

Validation of Albania

Report on initial data collection and stakeholder consultation

Abbreviations

ACA	Albanian Custom Administration
AKBN	National Agency of Natural Resources
AKPT	National Agency for Territorial Planning
ALBEITI	Albania EITI
BOE	Barrel of Oil Equivalent
Bpd	Barrels per day
CIT	Corporate Income Tax
CSO	Civil Society Organisation
EGPS	Extractives Global Programmatic Support
EITI	Extractive Industry Transparency Initiative
EU	European Union
FIAA	Foreign Investors' Association in Albania
GDT	General Directorate of Tax
GDP	Gross domestic product
GFS	Government Finance Statistics
GWh	Gigawatt per hour
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INSTAT	National Institute of Statistics
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standards on Auditing
LGU	Local Government Unit
MDTF	Multi Donor Trust Fund
MEDTTE	Ministry of Economic Development, Tourism, Trade and Entrepreneurship
MEI	Ministry of Energy and Industry
MOU	Memorandum of Understanding
MSG	Multi-stakeholder working Group
NGO	Non-Governmental Organisation
NOC	National Oil Company
NRGI	Natural Resource Governance Institute
PSA	Production Sharing Agreement
Scf	Standard cubic feet
SOE	State-owned enterprise
ToRs	Terms of Reference
UN	United Nations
USD	United States Dollar
VAT	Value Added Tax

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Executive Summary

The Government of Albania committed to implement the EITI on 27 December 2008 by enacting Order Nr.156 on establishing an Inter-Institutional Working Group to prepare Albania's EITI candidature application. The country was accepted as an EITI candidate on May 2009 at the EITI Board's meeting in Washington DC, United States. A permanent MSG was appointed on 21 July 2011 following Prime-Ministerial Decree Nr.71. In September 2013, the government established the Ministry of Energy and Industry (MEI) as the government institution with responsibility for overseeing the extractive industries in Albania. The MSG is chaired by the Deputy Minister of Ministry of Energy and Industry and consists of representatives from government, industry and civil society.

On 25 October 2016, the Board agreed that Albania's Validation under the 2016 EITI Standard would commence on 1 April 2017. This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures¹ and applied the Validation Guide² in assessing Albania's progress with the EITI Standard. While the assessment has not yet been reviewed by the MSG or the independent Validator, the International Secretariat's preliminary assessment is that a number of the requirements of the EITI Standard have not been fully addressed. Four requirements are assessed as unmet with inadequate or no progress. The recommendations and suggested corrective actions identified through this process relate in particular to civil society engagement and MSG oversight, data quality assurance and comprehensiveness of reporting by both government and industry as well as state-owned enterprises, including quasi-fiscal expenditures, financial relations with government and level of state ownership.

Overall conclusions

Albania is the only country in the Balkans to implement the EITI, in keeping with its efforts to accede to the European Union (EU). With a legacy of opacity in the management of its natural resources, the country has sought to use the EITI to ensure accountability to communities that host oil, gas and mining projects. A number of projects on the horizon, including the Trans-Adriatic Pipeline (TAP) for natural gas and positive prospects for Shell's oil exploration, have added commercial impetus to further improving transparency.

Albania began implementing the EITI in 2009 to strengthen the government's efforts to establish transparent and responsible management of natural resources. EITI implementation complemented broader economic, financial and institutional reforms, in particular a new Mining Law and Hydrocarbons Law. Another strength of Albania's EITI implementation has been its efforts to use the process to address local concerns, both through active dissemination and outreach efforts and by expanding the scope of EITI reporting to the hydro-power sector. The government is considering expanding EITI reporting to the forestry and fishery sectors – strategically-important industries that contribute significantly to the country's economy.

