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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Enlargement Strategy and Main Challenges 2011-2012

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1. INTRODUCTION

1.1. Preface

Since March 2002, the Commission has reported regularly to the Council and Parliament on progress made by the countries of the Western Balkans region. This is the first report on the country's progress following the publication of the Commission Opinion on Albania's application for membership of the European Union, issued in November 2010.

This report on progress made by Albania on preparing for EU membership:

- briefly describes relations between Albania and the Union;
- analyses the situation in Albania in terms of the political criteria for membership;
- analyses the situation in Albania on the basis of the economic criteria for membership;
- reviews developments as regards Albania's capacity to assume the obligations of membership, that is the *acquis* expressed in the Treaties, the secondary legislation and the policies of the Union.

This report covers the period from October 2010 to September 2011. Progress is measured on the basis of decisions taken, legislation adopted and measures implemented. As a rule, legislation or measures which are being prepared or awaiting parliamentary approval have not been taken into account. This approach ensures equal treatment across all reports and enables an objective assessment.

The report is based on information gathered and analysed by the Commission. Many sources have been used, including contributions from the government of Albania, the EU Member States, European Parliament reports¹ and information from various international and non-governmental organisations.

The Commission has drawn detailed conclusions regarding Albania in its separate communication on enlargement², based on the technical analysis contained in this report.

1.2. Context

The Stabilisation and Association Agreement between the EU and Albania was signed in June 2006 and entered into force in April 2009.

Albania presented its application for membership of the European Union on 28 April 2009. Following a request by the Council, the Commission submitted its Opinion on Albania's application in November 2010. In December 2010, the Council endorsed the Commission Opinion's recommendations. In its conclusions, the Council noted that the opening of accession negotiations will be considered by the European Council, in line with established practice, once the Commission has assessed that the country has achieved the necessary degree of compliance with the membership criteria and, in particular, has met the key

¹ The rapporteur for Albania is Mr. Nikolaos Chountis.

² Enlargement Strategy and Main Challenges 2011-2012 - COM(2011) 666.

priorities³ set out in the Commission's Opinion. The Council invited the Commission to focus its 2011 progress report on implementation of these key priorities in particular.

1.3. Relations between the EU and Albania

Albania is participating in the **Stabilisation and Association Process**.

Overall, Albania has continued to smoothly implement its obligations under the **Stabilisation and Association Agreement (SAA)**. It participated in the regular political and economic dialogue between the EU and the country through the SAA structures and contributed to the sound functioning of the various joint institutions. Meetings of the Stabilisation and Association Committee and Council took place in April and July 2011 respectively. All subcommittee meetings were held in the reporting period. Furthermore, the multilateral economic dialogue between the Commission, EU Member States and potential candidate countries in the context of the pre-accession fiscal surveillance took place at an expert meeting in May 2011.

Visa liberalisation for Albanian citizens was granted by the European Parliament and the Council as of 15 December 2010. It applies to holders of biometric passports travelling to the Schengen area. This decision was based on fulfilment of the specific conditions set out in the roadmap for visa liberalisation. Implementation of the visa free regime has been smooth so far. To ensure the continued implementation of the commitments, a post visa liberalisation monitoring mechanism was established in view of increased numbers of asylum seekers from the region. The Commission presented its first monitoring report to the European Parliament and the Council in June 2011. An agreement on readmission between the European Union and Albania has been in force since 2006.

Pre-accession **financial assistance** to Albania is provided under the Instrument for Pre-Accession Assistance (IPA). Through IPA National Programmes, the EU allocated a total of € 83.2 million in 2010 and € 82.0 million for 2011. The year 2010 also saw progress in the preparation of the Multi-Annual Indicative Planning Document (MIPD) 2011-2013, which adopts a sectoral approach with the focus on Justice and Home Affairs, Public Administration Reform, Transport, Environment and Climate Change, Social Development, Agriculture and Rural Development. The MIPD 2011-2013 for Albania was adopted in July 2011. IPA assistance is implemented by the EU Delegation in Tirana.

Albania continues to participate in the implementation of three **cross border cooperation** programmes at "internal borders" within the Western Balkans (Montenegro, the former Yugoslav Republic of Macedonia, Kosovo⁴); in one bilateral cross border cooperation programme with an EU Member State (Greece); and in three multilateral programmes (including EU Member States), i.e. in the ERDF European Trans-National Programmes South East European Space and Mediterranean Space, as well as in the Adriatic regional programme.

³ The key priorities concern the following areas: the proper functioning of parliament; adopting reinforced majority laws; appointment procedures and appointments for key institutions; electoral reform; the conduct of elections; public administration reform; rule of law and judicial reform; fighting corruption; fighting organised crime; addressing property issues; reinforcing human rights and implementing anti-discrimination policies; improving the treatment of detainees and applying recommendations of the Ombudsman. For the full text of the key priorities, please see COM (2010)680.

⁴ under UNSCR 1244/1999

IPA projects in support of **civil society** in the period 2009-2011 focused on civil society organisations dealing with the fight against corruption, organised crime and human trafficking, with environmental protection and education, and also with poverty alleviation. The Commission has reviewed the Civil Society Facility to reach out more effectively to local community-based organisations, to better target needs in each country and to provide longer-term seed-funding to NGOs.

Albania continues to participate actively in three **EU Programmes**: the 7th Framework Programme (FP7) for research, technological development and demonstration activities (2007-2013), the Entrepreneurship and Innovation specific Programme (EIP) of the Competitiveness and Innovation Framework Programme (2007-2013) and the Europe for Citizens Programme. IPA funds are used to meet part of the costs of participation in all three programmes.

2. POLITICAL CRITERIA

This section examines the progress made by Albania towards meeting the Copenhagen political criteria, which require stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

It also monitors compliance with international obligations, regional cooperation and good neighbourly relations with enlargement countries and Member States.

It analyses fulfilment of the 2010 Opinion's key priorities in particular.

2.1. Democracy and the rule of law

Albania's domestic political scene has been dominated by the continuation of the political stalemate and the partial boycott of Parliament by the opposition. This political deadlock dates back to the June 2009 general elections. The outcome of these elections, which were considered by OSCE-ODIHR as meeting most international standards, although marked by shortcomings, was contested by the Socialist Party. The violent incidents of 21 January 2011, which led to the death of four demonstrators, amplified the climate of mistrust not only between political forces but also vis-à-vis State institutions. The local elections of 8 May, as a result of the controversial vote count of misplaced ballots and contested results in Tirana, further accentuated the polarization between ruling majority and opposition. All of this diverted attention from much-needed EU policy reforms. Against this background, the government made some efforts to move ahead on the EU integration agenda, and in particular to prepare an action plan to address the recommendations of the Commission's 2010 Opinion. These efforts were mirrored by good cooperation between the ruling majority and opposition on the Action Plan in the parliamentary committee for European integration and joint work to achieve agreement on necessary reforms. Efforts were also made to launch working groups on electoral reform, although these stalled.

Parliament

Some modest progress was made in the organisation of the proceedings of Parliament. This includes a limited number of amendments to the Parliament's rules of procedure, some of which - such as moving the free speaking time to the end of a Parliamentary session, are an improvement over past practice. Other improvements include changes introduced by order of the Parliament's Speaker in January 2011 such as those involving chairpersons of

parliamentary standing committees in the setting of the parliamentary agenda, and the full transcription and publication of the minutes not only of parliamentary sessions but of all parliamentary committee meetings.

In March 2011, the Parliament established a committee of inquiry, with the support of a large majority of Members of Parliament (MP), to investigate the management and activities of the leading bodies and services of the Parliament during the period September 2005 to December 2010. The committee held one meeting before the local government elections in May.

However, parliamentary work continued to be seriously hampered by the political stalemate between ruling majority and opposition, the lack of constructive political dialogue and increased confrontational rhetoric fuelled by the events of 21 January and the controversial process and outcome of the mayoral election in Tirana. The opposition ended its long boycott of parliamentary work on 5 September.

Due to the political deadlock, progress regarding legislative scrutiny and the oversight function of the executive remains insufficient. Some amendments to the rules of procedure, proposed and adopted with votes of the ruling majority, include taking tougher disciplinary measures against Members of Parliament. The inquiry committee into the leading bodies and services of the Parliament has not been mandated to conduct an analysis of the parliament's rules of procedure.

There have been some serious efforts to establish inter-party cooperation in the European Integration Committee, chaired by the opposition, in particular to work on the Opinion follow-up action plan. The Minister and the Deputy Minister of European Integration reported a number of times to the committee on European integration matters, which had not been the case before. Agreement has not yet been reached on key reform steps and measures to address the key priorities of the Opinion, which were included in the opinion follow-up action plan.

On the whole, the proper functioning of Parliament based on constructive and sustained political dialogue between all parties – which is a key priority of the Opinion – is not yet ensured.

During the reporting period the Parliament passed more than one hundred laws. However, the adoption of a number of much-needed laws requiring a three-fifths majority, which is a key priority of the Opinion, and where a consensus between majority and opposition is needed, is still pending. The limited or interrupted cooperation between ruling majority and opposition in parliamentary committees, the continuing restraints on access to specialist expertise, although improvements have been made in some cases, and further limited consultation with third parties, including civil society, raise questions about the quality of adopted laws.

Several measures were taken to strengthen the administrative capacity of the parliament, including the recruitment of additional staff. Additional advisory staff was provided to the Integration Committee in March 2011. Further steps were taken to strengthen the Parliament's infrastructures and to facilitate communication both within Parliament and with the public. A high quality network was installed, and online broadcasting of plenary sessions and the modernisation of other facilities contributed to increased transparency. However, there is still lack of administrative capacity in Parliament, and the politicisation of appointments which hampers the independence and professionalism of staff, remain a cause for concern. Consultation of civil society in the legislative process remains insufficient.

In June 2011, a Constitutional Court ruling requested by the ruling majority concluded that criteria for appointments to the Constitutional Court and High Court were to be defined in cooperation between the President and the Parliament. The hearing and voting process for presidential appointments, which has resumed after a period of suspension, continued to be marked by politicisation and confrontational rhetoric. Parliament has not yet ensured an orderly hearing and voting process for constitutional and high court appointments, which is a key priority of the Opinion.

No progress was made in amending the legislative framework for elections in line with OSCE/ODIHR recommendations, which is a key priority of the Opinion. In October 2010, the government initiated a cross-party round table to address the need for electoral reform. It invited all parties to propose amendments in line with OSCE/ODIHR recommendations. In March 2011, a political agreement was signed by the parties of the ruling majority (without the opposition) to set up a bipartisan parliamentary committee on electoral reform after the 8 May local elections. This committee has not yet been established. Electoral reform is blocked by the political stalemate and lack of political dialogue between the main parties.

The 8 May local government elections took place in a highly politically polarised atmosphere, which affected the overall conduct of the process. According to OSCE/ODIHR's final assessment, while the elections were competitive and transparent, mistrust between political parties prevailed and the parties did not discharge their electoral duties in a responsible manner. This climate adversely affected the administration of the elections. The OSCE/ODIHR assessment also pointed out that, despite a competitive process in terms of campaigning, numerous violent incidents marred the campaign period. Political parties did not comply with the gender requirement quota, which resulted in a low level of participation by women. Notable progress was made regarding the improvement of voter lists. However, problems relating to their accuracy persisted.

The OSCE/ODIHR observation mission noted that, while voting proceeded relatively well on Election Day, significant problems occurred in around 10% of voting centres. It also pointed to an overall positive, but lengthy counting process. In particular, the determination of the results of the Tirana mayoral election became a highly controversial process and the decisions of the Central Election Commission (CEC) were taken along partisan lines, lack reasoning and included inconsistencies. Political and legal controversy also occurred with regard to the handling of appeals by the Electoral College, in particular regarding Tirana.

Overall, despite a number of positive aspects, such as the competitiveness of the process, transparent technical preparations, relatively good conduct on voting day, a positive counting process, plurality and diversity of media coverage, the conduct of elections, which is a key priority of the Opinion, only partially met the best international standards and practices. Although the Electoral Code remains a good legal and technical basis for the electoral process, the electoral reform is a necessity for further progress. In this context, the role of the political parties is important not only as the main actors in reform processes, but also in ensuring that the political climate does not negatively influence the process and consequently does not have an adverse impact on the expression of the will of voters. The implementation of the OSCE/ODIHR recommendations for these elections as well as of those made in 2009 should constitute a priority for Albania's institutions and political class.

Overall, despite some improvements to parliamentary rules and practice and an increase in the Parliament's administrative capacities, the performance of the Parliament on legislative and oversight functions, which is a key priority of the Opinion, remains insufficient. The long-

standing political stalemate, which was further fuelled by the 21 January events and controversy over the Tirana mayoral elections, has seriously hampered both parliamentary work and the necessary sustained and constructive political dialogue. The political stalemate also hampered establishment of a consensus enabling the implementation of relevant EU reforms. The opposition's partial boycott has obstructed parliamentary business. In this regard the end of the opposition's boycott and their return to parliamentary work on 5 September is a positive step towards the normalisation of political dialogue. An inclusive political environment conducive to cross-party consensus needs to be fostered in Parliament. The climate of polarization and mistrust between the government and opposition has affected the local elections of 8 May; there are areas where international standards were met, in the conduct of these elections, a key priority of the Opinion, and areas where this was not the case. Electoral reform, a key priority of the Opinion, has stalled. Parliament has not yet ensured an orderly hearing and a vote on constitutional and high court appointments, which is a key priority of the Opinion.

Government

The government coalition between the Democratic Party (DP) and the Socialist Movement for Integration (SMI) remained in place during the reporting period. In January 2011, following allegations of corruption, the Deputy Prime Minister and Minister of Economy, Ilir Meta, resigned. Lulzim Basha, running as candidate for mayor of Tirana, resigned from his position as Minister of the Interior.

The Ministry of European Integration (MoEI) has made significant efforts in preparing an Action Plan to address the Opinion's key priorities, which was coordinated with line Ministries and other relevant institutions. The MoEI actively consulted on the Action Plan with all key stakeholders and reported on it to the parliamentary Committee on European Integration. The Action Plan was adopted by the Council of Ministers in June. It has still not been approved by Parliament. Agreement on the Action Plan in Parliament is particularly relevant for reform areas requiring consensual decisions.

Steps have been taken to assess the legislative gap as regards alignment with the *acquis* and to prepare adjustments to the National Plan for the Implementation of the SAA 2009-2014 (NPISAA) accordingly. However, the NPISAA does have some shortcomings, including the lack of full coverage of *acquis* chapters. It also lacks a comprehensive assessment of the administrative capacities for the implementation of the *acquis*.

In order to fully play its role, the MoEI will require further resources in order to steer and manage the EU approximation process in full consultation with the relevant line ministries. The use of an IT system to improve the planning process, which has been ready since April 2011, has been delayed due to the pending adoption of amendments to the rules of procedure of the Council of Ministers. Progress on preparations for the harmonisation of legislation with the *acquis* has been limited, in part due to local elections which have taken up considerable attention on the part of politicians at central level.

Legislative drafting in line ministries needs to be improved by strengthening preparatory work and by appropriate consultations. Specific rules on improving transparency and consultation in the legislative process, which Albania is committed to adopt, need to be completed. The consultation process with civil society and other partners needs further strengthening.

Policy coordination needs to be developed further, particularly in relation to the Inter-institutional Coordination Committee for European Integration (KKNIE). The KKNIE often does not meet in the format laid down in the government regulation, and preparation of decisions for the government is hampered. The members of inter-institutional working groups are appointed on an ad-hoc basis, which contributes to the weakening of institutional memory. Some of the working groups have not met since October 2010. Despite these shortcomings, the KKNIE has played a role in defining the action plan for addressing the key priorities of the Opinion.

There were some developments in *local government* legislation. In November 2010, Parliament approved amendments to the Law on Local Government Taxes, giving local government units a mandate to reimburse small businesses for the cost of purchasing and installing fiscal devices. The increasingly difficult relationship between the DP-led central government and the majority of SP-led local government units has continued to impact on the process of decentralisation reform, which had previously been successful.

The management of local government taxes remains weak. Local government authorities continue to lack the administrative capacity to improve revenue collection, increase their fiscal autonomy and improve their performance accordingly. Several local government units were unable to approve the 2010 municipal budget - a situation which continued during 2011. The access of local government units to loans, as provided for by the law on local borrowing, remained limited.

Overall, considerable efforts were made by government and by the Parliamentary Committee for European Integration to advance and coordinate reforms on EU integration, and in particular to prepare an action plan to address the recommendations of the Commission's 2010 Opinion. The quality of legislative drafting and consultation with third parties require further improvements. The decentralisation reform process was adversely affected by the difficult relationship between central and local government.

Public Administration

Some limited progress can be reported in the area of public administration reform, which is a key priority of the Opinion. The Government has adopted a policy paper exploring various changes to be put in place by means of a new Law on the Civil Service. On this basis, amendments to the Law on the Civil Service were prepared. A policy paper on a new Law on Organisation and Functioning of the State Public Administration and an initial draft of this new law were prepared and communicated to stakeholders within the public sector. In June 2011, as part of the inspection reform, Parliament adopted the Law on Inspections. In the same month, a Council of Ministers decision defined standards and methods for the establishment of public bodies in terms of structure and organisation.

However, public administration reform has not advanced much overall. Important legislative acts requiring a three-fifths majority in Parliament, such as the law on general administrative procedures, the law on functioning of public administration and the law on administrative courts, are awaiting adoption.

Pending adoption of amendments to the Civil Service Law, the civil service is suffering from important shortcomings, especially in respect of the merit principle in recruitment procedures, allocation of temporary contracts, rules on promotion and mobility and dismissal of civil servants. The functioning of the civil service continues to suffer from politicisation, in

particular as regards appointments. Implementation of Prime Ministerial (PM) Order of October 2010 setting a maximum limit of 2.5% temporary appointments in civil service positions remains poor. Evidence of proper implementation of the PM order still has to be provided.

The Human Resources Management Information System (HRMIS) is not yet operational and its database is incomplete.

The capacity of the Department of Public Administration (DOPA) was further increased by four additional staff and it can be considered as adequate overall. However, in the institutional context, it lacks the authority to play its role effectively. DOPA's capacity to collect and elaborate data from Ministries and to draft relevant reports remains insufficient. Data on the recruitment of civil servants since the adoption of the PM order in October 2010 are incomplete and not up-to-date.

The Training Institute for Public Administration (TIPA) has encountered serious difficulties in implementing planned training activities, and at the same time has had to cope with a substantial reduction of its operational budget. In June, with the vote of the ruling majority, Parliament appointed the fifth member of the Civil Service Commission. This post had been vacant since 2009, which led to difficulties in the decision-making process.

Limited progress was made on new types of auditing, such as certification and performance auditing, which is being developed gradually by the supreme audit institution (SAI). However, reporting to the Parliament on audit findings and the follow-up of audit recommendations still need to be improved in order to enable the SAI to fulfil its role in the national governance framework.

No progress was made on the appointment of the *Ombudsman*, a key priority of the Opinion, which has been pending since February 2010. Given the importance of this independent institution, there is a need for an effective, transparent and non politicised process of appointment. Nonetheless, the institution has proved to be active and responsive in investigating cases and drafting ad-hoc and comprehensive annual reports.

Overall, despite some reform measures such as the Council of Ministers decision on structure and organisation of public bodies of June 2011, essential steps in public administration reform, which is a key priority of the Opinion, including amendments to the civil service law, have not been completed. Adoption of relevant legislation is pending and contingent on overcoming the persistent political stalemate. Implementation of the existing laws and administrative acts remains weak. In the institutional context, DOPA continues to lack sufficient authority to take up its role fully. Establishing an independent, merit-based and professional civil service free from political interference has yet to be achieved. Appointment of the Ombudsman is still pending.

Judicial system (see also Chapter 23 – Judiciary and fundamental rights)

There has been some limited progress in completing the legal framework for judicial reform. A Judicial Reform Strategy and Action Plan, consulted with a broad group of stakeholders were adopted in July. They form a good basis for reform efforts. Adoption but also implementation of the strategy and action plan is a key priority of the Opinion. Implementation is only starting; it will require the allocation of adequate human and financial resources as well as sound inter-institutional cooperation. A new law on mediation in conflict

resolution and relevant by-laws in line with EU standards were adopted in February 2011. In addition, by-laws to the judicial police law have now been adopted.

However, relevant legislation such as the law on administrative courts and amendments to the criminal code, which requires a three-fifths majority vote in Parliament, is pending. Further important legislation requiring a three-fifths majority vote such as the law on judicial administration and the law on the National Judicial Conference still need to be prepared and brought to Parliament.

No further progress has been made as regards the *independence* of the judiciary. There have been concerns about undue interference or hindrance of independent investigation and prosecution of possible criminal offences following the events of 21 January, which saw the death of four demonstrators. The process of appointing judges to the High Court and the Constitutional Court remains an issue of concern in terms of the length the process and most of all in terms of the risk of politicisation. The neutrality and independence of these institutions are still not fully guaranteed.

Regarding the professionalism of the judiciary, efforts have been made to align the work of the High Council of Justice (HCJ) with European standards by means of amending the evaluation system for judges, improving the reasoning behind appointment decisions taken by the HCJ and the creation of a Commission on transfers, promotion and appointment of judges. The effectiveness of the changes made to the evaluation system now needs to be verified in practice. The timing of the implementation of the new evaluation system has to be decided.

As regards *impartiality*, a computerised case management system and random allocation of cases in criminal and civil procedures are in place in most judicial offices. Further efforts need to be made in order to have a fully uniform and harmonised integrated case management system functioning in all courts, including the sound gathering of statistics. There is a code of ethics applicable to judges but its effective implementation remains a challenge.

In relation to *accountability* in the judiciary, the issue of overlap of inspection powers between the inspectorates of the HCJ and of the Ministry of Justice (MoJ) is still unresolved. In the absence of a revision of the law on the HCJ, which would require a three-fifths majority vote in Parliament, the MoJ and HCJ have adopted a Memorandum of Understanding to clarify some aspects of the overlapping inspection systems.

No progress has been made in combating corruption within the judiciary. One of the main factors obstructing investigations into possible cases of corruption in the judiciary is the full immunity enjoyed by judges. It will be necessary to limit or abolish the immunity of judges, which requires changes to the constitution. The poor working conditions and relatively low salaries of judges are risk factors for corruption in the judiciary.

No further progress was made regarding the *efficiency* of the judiciary. Reforms of the High Court planned by the MoJ aimed at improving the efficiency of the Court and reforming its internal organisation have been delayed.

Working conditions in courts are still poor in general and hearings often take place in judges' offices, which hampers transparency and efficiency. There is still no sound and adequate system of training for court administrators.

