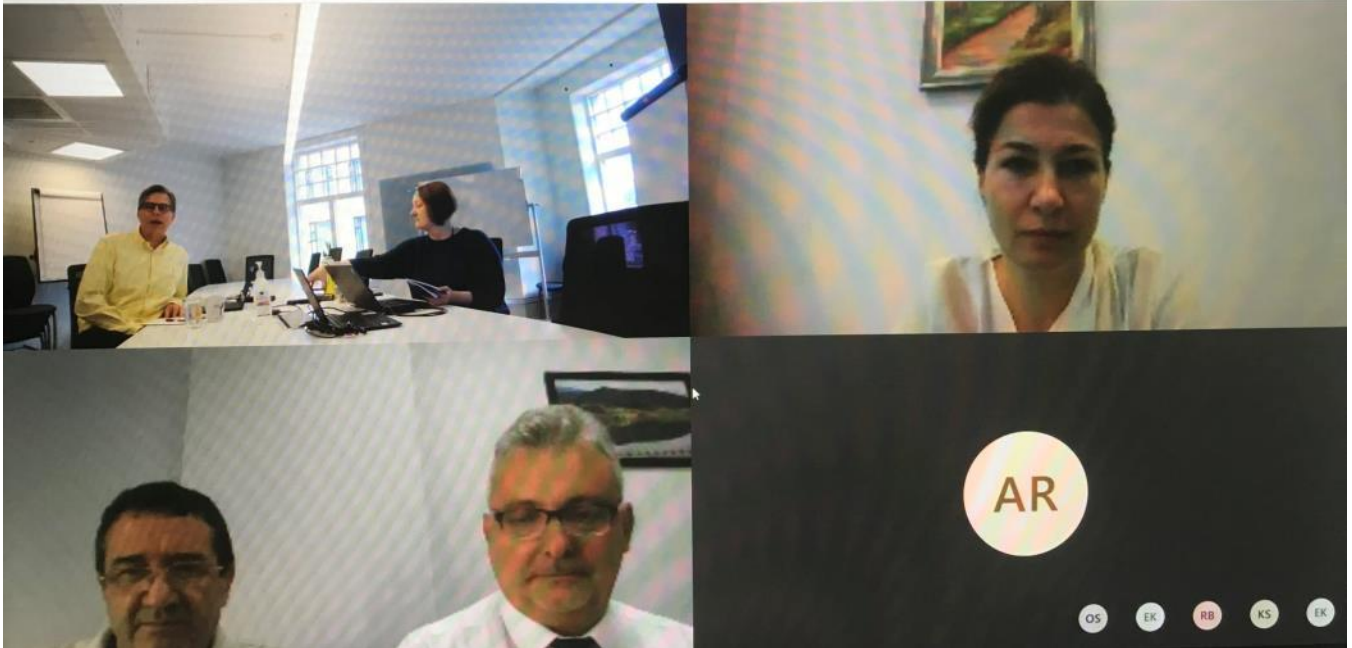
PHOTOS OF THE ACTIVITIES IN 2021

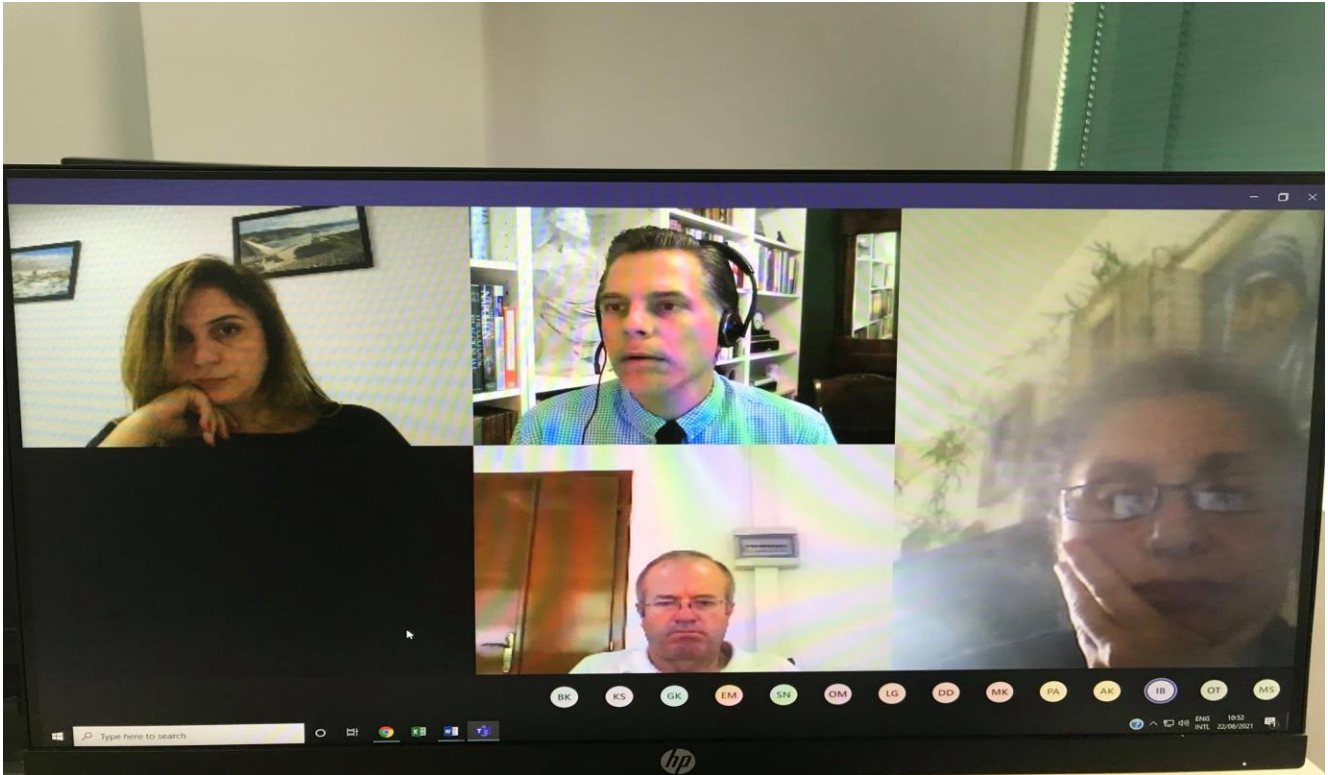


Eurasia and Southeast Asia
Regional Energy Transition
Briefing and Workshop









APPROVED BY MSG ON **JULY 2022**