¹ <https://beta.eiti.org/document/validation-procedures>

² <https://beta.eiti.org/document/validation-guide>

The Government of Albania has been supportive of EITI implementation, enshrining reporting requirements in sector legislation and following up to ensure full revenue transparency, even though some government entities have been less than fully cooperative. Representatives from agencies such as the Ministry of Energy and Industry (MEI), the Ministry of Finance (MoF), the Ministry of Justice (MoJ), the General Directorate of Taxes (GDT), the Albanian Geological Service, the National Agency of Natural Resources (AKBN) and the Department of Customs (DC) have contributed to the work of the MSG, provided data for EITI Reports and supported embedding EITI reporting in government systems. Representatives from the oil, gas and mining industries are supportive of the EITI and have found it useful for their public relations, helping to improve public understanding. The civil society constituency was active at the beginning of the EITI process but has become increasingly inactive over time; they continue to support EITI reporting and to ask for greater transparency, however they do not make use EITI data in practice. Civil society's internal challenges effectively hamper the participation of the broader constituency in the EITI process and limit the effectiveness of the EITI.

The implementation process has been well supported by the World Bank, which has provided substantial funding since 2013. The government contributes by hosting the AlbEITI Secretariat at the MEI, employing nine staff, and covering some of the activities outlined in the MSG's work plan. Implementation of the EITI Standard has been driven primarily by the AlbEITI Secretariat in close cooperation with MEI, and with only lacklustre engagement from civil society and industry. While there have been instances of individual company representatives and civil society activists playing proactive roles in reporting, dissemination and outreach, there is little evidence that the constituencies are working effectively. In the absence of effective multi-stakeholder oversight of implementation, the AlbEITI Secretariat has grown to become a quasi-independent government entity. Whereas this approach has proven effective in empowering AlbEITI to expand the scope of implementation to hydro-power and, in future, environmental payments, fishery and forestry, it would appear to have come at the cost of meaningful stakeholder oversight of the EITI process. It would now seem timely to revisit the institutional structure of EITI implementation in Albania to improve MSG oversight.

Aspects of the EITI Standard are particularly pertinent to some of Albania's key challenges and sources of past public controversy. Requirements of the EITI Standard related to clarifying the management of off-budget revenues, the financial relations between state-owned enterprises and the government, production data, social expenditures, subnational transfers and audit practices all touch upon issues that stakeholders consider sensitive. The EITI Standard provides a unique opportunity to address these issues.

Despite the challenges in multi-stakeholder oversight and certain reporting gaps, EITI implementation has led to tangible impacts through government reforms and greater awareness by host communities of their rights. For example, following recommendations of the 2011 EITI Report, Albania has established a publicly accessible license register for all mining, oil and gas licenses. Following recommendations related to inactive subnational transfers of mining revenues in the 2013 and 2014 EITI Reports, the government also reformed the Law on National Taxes, with effect from January 2015, reducing transfers from 25% to 5% of royalties to LGUs, albeit without conditions allowing transfers to be executed.

Recommendations

While the following report includes recommendations for specific improvements that the MSG may wish

to consider implementing, the following is a list of strategic recommendations that could help Albania make even greater use of the EITI as an instrument to support reforms.

1. The MSG should ensure more consistent participation of government representatives in dissemination activities.
2. To strengthen implementation, the industry constituency is encouraged to ensure that its MSG membership is representative of the structure of the mining, hydropower, oil and gas sectors and that the regularity and seniority of industry participation at MSG meetings is commensurate with the MSG's need to take informed decisions and follow-up on past action points. The MSG should ensure comprehensive reporting from all material companies.
3. In accordance with requirement 1.3.a, the civil society constituency should demonstrate that they are fully, actively and effectively engaged in the EITI process. Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process and that they have adequate capacity to participate in the EITI. In accordance with requirement 8.3.c.i, the civil society constituency should develop and disclose an action plan for addressing the deficiencies in company engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by <Board Decision + 3 months>. The constituency may wish to undertake an independent review of civil society engagement in the EITI in Albania, broadening the engagement with CSOs with potential interests in EITI implementation. Undertaking a capacity needs assessment and formulating actions to address civil society capacity constraints are crucial, not least to unlock funding from development partners and other relevant parties. The civil society constituency is encouraged to develop and agree on guidelines that effectively set out the process by which representatives on the MSG will be selected and held accountable.
4. In accordance with requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. To strengthen implementation, the government is encouraged to ensure that relevant state entities, such as the national oil company Albpetrol, given gaps in reporting on state participation (*see Requirement 2.6*), are represented on the MSG and that their level of seniority is commensurate with the need for the MSG to take informed decisions and follow up on agreed actions. In accordance with requirement 1.4.b.ii and 1.4.b.iii, the MSG should undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG should liaise with their constituency groups. In accordance with requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry and civil society. Government and company constituencies are encouraged to ensure that their representatives' attendance at MSG meetings is consistent and of sufficiently high level to allow the MSG to take decisions and follow up on them. It is also recommended that the MSG reviews evaluation procedures for its members that all constituencies would agree to follow.
5. To strengthen implementation, the MSG is encouraged to agree a work plan that is linked to national priorities and that is the product of wide consultation with stakeholders. Clearer links to national discussions and priorities will encourage more active participation by all stakeholder