Court management remains poor due to a lack of human and financial resources, in particular in district courts of first instance. The yearly budget for the judiciary is €69 million, which

corresponds to 0.7% of the Albanian GDP. The backlog of court cases, and in particular the large number of cases older than three years, is still a problem. Unreasonable delays in court cases, which are often caused by postponement of court proceedings due to the absence of either the lawyers or the judges, and the unjustifiably large number of trial sessions for cases remains a matter of serious concern. The National Chamber of Advocacy has started drawing up a draft proposal to reform the disciplinary measures mechanisms for lawyers. Weaknesses in the drafting and insufficient reasoning of judgments remain a cause for concern. Criminal proceedings in the so called Gërdec case (the deadly blast in 2008 which killed 26 people) have so far included 152 hearings. There is a risk that unjustified and persistent delays in proceedings prevent fulfilment of the principle of a fair trial as enshrined in the Albanian constitution.

Enforcement of court decisions is weak, in particular in cases where state institutions are the defendants. The new private bailiff system has started to operate, but there is a need to improve case management for bailiffs. Further efforts are needed in order to increase enforcement rates.

The workload of the Constitutional Court is increasing, especially in relation to the alleged violations of the right to a fair trial. Moreover, the Court lacks adequate office space and equipment for its effective functioning.

Overall, limited progress was made in completing judicial reform, which is a key priority of the Opinion. The judicial reform strategy and its action plan were adopted in July. They form a good basis for reform efforts. Implementation is only starting; it will require the allocation of adequate human and financial resources as well as sound inter-institutional cooperation. Important legislation requiring a three-fifths majority vote in Parliament such as the law on administrative courts is pending adoption. Court backlogs and the excessive length of proceedings undermine the efficiency of the judicial system. Budgetary appropriations for the judiciary remain insufficient overall. The rate of enforcement of decisions is still poor. No steps have been taken to combat corruption in the judiciary, including limiting or abolishing the immunity of judges.

Anti-corruption policy (see also Chapter 23 – Judiciary and fundamental rights)

Some progress was made regarding the government's policies to fight corruption. In relation to the strategic policy approach on corruption, a new anti-corruption action plan for the period 2011-2013 encompassing individual action plans for all government ministries/agencies concerned was adopted in June 2011. The quality of action plans, including indicators to monitor progress, has improved. Implementation of action plans is proceeding.

There has been progress in strengthening the legal framework by implementing recommendations of the Group of States against corruption (GRECO) related to the issue of incrimination and political party financing. Regarding incrimination, recommendations were partly implemented; the Criminal Code amendments are awaiting adoption in Parliament by a three-fifths majority vote. Regarding political party financing, all recommendations but one were implemented; the latter is partly implemented because there is no clear deadline for submitting party annual financial reports.

The institutional framework to combat corruption has been further developed. With a view to improving coordination in the implementation of the anti-corruption strategy, a clearer distribution of responsibilities was defined between the inter-ministerial working group

(IWG), the inter-ministerial Technical Group and the Technical Secretariat of the IWG. A new internal control department was established in the General Directorate of Customs. However, as in the Directorate of Tax Office, this department focuses more on financial control tasks than explicitly on anti-corruption measures. Free phone numbers for citizens to report suspected cases have been installed in a number of institutions concerned.

Efforts to improve inter-institutional cooperation were made through the signing of memoranda of understanding (MoU) foreseeing in particular an increased exchange of information and cooperation on investigations. The Department of Internal Control and Anti-Corruption (DIACA) and the High Inspectorate for Declaration and Audit of Assets (HIDAA) have each signed separate such memoranda with the High Council of Justice (HCJ) and with an anti-corruption NGO. However, the implementation and effectiveness of such MoU still have to be verified in practice.

Some limited preventive measures were taken by launching awareness-raising initiatives.

However, overall implementation of anti-corruption measures remains insufficient. Corruption is prevalent in many areas and remains a particularly serious problem.

There are shortcomings in the administrative capacity of relevant institutions and in the proposed mechanisms to ensure proper monitoring of the implementation of the anti-corruption action plans. The DIACA in particular has not been strengthened sufficiently as regards its staff and its monitoring competences; its ability to effectively coordinate anti-corruption policies accordingly remains limited. Reporting on anti-corruption measures and implementation by responsible authorities needs to be improved. Criminal law statistics as well as statistics on conflict of interest cases and prevention measures remain insufficient or unreliable.

There continues to be a lack of human resources and technical infrastructure in a number of investigation and law enforcement agencies. Joint Investigative Units, although continuing to be good instruments for investigating and prosecuting corruption cases, have insufficient human resources and technical equipment. HIDAA, although an important player in combating corruption, has limited resources to undertake extensive inspections and full audits of asset declarations by officials. In the light of this, HIDAA needs to further strengthen cooperation and exchange of information with other services such as the Financial Investigation Unit, Customs services, or the Immovable Property Registration in order to be able to conduct administrative investigations more effectively.

Investigation into possible corruption cases is hampered by the lack of access to the various registries (e.g. car registry and land register) by investigation and law enforcement agencies and by the lack of a central register of bank accounts.

Proactive investigation, i.e. systematic, targeted and risk-based investigations into possible corruption areas and cases, is lacking in Albania. The full immunity of high level officials remains a major obstacle to effective and successful investigation. Immunity of judges is only rarely lifted and the lack of confidentiality in a case following the lifting of immunity seriously impedes effective investigation. Following an initiative by a number of Members of Parliament in the ruling majority MPs can waive their immunity in cases of criminal prosecution on corruption charges by signing an individual voluntary declaration at the start of their mandate; this followed the amendment of parliamentary rules and regulations on immunity from criminal prosecution. While this expresses political will to tackle high-level

corruption, the legal validity of these declarations is open to question. An amendment of the relevant constitutional provisions may be required in order to limit or abolish immunity both for judges and for MPs.

Although cooperation between agencies, including joint training, has improved further, the exchange of relevant information is often late or ineffective. Cooperation between law enforcement agencies and prosecution on the one hand, and courts on the other, remains insufficient.

Little progress has been made in developing a solid track record of proactive investigations, prosecutions and convictions in corruption cases at all levels, which is a key priority of the Opinion. In particular, investigation of medium and high level corruption cases is rare. The General Prosecutor launched an investigation on charges of corruption and misuse of office against the former Deputy Prime Minister (PM), Ilir Meta, following the publication of a controversial video. This subsequently also led to charges being brought against the former Minister of Economy, Dritan Prifti. The case concerning former deputy PM Meta is currently the only high-level case which has gone to court.

Overall, limited progress was made in the field of anti-corruption policy, which is a key priority of the Opinion. Although the legal framework and inter-agency structures are mostly in place, implementation of specific actions on the other hand remains ineffective overall and the results are insufficient. Public awareness campaigns are only just starting. The immunity of certain public officials, the absence of a proactive approach and the lack of resources and equipment continue to seriously obstruct effective investigation. There is no solid track record of investigations, prosecution and convictions at all levels. Corruption is prevalent in many areas and continues to be a particularly serious problem.

2.2. Human rights and the protection of minorities (*see also Chapter 23 – Judiciary and fundamental rights*)

Observance of international human rights law

Albania has continued the process of ratification of **international human rights instruments** by ratifying the Council of Europe Convention on Human Rights and Biomedicine. Ratification of the UN Convention on the Rights of Persons with Disabilities, signed in December 2009, is still pending. Delays in application and non-compliance with judgments of the **European Court of Human Rights (ECtHR)** are an issue of concern. Albania's decision to extradite a murder suspect to the United States in breach of an interim measure of the Court was criticised by the Rapporteur of the Parliamentary Assembly of the Council of Europe. During the reporting period, the ECtHR delivered 5 judgments finding that Albania had violated rights guaranteed by the European Convention on Human Rights (ECHR). A total of 83 new applications allocated to a decision body have been made to the ECtHR since October 2010. In September 2011, 321 allocated applications regarding Albania were pending before the ECtHR.

As regards **promotion and enforcement of human rights**, the appointment of the new Ombudsman has been pending since February 2010. Due to this legal void, the process of appointing three Commissioners of the Ombudsman's Office in November 2010 did not follow the procedures laid down by law. The Office of the Commissioner for Protection from Discrimination has become operational since January 2011 and moved to permanent premises in August, while recruitment of staff is nearing completion. Its capacity to manage cases and

encourage potential victims to come forward needs to be strengthened. The allocation of sufficient resources to ensure the full independence of human rights bodies has not been guaranteed. Albania's respect for human rights continues to be monitored by international bodies. Following the events of 21 January, exceptional visits were made by both the Committee for the Prevention of Torture and the Commissioner for Human Rights of the Council of Europe. The latter underlined the need for thorough, impartial and credible investigations into these events and called for the persons responsible to be held accountable.

Civil and Political Rights

Taking additional measures to improve the treatment of detainees in police stations, pre-trial detention and prisons; strengthening the judicial follow-up of case of ill-treatment and improving the application of recommendations of the Ombudsman in this field is a key priority of the Opinion.

With regard to the prevention of **torture and ill-treatment and the fight against impunity**, some progress has been made in the penitentiary system, but there remain concerns over arrest and police custody. The General Directorate of Prisons has organised training events, multidisciplinary and thematic inspections, and has made efforts to address reported cases of ill-treatment. A new methodology on treatment of detainees was approved in January 2011. There has been some progress in procedures relating to the follow-up of recommendations of the Ombudsman in this field, with a specific working group being set up within the Ministry of Justice. However, it remains to be seen whether this will lead to the better application of the recommendations. Amendments to the manual on the rules and treatment of arrested and detained persons in police units have been drafted.

Cases of ill-treatment and excessive use of force continue to be reported, particularly during arrest and police custody. Such abuses were for instance reported in the aftermath of the events of 21 January 2011. Procedures for processing accompanied or arrested persons are not systematically observed. There is no evidence of any substantial progress on increasing the judicial follow-up of cases of ill-treatment. Budgetary allocations to the National Prevention Mechanism against Torture remain insufficient. The Memorandum of Understanding between the Ministries of Justice and Health regarding the care of mentally ill offenders is under negotiations but its signature is still pending. Mentally ill persons convicted of crime and under obligatory treatment continue to be held in the Institute of Kruja, instead of a specialised forensic institution. The treatment of mentally ill offenders still needs to be improved. The lack of a permanent appropriate solution for the placement of those under obligatory treatment remains a serious concern.

Blood feuds and extra-judicial killings continue to affect some sections of the population, with some families still choosing self-isolation for fear of reprisals. Although there is a lack of fully reliable data on the numbers involved, sources indicate that this phenomenon continues to exist and remains an issue of concern.

Some progress has been made concerning the **prison system**. Improvements in penitentiary infrastructure have continued. Capacity-building activities have been held for prison personnel and some attention has been paid to the treatment of vulnerable persons in prisons. In February 2011, amendments to the Council of Ministers Decision on the approval of the overall regulation of prisons were adopted. In April 2011, a Decision to include convicted and pre-trial detainees in the category of economically inactive persons, allowing access to free health insurance, was adopted. Development of the probation service and opening of new

offices (now in 8 of the 12 regions) has helped to reduce overcrowding, which stood at around 10% in June 2011. Efforts have been made by the management in some penitentiary facilities to improve the living conditions of persons deprived of their liberty, for instance through increased outdoor breaks. Vocational training continues to be developed.

However, important problems remain, particularly with regard to poor conditions in some older prisons and pre-trial detention centres, as well as in police commissariats. Moreover, infrastructure planning is not always adequate. There have been several instances of collective complaint movements by groups of prisoners about living conditions and the use of physical and psychological violence by staff. These need to be thoroughly investigated. The living conditions of prisoners largely depend on what is provided by their families, including food. Conditions in health care facilities and the lack of heating in many institutions, including in some refurbished premises, are causes for concern. The use of individual padlocks on cell doors poses a risk to detainees in the event of an evacuation. Medical examinations upon entry into penitentiary institutions have not been conducted systematically and there are concerns over the confidentiality of medical data in prisons and police commissariats. There are further problems concerning confidentiality of phone calls and accessibility of complaint forms for the Ombudsman. Continued over-use of pre-trial detention for low-risk offenders and particularly for juveniles remains a concern.

As regards **access to justice**, a memorandum of understanding was signed in March 2011 between the State Commission for Legal Aid and the Commissioner for Protection from Discrimination to set provisions for free legal assistance for victims of discrimination. The State Commission for Legal Aid was set up, by-laws have been adopted, but the law remains to be fully implemented. Adequate mechanisms for the objective assignment of lawyers to cases have still to be developed. Access to justice for vulnerable persons and victims of domestic violence is hampered by the lack of implementation of the Law on Free Legal Assistance. Persistent delays in judicial proceedings call into question citizens' effective access to justice.

Freedom of expression continues to be generally respected, although progress in this field has been very limited. A positive development is the enhanced role of investigative journalism in revealing and denouncing corruption. The media provided extensive coverage of the May 2011 local elections and some outlets took a step towards increased independence by not broadcasting ready-made tapes provided by political parties. The moratorium on the use of defamation suits by government officials continues to be implemented. Although the Court of Appeal overturned the large fine imposed on a TV channel in a case involving a high-level politician, the application of the principle of proportionality of fines against media outlets or journalists is not always respected. Concerns have been raised in a number of cases over what media outlets describe as biased application of fiscal rules, financial pressures and bias in judicial proceedings. There has been a case of violence against a journalist who was attacked by unknown assailants on grounds reportedly related to his work. Editorial independence continues to be hampered by political and business interests, which also leads to self-censorship. No measures have been taken to enhance transparency in media ownership. Amendments decriminalising defamation and libel are pending a three-fifths majority vote. The independence of the public service broadcaster has not been increased and although three journalists' associations or trade unions exist, there still is no self-regulatory body for the media. Overall, there has been limited progress on completing the legal framework on the media. More efforts are needed to ensure media independence and freedom.

Freedom of assembly and association has generally been respected and no cases of deliberate prohibition of public gatherings have been reported. The reporting period was marked by a succession of rallies and demonstrations gathering supporters of the two main political parties. Although these were generally peaceful, there is serious concern regarding the violence that ensued during the demonstrations of 21 January 2011, in which four people were killed. The investigation into these events is ongoing, albeit very slowly.

The strategy on human rights defenders is being implemented. The Agency for Support to Civil Society is operational and has launched two calls for proposals. Albanian civil society lacks cooperation and capacity; most organizations remain dependent on donors, leading to excessive competition for funds in the sector. Civil society has been consulted on some legislative initiatives, particularly in the field of human rights. However, no systematic dialogue is in place and consultation of NGOs in the legislative process remains insufficient overall.

There have been developments in the field of **freedom of thought, conscience and religion**, which continues to be respected. In November 2010, the Albanian Evangelical Alliance signed an agreement with the government according to which Protestantism became the fifth official religion alongside the Sunni Muslim, Bektashi, Orthodox and Catholic religions. Based on this agreement the Albanian Evangelical Alliance will also be entitled to receive support from the state budget, as is the case for the other official religious groups.

Economic and Social Rights (see also Chapter 19 – Social policy and employment)

Taking concrete steps to reinforce the protection of human rights, notably for women, children and Roma, and to effectively implement anti-discrimination policies is a key priority of the Opinion.

Some progress has been made regarding **women's rights and gender equality**. The 2011-2015 extension of the National Strategy on Gender Equality and the Fight against Domestic Violence was adopted in June 2011. The National Referral Mechanism for victims of domestic violence was established in 17 municipalities. Amendments to the Law on Measures against Domestic Violence made it a legal obligation for the local government units to implement the Mechanism and provided for improved access to justice for victims of domestic violence. The national shelter for victims of domestic violence is operational, standards for care of victims in residential public and non-public centres have been adopted and training of health care workers to enable them to deal with cases of gender-based violence has taken place. Some awareness-raising campaigns have been organised to enhance participation of women in public life and to empower them economically. Some progress was made in the application of the gender quota compared to the last elections.

However, the gender quota was not respected throughout the country in the May 2011 local elections. In its report, the OSCE/ODIHR recommended that consideration should be given to increasing the amount of the fine for electoral subjects that do not respect the gender requirement and making receipt of public financing dependent on respecting these provisions. Only five women were elected mayor and two head of a commune. Women continue to be under-represented in the labour market, policy-making and politics. Implementation of existing legislative and policy tools in this field continues to be weak. Coordination between institutions at local and central level needs to be increased substantially. For the moment, the network of gender equality officers consists of only 15 persons in municipalities throughout

Albania. Domestic violence still remains widespread and the protection of women against all forms of violence needs to be considerably strengthened in practice.

There has been some progress in the area of **children's rights**. The Law on the Protection of the Rights of the Child was adopted in November 2010. This law establishes several institutional mechanisms to ensure respect of the rights of children by the family, state and third parties at central and local level. A State Agency for the Protection of the Rights of the Child has been established and the members of the National Council for the Protection of the Rights of the Child have been appointed. However, the Council has yet to become operational. Child Rights' Units are now established in 9 regions and Child Protection Units in 28 municipalities and communes. Secondary legislation related to the Albanian Adoption Committee has been approved by the Council of Ministers and the pilot project on foster care involving 80 children continues to be implemented. A juvenile justice strategy addressing neglected aspects, such as the protection of child victims and witnesses of crime, and measures concerning offenders below the age of criminal responsibility, is pending. The State Police has started implementing an operational plan on preventing trafficking, maltreatment, sexual exploitation and coercion of juveniles to work or beg. It remains to be seen whether its implementation will lead to any substantial progress on reducing child labour. Although the Law on Protection of the Rights of the Child foresees the protection of children from physical and psychological violence, concerns remain regarding the exertion of violence against children, including use of corporal punishment

Progress in the treatment of **socially vulnerable and/or persons with disabilities** is insufficient. A working group led by the Ministry of Labour, Social Affairs and Equal Opportunities is preparing a law on persons with disabilities. The lack of access to equal rights resulting from the differentiated status for certain groups still persists. Individuals with mental disabilities still do not have an official status. Implementation of the national strategy on persons with disabilities continues to be inadequate and employment quotas are not enforced. In April 2011, a group of persons with disabilities staged a hunger strike to demand better conditions and increased welfare payments.

Some limited progress has been made regarding the implementation of **anti-discrimination policies**. The Office of the Commissioner for Protection from Discrimination has carried out several awareness-raising campaigns and training events. The Office has been consulted on draft legislation. Its website is operational and complaint forms have been made available online. So far, only eight cases of alleged discrimination have been submitted to the Office, with two of them leading to recommendations from the Commissioner. General awareness, particularly at the local level, of the provisions of the Law on Protection from Discrimination among the public and key professional groups (law enforcement, judges, education and healthcare workers) remains low. Greater knowledge of the law among citizens and professionals is needed in order to ensure its successful implementation. NGOs working with the lesbian, gay, bisexual and transgender (LGBT) community in Albania have been strengthened in the past year. In July 2010, the Ministry of Labour, Social Affairs and Equal Opportunities organised a public event on the protection of human rights of LGBT persons in Albania. However, the increased visibility of the community has not led to any substantial improvement in overall acceptance of LGBT persons and they continue to suffer from discrimination and marginalisation. Several cases of violence and ill-treatment targeting the transgender community have been reported. Homophobia remains widespread, including on the part of public service professionals.

Labour and trade union rights have generally been respected and some progress has been made towards encouraging sectoral and bipartite social dialogue. The operation of the National Labour Council has improved but membership criteria remain unclear. A new umbrella organisation for employers has been registered. However, collective bargaining at the private sector level has not been developed.

Property rights remain an issue of great concern. There has been little visible progress in developing a comprehensive strategy for property reform, which is a key priority of the Opinion, or for reforming the relevant legal and institutional framework. The coordination structure in the Ministry of Justice has not yet been established. Despite the progress made, the process of initial registration of immovable property has not yet been completed.

In order to integrate the electronic databases for land and property, the Government has committed to establish the Register of Territory. However, specific technical measures and legal instructions have yet to be put in place. Overall, the land and property databases remain isolated in the Immoveable Property Registration Office and there is no coordination with the databases of other public institutions.

Other issues such as the property tax (a commitment of the National Strategy for Development and Integration) and legal clarifications in order to distinguish between property and development rights are not addressed. As a result, land market regulation and balanced land development have not made any significant progress.

Unresolved claims by former owners for compensation and restitution of property confiscated during the communist regime persist. Some measures have been taken by the Property Restitution and Compensation Agency (PRCA) following its restructuring. The rules of the special fund for compensation of properties have been improved and its financial resources increased. An initiative to revise the evaluation methodology and value map for the territory of the country is in the inception phase. The PRCA earmarked €7.3 million for compensation of 1012 ex-owners. The Government has not communicated a timetable for enforcement of ECtHR judgements regarding property rights.

Respect for and Protection of Minorities, Cultural Rights

There has been very limited progress in the field of protection of **minorities**. Albania submitted its third country report on implementation of the Framework Convention for the Protection of National Minorities to the Council of Europe in January 2011. In May 2011, Albania changed the format of its civil status certificates; these no longer include the notion of "nationality" or ethnicity of individuals, but only their citizenship. Some minority representatives expressed concern over this initiative. No progress has been made towards strengthening the capacity of the State Committee for Minorities. No measures have been taken towards re-evaluating the distinction between national and ethno-linguistic minorities. Albania has still not adopted the European Charter for regional and minority languages. Although inter-ethnic relations remain good overall, there has been some deterioration in the climate for minorities, particularly in the context of preparations for the population census. After a first trial and sentencing, the case of the death of a Greek-speaking Albanian citizen in Himara in 2010 is now on appeal. The population and housing census, initially due to take place in April 2011, was postponed to October 2011. Albania decided to include optional questions on ethnic origin and religious affiliation in the census questionnaire. The collection of such data could serve to develop appropriate policies towards minorities based on updated

statistics. Respect for international standards, including the principle of free self-identification, is of crucial importance.

As regards the **Roma**, a quota for Roma and Egyptian students taking up bachelor and master's studies established in the academic year 2010-2011 has been implemented. Another measure aimed at increasing attendance of Roma children in compulsory school education was the free distribution of textbooks; however, its implementation has not come up to expectations due to flaws in the system of reimbursement. The level of pre-school enrolment among Roma children continues to be lower than in the rest of the population. Preparatory classes for five year old children who have not attended kindergarten are being developed. The Roma Technical Secretariat has made efforts to assess progress in implementation of policies through preparation of monitoring reports.