groups and help mobilise additional resources. The MSG should address the financial sustainability of EITI implementation over the medium term.

6. To strengthen implementation, the MSG may wish to explore the potential of using EITI reporting to highlight inconsistencies in Albania's legal environment, fiscal framework and regulatory responsibilities in the mining, oil and gas sectors. The MSG may wish to link EITI reporting to planned technical assistance in the mining, oil and gas sectors to ensure that EITI implementation serves as a diagnostic to support ongoing and planned reforms.
7. In accordance with requirement 2.2.a, the MSG should ensure annual disclosure of which mining, oil and gas licenses were awarded and transferred in the year(s) under review, highlighting the technical and financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers.
8. In accordance with requirement 2.3.b, Albania should ensure that dates of application, award and expiry, commodity(ies) covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available. The government is encouraged to make this information available for licenses held by all companies, regardless of their materiality.
9. In accordance with requirement 2.4.b, Albania is required to document in future EITI Reports the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include relevant legal provisions, any reforms that are planned or underway as well as an overview of contracts already published.
10. To strengthen implementation, the MSG may wish to consider piloting beneficial ownership reporting in the forthcoming EITI Report in order to increase awareness of beneficial ownership transparency and pilot beneficial ownership definitions and thresholds. AlbEITI may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.
11. In accordance with requirement 2.6.a, the MSG should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings, reinvestment and third-party funding. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies in line with requirement 2.6.b.
12. To continue strengthening implementation, the MSG may wish to follow up on repeated recommendations from past EITI Reports related to ensuring the accuracy of official reserves estimates.
13. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports provide disaggregated production volumes and values for all key minerals produced in the year(s) under review. The MSG may also wish to work with relevant government entities to ensure that information on domestic prices of all minerals is published as part of routine government disclosures.
14. In accordance with requirement 3.3, the MSG should ensure future EITI Reports provide

disaggregated export volumes and values for all key minerals exported in the year(s) under review. The MSG is encouraged to clearly segregate any future transit natural gas from the development of the Trans-Adriatic Pipeline are clearly segregated from Albania's other exports.

15. To strengthen implementation, the MSG is encouraged to consider revisiting its materiality threshold for selecting mining companies to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden. The MSG is also encouraged to ensure that the Independent Administrator provides its opinion on the comprehensiveness of the EITI Report.
16. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports clearly disaggregate the state's in-kind revenues from Albpetrol's equity oil, as it has done in previous EITI Reports. The MSG could consider joining the EITI's [targeted effort](#) on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.
17. To strengthen implementation, the MSG should ensure that future EITI Reports clearly address Requirement 4.3 and confirm the MSG's assessment of its non-applicability. The MSG may wish to consider the extent to which a review of the actual terms of mining, oil and gas contracts would be necessary to ensure a comprehensive assessment of the applicability of Requirement 4.3.
18. To strengthen implementation, the MSG should consider ensuring that future EITI Reports explicitly state that the government and SOEs do not receive any revenues from the transportation of minerals, crude oil or natural gas in the year(s) under review.
19. To strengthen implementation, the MSG is strongly encouraged to ensure that future EITI Reports include Albpetrol's dividends to government in the scope of reconciliation, in line with requirement 4.5.
20. In accordance with requirement 4.6, the MSG should undertake appropriate scoping of direct subnational payments by extractive companies to LGUs, establishing a comprehensive basis for the MSG's materiality discussions regarding direct payments to LGUs. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden.
21. To strengthen implementation, the MSG may wish to consider the extent to which it can make progress in implementing project-level EITI reporting of sector-specific levies and taxes ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogotá.
22. To strengthen implementation, the MSG may wish to liaise with key revenue collecting agencies and sector regulators to explore means of embedding disclosures of EITI-required information in routine government systems to ensure timelier EITI reporting.
23. In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the

Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

- a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
 - b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.
24. In accordance with requirement 5.1.a, the MSG should ensure that the allocation of extractives revenues not recorded in the national budget are explained, with links provided to relevant financial reports as applicable. The MSG may wish to explore the extent to which it could use extractives-specific GFS classifications from its EITI summary data tables as a means of disaggregating the extractives components of common taxes in existing MoF systems.
25. In accordance with requirement 5.2.a, the MSG should assess the materiality of subnational transfers prior to data collection and ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of discrepancies between budgeted and executed subnational transfers. Given the high level of public interest in this issue, the MSG may wish to consider including LGUs in the reporting process for subnational transfers in order to reconcile these transactions.
26. To strengthen implementation, the MSG may wish to consider including additional information on the budget-making and auditing processes for government accounts in future EITI Reports.
27. In accordance with requirement 6.1.a, the MSG should agree a clear distinction between mandatory and voluntary social expenditures prior to data collection and ensure that material mandatory social expenditures are comprehensively disclosed in future EITI Reports. Where



beneficiaries of mandatory social expenditures are a third party, i.e. not a government agency, the MSG should ensure that the name and function of the beneficiary be disclosed. The MSG may wish to consider the extent to which disclosure of actual mining, oil and gas contracts (or review of key terms) would be necessary to provide a comprehensive assessment of the existence of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.

28. In accordance with requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by extractive SOEs and their subsidiaries, ensuring that all material quasi-fiscal expenditures are disclosed in future EITI Reports.
29. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports include the value of extractive industries' contribution to GDP in absolute terms and provide specific figures for the macro-economic information covered under Requirement 6.3. The MSG is encouraged to study the extent to which it could provide updated macro-economic information on the contribution of the extractive industries in a timelier manner through the AlbEITI (or other relevant government) website.
30. To strengthen implementation, the MSG should consider strengthening multi-stakeholder engagement in its communications, dissemination and outreach efforts, to ensure broader dissemination and public debate on EITI-related issues. Natural resource governance and anti-corruption are heated topics in Albania, and the MSG may wish to consider tailoring EITI discussions to tangible demands from stakeholders.
31. In accordance with requirement 7.3, the MSG should take steps to act upon lessons learnt, to identify, investigate and address the causes of any discrepancies, and to consider the recommendations resulting from EITI reporting. The MSG, in consultation with government stakeholders in particular, may wish to consider institutionalising its mechanisms for following up on recommendations from EITI Reports and Validation as a means of ensuring stricter attention to implementation.
32. To strengthen implementation, the MSG could consider discussing the role the EITI could play in achieving national priorities in reform of the extractive industries as part of its annual review of the work plan. The MSG may also wish to undertake an impact assessment with a view to identify opportunities for increasing the impact of implementation.

Figure 1– Initial assessment card

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

Legend to the assessment card

	No progress. The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	Inadequate progress. The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	Meaningful progress. The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	Satisfactory progress. The country is compliant with the EITI requirement.
	Beyond. The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

Introduction

Brief recap of the sign-up phase

Albania was admitted as an EITI candidate in May 2009 and was deemed compliant with the EITI Rules in May 2013.

Prime Minister Sali Berisha issued Order Nr.156 dated 27 December 2008 establishing an Inter-Institutional Working Group to be composed of representatives from various state institutions and representatives invited by the head of the Working Group from “*non-profit organisations, Albanian Bank, Energy Regulatory Agency, groups of interest, Union of Trade and Industry*” (Hart Nurse Ltd, 2011). Albania applied for EITI candidate country status in March 2009 by submission of a letter from the Minister of Economy, Trade and Energy dated 30 March 2009. The Working Group approved the country work plan, developed with the assistance of the World Bank, at its first meeting on 17 March 2009. Following recommendations from Albania’s Validation under the EITI Rules, Prime Minister Sali Berisha issued Decree Nr.71 on 21 July 2011 establishing the Multi-Stakeholder Group (MSG) (Hart Nurse Ltd, 2011). According to the Decree, the MSG is chaired by the Deputy Minister of Economy, Trade and Energy and consists of representatives from government, companies operating in the extractive industries and civil society. In September 2013, the new government restructured the cabinet and created the Ministry of Energy and Industry (MEI) as the government institution with responsibility for overseeing the extractive industries in Albania.

Objectives for implementation and overall progress in implementing the work plan

Albania’s MSG has agreed a work plan for EITI implementation over 2016-2019, published on the Alb-EITI website. While the work plan was approved by circular on 17 February 2016, the MSG and secretariat subsequently continued revisions of the work plan, keeping track of fulfilled activities.

The work plan lists the following four national priorities related to natural resource governance and provides a detailed explanation of how the objectives will be implemented in relation to the EITI process: natural resource governance; natural resource governance; open data; support to civil society and the fight against corruption. The work plan activities are clearly categorised according to the objectives addressed.

History of EITI Reporting

Albania has produced seven EITI Reports covering the fiscal years 2009-2015. The Independent Administrator Deloitte Audit Albania was contracted three times, producing in total five EITI reports covering fiscal years 2011-2015. The previous Independent Administrator (Fair Links) was contracted to complete EITI reports for 2009 and 2010.

Summary of engagement by government, civil society and industry

The Inter-Institutional Working Group in Albania was established by Prime Ministerial Order #156 dated 27 December 2008 and comprised representatives from various state institutions and representatives –

invited by the head of the Working Group – from “*non-profit organisations, Albanian Bank, Energy Regulatory Agency, groups of interest, Union of Trade and Industry*” (Hart Nurse Ltd, 2011). Following recommendations from Albania’s Validation under the EITI Rules, Prime Minister Sali Berisha issued Decree Nr.71 on 21 July 2011 establishing the MSG.

The seven government members include Deputy Minister of Energy and Industry Ilir Bejtja, the MSG Chair, Dritan Spahiu from the MEI, Sajmir Laçej from the MoF, Elda Spasse from the MoJ, Borjana Shaka from GDT, Nikoll Kaza from the Geological Albanian Service and Azbi Arapi from AKBN. Industry’s representation on the MSG includes Adriatik Golemi from Bankers Petroleum Ltd, Saimir Boka from Albchrome, Perparim Alikaj from the FIAA (Head of its Committee on Industry and Mining), Dritan Dervishaj from ANTEA Cement and Turker Sengonul from Shell Upstream Albania. Civil society on the MSG is represented by Sami Neza of the Centre for Transparency and Free Information, Ilir Aliaj of the Centre for Development and Democratizations of the Institutions, Anila Hajnaj of the Albanian Centre for Institutional Development and Baki Bajraktari of the Miners Union of Bulqiza.

Key features of the extractive industry

With reserves of chromium, coal, copper, iron, nickel, oil and gas, Albania’s extractive industries accounted for 5.6% of GDP in 2015, including 3% from mining, oil and gas and 2.6% from the electricity sector (Albania EITI , 2016). Albania was the world’s third-largest producer of chromium during the Communist period to 1990 and still accounts for 2.5% of global production. Albania also holds Europe’s largest reserves of the mineral at roughly 10m metric tons (Albanian Investment Development Agency, 2017). The country’s Patos-Marinza oilfield, discovered in 1928, remains Europe’s largest onshore oilfield with around 200m barrels of proven and probable (2P) reserves of crude oil (a blend of light and heavy crude oil, API 8-11) (Bankers Petroleum, 2017). Albania holds the world’s 63rd-largest reserves of crude oil (IMF, 2016). With the value of mineral exports declining in line with the recession in key Euro-area trading partners like Italy and Greece, the share of mining, oil and gas in total exports fell from 39% in 2013 to 24% in 2015 (Albania EITI , 2016) (US Geological Survey, 2016).