However, implementation of the Strategy on improving Roma living conditions continues to be slow, due to inadequate resources and insufficient coordination of institutions involved at local and central level. Local level action plans for implementing the strategy have not been developed and responsibilities have not been clearly devolved. Despite an effort by the Roma Technical Secretariat to strengthen the functioning of the regional committees on planning and evaluation of social needs by including the National Action Plan for Roma Decade into their agenda, there continues to be a general lack of awareness at local level. There have been no specific budgetary allocations for the provision of critical social services for Roma and there is excessive reliance on civil society and international donors in this field. The resources of the Roma Technical Secretariat at the Ministry of Labour, Social Affairs and Equal Opportunities have not been increased. Although registration campaigns and awareness raising activities have been held, a number of Roma still lack official registration. The Roma still face very difficult living conditions and frequent discrimination, particularly regarding access to education, social protection, health, employment and adequate housing. Serious concerns arose over the forcible removal of around 45 Roma families by citizens from their settlement near Tirana train station in February 2011. The families affected have been provided with alternative but somewhat inadequate temporary accommodation by the authorities in the form of tents in a remote area of the city. They have been assisted by the international community and non-governmental organisations, particularly as regards the judicial follow-up of the case in which two persons were sentenced for destroying the settlements, but not for the physical and psychological injury to the victims.

Overall, progress in the field of *human rights and respect for and protection of minorities* has been uneven. Property rights remain an issue of serious concern. There has been little progress towards the adoption and implementation of a coherent property reform strategy and action plan. This is a key priority of the Opinion and is vitally important for the consolidation of property rights. The fragmentation of responsibilities and lack of coordination between institutions hampers effective implementation of policy and creates legal uncertainty and a systemic risk of corruption.

There has been partial progress on addressing the key priority on reinforcing the protection of human rights and the effective implementation of anti-discrimination policies. There have been important developments in this area, in particular the adoption of the Law on Protection of the Rights of the Child, the adoption of the new National Strategy on Gender Equality and the Fight against Domestic Violence, and the start of implementation of the Law on Protection from Discrimination. However, some important legislative gaps remain, including as regards persons with disabilities, and implementation of existing legislative and policy tools in this field is still inadequate. General awareness of the anti-discrimination legislation and the

complaints mechanism needs to be increased. Concerns remain over continued discrimination against certain vulnerable groups, such as LGBT persons and Roma. Implementation of policy tools targeting the Roma minority and access of this community to social protection and services is still insufficient, leading to persistent marginalisation.

Some progress has been made towards addressing the key priority on improving the treatment of detainees and application of recommendations of the Ombudsman in this field. Measures have been taken to improve conditions of detention and systematise the follow-up of the Ombudsman's recommendations by the Ministry of Justice. However, cases of ill-treatment are still being reported, particularly during arrest and police custody, and conditions in some places of detention remain poor. Furthermore, the treatment of mentally ill offenders still needs to be improved and the lack of a permanent appropriate solution for the placement of those under obligatory treatment remains a serious concern.

2.3. Regional issues and international obligations

The **Council of Europe (CoE)** has continued monitoring the extent to which Albania is fulfilling its membership obligations and has closely followed developments relating to the political situation in the country through its specialised CoE bodies and via a permanent external office headed by a special representative of the Secretary General in Tirana which was opened at the beginning of 2011.

Albania has undertaken to cooperate fully with EULEX for a complete investigation of the allegations raised in the resolution adopted by the Parliamentary Assembly of the CoE on inhuman treatment of people and illicit trafficking in human organs in Kosovo, while at the same time rejecting the allegations. Continuous smooth cooperation by Albania, notably on the facilitation of requests for international legal assistance on its territory, is important.

Albania has aligned with the Council Decision advancing universal support for the International Criminal Court and promoting the widest possible participation in it⁵. However, it still maintains the 2003 bilateral immunity agreement with the United States, granting exemptions from the jurisdiction of the **International Criminal Court**. This does not comply with the EU Common Position on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements. Albania needs to align with the EU position.

Regional cooperation and good neighbourly relations form an essential part of Albania's process of moving towards the European Union. Albania continued to take part actively in regional initiatives, including the South East European Cooperation Process (SEECP), the Regional Cooperation Council (RCC), the Central European Free Trade Agreement (CEFTA), the Energy Community Treaty and the European Common Aviation Area Agreement. Within the framework of the SEECP, Albania endorsed in March the *Regional Strategic Document and Action Plan on Justice and Home Affairs 2011-2013*. Albania held the Presidency of MARRI (the Migration, Asylum, Refugees Regional Initiative) until May 2011. In this context, it supported the proposal to create a visa-free zone between the participating states that would allow citizens to travel with biometric ID cards only. Albania has completed the process of establishing visa-free regimes with all the countries of the region.

⁵ Council Decision 2011/168/CFSP of 29 March 2011.

Albania is a constructive partner in the region and has continued to develop **bilateral relations with neighbouring and other enlargement countries**.

Relations with *Bosnia and Herzegovina* have remained good. The implementation of existing bilateral agreements and protocols has continued to proceed smoothly. Albania continued its good relations with the *former Yugoslav Republic of Macedonia*. An agreement for the full liberalisation of bilateral and transit transportation between the two countries was signed. Albania continues to have good relations with *Croatia* and *Montenegro*. Cooperation with Montenegro focused on economic and trade relations. Albania has stepped up its dialogue with *Serbia*. Albania's very good relations with *Kosovo* were maintained.

Relations with neighbouring EU Member States *Greece* and *Italy* remain very good. In February 2011, Albania and Italy signed an agreement on representing and protecting each other's interests in those countries where one of the parties lacks diplomatic representation.

Albania's relations with *Turkey* remain good. Turkey provided humanitarian assistance to Albania following the floods which affected the country in December 2010.

Overall, Albania continued to generally satisfy the Stabilisation and Association Process conditions and to contribute to regional stability by fostering positive relations with neighbours and regional partners.

3. ECONOMIC CRITERIA

In examining economic developments in Albania, the Commission's approach was guided by the conclusions of the European Council in Copenhagen in June 1993, which stated that membership of the Union requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

3.1. The existence of a functioning market economy

Economic policy essentials

In February 2011, Albania submitted its fifth Economic and Fiscal Programme (EFP) covering the period 2011-2013. The key objectives remained unchanged from the previous EFP and economic policy continued to be directed towards ensuring macroeconomic stability accompanied by expenditure-led budgetary consolidation. Progress on structural reforms was limited. In the context of the still-difficult economic situation of Albania's trading partners, the economic growth projected in the programme is on the optimistic side. Despite a more polarised political landscape, there was broad agreement on the key essentials of a market economy. *Overall*, consensus on the fundamentals of a market-oriented economy has been maintained.

Macroeconomic stability

Economic activity posted strong growth of some 3.8% in 2010, according to provisional data. GDP growth in 2010 was mainly driven by foreign demand as exports of goods rose by 63%, spurred mostly by exports of electricity due to a rebound in energy prices combined with full-capacity production from local hydropower generation, while domestic demand remained weak. Private consumption growth decelerated to 2.2%, weighed down by weak consumer confidence, loose labour market conditions, a decline in workers' remittances and sluggish

household credit. Gross fixed capital formation contracted by 5.2%, reflecting the substantial cuts in public spending as part of the government's fiscal consolidation efforts. Provisional data show that economic activity continued to expand during the first half of 2011. Real GDP grew by 3.4% year-on-year in the first quarter with construction breaking its long contraction period and recording positive growth of 4.8% year-on-year, while growth moderated in industry and services that had recorded a swift recovery in 2010. Per capita GDP in terms of purchasing power parity was estimated at 27.1% of the EU-27 average in 2009, up from 25.9% in 2008. *Overall*, the Albanian economy continued to grow, albeit below the previous high rates.

The current account deficit declined to 11.9% of GDP in 2010, from 15.1% in 2009, reflecting an improvement in all the components of the current account, most notably a strong recovery in exports of goods. The still large trade deficit narrowed to 23.4% of GDP in 2010, from 26.4% in 2009, in the wake of an across-the-board rise in exports. Strong increases were recorded in 2010 in energy exports, as the local hydropower generation operated at full capacity, followed by mining and construction materials. Albanian exports continued to depend heavily on the textile and footwear industries, which account for 34% of total exports, although their share is declining. Exports of mining products grew substantially in 2010 as new fields came into operation and global commodity prices recovered. Remittances were down by around 11.7% in 2010, to 7.8% of GDP, as result from weak international economic conditions in host countries. The current account deficit deteriorated in the first half of 2011, as the trade deficit widened due to the slowing down of energy exports and a 10% fall in workers' remittances.

During 2010, FDI inflows increased by 17.2%, primarily reflecting new investment in exploration and drilling for oil and gas and new concessions in the energy sector. Net FDI in the first quarter of 2011 was around one-third that registered in the corresponding period of 2010. Although FDI inflows increased year-on-year, a significant amount of foreign capital was repatriated resulting in a sharp drop in net FDI. Portfolio investment also increased, thanks to the €300 million Eurobond issue by the government. Capital inflows declined by some 11%. Overall, the balance of payments posted a surplus in 2010 which led to a corresponding rise in reserves of some €179 million. Albania preserved a sufficient level of international reserves at around 4.8 months of imports. *Overall*, despite an improvement in 2010, further reducing the current account deficit remains challenging, especially if the decline in workers' remittances persists.

Unemployment in Albania was high at 13.7% in 2010, the same as a year earlier. Private non-agriculture employment increased gradually during the year, while agriculture employment rose in the third quarter. Labour market conditions improved somewhat in the first half of 2011. Employment grew by 2.2% and 2.7% in the first and second quarters, respectively, mostly reflecting an increase in private non-agriculture sector jobs. Unemployment in the first quarter decreased to 13.5% and further to 13.3% in the second trimester. Labour market statistics continue to be weak and are distorted by a large informal sector. *Overall*, unemployment remains high.

The annual average inflation rate rose to 3.6% in 2010 from 2.3% in 2009, remaining within the Bank of Albania's (BoA) target range of 2-4%. The main contributors to inflation were international food and fuel prices along with higher administrated prices for water and electricity. Inflation accelerated to 4% in the first quarter of 2011 reaching a peak of 4.2% in May, before receding to 3.1% in August. The rise in inflation in the first quarter of 2011 was primarily driven by higher prices for food and, to a lesser extent, fuel, due to developments in

the international commodity markets as well as increases in indirect taxes in 2011 (VAT on medicines and excise taxes). In response to rising inflationary pressures, the Bank of Albania raised the key repo rate from 5% to 5.25% in March.

The level of euroisation in Albania remains high. Foreign-denominated loans and deposits account for 67% and 47% of total stock, respectively. Although necessary for the currency's stability, such high euroisation constrains the room for manoeuvre in monetary policy and can be a source of instability in the financial system since it may expose banks to currency mismatches or indirect credit risks.

Albania continued to pursue a free-floating foreign exchange regime. The lek depreciated by 4.3% against the euro in 2010 and by a further 2.7% in August 2011. *Overall*, monetary policy remained sound, maintaining price stability while inflation remained within the target range.

During 2010, further progress was made in improving the tax administration in the form of both general revenue collection and administrative reforms. Electronic declaration has been made mandatory for VAT taxpayers, while the relevant legislation allows large taxpayers to file tax returns online. In 2011, various measures have been taken to broaden the tax base, including introduction of 10% VAT on medicines, a new system of fiscal stamps on excise goods and medicines, the extension of VAT to cover professional services and addition of more products subject to excise tax. In addition, the government declared a fiscal amnesty which aims to legalise undeclared assets and income. Despite these efforts, gaps remain in both revenue collection and administrative reform. A fully-fledged tax compliance system is still lacking, law enforcement continues to be weak, while the revenue collection at local government level remains weak.

The upward trend in the fiscal imbalance in recent years was reversed in 2010, with the budget deficit falling to 3% of GDP from 7%, a year earlier. This improvement in the budget balance was primarily expenditure-led. Total expenditure stood at 29.6% of GDP, or 3.4 percentage points less than in 2009. More than four-fifths of the reduction in expenditure resulted from cuts in capital spending (by almost a third from the 2009 levels). Total revenue stood at 26.6% of GDP in 2010, 0.6 percentage points higher than the previous year. The 2011 budget envisages a fiscal deficit of 3.5% of GDP, based on assumed real GDP growth of 5.5%. The projected increase in the fiscal deficit is mainly due to the planned rise in capital outlays as the government embarks on a renewed drive to upgrade infrastructure. In the period January-July 2011, total government revenue increased by 2.3%, while total expenditure rose by almost 6% compared to the same period of the previous year. Tax revenues for this period were lower than planned, reflecting over-optimistic projections. Moreover, tax receipts underperformed primarily as a result of weak indirect tax revenue amid sluggish domestic demand. The higher government expenditure was driven mainly by an increase in current expenditure, specifically by social security spending. The government deficit in the period January-July rose by a third compared to the same period of the previous year. These developments prompted the government to re-balance the budget in July by cutting expenditure to a more affordable level of revenues, aiming to preserve the 2011 deficit at 3.5% of GDP. Tax receipts were revised downwards while expenditure was cut, mainly as result of lower capital outlays and spending on maintenance. At the same time, an increase in public service salaries and pensions was granted in July 2011.

The primary source of deficit financing in 2010 consisted of domestic borrowing while, contrary to previous years, privatisation receipts were limited. The domestic financing of the

fiscal deficit affects the level of interest rates for business and consumer borrowing and diverts savings to the public sector. Albania also issued its first-ever Eurobond on the international markets for €300 million with an interest rate of 7.5% and a five-year maturity. Most of the proceeds from the Eurobond were used to pay back a syndicated loan, while the rest is expected to finance public investment. In 2010, the debt-to-GDP ratio stood at 58%, down from 59% the previous year. Albania's relatively high public debt continues to show a short-term bias which requires frequent re-financing, although some three fifths of the debt is domestic. Still, in the event of an increase in interest rates, the fiscal space would be further limited suggesting that, at such high levels, public debt remains a source of macro-financial vulnerability. Overall, the fiscal deficit has been reduced significantly, but pursuing and strengthening budgetary consolidation that ensures a lasting reduction of the public debt remains a priority.

Overall, macroeconomic stability has been maintained, as Albania weathered the lingering adverse economic conditions in the region and beyond well. Monetary policy has successfully helped to keep inflation stable. The high level of euroisation continues to limit the effectiveness of the monetary transmission channels. The relatively high public debt restricts fiscal space and remains a source of vulnerability, underlining the importance of pursuing budgetary consolidation.

Interplay of market forces

The private sector contributes 80% of GDP and around 82% of employment. State participation in the economy remains low, but progress in the planned privatisation reform stalled in 2010. No progress can be reported with the government's remaining shares in some strategic companies. *Overall*, State involvement in the economy is low.

Market entry and exit

Albania has made good progress with facilitating business registration and business licensing procedures. The National Licensing Centre has extended its services network to cities beyond Tirana. However, the procedures for granting building permits remain lengthy, hampering the recovery of the ailing construction sector. The e-signature system to allow online applications for registration became operational in March 2011. The Albanian Investment Development Agency, which serves as a one-stop shop for foreign investors, became operational in June 2011. The Law on foreign direct investment was amended to grant special protection, under certain conditions, to foreign investors in the event of land ownership disputes. However, the impact on foreign investment cannot be assessed, as the new legislation has not yet been applied in practice.

Some progress was achieved on bankruptcy procedures with the establishment of the Bankruptcy Supervisory Agency. However, the Agency is not yet operational. Some 130 bankruptcy declaration requests were submitted during 2010 out of which 75% were analysed and only 6 were accepted to follow the bankruptcy procedure. *Overall*, some progress was made to facilitate market entry. However, bankruptcy procedures remain slow.

Legal system

Although some steps were taken on legalisation of properties and registration of land ownership in coastal and urban areas, a comprehensive strategy and action plan to tackle the enduring issue of property rights has not been adopted yet. Lack of secure property rights and weak enforcement of the rule of law remain causes for concern. Moreover, the business

community continues to face delays in court procedures, and weak enforcement of contracts and execution of collateral. Informal methods of contract enforcement, by-passing the legal system, continued to be widespread. Steps were taken towards establishing the private bailiff office, but training and administrative capacity remain weak. Moreover, the delay in establishing the administrative court due to lack of political consensus remains an obstacle to investment.

Progress was achieved in the area of regulatory reform and on strengthening the institutions that oversee it. In 2010, the government adopted a regulatory impact assessment (RIA) system with the aim of improving the efficiency and effectiveness of the regulatory decision-making process. Phasing-in of a simple version of RIA is scheduled to commence in 2011, after which a decision will be taken on whether to switch to a full system by 2013. The new Law on inspections was adopted in June 2011 laying the foundations for restructuring the inspectorates. *Overall*, weaknesses in the rule of law and widespread corruption are continuing to have a negative effect on the business environment.

Financial sector development

Albania's financial system remains dominated by the banking sector, which accounts for some 95% of the system's total assets. Despite the banks' dominance, the share of bank lending to the private sector and households was low at 38.7% of GDP in 2010, up from 37.5% a year earlier, indicating that there is still significant scope for financial intermediation. The banking sector remains well-capitalised, with the capital adequacy ratio reaching 15.4% at the end of 2010 and falling slightly to 14.8% in the second quarter of 2011, well above the legal minimum of 12% set by the BoA. The profitability of the banking sector was positive during 2010, but profitability indicators deteriorated in the first half of 2011. While provisions have been adjusted accordingly, the level of non-performing loans (NPLs) remains a concern for the banking sector. The ratio of NPLs was estimated at 13.6% of total loans at the end of 2010 and rose sizeably to 16.6% in the second quarter of 2011.

The concerns over the worsening quality of the loan portfolio and subdued domestic demand kept banks from expanding lending. Credit growth slowed to 8.6% in 2010, down from 20.5% a year earlier. The private sector's loan portfolio grew at a more appropriate 10.6% in 2010 and was mostly directed to businesses, whilst household loans remained almost unchanged from 2009. Lending growth increased slightly in the first half of 2011 and stood at 12.5% in July. The interest rates charged by commercial banks on business and consumer loans continued to be driven by the interest paid on government securities. Following sharp withdrawals in 2009, deposit growth resumed during 2010, averaging 15.5% for the whole year as public confidence in the banking system was gradually restored, especially in the second half of the year. In the first half of 2011, deposit growth stood at approximately 15.8%, year-on-year. External borrowing by the banking sector reached 4.9% by the end of 2010 and rose to 6.4% by July 2011. The average yield of 12-month Treasury bills stood at 7.2% at the end of 2010, down from 9.2% a year before, and increased to 7.7% by August 2011.

The Bank of Albania's periodic stress tests show that the direct exchange rate risk made some moderate impact due to the low open foreign-exchange position of the banking sector. With respect to liquidity risks, the banking sector appears to have a very good liquidity situation for operations in the national currency, whereas operations in euro call for constant monitoring. *Overall*, the banking sector remains well-capitalised and liquid. However, the high level of non-performing loans is a cause for concern.

3.2. The capacity to cope with competitive pressure and market forces within the Union

Existence of a functioning market economy

Macroeconomic stability was maintained. GDP growth accelerated, but remained below historical averages. Inflation expectations remained anchored and the government deficit was brought down. However, public debt remains relatively high. The planned privatisation programme was delayed, the pace of reforms to facilitate market entry and exit slowed and weaknesses in the rule of law, particularly in contract enforcement and property rights, persist. Structural imbalances in the labour market and the external account remain high. *Overall*, although some progress was made in establishing a functioning market economy, Albania needs to commit itself to further structural reforms, amongst other things by bolstering economic policy governance, enhancing labour market performance and protecting property rights.

Human and physical capital

During 2010, the budget expenditure on education was estimated at roughly 3.4% of GDP. The budgetary allocation for 2011 is projected at 3% of GDP. Spending on education during 2011 will aim to improve the overall quality of service delivery at all levels of education and training with a particular focus on information technology and better matching of vocational education with market demand. Public spending on research and development accounts for 0.05% of GDP in the 2011 budget. Despite the government's efforts to consider education and health among its priority sectors, shortages of qualified employees persist, as a result of deficiencies in the education and skills system. ICT was added to the curricula for 17 vocational education and training schools. Some progress was achieved by the National Employment Service in improving the information system on job vacancies. The brain gain instrument which granted bonuses to public officials graduated abroad was suspended due to budget cuts in July 2011.

Investment stood at 36.8% of GDP in 2009, slightly lower than the 38.2% in 2008. Expressed as a percentage of GDP, private-sector investment reached 27.2%. FDI inflows are estimated to have increased by about 17% in 2010, to an estimated 8.8% of GDP, reflecting higher investment, mostly in the hydrocarbons sector. Public investment was directed primarily at road infrastructure. Construction of a new stretch of road between Tirana and Elbasan started at an estimated cost of about €70 million, financed mainly by soft loans from international financial institutions (IFIs). Rail transport remains underdeveloped. Further investment in improving the infrastructure and logistics will be needed in order to attract investors and stimulate tourism. Insufficient road maintenance and illegal construction along roads remain causes for concern. In the energy sector, a number of concession agreements for construction and operation of hydroelectricity generation plants were approved, and distribution losses have been slightly reduced overall. However, bill collection rates remain low at around 77%. *Overall*, spending on human and physical capital has increased. However, further investment will need to be committed to improve the competitiveness of the economy.

Sectoral and enterprise structure

The relative shares of agriculture, industry and services remained broadly unchanged in 2010 from previous years, with slightly less than three fifths of Albania's GDP generated by the services sector. Agriculture accounted for some 19% of output, but remains the largest

employer with 55% of total employment in the second quarter of 2011. The share of construction fell to 11% in 2010 from 14.4% in 2009, while industry's share increased to 11% in 2010 from 9.5% a year earlier. Inward processing performed well during 2010 increasing its exports as compared with 2009.

Weak tax and expenditure policies and poor law enforcement, including the fight against corruption, have been fuelling a sizeable informal sector. Some steps were taken during the year to address informality, amongst other things by requiring large taxpayers to declare taxes online and proceeding with installing cash registers. However, since only around half of the companies have installed the devices, the take-up rate remains low. SMEs continue to obtain financing from a credit support scheme financed by the Italian government. By December 2010, 49 businesses had benefited from approximately €1 million under the scheme. An agreement signed in April 2011 between the Albanian government and six commercial banks will facilitate access to a €2.5 million credit guarantee scheme for businesses. Since November 2010, five new additional micro-credit institutions have been included in the credit registry.

Concerning network industries, the high rate of losses in the electricity distribution system remains a persistent challenge to electricity supply. The second third-generation (3G) licence in the telecommunications sector was sold in September 2011. The fourth mobile telecommunications company started operating during 2010. Prices in this sector are set by the regulatory body and a revised tariff reduction scheme entered into force in March 2011, aiming to regulate the market price. *Overall*, there were no major changes in the structure of the economy. While some measures were taken to combat the sizeable informal sector, informality remains a challenge.

State influence on competitiveness

Subsidies in 2010 are estimated to have declined to 0.3% of GDP from 0.4% in 2009. While there is no specific financial assistance for companies, subsidies are granted to a limited number of sectors, namely railways and water supply. State aid granted to the energy sector has declined since 2009. *Overall*, State intervention remains limited.

Economic integration with the EU

The openness of the Albanian economy continued to increase. The sum of imports and exports of goods and services stood at slightly more than 86% of GDP in 2010, up from 82% in 2009. Total foreign trade in goods and services rose by 12% in 2010 compared with 1.5% in 2009. Both imports (7%) and exports (21%) of goods and services grew at a faster pace than in 2009. The EU remains Albania's leading trading partner accounting for around three-quarters of both exports and imports in 2010, with the combined share of Italy and Greece amounting to 70% of total merchandise trade by volume. *Overall*, the EU remained Albania's leading trading and investment partner in 2010. Trade with CEFTA countries increased. However, Albania's production base is concentrated around just a few low value-added sectors and export markets, leaving the economy vulnerable to specific shocks.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

This section examines Albania's ability to assume the obligations of membership – that is, the *acquis* as expressed in the Treaties, the secondary legislation and the policies of the Union. It

also analyses Albania's administrative capacity to implement the *acquis*. The analysis is structured according to the list of 33 *acquis* chapters. In each sector, the Commission's assessment covers the progress achieved during the reporting period, and summarises the country's overall level of preparedness.

4.1. Chapter 1: Free movement of goods

There are no further developments to report as regards **general principles**.

As regards **horizontal measures**, there were positive developments in the legislative framework on accreditation and standardisation.

The General Directorate of *Standardisation* (GDS) continued its preparations to apply for full membership of the European Committee for Standardization (CEN) and of the European Committee for Electrotechnical Standardization (CENELEC) in 2012. The adoption of European standards (ENs) as Albanian standards continued to make progress. The number of ENs adopted is 17,442, in line with the adoption rate of 95% set for 2011. However, the number of standards translated remains low in comparison to the number of standards adopted, since most ENs have been adopted by the cover page method.

The law on standardisation was amended in February 2011 to include the possibility of adopting and publishing standards prepared by the European Telecommunications Standards Institute (ETSI). The managing board of standardisation was established and became fully operational in November 2010. Since then it has held two meetings and has taken decisions, including on its internal rules and work plan, as well as on the organisation and functioning of the National Forum on Standardisation.

There were no legislative developments in the area of *conformity assessment*. The law on general product safety, essential requirements and conformity assessment of non food products is not yet fully in line with the *acquis*. The use of the CE marking, especially in cases where third party conformity assessment is needed, is not in line with the *acquis*.

On *accreditation*, three new conformity assessment bodies (CABs) were accredited. In total there are 16 CABs accredited by the General Directorate of Accreditation (GDA). The documentation of the GDA concerning the quality management system was revised to take the findings of the 2010 pre-peer evaluation of the European co-operation of Accreditation (EA) into account. The Advisory Board for Accreditation has started to function on a regular basis. During 2010 the GDA supported the organization of proficiency testing in the field of construction products, as testing laboratories in this field make up the largest number of accredited laboratories. Two new technical committees were established: the laboratory technical committee and the inspection and certification committee. However, there was no progress in aligning the current law on accreditation with the 2008 horizontal *acquis*.

A regional *metrology* centre became operational in Lezha during the second half of 2010 but the National Centre of Metrology in Tirana has not yet been completed. The transposition of the New Approach Directives on non-automatic weighing instruments and measuring instruments is still pending.

There has been some progress as regards *market surveillance*. Market surveillance activities have increased (especially in the area of toys, electrical equipment, textiles and footwear) and dangerous products have been withdrawn from the market. Following the entry into force in July 2011 of the new law on the General Inspectorate, a reform of the inspectorates is

ongoing, in order to achieve a more efficient market surveillance structure. However, the present legislation does not fully incorporate the requirements of the horizontal *acquis*.

There was progress in the area covered by the **'Old Approach' product legislation**. The March 2011 law on fertilisers partly transposes the *acquis*. Legislation on pharmaco-vigilance and good manufacturing practice in the field of pharmaceuticals was adopted in November 2010 and January 2011 respectively. Secondary legislation aimed at approximation in the fields of motor vehicles was approved in June 2011. Albania adopted legislation on accession to the UNECE Conventions of 1958 and 1998 on Vehicle Regulations.

There has been limited progress on legislative approximation to the *acquis* in the area covered by the **'New and Global Approach' product legislation**. Technical regulations on cableway installations designed to carry persons, on radio equipment and telecommunications terminal equipment were approved and the law on the civil use of explosive materials was revised.

In the area of **procedural measures**, there is no progress to report in alignment with the *acquis* of legislation on the return of cultural objects and on civil firearms.

Conclusion

There has been progress in the area of free movement of goods, particularly with regard to adopting EN standards as Albanian standards and in establishing the managing board of standardisation. Further efforts are needed in order to harmonise Albanian legislation with the New and Old Approach directives, as well as to align the horizontal legislation with the *acquis* and to build up an adequate market surveillance infrastructure. Overall, preparations in this area are moderately advanced.

4.2. Chapter 2: Freedom of movement for workers

There has been no progress as regards **access to the labour market**. The Law on Foreigners has not yet been amended as planned for 2011, to give priority to EU citizens as regards demand on the labour market. Albanian legislation in this field is not in line with the *acquis*.

There has been no progress as regards preparations for participation in the **EURES** (European Employment Services) network.

There has been limited progress as regards **coordination of social security systems**. A bilateral agreement on social security is still being implemented with Turkey and there are negotiations for further agreements with Hungary, Belgium and the former Yugoslav Republic of Macedonia. Albania has improved the management of the social insurance system. The database of pensions and a database of contributions for self-employed persons in agriculture and voluntarily insured persons have been established, as well as electronic administration of monthly pay-roll of contributions and personal accounts of contributors, a database of urban contributors and a database for the periods during which persons who had worked in the former agricultural cooperatives were insured.

The Health Insurance Institute has not yet planned a strategy to prepare for introducing the **European Health Insurance Card** upon accession.

Conclusion

There is little progress to report in the area of freedom of movement for workers. Some efforts have been made as regards coordination of social security systems. However, Albania still needs to amend its legislation with regard to access to the labour market. Preparations have not yet started with regard to EURES and the European Health Insurance Card. Overall, preparations in the area of freedom of movement for workers are at an early stage.

4.3. Chapter 3: Right of establishment and freedom to provide services

Progress as regards the **right of establishment** has been limited to developments in the simplification of registration and licensing procedures. Albanian legislation and procedures are not discriminatory as regards foreign operators or their branches.

No progress can be reported on the **freedom to provide cross-border services**. The Minister of Economy, Trade and Energy has been tasked with inter-ministerial coordination for transposition of the Services Directive. However, preparations are at a preliminary stage, including as regards developing the required institutional capacity.

There has been some progress in the field of **postal services**. The Council of Ministers approved a regulation defining the procedures for issuing general licences, the content of these licences and the conditions for amending, suspending or revoking them. However, a postal strategy and a decision on the definition of tariffs and weight of reserved services for the public postal operator are still pending. The regulatory department for postal services has not yet been established in the Electronic and Postal Communications Agency, which is the national regulatory body, and this hinders the effective separation of regulatory functions from policy making in the postal sector.

There have been some legislative developments in the field of **mutual recognition of professional qualifications**. The government enacted administrative provisions for the mandatory state exams for the *acquis*-regulated professions of doctor, dentist, pharmacist, nurse, midwife, veterinarian and architect. The National Examination Agency, established in December 2010 and operating under the supervision of the Ministry of Education and Science, is responsible for organising and monitoring these exams. Fully qualified professionals from other countries are exempted from the exams and are eligible to exercise their profession in Albania in accordance with the applicable legal framework and under the same conditions than Albanian nationals.

Conclusion

Albanian legislation and procedures in the field of right of establishment do not discriminate against foreign operators or their branches. Rules facilitating mutual recognition of professional qualifications were laid down. However, transposition of the Services Directive, including the development of adequate administrative capacity, is at an early stage. Further efforts are required in the postal sector to ensure regulatory capacity, independent of policy making. Overall, preparations are not very advanced, particularly in the area of freedom to provide cross-border services.

4.4. Chapter 4: Free movement of capital

There was no progress in the field of **capital movements**. Provisions regulating acquisition of real estate by foreigners remained unchanged and uncertainties around real estate ownership rights continue to discourage investment.

The law on foreign investment was amended in order to grant special state protection, under certain conditions, to investors in the areas of public infrastructure, tourism, energy and agriculture against damage resulting from property ownership claims. However, the impact on foreign investment cannot be assessed, as the new legislation has not yet been applied in practice.

There was limited progress as regards **payment systems**. The Bank of Albania (BoA) set up a working group to analyse legislative approximation measures, including on provisions on cross-border payments. The BoA approved regulations on the functioning of the Albanian Interbank Payment System (AIPS) and the Albanian Electronic Clearing House (AECH) aimed at promoting the use of non-cash payments by, inter alia, defining the bank's commissions and increasing clearing sessions for payments. As regards electronic payments, the volume of payments that were settled through AIPS increased compared to 2010, although the value of transactions decreased slightly. There was an increase in both the volume of payments and the value of transactions cleared through the AECH. The number of credit and debit cards in circulation continued to increase, reaching 712,575 cards in the first half of 2011, of which 96% are debit cards. However, 95% of card transactions are cash withdrawals, which is an indication that the Albanian economy is still largely cash based. There is no complaint system in place for the settlement of disputes between the customers and the payment service providers, although there are some mechanisms for out of court arbitration. There was no progress as regards the establishment of a Banks Ombudsman as recommended by the Competition Authority.

Some progress can be reported as regards the **fight against money laundering**. An amended law on money laundering, which includes recommendations from MONEYVAL, entered into force in April 2011. The new law provides the foundation for improving the ability to detect suspicious bank transactions. It also addresses issues related to customer due diligence, politically exposed persons, wire transfer rules, designated non financial businesses and professions, 'shell' banks and unusual transactions. However, the Penal Code has not yet been amended in order to reflect some of the recommendations of MONEYVAL with regard to the financing of terrorism and money laundering. The Financial Intelligence Unit has continued to strengthen its cooperation with the Prosecutor's Office, the Albanian State Police and the State Information Service. However, further efforts are required in order to enhance inter-institutional cooperation and the analytical capacity and IT tools and the expertise of all institutions involved combating money laundering and financial crime. Reporting of suspicious transactions showed a slight increase (13%), but the number of suspicious transactions reports submitted by the banking and non-banking sectors remains low and further attention should be paid to their quality. Prosecution and convictions levels remain low and further efforts in the implementation of the national strategy to fight money laundering and financial crime, including as regards enforcing the existing legal framework, are still required. Further efforts are needed in order to improve the national performance on anti-money laundering and prevention of terrorism financing by applying the provisions of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. Statistical data on the use of these provisions are insufficient.

Conclusion

There was some progress as regards the legislative framework on payment systems and anti-money laundering. However, effective implementation of the national strategy to fight money laundering and financial crime requires further efforts and enhanced inter-institutional

cooperation. Overall, preparations in the area of free movement of capital are moderately advanced.

4.5. Chapter 5: Public procurement

There was no progress as regards **general principles**. No further developments took place as regards alignment of the system of concessions, defence procurement mechanisms and review requirements mechanisms with the EU standards.

There was some progress in the area of the **award of public contracts**. The award of contracts for the supervision of construction works financed with public funds has been brought under the legislative framework for public procurement. However, the Concessions Law does not include provisions relating to works and service concessions and fails to draw a clear distinction between concessions and other public contracts. Award procedures for concessions have continued to be based on unsolicited proposals. Provisions on the determination of abnormally low tenders are not in line with the *acquis*. This, together with the mandatory disclosure of the funding limits available to the contracting authority, restricts the scope for competitive award procedures.

There was some progress in the field of **remedies**. The Council of Ministers approved decisions on the functioning of the Public Procurement Commission, including on the review of appeal procedures and the determination and payment of fees.

The Public Procurement Agency (PPA) has only limited means to efficiently monitor compliance with public procurement legislation. Secondary legislation envisaged by the public procurement law to that end has not yet been adopted and the current staffing of the PPA does not allow it to properly discharge its duties. A clear definition of the roles and responsibilities of all institutions involved in public procurement (PPA, Public Procurement Commission and Public Procurement Advocate) has yet to be established. The proportion of non-competitive and non-transparent procedures remains relatively high.

Conclusion

The legislative framework on public procurement and concessions is not fully in line with the *acquis*. Efforts are required with regard to strengthening the institutional framework and clearly defining and delimiting the competencies of all public procurement institutions in order to avoid the overlapping of tasks and to remove the remaining loopholes in the system. No comprehensive system of administrative monitoring and control of the application of public procurement rules and contracts has so far been introduced. Overall, preparations in the field of public procurement are moderately advanced.

4.6. Chapter 6: Company law

There has been no progress in the field of **company law** as regards further aligning Albanian legislation with the *acquis* on cross-border mergers, on reporting and documentation requirements for mergers and divisions and on minimum subscribed capital requirements for public limited companies.

Progress has been limited as regards implementation of the electronic signature. In February 2011, Albanian Post received the first e-certificate enabling identification of sender/recipient, privacy, encryption and digital signature. However, overall, the technical infrastructure is lacking. A Corporate Governance Code has not yet been adopted.

Limited progress can be reported in the field of **corporate accounting**. Transposition of the Fourth and Seventh Company Law Directives has not yet been achieved. The staff of the National Accounting Council (NACA) received some training and the NACA continued its awareness-raising campaigns on the implementation of auditing and International Financial Reporting Standards. However, the inspection capacity of NACA remains insufficient to monitor their implementation.

There was some progress in the field of **auditing**. The Public Oversight Board (POB) for the audit profession approved the code of ethics for audit professionals and its own internal regulation on quality control of audit of public interest entities. It also approved regulations on investigation and discipline and on quality control for auditors. The Institute of Authorised Chartered Accountants continues to serve as the technical secretariat of the Board and worked on drafting some of these regulations. Further efforts are required in order to increase the administrative capacities, resources and budget of the POB so as to ensure its independence.

Conclusion

There has been little progress in the area of company law. The capacity of the National Accounting Council and the operational independence of the Public Oversight Board for the audit profession remain weak. Overall, preparations in the area of company law are moderately advanced.

4.7. Chapter 7: Intellectual property law

There was no progress as regards alignment with the *acquis* in the area of **copyright and neighbouring rights**. The new law on Copyrights is still pending adoption.

No progress can be reported as regards legislative alignment on **industrial property rights**. No inter-institutional meeting on monitoring the implementation of the National strategy for the enforcement of the intellectual and industrial property rights (IPR) has yet been held.

Progress with regard to **enforcement** has been limited. The Copyright Office carried out awareness-raising campaigns through training activities for its own staff and for Collective Management Agencies and state authorities including tax and customs administration, police, National Council of Radio and Television, the judiciary and prosecution. A Memorandum of Understanding between the Directorate General of Customs and the Directorate General of Patents and Trademarks (GDPT), aimed at strengthening cooperation, was signed in November 2010. The system of acceptance and processing of applications for patents, utility models, industrial designs, trademarks and geographical indications is now fully automatic as a result of IT improvements in the GDPT. Further efforts are required to strengthen the capacities of GDPT, to secure the IT system and to increase online services. The number of staff of the GDPT has remained unchanged.

The number of infringement cases brought before the justice system increased, but it is still at a very low level. The Copyright Office and the regional offices still have to be restructured and strengthened, pending the adoption of the new Copyrights law and the implementation of the reform of the inspectorate. The establishment of a market surveillance structure covering IPR issues is awaiting the implementation of the new law on the General Inspectorate which entered into force in July 2011. Substantial efforts are still needed in order to address major weaknesses in the sector, such as insufficient administrative capacity, low level of fines, lack of appropriate experience and qualifications among the judiciary, insufficient awareness and

enforcement in general. Albania has not succeeded in meeting its SAA obligations of guaranteeing by 1 December 2010 a level of protection of intellectual, industrial and commercial property rights similar to the one in the EU, including as regards enforcement.

Conclusion

Overall, progress has been limited in the field of intellectual property law and Albania has not succeeded in meeting its SAA obligations on time. Substantial efforts are still needed in order to address many remaining shortcomings which are hampering the effective enforcement of intellectual and industrial property rights. Preparations are not very far advanced.

4.8. Chapter 8: Competition policy

There was some progress in the area of **antitrust, including mergers**. The government adopted regulations on Investigation Procedures, on the functioning of the Albanian Competition Authority (ACA), on Agreements of Minor Importance ("*de minimis*"), and group exemption regulations for technology transfer agreements, research and development agreements and specialisation agreements respectively. These regulations are aligned with the *acquis* in all essential respects. The Albanian Parliament issued a resolution binding all executive bodies to consult the ACA whenever primary and secondary legislation is drafted.

There was no progress as regards the administrative capacity of the ACA. Its staff of 35 remains unchanged and efforts are required to strengthen it in line with the tasks assigned to the ACA.

The ACA adopted two decisions concerning anti-competitive agreements (cartels) and two decisions concerning abuses of dominant positions. The ACA issued fines of approximately € 245,500 for infringements of the competition rules. Seven proposed mergers were notified to the ACA and were authorised without conditions. The ACA concluded enquiries into the banking, pharmaceuticals and energy sectors, and subsequently issued recommendations to the Albanian government. It also initiated in-depth investigations in the bread markets and in the markets for loading/unloading and depositing liquid natural gas in port facilities.

There was some progress in the field of **State aid**. The State Aid Commission (SAC) adopted a decision on State aid to the Albanian Post as well as Guidelines on State aid in the Postal Sector, bringing Albania's policy for postal services closer to the *acquis*. A decision on subsidies to the Albanian railways, which was deemed not to be in line with the *acquis*, was revoked. No investigations were initiated *ex-officio*. Finalisation of the regional State aid map is still pending.

The administrative capacity of the State aid authority remained unchanged and efforts are required to strengthen the State Aid Sector (SAS) in line with its responsibilities. The *de facto* operational independence of the SAC requires continued monitoring.

Conclusion

Albania has made moderate progress in the area of competition. However, the responsible authorities lack the appropriate administrative capacity, and measures are still required in order to safeguard the operational independence of the State Aid Commission. Preparations are overall on track.

4.9. Chapter 9: Financial Services

There was some progress in the area of **banks and financial conglomerates**. In December 2010, the Bank of Albania (BoA) adopted legislation on risks arising from large exposures of banks, on capital adequacy, and on risk management in the activity of non-bank financial institutions. These amendments furthered legislative alignment with the *acquis*. The January 2011 law on operational risk management brings the regulatory framework for banks, branches of foreign banks, non-bank financial institutions, savings and credit associations and their unions closer to the *acquis* and to the Basel practices on operational risk management and supervision. The BoA also approved the regulation on credit risk management.

The BoA has continued its efforts to improve its administrative capacity by increasing the staff of its Supervisory Department from 32 to 49 people. Revisions of manuals on risk supervision based on operational risk management are underway.

There has been some progress in the non-banking financial sector. The Albanian Financial Supervisory Authority (AFSA) approved several regulations in the field of collective investment undertakings.

AFSA has moved to improved premises, the technical infrastructure has been enhanced and staff have received additional training. However, some members of the AFSA board continued to work after the expiration of their mandates. In addition, AFSA's administrative capacities are inadequate and require additional staff.

There has been some progress in alignment with the *acquis* in the area of **insurance and occupational pensions**. AFSA licensed the first two voluntary pension fund management companies. Licensing of a third fund is in progress. AFSA continued its efforts to improve the regulatory framework in the field of voluntary pensions by issuing implementing legislation for the law on voluntary pension funds.

The law on certified accounting experts was amended to now apply to both insurance companies and pension funds. There was some progress in the field of compulsory insurance in the transport sector. Parliament approved laws to liberalise the motor insurance sector, allowing insurance companies to set their own premiums tariffs. Preparations for the establishment of an Information Centre of Compulsory Insurance are advanced, and include plans to apply the bonus-malus system. Positive growth of 4% was recorded in the insurance market, and foreign presence increased. The private pensions market is also growing but remains underdeveloped.

AFSA has continued its efforts to strengthen supervision of the insurance market by introducing a risk-focused supervision methodology and improving reporting and the implementation of the Management Information System. However, further efforts are still required in this area.

There are no developments to report in the field of **financial market infrastructure**.

There has been little progress in alignment with the *acquis* in the area of **securities markets and investment services**. In December 2010, the regulation on deadlines, conditions and procedures for the authorisation of banks as custodians of bonds was approved as implementing legislation, following the approval of the law on corporate local government bonds.

However, the securities stock market remains underdeveloped, with no companies listed on the stock exchange. There are no multilateral trading facilities and no specific rules are in place. Alignment with the Prospectus Directive, markets in financial instruments Directive (MiFID), the Market Abuse Directive and the undertakings for collective investment in transferable securities (UCITS) Directive is at an early stage. No system for judicial appeal is in place in the authorisation procedure and there is no legislation governing investor compensation schemes.

Conclusion

There has been some progress in the field of financial services. Progress has been made in the alignment of legislation with the *acquis* in the field of banks and financial conglomerates and insurance and occupational pensions. However, there remains insufficient administrative capacity in the non-banking financial sector to enforce market surveillance and proper implementation of legislation. Further efforts are needed with regard to the securities markets. Investment services legislation and infrastructure are at an early stage. Overall, preparations are moderately advanced.

4.10. Chapter 10: Information society and media

There has been some progress in the area of **electronic communications and information technologies**. The Agency for Electronic and Postal Communications (AKEP) issued a decision to review tariffs in the mobile telephony sector by 2015. Competition in the mobile telephony market has been intensified with the introduction of a fourth operator. There has been progress on the introduction of some competitive safeguards, such as mobile number portability and decisions on new reference interconnection offers and long-run average incremental cost accounting. Carrier selection and pre-selection is to be implemented in autumn 2011 for international calls and in 2012 for national calls. The second UMTS/3G licence was awarded in September 2011, however, no timetable for release of further (3G) licences to encompass the full possibilities of the spectrum has been communicated.

However, important reforms, such as adoption of amendments to the 2008 Law on electronic communications and secondary legislation, are pending. Furthermore, local loop unbundling and rebalancing of tariffs has not been achieved. Liberalisation of access to spectrum is insufficient. No licence for fixed wireless services has been awarded either. While mobile penetration is high, the markets for fixed telephony and broadband are underdeveloped by European and regional standards (with penetration levels at around 11% and 3.5% respectively). At the same time, the plans and the process of tendering to build a nationwide broadband network are raising concerns about feasibility and competition. The administrative capacity and resources of AKEP remain weak. Consequently, insufficient implementation of regulation and legal certainty are still hindering the creation of effective competition.