While all mineral exploration and production was firmly state-controlled during the Communist period, the 1994 Albanian Mining Law opened the doors to private investment in the extractive industries (Albania Energy Association, 2012). The state dominance of the mining sector left a legacy of large industrial complexes integrated across the value chain of chromite, copper, iron-nickel and bitumen, although the transition to a market economy in the mid-1990s caused a near-total collapse in mining activity (Albanian Investment Development Agency, 2012). By the mid-2000s, as mining sector reforms were implemented and international prices for key mineral commodities rose sharply, Albania’s mining sector attracted significant investment, particularly in chromite (US Geological Survey, 2016) (Albanian Investment Development Agency, 2012). The country’s key chromite deposits are centred in the North-East, Centre and South-East (Albania Energy Association, 2012).

Albania’s first oilfields were discovered at Drashovicë in 1918 and at Kuçovë and Patos-Marinza in 1928 (World Petroleum Council, 2003). Significant gas deposits were identified in the country’s west as early as 1963-1966 (AKBN, 2012). State-owned Albpetrol controlled the entire upstream oil and gas value chain until the opening of the sector to private investment in 1990, when it started contracting private companies through “petroleum-sharing agreements” (PSAs – similar to production-sharing agreements)

(Albania EITI , 2016). The government held licensing rounds for private oil companies in 1990 (offshore), 1992 (onshore) and 1995 (combined), awarding a total of nine PSAs (AKBN, 2012). The first major offshore oil discoveries were announced by Agip on the Adriatiku-4 block and OXY, Shell and Petromanas on the Shpiragu oilfield in 2001 and 2014 (AKBN, 2012). While Albania's transition in the mid-1990s saw a drastic slump in its oil production, from 1.4m metric tons a year in 1974 to 1.1m metric tons in 1990 and a record low of 0.315m metric tons by 2000 (World Petroleum Council, 2003) (AKBN, 2012), oil production more than doubled since 2003 as a result of private investment, to reach 1.279m metric tons in 2015 (Albania EITI , 2016). A private company, Bankers Petroleum, signed a PSA for the Patos Marinza oilfield in 2004 and increased production to 21,000 barrels per day (Bankers Petroleum, 2017). Yet Albania remains a high-cost oil producer, implying that changes in international oil prices have a greater impact on Albania's oil production than in other lower-cost producers (IMF, 2016).

While the government has long planned for the privatisation of the national oil company, Albpetrol, and its refining subsidiary, ARMO, progress has been uneven. In October 2012, the government tendered a majority stake in state-owned Albpetrol for privatisation. While Vetro's EUR 850m bid for Albpetrol was more than twice the closest bidder's, its failure to complete first payment by the February 2013 deadline led to the cancellation of the privatisation (Reuters, 2013). The transaction was never concluded and Prime Minister Edi Rama formally postponed Albpetrol's privatisation in December 2015 due to low oil prices (Tirana Times, 2015) (EBRD, 2016).

Albania became a European Union candidate state in June 2014, creating the impetus to harmonize its laws including in mineral concessions and oil and gas tenders (US Geological Survey, 2016). The country is also gaining importance as an energy transit country since February 2012, when then-Prime Minister Sali Berisha announced that Albania would be the first country to support the Trans Adriatic Pipeline (TAP). The TAP is a section of the broader 3500km-Southern Gas Corridor linking Azerbaijan's gas fields with the European gas network through Greece, Albania and the Adriatic Sea to southern Italy (Re:Common, 2016). Despite public opposition to the project from some host communities in Greece and Italy, analysts expect the pipeline to be completed in 2019 (IMF, 2016).

Albania is also a key producer of hydro-electric power, the primary source of the country's electricity. While its installed capacity is estimated to be 10,000 GWh, its effective production has declined from a peak of 7,674 GWh in 2010 and Albania has remained reliant on electricity imports to meet domestic demand (Albanian Investment Development Agency, 2017). The government estimates that only around 35% of Albania's hydro-electric power production potential has been developed thus far (Albanian Investment Development Agency, 2017).

Explanation of the Validation process

In October 2016, the Board agreed the Validation schedule of 30 EITI implementing countries, including the Albania. The EITI International Board agreed at its 35th Board meeting in Astana, Kazakhstan that Albania's Validation would commence on 1st April 2017 (Board, 2016).