Progress in the field of **information society services** has been uneven. The GovNet network infrastructure has been improved and extended. Following the licensing of the first agency for issuing of e-certificates in February 2011, the applications for e-signature have begun to be sent in to the Albanian Post. The revised action plan for implementation of the strategy on information society has been adopted. However, the administrative capacity to implement policies and legislation in this field remains weak. The National Agency for the Information Society still does not have the necessary administrative and technical capacity and human resources. Albania is working on amending the Law on e-commerce with a view to fully aligning with the e-commerce directive. Regulation of conditional access, unsolicited

communications and itemised billing are all provided for in the draft Law on Audiovisual Media Services, which is pending adoption. Albania has not yet adopted a broadband strategy and the broadband penetration rate is low.

There has been little progress in the field of **audiovisual policy**. Albanian legislation is still only partly aligned with European standards on media regulation and the Audiovisual Media Services Directive. The draft Law on Audiovisual Media Services has not yet been adopted. Concerns have been raised that some provisions of the draft Law are not commensurate with European standards on independence of the regulatory authority. The deadline for the digital switchover has been extended from the end of 2012 to the end of 2015; no concrete measures for this transition have been taken as yet and the digitalisation strategy has not yet been adopted.

The National Council on Radio and Television continues to lack sufficient administrative and technical capacity and concerns remain about its independence. The public service broadcaster has not increased its editorial independence. There has been no progress regarding the adoption of amendments to the Criminal Code decriminalising libel and defamation which require a 3/5 reinforced majority in Parliament. The full effective implementation of the existing law on access to information has not been ensured.

Conclusion

Progress in the field of information society and media has been uneven. Some measures were taken to improve competition in the electronic communications sector but concerns remain over the liberalisation of the market, including spectrum management, and the capacity and independence of the national regulatory authority. Alignment with the EU *acquis* is not completed, in particular as regards e-commerce and conditional access. Furthermore, important legislative acts, notably in the area of audiovisual policy and for improving media freedom, have not yet been adopted. The capacity for implementation of legislation and policies remains weak. Overall, preparations in the field of information society and media are advancing slowly.

4.11. Chapter 11: Agriculture and rural development

There has been progress on **horizontal** issues.

In 2010, around €7,5 million were committed to agriculture for *direct support* schemes. Aid has been allocated for plant and livestock production, agro-processing, farm machinery, and the setting up of a credit guarantee fund.

Rules for the improvement of land administration and protection were adopted. A law governing the putting into use of abandoned agricultural land has been approved. Preparations for the agricultural census to take place in 2012 are on track. The collection of data for the completion of the agricultural land register has continued. However, the electronic land cadastre has not yet been established, and farm and animal registers still have to be completed. Access to credit and advisory services needs to be further developed.

There is little visible progress with regard to the alignment with the **Common Market Organisation**. In the area of **animal products**, measures have been introduced for the measurement and evaluation of production and methods for assessing the genetic values of breeding animals for bovines, small ruminants and pigs. Good progress can be observed with

regard to **rural development**. Good progress has been made in setting up the structures for the implementation of the Instrument for Pre-Accession Assistance for Rural Development (IPARD) programme, the segregation of duties has been defined at the Albanian Rural Development Agency (ARDA) and staffing improved. Both the rural development strategy and the agriculture and food strategy need to be updated. The capacity for carrying out policy analysis and designing rural development policies needs to be strengthened.

Some progress has been made in the area of **quality policy**, in particular regarding preparations by the authorities for the introduction and promotion of geographical indications.

While some **organic farming** has been subsidised through direct schemes, most activities in the sector have been driven by donor funding.

Conclusion

Overall, some progress has been made in the field of agriculture and rural development. The basic implementing structures for rural development programmes have been set up. Financial resources have continued to be allocated with a positive effect on agricultural production and farm competitiveness. However, the capacities for carrying out policy analysis or design rural development policies remain weak. The implementation of IPARD requires a leading role and ownership of the Ministry of Agriculture in order to enable the best use of knowledge and technical support.

4.12. Chapter 12: Food safety, veterinary and phytosanitary policy

Some progress has been observed in the area of **general food safety**. The National Food Authority (NFA) has significantly increased its operational capacity and started to expand its activity across the 12 regions of the country. However, the repartition of competences between the Ministry of Agriculture, Food and Consumer Protection (MAFCP) and the NFA still needs to be clarified and a clear chain of command has to be established. The National Food Authority has not yet developed its risk-assessment capacity and the Scientific Committee and Panels have not yet been established.

In the area of **veterinary policy**, progress has been limited. There is still a need to adopt a new veterinary framework law. The division of responsibilities between the animal health and welfare services of the MAFCP and the NFA has not been clarified. There is still no unified chain of command and responsibilities remain fragmented among the different institutions. The level of staff, particularly at the central level, remains inadequate. In the area of *identification and registration of animals*, most bovines have been registered and their movements are reported. Nevertheless, reporting is not always done in a reliable and timely manner. The harmonized animal database (which also includes the animal health database) is under development and is expected to improve the timeliness of reporting. Some preparatory actions for the registration of small ruminants (sheep and goats) have taken place.

Capacity to manage the transposition of EU legislation and the implementation of disease eradication programmes, and to ensure timely communication of information, remains limited. As regards **placing on the market of food and feed and animal by-products**, the food hygiene package has been adopted and feed hygiene legislation aimed at aligning with the *acquis* has been drafted. Technical documentation to sustain sufficient risk management capacity with regard to official controls has been prepared. IT infrastructure and a database for electronic registration of food establishments, recording of official controls and accessing the Rapid Alert System for Food and Feed has been developed and tested. More specialised

staff will need to be recruited, in order to carry out official controls on food and feed hygiene. However, enforcement of adopted legislation is weak due to the lack of financial resources for official control. Only a few establishments in the meat, fish and dairy sectors apply hazard analysis and critical control point-based procedures and self-controls. Laboratory capacity needs to be improved.

The administrative capacity is not yet in place for the pesticide residue controls on food and feed of plant and animal origin, even though the relevant legislation has been transposed. Further expansion of the remit of the National Food Authority in the field of plant health protection is planned during 2011.

In the area of **food safety rules**, there has been some progress as regards the adoption of implementing legislation in various areas.

Limited progress has been achieved in the **phytosanitary** sector. Responsibility for plant health has been allocated to the NFA and for plant protection to the Directorate of Crop Production Policies.

No progress has been made with regard to the transposition and implementation of *acquis* on genetically modified organisms.

Conclusion

Overall, some progress has been made with regard to the establishment of the National Food Authority, the registration of bovines, the adoption of the hygiene rules and an implementing regulation for food safety. However, financial resources need to be provided in order to ensure the proper implementation and enforcement of legislation. Substantial efforts are required as regards harmonization of national legislation with the *acquis*, repartition of competencies, communication and cooperation between services and the strengthening of human resources.

4.13. Chapter 13: Fisheries

The sector remains fragmented as regards responsibilities and communication, with fish production and fishery inspections being housed in two different departments of the Ministry of Environment, Forests and Water Administration, and with fish diseases being covered by the Animal Health Directorate in the Ministry of Agriculture, Food and Consumer Protection (MAFCP) and processed fishery products being covered by the Food Safety Department in the MAFCP and the National Food Authority. Work on drafting a new fisheries law has been advancing with the aim of strengthening the surveillance and monitoring system in fisheries, to enable the sector to apply the satellite-based vessel monitoring system and to combat illegal, unreported and unregulated fishing.

As regards **resource and fleet management**, the fishing fleet has been registered and vessels have been classified into categories. However, the application of an operational fishing fleet register, according to the recommendations of the General Fisheries Commission for the Mediterranean (GFCM) is still pending.

In the area of **inspection and control**, administrative capacity remains very weak, with only a small number of administrative staff responsible at a central level for fisheries and aquaculture. The Parliament has approved a new inspection law, which provides for the merging of the Forestry, Fisheries and Environment inspectorates. Staffing of the maritime

guard has been increased. However, qualified and experienced local fisheries inspectors continue to be assigned tasks related to aquaculture, veterinary and zootechnical issues. Availability of funds for the monitoring programme remains very low.

Most inspections have been conducted in the main lakes to tackle unlicensed fishing and use of illegal fishing means. Almost no infringements have been reported as regards sea fishing. The lack of means and resources for fishery inspectors has made it difficult to inspect and enforce legislation, especially concerning small coastal fishing. The control system for fishing activities needs to be strengthened considerably and more specialised personnel are needed. The enforcement and collection of fines remains a challenge.

A Vessel Monitoring System ("Blue boxes") has been installed in all fishing vessels over 12 metres to strengthen the surveillance of the fishing fleet. Ensuring reliable, systematic and improved collection of data on the fishing fleet, catches, landings and the biological status of the stocks in Albanian waters continues to be an area of concern. The coverage of the main fishing area is not yet complete and the operations depend to a large extent on donor project resources.

In preparation for management of **structural actions**, there is a need for reinforcement and training of staff, backed up by EU expertise. Albania still provides **State aid** to support development of fisheries infrastructure in the four fishing ports and excise-free fuel for fishing vessels.

Measures on **market policy** have remained at a preliminary stage, in particular as regards producers' organisations and the collection of market data.

In the context of the implementation of **international agreements**, the country has continued to attend the General Fisheries Commission for the Mediterranean and the AdriaMed project. Albania has submitted neither the report of fishing capacity and inspection plans for the 2011 season, nor its annual fishing plans, to ICCAT in relation to the Recovery Plan for Bluefin tuna.

Conclusion

Overall, there has been some progress in the area of inspection and control and positive signs related to the increased importance attached to the role and the future of the fishery sector in economic development. Technical capacities to strengthen the surveillance and monitoring system in fisheries and combat illegal, unreported and unregulated fishing have been upgraded. Nevertheless, enforcement of regulations in inland waters and coastal areas remains weak due to the lack of resources. Inter-institutional cooperation will need to be improved.

4.14. Chapter 14: Transport policy

In February, the Ministry of Transport and Public Works finalised the revised five year Albanian National Transport Plan, as the main instrument for decision-making and strategic planning for the transport sector in Albania.

There was progress on **road transport**. Legislative alignment with the EU *acquis* is fairly advanced, including on weight and dimension requirements for vehicles. No progress can be noted as regards roadworthiness tests, driving licences and registration documents. Implementation has started in all other areas. Some actions were taken to transpose the legislation on the inspection of vehicles. However, road safety remains a cause for serious

concern. The steady increase in road traffic, combined with insufficient road maintenance, illegal constructions along the roads and poor driver discipline, continue to pose problems. In February the government adopted the National Road Safety Strategy and the Action Plan for Road Safety for 2011–2015, which confirmed the importance of digital tachographs and speed limiters. However, the implementation of both the strategy and action plan by means of a work programme remains a challenge. The legislation on dangerous goods has not yet been adopted.

Little progress has been made in **rail transport**. The national railway company *Hekurudha Shqiptare* (HSH) is now operating with four business units; a first step to account separation according to EU rules. The State compensates HSH for passenger services. Progress has been made in negotiations for a border crossing agreement with Montenegro. Rail freight traffic, in particular the international service to neighbouring Montenegro, has increased. Little progress has been made in the preparation of the reform of railway legislation. No progress can be reported in the setting up of independent railway institutions, infrastructure managers and rail operators, which are a precondition for open access to the Albanian rail network. A draft for a network statement has not been published. Problems in sustaining rail infrastructure quality remain due to insufficient funds for maintenance.

Some progress can be reported on **maritime transport**. The General Maritime Directorate established in 2010 in Durrës is now operational and fully staffed. While progress was made in terms of the establishment of a ships register and of a safety authority, the reorganisation of Ports' Control and the establishment of Flag state Control are still ongoing. According to statistics for 2010 under the Paris Memorandum of Understanding on Port State Control, the detention rate of vessels flying the Albanian flag was 16 %, which is still well above the EU average of 1.78 %. Cabotage remains reserved to national flag-carriers and it is still obligatory that ships' captains must be Albanian nationals.

As regards **inland waterways transport**, it is limited to a regular line on Komani Lake.

As regards **combined transport**, Albania is in the initial phases of development.

As regards **air transport**, Albania has made limited progress with the implementation of the first phase of the European Common Aviation Area Agreement. Some progress can be reported in the transposition of the Air Traffic Management legislation. Progress was also made on aviation security, with the exception of the National Civil Security Programme. Further efforts are also needed to improve the implementation of acquis on ground handling and on allocation of slots. The National Supervisory Authority has been set up and staff training is ongoing. However, there was no progress regarding implementation of air safety legislation. The Civil Aviation Authority lacks qualified inspectors and has therefore not been in a position to discharge its responsibilities with regards to the oversight of approved undertakings and license holders. A State Safety Programme has not been developed and a level of safety oversight in compliance with international safety standards has not yet been ensured.

As regards **satellite navigation**, Albania does not currently plan to take part in the Galileo satellite navigation programme, once it becomes operational.

Conclusion

While there was progress in the area of road and maritime transport, progress has remained limited in the fields of rail and air transport. Aviation safety legislation has yet to be

implemented effectively. Albania's administrative structures in the different transport sectors need to be made more effective. Overall, preparations are not very advanced.

4.15. Chapter 15: Energy

There was some progress on **security of supply**. A new 400 kV interconnection line with Montenegro became operational in April 2011. However, the electricity supply remains fragile and vulnerable to hydrological conditions, due to the country's almost exclusive dependence on hydro power plants for domestic generation. Further efforts are required in order to implement the *acquis* on the security of the electricity supply in line with Albania's obligations under the Energy Community Treaty.

As from 1 January 2011, the law provides for the oil stocks reserve obligation to be increased to 90 days, in line with the EU oil stocks directive. The government has taken measures to impose sanctions and suspend the license or activities of operators failing to fulfill their obligations. Actual compliance with the legal requirements has yet to be demonstrated.

Progress has been limited as regards the **internal energy market**. Preparations are ongoing to restructure the state-owned generation and wholesale company KESH. The Albanian Competition Authority considers that the lack of an effective functional and financial separation of the public wholesale supplier and the generation elements of KESH is hindering competition. The Power Sector Law, which regulates the electricity sector, and its implementing legislation are not yet in line with the *acquis*. A significant part of the transmission and distribution capacity is still reserved for the wholesale supplier. Distribution losses have been slightly reduced overall. Bill collection rates levels remain around 77%. Vigorous efforts are still required in these areas. The market model has yet to be adapted in order to ensure the economic viability of the electricity sector. Albania has no gas market and secondary legislation for the June 2008 Natural Gas Sector has not yet been approved. Further efforts are needed in order to strengthen the monitoring and enforcement powers of the Albanian energy regulator ERE, as well as its independence.

There has been no progress in the field of **renewable energy**. The legislative and regulatory framework is not in line with the *acquis*. Existing administrative burdens and the absence of rules for the cost of connection to the grid or for grid reinforcements are hampering the integration of new renewable energy producers. There was no progress regarding the implementation of Albania's biofuels target. A National Renewable Energy Action Plan providing for reaching the target for the share of renewable energy in the final energy consumption in 2020 has not yet been prepared. Albania needs to make further efforts to improve the use of renewable energies.

There was no progress in the area of **energy efficiency** as regards bringing the Energy Efficiency Law into line with the *acquis*. The government approved a National Energy Efficiency Action Plan for the period 2011-2018 but the legal framework and inter-institutional distribution of responsibilities for its implementation has yet to be established.

There was some progress on **nuclear safety and radiation protection**. Albania ratified the Convention on Nuclear Safety and the Joint Convention on the safety of spent fuel management and the safety of radioactive waste management, which became effective in September. Decisions were approved on protection of the professionally exposed to ionizing radiation and on radon concentration and radionuclide levels. The Radiation Protection Commission (RPC) issued two decisions relating to the Code of Practice for users in Nuclear

Medicine and to dosimetry levels for medical exposure. As regards enforcement, the RPC approved regulations on inspection reporting and on the procedure for the approval of trading, transfer and transport of radioactive sources. However, further efforts are still required to transpose and implement the Euratom *acquis*. Compliance of recent regulatory developments with the *acquis* remains to be verified. The capacity of the regulatory authority is still not sufficient to implement and enforce legislation in line with international standards. Preparations for drafting the national strategy and policies for radioactive waste management are at an early stage. Albania's conditioned waste store has not yet been properly licensed according to international standards, and its placement close to populated areas is a concern.

Conclusion

Progress has been very limited in the energy sector. The Power Sector Law is not in line with the *acquis*. Market reform in the electricity sector has not yet been effectively achieved and further efforts are required in order to ensure its economic viability. Further efforts are required in the field of renewable energy, as well as on strengthening the capacities and institutional independence of the regulatory authorities for electricity, gas and radiation protection. Overall, preparations in the area of energy are advancing slowly.

4.16. Chapter 16: Taxation

Some progress can be reported in the area of **indirect taxation**. There were some legislative amendments regarding VAT exemptions and reduced rates. Electronic declaration has been made mandatory for VAT taxpayers and the introduction of fiscal devices (cash registers) progressed. VAT refund procedures improved but further efforts are still required, including as regards risk analysis, in order to reduce delays. The VAT law is not yet in line with the *acquis*.

Approximation to the *acquis* in the area of *excise* progressed slightly with the adoption of a new list of excisable products and rates, including on minimum rates for cigarettes. However, further efforts are required in order to bring the excise structure and rates into line with the *acquis*, including as regards the reduced rates for beer applied to small breweries.

There was little progress in the area of **direct taxation**. Some amendments were made in the area of personal income tax by providing detailed rules on income declaration, including on its scope and the declaration of deductible expenditures. However, further efforts are required as regards transposition of legislation and proper implementation of the principles of good governance.

There has been no progress as regards **administrative cooperation and mutual assistance**.

Limited progress can be reported as regards **administrative and operational capacity**. Cooperation with taxpayers is improving. Measures were taken to support e-form declaration, and a taxpayers' service Centre in Tirana started operation in December 2010. However, the capacity of the Taxpayer's advocate is still limited and there has been no assessment of the functioning of the Taxation Council. Transparency and consultation with business representatives in the legislative process remains limited. A Code of Ethics was approved in February 2011, but anti-corruption measures require further efforts, as the perception of corruption in the tax administration remains high. The Training Academy of the Tax and Customs Administration is still not operational, which hinders training activities. The capacity of the Taxation administration, including as regards IT, remains unchanged overall. The decentralised IT system is no longer adequate for the needs of the tax administration. It is

outdated and its risk analysis and accounting functionalities are limited. Further efforts are required to enhance audit, investigation and intelligence capacities and on combating tax fraud and avoidance.

Conclusion

There was little progress in the area of taxation. Further efforts are required on approximation to the *acquis* on direct and indirect taxation and to improve the system of refunding VAT. Enhancing administrative and technical capacity and combating corruption in the tax administration require further efforts. Preparations are moderately advanced.

4.17. Chapter 17: Economic and Monetary policy

There has been limited progress in aligning Albania's legal framework with the *acquis* on **monetary policy**. A new draft Law on the National Bank, aimed at further alignment with the *acquis*, including provisions covering procedures for dismissal of the Governor, the personal independence of Council members and the accountability of the National Bank, has not yet been adopted.

Little progress has been made in aligning with the *acquis* in the field of **economic policy**. In February 2011 Albania submitted its Economic and Fiscal Programme (EFP), making reference to the Macroeconomic and Fiscal Framework 2012–2014. The EFP broadly covers all relevant data, but it contains weaknesses in respect to labour market and wage statistics. It also failed to adequately address the impact on the country of the economic conditions of Albania's trading partners. The EFP is not clear on the planned fiscal policy measures in the medium term and their budgetary costs. It is also vague on the overall strategy, while the link between the reforms and the fiscal objectives is not clear. The public finance data in the report are not in compliance with the ESA95 European system of accounts.

The capacity for economic policy formulation and coordination is insufficient.

Conclusion

There has been limited progress in aligning with the *acquis* in the areas of economic and monetary policy, although weaknesses persist in its economic and fiscal policies. Overall, preparations in this area are not very advanced.

4.18. Chapter 18: Statistics

Progress in alignment with the *acquis* can be reported in the area of **statistical infrastructure**. There were increases in the budget and staff of the national statistics institute (INSTAT), in advance of the 2011 population and housing census. The infrastructure has been updated to use the latest technology for data processing and data dissemination. However, provisions of the Law on statistics as regards the role of INSTAT as coordinator of the national statistical system are insufficient. It also fails to ensure a broad representation of all providers and users of official statistics in the statistical council. The legal framework governing the recruitment and dismissal of its Director General does not sufficiently guarantee the professional independence of INSTAT.

Some progress has been made with regard to **classifications and registers**. The first release of the updated business register and the economic census data were based on European Nomenclature of Economic Activities (NACE) Rev.1.1. The codification of units in the

business register according to NACE Rev.2 has started and will be published when the law which officially introduces NACE Rev.2 is adopted. INSTAT agreed a subdivision of the country into statistical regions consistent with the EU Nomenclature of Territorial Units for Statistics (NUTS). The results from the Enterprise Census have been used for updating the business register.

In the area of **sector statistics**, there has been good progress and efforts were made to upgrade several statistical domains. Regarding business statistics, INSTAT carried out the census of economic enterprises in November and December 2010. Improvements in quarterly national account statistics took place in the field of basic statistics calculation as well as for statistics methodology.

Some progress has been made regarding the timely publication of consumer price index, foreign trade statistics and short term statistics. In the area of price statistics, improvements have been made regarding the revision of the construction cost index and compilation of import prices. Agricultural and agromonetary statistics need considerable further upgrading.

The methodological framework of the census of agricultural holdings, due to be conducted in June 2012, is being prepared and a pilot census will be held in November 2011. The preparatory activities for the October 2011 population and housing census are advancing but further efforts are still needed to ensure the successful conduct of the census.

Conclusion

Progress has been made on alignment with the *acquis*, especially in sector statistics and through the modernisation of the statistical infrastructure. However, weaknesses persist, particularly in agricultural, social, business and macroeconomic statistics. Further efforts are needed in order to align with the *acquis*. The professional independence of INSTAT is not sufficiently anchored in the legislation and efforts are required to ensure it has adequate human and financial resources. Overall, preparations are moderately advanced.

4.19. Chapter 19: Social policy and employment

No progress can be reported in the area of **labour law**.

There has been some progress in the area of **health and safety at work**. The occupational safety and health strategy has been adopted and, in February 2011, the Council of Ministers approved two decisions that are part of the measures intended to implement the Law on Health and Safety at Work. A decision designed to align with the EU Directive on requirements for the provision of safety and health signs at the workplace was adopted in December 2010. Awareness-raising activities have been carried out to disseminate knowledge of health and safety at work. The process of transposing EU directives continues to be slow.

The State Labour Inspectorate has stepped up its cooperation with other institutions, in particular the Ministry of Health, with whom it has carried out a series of joint inspections. However, the State Labour Inspectorate has not been further strengthened in terms of human and financial resources, and no progress has been made towards establishing the 24 local offices, as there is still only a single local office located in Saranda.

Some progress can be noted in the area of **social dialogue**. The National Labour Council was convened in regular meetings with a widened scope to cover more topics with nationwide relevance. The Council amended the regulation on its organisation and functioning in

November 2010 and a Social Memorandum of Understanding was signed in February 2011 between the government, employers' and workers' associations. However, the establishment of clear and measurable representativeness criteria for membership in the Council has not yet been finalised. Actions were taken to promote sectoral and bipartite social dialogue and a new umbrella organisation of employers has been registered. However, there has been little progress towards developing collective bargaining in the private sector.

There has been limited progress as regards **employment policy**. Monitoring of the employment strategy has started. However, no action plan for employment has been adopted. There has been very limited improvement regarding the labour market situation. The level of inactivity remains high and the unemployment rate though slightly decreasing, still stands at 13.7%. Unemployment affects primarily those with lower skills, young people and those in remote regions. Although Albania has continued to implement a range of active labour market measures, there are still concerns over reported abuses of the subsidised employment programmes, and expenditure for active labour market measures remains low. Informal work arrangements continue to be widespread. Labour market statistics continue to be weak.

Efforts to train National Employment Service (NES) staff, including in regional and local offices, and to develop guidelines for counselling, have continued. The budget for regional and local NES structures was significantly increased. The "job vacancies bank" system has been completed in order to improve the information available on the NES website. However, there is an ongoing need for further training of staff, computerisation of services across the country, cleaning registries, liaising with employers, formalising work and providing more effective counselling services.

Preparations for the **European Social Fund** have not advanced. *(See also Chapter 22 - Regional policy and coordination of structural instruments)*

There has been uneven progress in the area of **social inclusion**. The first monitoring report on the national strategy on social inclusion 2007-2013 reflects the progress in assessing and addressing risk factors that accompany economic growth. There has been some progress in poverty reduction, however, pockets of persistent poverty remain in rural and mountainous areas. Little progress has been made in the concrete implementation of the Strategy for the improvement of the living conditions of the Roma minority.

Progress as regards the employment of persons with disabilities has been limited, particularly in the context of labour market measures to be implemented by the National Employment Service at central and local levels. Quotas on employment of persons with disabilities have not been enforced. Furthermore, the system of indexing the disability allowance has been changed, resulting in decreased living standards.

There has been some progress as regards **social protection**. The Law on Social Assistance and Services has been amended, expanding the categories that are eligible for economic aid. The Law on Compulsory Health Insurance was also adopted, establishing a mandatory health insurance scheme and transferring its management to the Health Insurance Fund. The law divides insured persons into the categories of economically active and inactive, with the contribution of the latter category being covered by the state. Albania has been working towards improving the management of the social insurance system, completing the database of pensions and re-organising and strengthening the administration of the social insurance system. A child allowance system was introduced in March 2011 for families benefitting from economic aid. However, the existing social assistance scheme has not been functioning

properly, as payments to eligible families are too low to have a positive impact, especially for children. The Albanian pension scheme is faced with serious financial problems in terms of its deficit and the small number of contributors. Evasion of social insurance contributions remains widespread. The participation of the economically active population in the scheme has been low. The legal framework of the pension scheme, particularly with regard to the differences between genders, has not been revised.

There has been some limited progress on **anti-discrimination**. The Law on Protection from Discrimination is largely in line with the EU *acquis*. However, its implementation is making slow progress. Despite the organisation of a series of awareness-raising campaigns by the Office of the Commissioner for Protection from Discrimination, general awareness of its provisions remains low. Furthermore, these activities have focused primarily on the public, and key professional groups remain insufficiently informed about the law.

There is little progress to report in the area of **equal opportunities**. There remains a gap between the legal framework and the true level of equality between men and women in relation to employment. Their access to entrepreneurship and loans is also inferior and there continues to be a significant pay gap between men and women.

Conclusion

Progress has been uneven in the field of social policy and employment. Some steps have been taken to implement legislation in the field of health and safety at work and some progress has been made in the areas of social dialogue, social assistance and protection reform. Sustainability of funding will be key to ensuring successful implementation of these reforms. The labour market continues to be characterized by inactivity and a high informality; implementation of policies also remains insufficient, particularly as regards vulnerable groups and social inclusion. Overall, preparations in the area of social policy and employment are not very advanced.

4.20. Chapter 20: Enterprise and industrial policy

There has been progress as regards **enterprise and industrial policy principles**. Implementation of the Small Business Act advanced. The National Licensing Centre extended its services network to nine cities. Procedures related to doing business were further simplified in the fields of public procurement and taxation. Work on regulatory reform continued, with the establishment of a regulatory impact assessment system (RIA Light) which was considered more appropriate to the circumstances of the country.

A Business Innovation and Technology Strategy for the period 2011-2016 was approved in February 2011. The strategy provides for the establishment of a Business Relay and Innovation Centre (BRIC) as part of the Albanian Investment and Development Agency (AIDA). BRIC will serve as the main mediator and facilitator to promote innovation and technology development in business and to liaise with the Technology and Innovation Agency, the National Agency of Information Society, universities and centres of excellence. Both BRIC and AIDA became operational in June 2011. There has been no progress as regards transposition of the directive on late payment.

In the field of **enterprise and industrial policy instruments**, progress was made as regards access to finance for SMEs through a credit support scheme financed by the Italian government, the European Fund for Southeast Europe and the setting up of the Credit

Guarantee Scheme for SMEs. An agreement was signed in April 2011 with a group of six second-tier banks to facilitate the access by businesses to the €2.5 million Credit Guarantee Scheme.

Albania participates in the European Network of Female Entrepreneurship Ambassadors initiative financed under the Competitiveness and Innovation Programme.

As regards **sector policies**, the Council of Ministers and the Minister of Economy approved new secondary legislation on mining. A new mining strategy was adopted in July 2011.

Conclusion

There was some progress on simplifying the regulatory framework for business and on facilitating access to finance for SMEs. Institutions have been established to facilitate innovation and technological development. Preparations are moderately advanced.

4.21. Chapter 21: Trans European Networks

In the area of **transport networks**, Albania made some progress. It continued to participate actively in the South East Europe Transport Observatory and to implement the Memorandum of Understanding on development of the South East Europe Core Regional Transport Network.

As regards road network infrastructure, Albania is nearing the completion of its major road corridors, thereby making a major contribution to the development of the infrastructure networks in the Balkans with a view to their future integration into the Trans-European Transport Networks. Work on the north-south corridor of around 400km between the borders of Greece and Montenegro has progressed. The highway linking Kosovo to the north-south corridor and the port of Durres is now open. However, insufficient road maintenance remains a concern.

As regards rail network infrastructure, there is no progress to report.

Port infrastructure is currently being improved. The port terminal building in Durres is being upgraded and there are preparations for extending the wharfs. The port infrastructure of Vlora is being rehabilitated. The port of Durres and the private port of Vlora, *Petrolifera*, are now connected to the rail network. There are preparations for improving the wharf at Shengjin port. A Coastal Ports Strategy has been drawn up which recommends that heavy commercial port activities in Durres City should be moved to Porto Romano.

As regards **energy networks**, there remain limitations as regards interconnection. A new 400 kV Overhead High transmission Line (OHL) for interconnection with Montenegro became operational in January 2011. Preparations for the construction of the OHL Elbasan-Tirana have advanced. There were no developments with regard to the development of a natural gas strategy.

Conclusion

Overall, some progress was made in the area of trans-European networks. However, the rail transport sector remains underdeveloped and further efforts are required as regards maintenance of the transport infrastructure

4.22. Chapter 22: Regional policy and coordination of structural instruments

Limited progress has been made as regards the **legislative framework**. Though it is not required by EU *acquis*, a law on regional development, which is intended to lay the foundation for domestic regional development policy, is under preparation. The government adopted the division of Albania into three regions for statistical purposes according to the criteria of the EU's Nomenclature of Territorial Units for Statistics (NUTS 2).

There are some developments to report in the **institutional framework**. The bodies involved in the implementation of IPA Component I were legally established. They have the minimum required staff and have received extensive training. In addition to the legal basis for the structures of IPA components III and IV adopted in 2010, the Albanian authorities adopted in January 2011 a decision to put in place structures for IPA component II. As for IPA component IV preparations, there was very limited progress. A clear definition of the future composition of the operating structure is missing.

With regard to **administrative capacity**, some progress has been made and most of the key staff dealing with IPA Components III and IV are also involved in the implementation of IPA component I. Nevertheless, there is a need to build up further adequate administrative capacity, particularly in line ministries. A workload analysis in line ministries has still to be carried out in order to assess the staffing requirements for the implementation of IPA components II, III and IV. The Central Contracts and Finance Unit (CFCU) has not yet recruited the minimum number of staff required for the implementation of IPA component I. A workload analysis has yet to be carried out in order to assess the necessary staffing requirements within the CFCU as regards their involvement in the implementation of IPA components II, III and IV.

Training events on financial management, procurement, irregularities and audit were held for staff of the CFCU, National Fund and the Audit Authority. Harmonisation of the procurement legislation with EU requirements regarding the tendering process is a precondition for an effective financial control. A training needs' assessment has been initiated which is designed to lead to the drawing up of training plans for 2011 and 2012.

On **programming**, some progress was made. The draft Strategic Coherence Framework document was prepared and was submitted to the European Commission for comments in February 2011. The draft Operational Programmes for IPA components III and IV have been prepared and were sent to the European Commission for comments in April 2011. An ex-ante evaluation of these Operational Programmes is ongoing. The quality of the draft programming documents does not fulfil yet the IPA III and IV requirements. Involvement of social partners in the process and implementation of the partnership principle have been limited for component IV. Efforts to establish and develop a related pipeline of projects should overall be strengthened.

With regard to **monitoring and evaluation**, there is limited progress to report, given that the national systems and mechanisms to measure the quality and impact of development programmes are currently being put in place.

Some progress can be reported in the area of **financial management and control**. The Minister of Finance approved the Regulations of the Audit Authority (AA). The approved recruitment plan of the AA provides for the recruitment of 5 additional inspectors in 2011. The current audit staff of the AA are either certified or going through the certification process.

Conclusion

Overall, there has been limited progress in the area of regional development and coordination of structural funds. Considerable efforts are needed in order to establish the necessary institutional and administrative capacity and to develop a mature pipeline of projects in the area of regional development. Preparations in this area are still at an early stage.

4.23. Chapter 23: Judiciary and fundamental rights (*see also Political criteria*)

There has been some limited progress in completing the legal framework for judicial reform. A Judiciary Reform Strategy and Action Plan, consulted with a broad group of stakeholders were adopted in July. They form a good basis for reform efforts. Implementation is only starting; it will require the allocation of adequate human and financial resources as well as sound inter-institutional cooperation.

Regarding the *independence* of the **judiciary**, no progress was made. The independence of the High Court needs to be guaranteed, including through a revision of the current system of appointments in order to avoid politicisation. The neutrality and independence of the Constitutional Court needs to be guaranteed, including through a proper process for the appointment and hearing of judges in Parliament, free from political influences.

In relation to *accountability* in the judiciary, the full immunity enjoyed by judges remains one of the main factors obstructing investigation into possible cases of corruption in the judiciary. Widespread corruption is a key factor hampering the accountability of the judiciary. The Ministry of Justice (MoJ) and the High Council of Justice (HCJ) have adopted a Memorandum of Understanding to address the overlap of inspection competences between the inspectorates of the two institutions, as a transitory measure before a new HCJ law is adopted.

Regarding the *efficiency* of the judiciary, some limited progress was made. The HCJ introduced changes to the system of evaluating judges and made improvements in the reasoning of appointment decisions; in addition, the Commission on transfers, promotion and appointments of judges was created. However, the effectiveness of the new evaluation system needs to be verified in practice. Reforms of the law on the High Court aimed at improving efficiency are delayed. Working conditions in courts are generally still poor and hearings often take place in judges' offices, which hampers transparency and efficiency. The yearly budget for the judiciary remains insufficient.

Court management remains poor due to a lack of human and financial resources, in particular in first instance district courts. The backlog of court cases is still problematic. Unreasonable delays in court cases due to postponement of court proceedings because of the absence of lawyers or judges remain a matter of serious concern. A computerised case management system and random allocation of cases in criminal and civil procedures are in place in most – but not all – judicial offices.

A new law on 'mediation in conflict resolution' and relevant by-laws in line with the EU standards were approved in February 2011. However, important legislation – requiring a three-fifths majority vote in Parliament - is pending adoption, such as the law on administrative courts and amendments to the criminal code. Further important legislation requiring a three-fifths majority vote such as the law on judicial administration and the law on the National Judicial Conference still need to be prepared and brought to Parliament.

Enforcement of court decisions is weak, in particular in cases where state institutions are the defendants. The new private bailiff system has started to function but improvements to case management for bailiffs are needed.

Some progress was made with regard to the government's policies to fight **corruption**. In June 2011, a new anti-corruption action plan for the period 2011-2013, which includes improved individual action plans for government ministries and agencies, was adopted. Implementation of previously adopted action plans has continued.

As regards the legal framework, there was some progress made in implementing recommendations of the Group of States against corruption (GRECO) related to the issue of incriminations and political party financing. Recommendations regarding incriminations were partly implemented and all but one of the recommendations regarding political party financing were implemented.

In June 2011, rules of procedures on the functioning of the inter-ministerial working group (IWG), the inter-ministerial Technical Group and the Technical Secretariat of the IWG were adopted by the IWG with the aim of defining a clearer distribution of responsibilities between relevant bodies and improving the coordination of the anti-corruption strategy. A new internal control department was established in the General Directorate of Customs. In addition, inter-institutional cooperation was improved by the signing of memoranda of understanding between both the Department of Internal Control and Anti-Corruption (DIACA) and the High Inspectorate for Declaration and Audit of Assets (HIDAA) with the High Council of Justice (HCJ) and an Anti-Corruption NGO. Some limited awareness raising measures were initiated.

There are shortcomings in the proposed mechanisms as well as in the administrative capacity of relevant institutions which should ensure proper monitoring of the implementation of the anti-corruption action plans. The DIACA, in particular, was not sufficiently strengthened and its ability to effectively coordinate anti-corruption policies remains limited. Corruption reporting and statistics in particular remain insufficient.

A number of investigation and law enforcement agencies continue to suffer from a lack of human resources and technical infrastructure. Joint Investigative Units, although continuing to be useful instruments for investigating and prosecuting corruption cases, have insufficient human resources and technical equipment. HIDAA, as an important player in combating corruption, has limited resources to undertake extensive inspections and full audits of asset declarations by officials. Although there have been further improvements in cooperation between different agencies, including joint training, the effective and timely exchange of relevant information is often lacking.

Proactive investigation as part of systematic, targeted and threat-based investigations into possible corruption areas and cases is largely insufficient in Albania. A serious obstacle to effective and successful investigation remains the full immunity of high level officials. Immunity of high level officials is only rarely lifted and the lack of confidentiality in a case following the lifting of immunity seriously impedes effective and successful investigation. In line with the recommendations of the Venice Commission, the limitation of immunity for both judges and MPs requires an amendment to the relevant constitutional provisions. Investigation into possible corruption cases is also hampered by the lack of access to different registries (e.g. car registry and land register) by investigation and law enforcement agencies and by the absence of a central register of bank accounts.

Implementation of anti-corruption measures remains insufficient and the corruption that is present in many sectors remains a particularly serious problem. Little progress was made in developing a solid track record of proactive investigations, prosecutions and convictions in corruption cases at all levels. Investigation of high level corruption cases, in particular, is rare.

In the past year, Albania has further enhanced the legal and institutional framework that regulates **fundamental rights**, in particular with the adoption of the Law on Protection of the Rights of the Child. Some important gaps remain nonetheless, particularly as regards persons with disabilities and juvenile justice. In 2010, the number of complaints received in the Ombudsman's Office amounted to 1651, which represents a fall of 54% compared to the previous year, with the majority of cases referring to the Albanian judicial system (10%). Operation of human rights institutions is hampered by the continuing vacancy of the post of Ombudsman and the still ongoing recruitment in the Office of the Commissioner for Protection from Discrimination. Moreover, the allocation of sufficient resources to ensure full independence of these bodies has not been guaranteed.

As regards the *prevention of torture and ill-treatment*, some progress has been made in the penitentiary system, but concerns remain as regards arrest and police custody. Amendments to the manual on the rules and treatment of arrested and detained persons in police units have been drafted. However, the application of procedural safeguards against excessive use of force by police officers has not been guaranteed and cases of ill-treatment during arrest, interrogation and police custody continue to be reported. The treatment of mentally ill offenders still needs to be improved. The lack of a permanent appropriate solution for the placement of those under obligatory treatment remains a serious concern.

Some progress has been made in the *prison system* and several penitentiary centres are being constructed or refurbished with a view to approximating with European standards. Efforts have been made to strengthen the capacity of staff and increase their knowledge of human rights, particularly in the treatment of vulnerable groups. The probation service continues to be developed but its resources to deal with the increasing case load remain limited. Some older penitentiary facilities are in very poor condition; there is often no heating, even in some refurbished wings. Additionally, there are concerns over the fact that procedures for medical examinations upon entry and confidentiality measures for medical files are not consistently followed.

There was limited progress regarding *access to justice*. The legal aid commission was set up, by-laws have been adopted, but the law remains to be fully implemented. Adequate mechanisms for the objective assignment of lawyers to the cases are still to be developed.

There has been very limited progress in the field of *freedom of expression*. The application of the principle of proportionality of fines in cases involving media outlets or journalists is not systematically respected. Key legislation fostering media freedom has not been adopted and editorial independence continues to be hampered by political and business interests.

Freedom of assembly and association has generally been respected but the violence which led to the killing of four demonstrators in January is a cause for serious concern. The Agency for civil society has started disbursing funds to civil society organisations. However, the capacity of most organisations remains weak and they are highly dependent on donors. *Freedom of thought, conscience and religion* continues to be respected and Protestantism was recognised as the fifth official religion.

There has been some progress in the field of *women's rights and gender equality*. On the policy side, there have been a number of developments with the adoption in June 2011 of the new national strategy on gender equality and the fight against domestic violence, and the establishment of the national referral mechanism on domestic violence in 17 municipalities. However, Albanian women continue to be discriminated against in access to certain fields and to be under-represented in the labour market and politics. During the local elections in May 2011, the gender quota was not respected throughout the country.

An important legislative step was taken to enhance the protection of *children's rights* with the adoption of the Law on Protection of the Rights of the Child. This law remains to be fully implemented through effective functioning of bodies provided for in the law. Progress in the treatment of *socially vulnerable and/or persons with disabilities* is insufficient. The legal framework has not been completed and implementation of the national strategy for persons with disabilities continues to be slow.

Some limited progress can be reported as regards implementation of *anti-discrimination policies*. The Office of the Commissioner for Protection from Discrimination has organised a number of awareness-raising activities and training events to disseminate information about the Law on Protection from Discrimination and the possibilities of appeal to the Commissioner. However, the number of cases brought before the Commissioner is low and the capacity of the Office still needs to be strengthened. Additionally, overall awareness of the provisions of the law among citizens and professionals is low, especially at local level. Albania collects data on hate crimes and hate-related incidents but does not make it public. There were no convictions for crimes related to racism and xenophobia in the reporting period.

Labour and trade union rights have generally been respected and there have been efforts made to improve the functioning of the National Labour Council. However, clear membership criteria still need to be adopted.

While the adoption and implementation of a coherent national strategy and action plan on *property rights*, a key priority of the Opinion, is still pending, fragmentation of responsibilities and lack of coordination between the different institutions hampers effective policy implementation and creates legal insecurity and a systemic risk of corruption.

The legal framework for *respect for and protection of minorities and cultural rights* has not been enhanced. Although inter-ethnic relations remain good overall, there has been some deterioration in the climate for minorities, which can be linked to the preparations for the upcoming population census, which will include optional questions on ethnic origin and religious affiliation. The State Committee for Minorities remains weak and the distinction between different defined groups still leads to some differentiation in practice. There have been positive initiatives to foster education of Roma, although this community continues to face very difficult living conditions and frequent discrimination. Implementation of policy tools in this field is slow.

New Internal Rules for Data Protection and Public Security were approved by the Ministry of Interior aiming to define the procedures for the *protection of personal data* managed by the State Police. The Commissioner for Data Protection has continued implementing the Law on Protection of Personal Data. The Commissioner for Data Protection has approved several instructions, including on protection of personal data in the media. It has also signed cooperation agreements with the Ministries of Justice and Education and Science as well as

the Agency for Electronic and Postal Communications. However, the role of the Commissioner for Data Protection is undermined by the lack of systematic consultations on some key pieces of legislation.

There have been no developments in relation to **EU citizens' rights**; the Law on foreigners has not been amended to give priority to EU citizens as regards demand on the labour market.

Conclusion

Overall, although Albania has made some efforts to develop legislation in this field, there are still significant gaps. Furthermore, an important challenge for Albania lies in the implementation of its legislative and policy tools, which remains insufficient overall. Albania's alignment with European standards and the *acquis* in the field of judiciary and fundamental rights is at an early stage.

4.24. Chapter 24: Justice, freedom and security

As regards **migration**, some progress has been achieved. The smooth implementation of the readmission agreement is continuing. In 2010, 52,919 return cases were recorded, mostly from Greece. The Strategy and action plan for returned migrants is being implemented successfully, but risk analysis and monitoring of migration flows still need to be improved. The National Migration Strategy has not been fully implemented until the end of 2010. The legislative framework still needs to be fully aligned with the *acquis*. Preparations in this area are moderately advanced.

In the area of **asylum**, some progress has been made. Until September 2011, 78 refugees and 30 asylum seekers were recognised. The institutional and legal frameworks are in place. However, legislation is not fully in line with *acquis*, and the ongoing revision of relevant legislation has not been completed. No ID documents have been provided so far to refugees and persons granted complementary protection. Preparations in this area need to be stepped up.

Some progress has been made in the area of **visa policy**. Albania continues to apply a visa-free arrangement for citizens of certain non-EU countries included in the negative list of Regulation 539/2001. The Albanian visa regime is not fully aligned with the EU requirements. Preparations in this area need to continue.

Visa liberalisation for Albanian citizens was granted as of 15 December 2010. It applies to holders of biometric passports travelling to the Schengen area. This decision was based on substantial progress in the area of justice, freedom and security and fulfilment of the specific conditions set out in the roadmap for visa liberalisation. Implementation of the visa free regime has been smooth so far. However, relatively small numbers of asylum-seekers and irregular migrants were detected in the Schengen area. In order to ensure ongoing implementation of the commitments taken, a post visa liberalisation monitoring mechanism has been established. The Commission presented its first monitoring report to the European Parliament and the Council in June 2011.

There has been progress in the area of **external borders and Schengen**. Agreements, which enable joint and synchronised patrols of borders by the police, have been signed between Kosovo and Albania and the former Yugoslav Republic of Macedonia. The Border and Migration Police (BMP), which is now a clearly structured department within the State Police with sufficient resources and technical equipment, has continued to receive training. Standard

Operating Procedures are now in place. The upgrading of infrastructure at Border Crossing Points (BCPs) has continued. Eleven new BCPs were taken over by Border Police and Customs between November 2010 and January 2011. All 24 BCPs are connected in real time to the Total Information Management System (TIMS), providing access to the national database on travel documents and wanted persons and to the Interpol database. Albania has also made some progress in setting up risk assessment capacity.

The development of inter-institutional surveillance of the blue borders has continued smoothly. A ban on speedboats is still in force. Full coverage of coastline surveillance needs to be implemented. The Inter-institutional Maritime Operations Centre needs the relevant financial allocations to ensure its operation.

The BMP has limited access to the MEMEX criminal intelligence information system. Further deployment of this system to BCPs is necessary in order to increase the development of intelligence-led policing. BMP threat assessment capacities also need to be strengthened. Further joint efforts are needed to combat all types of cross border crime, including trafficking of stolen vehicles. Capacities for green border surveillance and inland control need to be improved. Preparations in this area are on track.

There has been some progress in the area of **judicial cooperation in civil and criminal matters**. As regards judicial cooperation in criminal matters, Albania signed and ratified the Third Additional Protocol of the European Convention "on Extradition", which sets out the rules for a simplified extradition procedure. Cooperation with Eurojust has been good. Albania needs to focus its efforts in particular on data protection, in order to be able to conclude a cooperation agreement with Eurojust. Preparations in this area are advancing.

There has been some progress in the field of **police cooperation and the fight against organised crime**, the latter being among the key priorities of the Commission's Opinion. Cooperation agreements on exchange of information were signed with the UK and Italy. Albania has increased the confiscation of criminal assets. The Agency for the management of confiscated assets has started to auction such assets. The use of undercover agents and special investigative measures has also increased. The legal framework in place needs to be implemented, in particular since the entry into force of the so-called "anti-mafia" law.

The police need to increase their capacity to provide reliable evidence for tracking suspicious transactions. Common standard operating procedures between police and prosecution need to be developed in order to further enhance cooperation and trust between them. By-laws of the judicial police law are adopted and need to be implemented.

The increased use of the MEMEX criminal intelligence system has improved data exchange within the Albanian State Police. There has been progress on the encoding of archive data. At the same time, it remains incomplete. The system contains police data, but not information on investigations led by the prosecution service. However, line intercepts and the use of undercover agents are limited to the central level. Intelligence gathering capacities need to be increased in order to improve the quality of evidence. A reliable system for reporting statistics is needed. There is no reliable call-handling system in place. A sound case management system needs to be developed for the law enforcement bodies.

The operational capacities of the forensic laboratory, covert policing and witness protection services need to be further supported. Regarding public order, it is necessary to develop the

reporting capacities of front-line officers and to further empower inspectors and chief inspectors in order to increase the number of proactive investigations.

Regarding human resources, a diversity strategy has been approved. The number of policewomen occupying high ranking position was however not increased. Transfers lack transparency and are often not merit-based. The Resource Management Information System needs to be further exploited and its maintenance needs to be guaranteed. The link between career development and training events across police services needs to be strengthened.

Trafficking in human beings is still an area of concern. The Office of the National anti-Trafficking Coordinator has increased its commitment, and policy and operational measures have enhanced the identification and protection of trafficking victims. In February 2011, a National Action Plan for combating human trafficking was adopted. Moreover, the government has started providing some financial support to shelters supporting victims. Albania remains a country of origin for trafficking for the purposes of sexual exploitation and forced labour.

A multidisciplinary approach to address trafficking in human beings has to be implemented. Identification of victims needs to be improved, and all actors likely to come in contact with a victim of trafficking need to be properly trained. An effective and functioning National Referral Mechanism to protect, assist and support victims of trafficking, especially children, is crucial in this regard. Overall progress has been achieved in this area, but the capacity of the law enforcement agencies and international cooperation need to be considerably reinforced.

An amendment to the law against money laundering was adopted in March, taking into account important MONEYVAL recommendations, and improving the capacity for detection of suspicious bank transactions. Cooperation in combating money laundering needs to be enhanced between the institutions, and further efforts are needed in order to address the low level of reporting of suspicious transactions by the banking and non-banking sectors. Implementation of the existing legal framework has to be stepped up and the IT tools and expertise of the relevant agencies need to be strengthened. The quality of Suspicious Transaction Reports continues to present a challenge. The capacities of law enforcement authorities to investigate and sanction money laundering and financial crime remain weak.

Albania has been active in international police cooperation. Cooperation with Europol has been good. A secure line between Albania and Europol has been put in place since June 2011. Further efforts on personal data protection are needed, in order for Albania to be able to conclude an operational agreement with Europol. Overall, preparations in this area are advancing, but increased efforts are needed in order to develop threat assessment techniques, proactive investigations, and to build up a consistent track record of investigations, prosecutions and convictions.

There has been some progress in the **fight against terrorism**. In January 2011, Albania became a member of the regional initiative for international police cooperation for the fight against terrorism. Preparations in this area are moderately advanced.

There has been some progress in the **cooperation in the field of drugs**. Cooperation with the European Monitoring Centre for Drugs and Drug Addiction has improved, with the launch of a survey on drugs and alcohol consumption.

Some efforts have been made in the investigation and prosecution of drug trafficking cases, and the authorities are attentive to the issue of drug cultivation. Cooperation with foreign law

enforcement agencies is good. The production and trafficking of drugs continue to be issues of concern. Albania is still the main producer of cannabis in the region. There is concern about the decrease in drug seizures compared to previous years. Further development of investigative methods is required in order to conduct complex investigations. The national drug strategy expired at the end of 2010. Administrative capacity to implement the forthcoming strategy needs to be further developed. Preparations in this area are moderately advanced.

There has been some progress in the area of **customs cooperation**. The Directorate General for Customs continued its good cooperation and exchange of information with its counterpart structures in the region, in the EU and elsewhere. There has been an increase in the capacity to detect and prosecute fraud and smuggling of illegal goods. More systematic use of performance indicators and risk assessment needs to be developed. Preparations in this area are progressing.

For measures against **counterfeiting of the euro**, see *Chapter 32 - Financial control*.

Conclusions

Albania has made progress in the area of justice, freedom and security. Visa-free travel to the Schengen area entered into force in December 2010 for citizens holding biometric passports. Progress has been made on fighting organised crime, notably through good international cooperation and implementation of the 'anti-mafia' law including confiscation of criminal assets. Efforts need to be maintained for the effective implementation of the legislative framework and in strengthening the fight against organised crime, which is a key priority of the Commission's Opinion. This includes the building up of a credible track record of proactive investigations, prosecutions and, where appropriate, convictions. Measures to increase the expertise and empowerment of investigators and the cooperation of law enforcement agencies need to be actively pursued. The fight against drug trafficking, money laundering, trafficking in human beings and protection of its victims must be intensified and conducted systematically, and the legal framework for the confiscation of criminal assets systematically enforced.

4.25. Chapter 25: Science and research

In the area of **research policy**, the Business Innovation and Technology Transfer Strategy for the period 2011-16 was approved with the aim of increasing the capacities of Albanian SMEs to develop, use, adapt and commercialise technology which contributes to the Innovation Union. The Agency for Research, Technology and Innovation (ARTI), established in 2010, is now operational. The level of investment in research is still very low (estimated at 0.2% of GDP in 2010).

With regard to Albania's participation in the 7th EU **research framework programme** (FP7), ARTI has increased its capacities and also raised awareness and shared information on participation in research programmes with the EU and other international partners. ARTI has organised training sessions, workshops and FP7 information days, and e-communication channels have also been used for dissemination purposes.

Administrative capacity has been improved by the appointment of National Contact Points (NCPs) and representatives in most FP7 management committees. The NCPs have taken part in several network events and training sessions organised by the European Commission.

The number of submissions has increased, but the number of successful FP7 projects funded is still low. Albania should continue its efforts in implementing the Memorandum on Association to the FP7 and in closely monitoring its participation. Further efforts are required in particular with respect to human capital building (Marie Curie Actions), involvement of SMEs in research and innovation, and scientific excellence in general.

ARTI became a member of the Central and South-Eastern Europe Network for Research Innovation and Business that aims to encourage and facilitate cooperation among private and public institutions focusing on research and development within and outside the EU. ARTI also became a member of the European Association of Research Managers and Administrators (EARMT). As part of the European Research Infrastructure Consortium (ERIC), Albania is establishing the LIFE-WATCH national centre.

As regards integration into the **European Research Area** (ERA), the implementation of the National Strategy on Science, Technology and Innovation (STI) 2009–2015 has been rather slow. The establishment of centres of excellence is still under consideration and only very limited action has been taken to improve mobility of scientists. The database of scientists working in the country has been updated, but the database of Albanian scientists working abroad still needs to be set up. Albania has nominated its observer delegates to all the ERA governance bodies, but is not attending on a regular basis due to lack of administrative capacity. The amount of investment in research is difficult to monitor due to the lack of reliable statistics on science and technology.

Conclusion

Overall, Albania has done a great deal to increase research cooperation with the EU and other stakeholders, but has not taken sufficient measures to strengthen the research capacity at national level. With the establishment of ARTI, the necessary administrative capacity to participate in FP7 has been improved. Concerted efforts are required in order to facilitate Albania's integration into the European Research Area by, amongst others, increasing public and private sector investment in research and strengthening human capital. A start should be made on preparations to contribute to the Innovation Union.

4.26. Chapter 26: Education and culture

There has been some progress in the area of **education, training and youth**. There have been further developments in the area of teacher training, with the accreditation of certified training agencies. The National Inspectorate for Pre-university Education has begun to carry out inspections of pre-university education. A National Examination Agency was established to provide assistance and evaluate the management of the national examinations. It is also responsible for the collection of data for the 2012 Programme for International Student Assessment (PISA). Albania's participation in the latest PISA helps to identify gaps in the education reform.

The amendments to the Law on Vocational Education and Training (VET) were adopted, aiming to approximate EU standards regarding formal and non-formal VET, life-long learning, teacher/trainer licensing, and post-secondary education. The newly developed curricula for VET provide for increased flexibility, geared to the specific needs of vulnerable categories of students.

The law on the Albanian Qualification Framework was adopted and some measures were taken to implement it. The National Council was mandated to be an advisory body for the

implementation of the Qualification Framework and the Qualification Framework Implementation Unit was established. There has been some progress as regards the institutional framework for the accreditation of private higher education institutions.

Albania began participating in the EU Programme "Europe for Citizens". It organized information days and workshops in order to increase the so far limited participation. The promotion of opportunities under the Youth in Action Programme has been stepped up. There has been increased dissemination of information for EU programmes in the field of higher education, namely Erasmus Mundus, Jean Monnet, Marie Curie and Tempus. Further capacity building is necessary to increase the number of successful applications for Tempus funds.

In the area of **culture**, a new strategy on cultural heritage has been adopted.

Conclusion

Overall, some progress was made in aligning with European Standards in the area of education, in particular in the framework of the development of VET. Efforts are still needed to maximise the benefits that can be drawn from the programmes opened to Albania to further reforms, in particular in higher education. Good governance capacity continues to need attention, in order to ensure efficient management of decentralised programmes in the field of education and training.

4.27. Chapter 27: Environment

As regards **environment**, there has been some progress in the area of *horizontal legislation*. The Law on Environmental Protection and the new Environmental Impact Assessment Law have been adopted. The Law on Environmental Permitting was also adopted, but the referral to some provisions under the National Licensing Centre raises concern as to the conformity to European Standards. Transposition of the legislation on strategic environmental assessment has not progressed. There was no progress in the areas of access to justice and facilitation of public participation, which remains rather weak.

There has been no progress as regards *air quality*. Air quality is monitored in all main cities, but poor methods and equipment do not provide consistent data. A new Tirana air management plan has been prepared with the help of an EU project for the Ministry of Environment, but has not yet been adopted by the Municipality of Tirana.

Some progress was made on *waste management*. A National Waste Strategy was adopted. However, the Law on Waste Management is not yet adopted. There is no procedure in place for the management and control of landfills and uncontrolled dumpsites remain the main place for waste disposal. The implementation of the decision to allow the import of waste for recycling purposes will have to be carefully monitored by the authorities.

There has been no progress in the area of *water quality*. Transposition and implementation of key EU water legislation is at an early stage. The National Strategy for Water Supply and Sewage and the Water Law has not yet been adopted. Centralised wastewater collection only exists in bigger cities. There are only two operational wastewater treatment plants in the country at the moment. Four new plants have been completed, but are not yet operational. There is still no plan to identify sensitive areas and assess their water quality, including the quality of waste water discharged by industrial plants.

A modest progress can be reported in the field of *nature protection*. Two new protected areas were established in 2010, increasing the proportion of total national territory covered by protected areas from 12.57% to 13.17%. No new developments however can be reported on transposition and implementation of the EU nature legislation and on preparations for the establishment of the NATURA 2000 network.

There was some progress in the area of *industrial pollution control and risk management*. The transposition of the Integrated Pollution Prevention Control and the Large Combustion Plants Directive progressed with the new Law on Environmental Protection.

There is no progress to report as regards *environmental noise* policies.

There has been some progress regarding *civil protection*, where Albania is working with the support of a number of donors on the introduction of a central emergency call number, as well as on flood prevention and control measures.

Regarding **climate change**, Albania made limited progress on general policy development. Albania does not have a National Climate Change Strategy to address mitigation and adaptation challenges. Climate awareness at all levels is poor.

At the international level, Albania has aligned with the Copenhagen Accord but did not formulated pledges for greenhouse gases (GHG) emissions' reduction. Albania is preparing its third National Communication to UNFCCC. The country did not associate with the EU position at the 16th session of the Ad-Hoc Working Group on Further Commitments under the Kyoto Protocol and the 14th session of the Ad-Hoc Working Group on Long-Term Cooperative Action under the UNFCCC. Albania is continuing to implement the Montreal Protocol on ozone-depleting substances, although further steps to align with the EU legislation are still required. The country has actively participated in the climate work under the Regional Environmental Network for Accession.

As regards the preparation and adoption of the climate change *acquis*, Albania is at a very early stage and the government is currently conducting a gap analysis. There have been no concrete steps to gradually take a GHG reduction/limitation target with a view to implementing the *acquis*, especially the EU Emissions Trading Scheme, and to joining the EU Effort-Sharing. Furthermore, efforts are required towards convergence with the EU Monitoring Mechanism Decision.

As regards **administrative capacity**, the Air, Water and Climate Change Sector was set up within the Ministry of Environment, with one staff member covering climate change issues. A system of environmental permitting and inspection is in place. However, the system does not yet meet the requirements of the *acquis*. Administrative capacity, as well as technical and financial resources for aligning with and implementing EU environment and climate change policy and legislation, are poor.

Conclusion

Overall, there has been little progress in legislative developments and alignment with the environment *acquis*. Implementation and enforcement need to improve across all sectors. As regards climate change there was no progress on alignment and further efforts are required to strengthen administrative capacity. Lack of public awareness and proper consultation on legislative initiatives hampers transparency and enforcement. Inter-institutional cooperation on environmental protection and climate change issues remains poor. The more systematic

integration of environmental aspects into other sectors, including through a process of sound environmental assessments at the strategic and project level, remains poor. Preparations in the area of environment are still at an early stage whereas preparations in the area of climate change are at a very early stage.

4.28. Chapter 28: Consumer and health protection

Some progress has been made in the field of **consumer protection**. The criteria governing the organisation and management of consumer advice centres by the consumer associations have been defined, while the Bank of Albania has taken decisions on transparency for banking and financial products and services, and on consumer and mortgage credit. As regards enforcement of legislation, the Consumer Protection Commission (CPC) has been assessing cases of potential infringements and has taken administrative steps. Most CPC decisions have been enforced by operators, and the CPC has been informed of the payment of their fines.

In the area of *product-safety related issues*, the Law "On the general safety of non-food products", approximating the relevant provisions of General Product Safety Directive, is under discussion in the Albanian Parliament. As regards *non-safety related issues*, the Law on consumer protection has been amended, aiming to regulate certain aspects of the consumer protection area, to reinforce the independence and impartiality of the Consumer Protection Commission and to increase the level of fines.

There has been some progress in the area of **public health**. The Law on Compulsory Health Insurance has been adopted, with the aim of improving standards of health financing.

Some progress has been made on *tobacco*. An awareness raising campaign has been organised by the Institute of Public Health (IPH) and training curricula for family physicians have been prepared. A new service to encourage people to quit smoking and counselling on the risks and harm to alcohol users has been introduced within the Tirana Regional Health Authority. The current Law banning smoking in public places is still not fully implemented.

There has been good progress regarding *communicable diseases*. Immunisation with pneumococcal vaccination has begun, aimed at reducing childhood infections and infant mortality. Two workshops have been organised on HPV and Rotavirus introduction vaccines, and the respective action plans have been prepared. Paediatricians, epidemiologists and other doctors throughout the country have been trained on new vaccines. The programme and database of web based national electronic vaccination registry has been prepared, including vaccination coverage, stock management and adverse reactions. The Influenza Lab has been upgraded and the plan for vaccination of risk groups against influenza has been prepared. Albanian microbiologists have been trained on biosafety and biosecurity. Hospital infection control guidelines have been prepared by the Institute for Public Health in October 2010.

As regards the *International Health Regulations (IHR)* implementation, the Albanian Institute of Public Health (IPH) has been established as a focal point and a coordinating institution. Country-wide, epidemiologists, public health professionals and physicians have been trained on emergencies and IHR. Adoption of secondary legislation to ensure the right to health for persons and children living with HIV/AIDS and persons at risk is still pending.

A Law for the transplantation of *tissues, cells and organs*, aiming to guarantee quality and safety standards during transplantations, has been approved.

Progress has been made in the area of *mental health*. Administrative capacity has been strengthened with the establishment of specialised units in all regional health departments. Several fully operational supported houses and daily centres have been created in Tirana, Shkodra and Vlora, and institutional mental health care has also improved. Training of general practitioners on mental health is continuing. However, more skilled staff and financial support will be necessary to ensure community based mental health services of high quality that are focused on recovery.

Despite a number of alleviating measures, *health inequalities* persist. Health authorities in Tirana have supported immunisation activities, including door to door screening, for Roma families and children as well as capacity development of health care providers to reach vulnerable population groups with immunisation and other child health services. However, there are still no reliable data with regard to the health care of Roma newborns and breastfeeding mothers. Primary health care in general has not been accessible for all groups, especially marginalised and young people (young people with HIV/AIDS, young drug users and the Roma minority).

The National *cancer* control strategy has been drafted and reviewed by all stakeholders involved in cancer control. IPH has performed activities in the field of assessment of primary health care needs, mapping of services, strengthening public health sections at local levels to include reproductive health, cancers and awareness raising materials. The National strategy on preventing and minimising the damage from *alcohol* and the action plan for 2011-2015 have been approved. The Clinic for the treatment of alcohol addiction has begun to provide therapeutic services, and the first centre for treatment of alcoholics has been established in Tirana. Albanian professionals operating in the addictive treatment network have been trained in *drug* demand reduction. In addition to the publication of the national drugs mapping report, the national centre for drug information has been reactivated.

Conclusion

Overall, some progress has been made in *acquis* approximation and strengthening consumer protection activities, as well as in the area of public health, in particular as regards communicable diseases and mental health infrastructure. In general, Albania needs to persevere with its efforts in the areas of capacity building and enforcement of legislation, as well as in aligning its legislation with the *acquis* in both areas. In the area of public health, further efforts are also required in order to tighten up measures against tobacco and to address health inequalities.

4.29. Chapter 29: Customs Union

Progress was made on **customs legislation**. Albania adopted its 2011 customs tariff in line with the SAA obligations and with the changes in the EU Combined Nomenclature. Preparations for accession to the Harmonised System Convention are ongoing. However, the customs code and its implementing provisions are not yet in line with EU legislation. The procedures for clearance of goods by travellers were improved, but overall further efforts are needed as regards the use of simplified procedures and on trade facilitation, including introducing the concept of authorised operator. The Directorate for the Protection of Intellectual Property Rights (IPR) started its activities and prepared and published an on-line manual and instructions on IPR protection. However, implementation of IPR law remains poor and capacity in this area is weak. The use of the transaction method in customs valuation rose to 85%, but further efforts to reduce the use of reference prices are still needed.

There was some progress as regards **administrative and operational capacity**. Inter-institutional cooperation improved, particularly with the police on stolen cars and with the national agency for export countries on dual use goods. The exchange of information with neighbouring countries through the Systematic Electronic Exchange of Data System was introduced. There were some improvements in the IT area with the upgrading of the Asycuda World system and with the purchase of servers to build a new operational centre. Nevertheless, efforts will be still required in order to make the IT system fully compatible with EU requirements. The infrastructure at border crossing points improved, but further efforts are needed in this area. There was a slight increase in inspections at the premises of economic operators, but there is a need for the systematic development of post-clearance controls.

Two new Directorates were established: one in charge of debt and anti-smuggling and the other focused on internal investigation and anti-corruption. The Directorate General for Customs approved an Integrity Plan and its staff received training on ethics, but further efforts are still needed as there continues to be a strong public perception of corruption in the customs administration. A Business Change Management Plan has not yet been adopted. Further efforts are required in the field of human resources management to increase transparency and implement a system of formal appraisal. No progress has been made as regards granting civil servant status to customs administration staff. The Training Academy of the Tax and Customs Administration is still not operational, which hinders training activities. The strengthening of the intelligence capability requires further attention. Risk profiles were updated and the rate of physical checks rate dropped to from 14% to 13%. However, there is a need to better target risk profiles and to improve risk-based controls and simplify the procedures applied in order to facilitate legitimate trade by reducing physical inspections. Work is in progress on implementing the development plan for the Customs Laboratory.

Conclusion

There was some progress in the area of customs union. Positive developments can be reported on legislative alignment and administrative capacity, particularly as regards operational capacity and IT. However, further efforts are required on alignment with the EU, including on valuation and the use of simplified procedures and trade facilitation. Enforcement capacity and management of human resources remain insufficient and IT systems are not fully compatible with EU requirements. Overall, preparations in this area are moderately advanced.

4.30. Chapter 30: External relations

There has been some progress in alignment with the *acquis* in the area of **common commercial policy**. Albania continued to reduce duties in accordance with the provisions of the SAA and, on 1 January, full liberalisation was achieved.

The country has generally continued to coordinate with the European Commission and to align with the policies and positions of the EU towards third countries and with international organisations, in particular the World Trade Organisation. There has been good progress in the implementation of WTO commitments.

There were no particular developments to report as regards *export credits*. Albania made progress in the approximation of the EU *acquis* by passing legislation in February to allow

full implementation of the list of *dual use goods* and technologies. Modest progress has been achieved in strengthening human resources and administrative capacities in the area of commercial policy. Implementation of the training plan on trade policies and the EU's Common Commercial policies is behind schedule.

In terms of **bilateral agreements with third countries**, Albania ratified the additional protocol for full liberalisation of trade in agricultural products within the Central European Free Trade Agreement (CEFTA). A free trade agreement with EFTA entered into force in November 2010 for Albania. In June 2011, Albania signed the Pan-Euro-Med convention on diagonal accumulation of rules of origin. Diagonal cumulation of the rules of origin with Turkey became effective in August.

There is no progress to report in the areas of **development policy** and **humanitarian aid**.

Conclusion

There has been some progress in the area of external relations. Albania signed a Free Trade Agreement with EFTA and Albania plays a constructive and active role within CEFTA. It coordinates its position with the EU in the WTO. Institutional capacity in external relations is not yet sufficient. *Overall*, preparations in this area are moderately advanced.

4.31. Chapter 31: Foreign, Security and Defence Policy

The regular **political dialogue** between the EU and Albania has continued to cover foreign policy issues. (*Concerning relations with other enlargement countries and Member States, see Political criteria 2.3 – Regional issues and international obligations*).

As regards the **common foreign and security policy (CFSP)**, during the reporting period, Albania aligned itself, when invited, with 64 out of the 67 relevant EU declarations and Council decisions (95 % alignment).

As regards *restrictive measures*, Albania aligned itself with most restrictive measures introduced by the Council's Decisions.

No additional development can be reported concerning *conflict prevention*.

Concerning *non-proliferation*, Albania aligned itself further with the *acquis* by passing legislation in February to allow full implementation of the list of dual use goods and technologies. Albania currently holds the Presidency of the UN "Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction". As regards *small arms and light weapons*, there have been no new developments. Work is ongoing in order to establish an online registry of weapons and ammunition under the management of the State Police. The government endorsed an Action Plan for the Elimination of Excess Ammunition in the Albanian Armed Forces.

The country continued to engage actively in *cooperation with international organisations* (UN, OSCE, Council of Europe, etc.). Albania held the Presidency of MARRI (the Migration, Asylum and Refugees Regional Initiative) until May.

On *security measures*, Albania has not yet concluded a security agreement with the EU on exchanges and mutual protection of classified information.

The country is demonstrating a continuing commitment to participation in *civilian and military crisis management operations* in the framework of the **common security and defence policy (CSDP)**. The country continued to participate in the EUFOR/Althea mission in Bosnia and Herzegovina (71 military personnel and an 11-person explosive and ordnance disposal team). At the end of 2010, Albania completed its participation in the EU NAVFOR-Atalanta Operation in Somalia.

Conclusion

Albania has progressed in its bilateral and multilateral relations and continues to align itself with the EU *acquis* in the field of common security and defence policy. Overall, preparations in this field are on track.

4.32. Chapter 32: Financial control

Good progress can be reported in the area of **public internal financial control (PIFC)**. The primary legal framework for PIFC and centralised budget inspection is now in place. The Financial Management and Control (FMC) Law and amendments to the Internal Audit Law came into force at the beginning of 2011. The implementing legislation is being prepared. Also, the Law on Financial Inspection came into force at the beginning of 2011. The setting up of the Public Financial Inspection Directorate within the Ministry of Finance and recruitment of ad-hoc budget inspectors is under way.

The implementation of FMC is still at an early stage. The Central Harmonization Unit for Financial Management and Control (CHU/FMC) has developed a FMC implementation plan for the public sector with expert support. Several awareness and information seminars regarding the new concepts of FMC were organised at regional level. Further high-level awareness-raising for managers and training initiatives for civil servants on the implementation of PIFC are needed. Efforts must be made to strengthen the administrative capacity of internal audit, the use of various audit methodologies and follow-up of audit findings by management.

Progress has also been made as regards **external audit**. The amendments to the Law on the State Audit Institution (SAI) to bring it fully in line with INTOSAI standards are under preparation. The SAI is gradually moving away from inspection-type audit work to proper financial and performance audit in line with the INTOSAI standards. A training programme of the SAI staff for 2011 has been prepared and several training sessions have been delivered. Further improvements are needed as regards reporting to the Parliament and efficiency of parliamentary follow-up to SAI's audit reports.

With regard to the **protection of the EU's financial interests**, there is very little progress to report. The Public Financial Inspection Directorate which was established by the Decision of Council of Ministers in February 2011 will also act as the Anti Fraud Coordination Service and as a contact point for the European Anti-Fraud Office.

With regard to the **protection of the Euro against counterfeiting**, the Albanian authorities continue to cooperate with OLAF, by actively participating in the Pericles programme. In particular they hosted the "2010 Euro South East Conference" in Tirana and participated in one meeting of the Euro Counterfeiting Experts Group in Brussels.

Conclusion

Overall, progress has been made in the area of PIFC and external audit. Further substantial efforts are needed in order to strengthen the administrative capacity of all institutions responsible for internal control. Amendments to the SAI Law have still to be adopted in order to bring the legal framework fully into line with INTOSAI standards. There is limited progress in the areas relating to the protection of EU's financial interests.

4.33. Chapter 33: Financial and budgetary provisions

There have been no particular developments as regards **traditional own resources, VAT resources and GNI resources**. For progress in the underlying policy areas, *see chapter 16 – Taxation, 18 – Statistics, 29 – Customs union and 32 – Financial control.* .

As regards **administrative infrastructure**, institutions are in place in the underlying policy areas that indirectly affect the own resources system. However, in addition to further strengthening these institutions, a fully operational coordination structure will be required in order to ensure the correct calculation, forecasting, collection, payment and control of own resources, and reporting to the EU concerning implementation of the rules on own resources.

Conclusion

There is no particular progress to report under this chapter. Overall, there are no significant differences between the systems in Albania and the EU in terms of basic principles and institutions for the underlying policy areas affecting the correct application of the rules on own resources. In due course, a coordinating body will have to be set up to streamline and steer pre-accession preparations in the own resources field.

Statistical Annex

STATISTICAL DATA (as of 30.09.2011)

Albania

Basic data	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population (thousand)		3 058	3 063	3 084	3 103	3 120	3 135	3 149	3 153	3 170	3 185	:
Total area of the country (km ²)		28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750

National accounts	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross domestic product (GDP) (million national currency)		523 043	583 369	622 711	694 098	751 022	814 797	882 209	967 670	1 089 293	1 151 020p	:
GDP (million euro)		3 945	4 541	4 705	5 048	5 883	6 561	7 168	7 828	8 870	8 716p	:
GDP (euro per capita)		1 289	1 477	1 521	1 622	1 881	2 088	2 275	2 476	2 788	2 728p	:
GDP (in Purchasing Power Standards (PPS) per capita)		:	:	:	:	:	5 000	5 500	5 800	6 500	6 500	:
GDP per capita in PPS (EU-27 = 100)		:	:	:	:	:	22	23	23	26	28	:
Real GDP growth rate (growth rate of GDP volume, national currency, % change on previous year)		6.7	7.9	4.2	5.8	5.7	5.7	5.4	5.9	7.5	3.3p	3.9p
Employment growth (national accounts, % change on previous year)		:	:	:	:	:	:	:	:	:	:	:
Labour productivity growth: GDP growth per person employed (% change on previous year)		8.0	30.3	7.7	7.6	10.8	8.1	7.8	-9.4	19.0	4.4	:
Real unit labour cost growth (national accounts, % change on previous year)		:	:	:	:	:	:	:	:	:	:	:
Labour productivity per person employed (GDP in PPS per person employed, EU-27 = 100)		:	:	:	:	:	:	:	:	:	:	:
Gross value added by main sectors (%)												
Agriculture and fisheries		25.5	23.6	23.4	23.5	22.3	20.6	19.4	19.0	18.7	18.8	:
Industry		7.8	7.3	6.9	8.7	10.0	10.6	11.1	9.4	9.8	9.9	:
Construction		8.3	10.4	12.0	13.7	13.9	13.8	14.3	14.8	14.9	14.2	:
Services		58.5	58.6	57.6	54.0	53.8	55.0	55.2	56.8	56.6	57.1	:
Final consumption expenditure, as a share of GDP (%)		86.0	80.9	86.0	86.1	89.0	88.9	87.4	90.4	89.5	:	:
Gross fixed capital formation, as a share of GDP (%)		31.7	38.4	37.9	40.5	37.2	37.0	39.0	38.7	38.1	:	:
Changes in inventories, as a share of GDP (%)		2.4	1.3	0.8	-1.8	-3.8	-1.2	-2.8	-2.4	-0.9	:	:
Exports of goods and services, relative to GDP (%)		17.9	18.4	19.6	20.4	22.0	22.8	24.9	28.1	29.4	:	:
Imports of goods and services, relative to GDP (%)		38.1	39.0	44.3	45.1	44.4	47.5	48.5	54.8	56.0	:	:

Industry	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Industrial production volume index (2005=100)		:	:	:	98.2	100.2	100.0	104.4	90.8	117.9	116.5	139.6

Inflation rate	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Annual average inflation rate (CPI, % change on previous year)		4.2	3.5	1.7	3.3	2.2	2.0	2.5	3.1	2.2	2.3	3.6

Balance of payments	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Balance of payments: current account total (million euro)		-185	-316	-444	-350	-340	-589	-471	-831	-1 370	-1 346	-1 056
Balance of payments current account: trade balance (million euro)		-897	-1 149	-1 218	-1 177	-1 277	-1 477	-1 659	-2 104	-2 431	-2 304	-2 083
Balance of payments current account: net services (million euro)		12	100	-8	-72	-41	-140	-32	13	69	121	182
Balance of payments current account: net income (million euro)		115	150	116	132	138	131	209	217	55	-101	-77

Balance of payments current account: net current transfers (million euro)		586	583	667	767	839	897	1 011	1 043	937	938	922
of which government transfers (million euro)		105	31	41	53	61	61	43	60	31	27	45
Net foreign direct investment (FDI) (million euro)		157	231	141	157	267	209	250	470	620	680	818
Foreign direct investment (FDI) abroad (million euro)		0	0	0	0	-11	-3	-8	-11	-55	-26	-10
of which FDI of the reporting economy in EU-27 countries (million euro)		:	:	:	:	:	:	:	:	:	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)		157	231	141	157	278	213	259	481	675	706	827
of which FDI of EU-27 countries in the reporting economy (million euro)		:	:	:	:	:	:	:	:	:	:	:

Public finance	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government deficit/surplus, relative to GDP (%)		-7.6	-6.9	-6.1	-4.9	-5.1	-3.5	-3.3	-3.5	-5.5	-7.0	-3.0
General government debt relative to GDP (%)		60.2	58.5	63.9	61.5	58.3	56.8	56.8	54.8	53.9	:	:

Financial indicators	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross foreign debt of the whole economy, relative to GDP (%)		17.0	17.2	22.1	25.1	23.4	25.1	26.2	26.7	34.8	38.3	41.4
Gross foreign debt of the whole economy, relative to total exports (%)	1)	94.9	93.1	112.5	103.5	106.0	110.0	105.0	95.0	118.0	134.0	128.0
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		936	1 113	1 102	1 033	1 332	1 801	1 969	1 963	2 303	2 154	1 999
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		1 995	2 376	2 430	2 555	3 080	3 434	3 879	4 094	4 520	4 378	4 387
Money supply: M3 (M2 plus marketable instruments, million euro)		2 475	3 069	3 083	3 225	3 942	4 614	5 415	6 129	6 643	6 599	7 114
Total credit by monetary financial institutions to residents (consolidated) (million euro)		175	217	302	381	566	1 007	1 590	2 377	3 227	3 335	3 506
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	24.0	11.9	15.0	12.2	15.5	12.4	12.9	11.7	11.8	12.5	11.3
Deposit interest rate (one year), per annum (%)	3)	8.0	7.8	8.5	8.3	6.6	5.1	5.2	5.7	6.9	6.8	6.4
euro exchange rates: average of period - 1 euro = ... national currency		132.580	128.470	132.360	137.510	127.670	124.190	123.080	123.620	122.800	132.060	137.790
Effective exchange rate index (2000=100)		:	:	:	:	:	:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		654	834	800	800	1 024	1 209	1 368	1 477	1 694	1 650	1 904

External trade	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Value of imports: all goods, all partners (million euro)		1179.6	1485.7	1590.2	1648.1	1849.2	2101.4	2435.0	3065.0	3569.4	3260.7	3471.7
Value of exports: all goods, all partners (million euro)		283.1	340.5	349.2	395.4	484.5	529.1	631.3	786.3	921.1	779.8	1169.2
Trade balance: all goods, all partners (million euro)		-896.5	-1145.3	-1240.9	-1252.7	-1364.7	-1572.3	-1803.7	-2278.7	-2648.3	-2480.9	-2302.6
Terms of trade (export price index / import price index)		100.2	101.5	99.9	98.2	99.0	80.3	100.6	98.1	96.0	97.6	98.4
Share of exports to EU-27 countries in value of total exports (%)		93.1	91.2	92.7	93.8	90.9	89.4	88.6	83.1	79.7	84.7	70.0
Share of imports from EU-27 countries in value of total imports (%)		80.6	80.3	77.0	74.3	70.5	67.2	65.5	59.9	60.7	64.9	64.6

Demography	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Natural growth rate: natural change (births minus deaths) (per 1000 inhabitants)		11.4	12.5	9.5	9.3	8.1	7.2	5.5	5.9	6.3	:	:
Infant mortality rate: deaths of children under one year of age per 1000 live births		11.9	10.8	10.2	8.4	7.8	7.6	7.4	6.2	6.0	:	:
Life expectancy at birth: male (years)		:	:	:	:	:	:	:	:	:	:	:
Life expectancy at birth: female (years)		:	:	:	:	:	:	:	:	:	:	:

Labour market	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population (15-64): total of population aged 15-64 (thousand)		:	:	:	:	:	:	:	:	:	:	:
Population in economic activity (15-64): total of population aged 15-64 that is economically active (thousand)	4)	1 283.3	1 101.1b	1 092.5	1 089.3	1 088.2	1 085.4	1 084.5	1 373.1b	1 271.4	1 331.9	:

Total employment (15-64): total of population aged 15-64 that is employed (thousand)	4)	1 068.2	920.6b	920.1	926.2	931.2	932.1	935.1	1 188.3b	1 103.5	1 147.8	:
Economic activity rate (15-64): share of population aged 15-64 that is economically active (%)	4)	66.2	62.1b	61.8	59.7	58.8	57.8	53.6	65.2b	61.9	61.9	:
* Employment rate (15-64): share of population aged 15-64 in employment (%)	4)	55.1	51.9b	52.1	50.7	50.3	49.7	46.2	56.4b	53.8	53.4	:
Employment rate male (15-64) (%)	4)	66.0	64.0b	63.9	62.6	61.2	60.0	58.8	63.6b	63.0	64.3	:
Employment rate female (15-64) (%)	4)	44.1	39.6b	39.7	39.1	38.9	38.8	38.1	49.3b	45.6	43.6	:
Employment rate of older workers (55-64): share of population aged 55-64 in employment (%)		:	:	:	:	:	:	:	46.6	44.0	48.9	:
Employment by main sectors (%)												
Agriculture	4) 5)	71.8	57.7b	57.7	58.2	58.5	58.5	58.0	47.9	44.6	44.1	:
Industry	4) 5)	5.4	7.7b	7.6	7.2	8.1	7.9	8.0	10.4	9.3	10.0	:
Construction	4) 5)	1.2	6.1b	6.1	6.0	5.5	5.5	5.7	8.2	8.5	9.9	:
Services	4) 5)	21.5	28.5b	28.6	28.5	27.9	28.1	28.3	33.5	37.6	36.0	:
Unemployment rate: share of labour force that is unemployed (%)	6)	16.8	16.4	15.8	15.0	14.4	14.1	13.8	13.5b	13.0	13.8	:
Share of male labour force that is unemployed (%)	6)	14.9	14.2	13.6	12.9	12.4	12.1	11.8	14.4b	12.5	12.2	:
Share of female labour force that is unemployed (%)	6)	19.3	19.9	19.1	18.2	17.5	17.2	16.8	12.2b	13.5	15.9	:
Unemployment rate of persons < 25 years: share of labour force aged <25 that is unemployed (%)	6)	:	:	26.8	:	:	:	:	20.1b	27.2	27.2	:
Long-term unemployment rate: share of labour force that is unemployed for 12 months and more (%)	6)	:	:	:	:	:	:	:	9.4b	8.5	9.1	:

Social cohesion

	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Average nominal monthly wages and salaries (national currency)		14 963.0	17 218.0	19 659.0	21 325.0	24 393.0	26 808.0	28 822.0	33 750.0	36 537.0	40 874.0	:
Index of real wages and salaries (index of nominal wages and salaries divided by the CPI/HICP) (2005=100)		:	11.6	21.1	27.8	42.8	53.3	60.9	83.1	91.7	109.8	:
* Early school leavers - Share of population aged 18-24 with at most lower secondary education and not in further education or training (%)		:	:	:	:	:	:	:	42.0	39.0	:	:

Standard of living

	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of passenger cars per 1000 population		37.4	43.6	48.2	56.4	60.9	62.2	71.4	75.2	83.3	88.2	:
Number of subscriptions to cellular mobile telephone services per 1000 population		:	120.8	259.4	370.6	403.6	488.0	606.5	736.5	935.0	1 306.9	:

Infrastructure

	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Density of railway network (lines in operation, per 1000 km ²)		13.9	14.3	15.0	15.0	15.0	15.1	15.0	13.9	13.9	13.9	13.9
Length of motorways (thousand km)		:	:	:	0.0	0.0	0.0	:	:	:	:	:

Innovation and research

	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Spending on human resources (public expenditure on education in % of GDP)		3.1	3.3	3.0	3.1	3.2	3.2	3.1	3.2	3.5	3.4	:
* Gross domestic expenditure on R&D in % of GDP		:	:	:	:	:	:	:	:	:	:	:
Percentage of households who have Internet access at home (%)		:	:	:	:	:	1.5	:	:	3.4	:	:

Environment

	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
* Greenhouse gas emissions, CO2 equivalent (tons, 1990=100)		:	:	:	:	:	:	:	:	:	:	:
Energy intensity of the economy (kg of oil equivalent per 1000 euro GDP)		400.5	386.5	356.3	370.6	384.0	366.5	328.9	306.6	:	:	:

Electricity generated from renewable sources in % of gross electricity consumption		:	:	:	:	:	:	:	:	:	:	:
Road share of inland freight transport (% of tonne-km)		:	:	:	:	:	:	:	:	:	:	:

Energy	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary production of all energy products (thousand TOE)		987	933	896	1 012	1 178	1 149	1 237	1 080	1 159	:	:
Primary production of crude oil (thousand TOE)		314	335	308	359	443	418	500	564	578	:	:
Primary production of hard coal and lignite (thousand TOE)		20	15	5	19	19	15	15	15	20	:	:
Primary production of natural gas (thousand TOE)		12	8	8	12	9	10	10	16	8	:	:
Net imports of all energy products (thousand TOE)		858	1 001	965	1 043	1 080	1 130	826	1 020	1 033	:	:
Gross inland energy consumption (thousand TOE)		1 845	1 934	1 861	2 055	2 258	2 279	2 156	2 130	2 119	:	:
Electricity generation (thousand GWh)		4.7	3.7	3.2	4.9	5.5	5.5	5.6	3.0	3.9	5.2	:

Agriculture	Note	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agricultural production volume index of goods and services (producer prices, previous year=100)		:	:	:	102.9	105.1	101.2	102.5	100.4	107.4	:	:
Total utilised agricultural area (thousand hectare)		1 144	1 139	1 140	1 121	1 122	1 077	1 120	1 121	1 146	1 164	:
Livestock: cattle (thousand heads, end of period)		728	708	690	684	654	655	634e	577	541	494	493
Livestock: pigs (thousand heads, end of period)		103	106	114	132	143	147	152e	147	161	160	164
Livestock: sheep and goats (thousand heads, end of period)		3 045	2 933	2 773	2 919	2 739	2 701	2 770e	2 729	2 620	2 540	2 581
Production and utilisation of milk on the farm (total whole milk, thousand tonnes)		948	984	1 010	1 060	1 064	1 076	1 102e	1 016	1 040	1 045	1 070
Crop production: cereals (including rice) (thousand tonnes, harvested production)		566	503	519	489	499	511	508	494	609	:	662
Crop production: sugar beet (thousand tonnes, harvested production)		42	39	39	50	40	40	:	:	:	0	0
Crop production: vegetables (thousand tonnes, harvested production)	7)	620	677	669	675	678	685	688	672	715	730	860

: = not available

p = provisional

e = estimated value

b = break in series

* = Europe 2020 indicator

The balance of payments sign conventions are used for FDI. For FDI abroad a minus sign means investment abroad by the reporting economy exceeded its disinvestment in the period, while an entry without sign means disinvestment exceeded investment. For FDI in the reporting economy an entry without sign means that investment into the reporting economy exceeded disinvestment, while a minus sign indicates that disinvestment exceeded investment.

Footnotes:

- 1) Debt Outstanding Disbursed (DOD) cumulative stock covering external public debt and external publicly guaranteed debt, but excluding IMF credit. Total exports are calculated according national accounts concepts.
- 2) Average weighted rate applied on new 12-month loans over the respective month, on 12-month maturity.
- 3) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 4) Change of data source in 2001 due to the change of data source; 2001-2006, administrative data (information only for the male population aged 15-59 and for the female population aged 15-54); from 2007 onwards, Labour Force Survey data.
- 5) Data are provided according to Nace rev 1.1
- 6) 2000-2006, administrative data; from 2007 onwards, Labour Force Survey data.
- 7) Including melons.