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It also addresses the impact of the EITI, the implementation of

activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard³. It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)
2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly the EITI Board
4. Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The AlbEITI MSG did not request any issues for particular consideration.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

- The EITI work plan and other planning documents such as budgets and communication plans;
- The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
- EITI Reports, and supplementary information such as summary reports and scoping studies;
- Communication materials;
- Annual progress reports; and
- Any other information of relevance to Validation available online or provided by the AlbEITI

³ See also <https://eiti.org/validation>.

Secretariat.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation.

2. Country visit

A country visit took place on 5-10 June 2017. All meetings took place in Tirana, Albania. The Secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders were able to freely express their views and that requests for confidentiality were respected. The list of stakeholders consulted is outlined in Annex D.

3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

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Part I – MSG Oversight

1. Oversight of the EITI process

1.1 Overview

This section relates to stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government engagement in the EITI process (#1.1)

Documentation of progress

Public statement: On 27 December 2008, Prime Minister Sali Berisha issued Order Nr.156 establishing the Inter-Institutional Working Group to prepare Albania's EITI Candidature application (Cabinet of Ministers, 2008). The Decree included an invitation for companies and civil society to participate in the EITI process. On 16 January 2009, Sali Berisha wrote a letter to EITI Chairman Peter Eigen regarding Albania's decision to implement the EITI (Sali Berisha, 2009). The commitment was reiterated by Deputy Minister of Economy, Trade and Energy Neritan Alibali at the EITI Global Conference in Doha, Qatar on 16-17 February 2009 (EITI, 2009). The EITI Board admitted Albania as EITI Candidate country during its 9th meeting in Washington DC, United States, in May 2009 (EITI, 2009). The government's strong commitment was repeated at the EITI Global Conference in Lima through public statements, interviews and events (Ministry of Energy and Industry, 2016), (Ministry of Energy and Industry, 2016). At the EITI Global Conference in Lima in February 2016, Damian Gjijnuri, Minister of Energy and Industry reaffirmed that the Government of Albania supports the EITI process and the efforts to disclose the beneficial owners of extractive companies (Alb-EITI, 2017).

Albania has participated in the Open Government Partnership (OGP) since 2011. Its 2012-2013 OGP National Action Plan included a commitment (number 3.3) to continue implementing the EITI and to attain EITI Compliant status with the 2009 EITI Rules (OGP Albania, 2012), although subsequent OGP National Action Plans did not refer to Albania's EITI implementation.

Senior lead: Deputy Minister of Economy, Trade and Energy Enno Bozdo, was appointed in December 2008 to lead the Inter-Governmental Working Group from the government's side and the Ministry has committed senior staff to coordinate and support EITI implementation (Ministry Of Economy, Trade and Energy, 2009). The Albanian EITI national secretariat was established by the Decision of the Council of Ministers on 7 July 2010 (Council of Ministers, 2010). Following recommendations from Albania's Validation under the EITI Rules, Prime Minister Sali Berisha issued Decree Nr.71 on 21 July 2011 establishing the Multi-Stakeholder Group and defining its roles and responsibilities (Prime-Minister, 2011). According to the Decree, the MSG is chaired by the Deputy Minister of Economy, Trade and Energy and consists of representatives from government, companies operating in the extractive industries and civil society. In September 2013, the new government was restructured and the Ministry of Energy and

Industry (MEI) was created as the government institution with responsibility for overseeing the extractive industries in Albania. The MEI plays a key and proactive role in the promotion of the EITI activities, including by hosting the national secretariat, providing telecommunication and utility services, as well as providing nine staff members for AlbEITI. Minister of Energy and Industry Damian Gjijnuri promotes the EITI by taking part in press conferences, forums and other public events.⁴ In November 2013, Deputy Minister of Energy and Industry Ilir Bejtja was appointed as the new MSG Chair (Alb-EITI, 2013). He has been actively involved in EITI implementation and chaired all MSG meetings since 2013.

Active engagement: The government's engagement in the design, implementation, monitoring and evaluation of the EITI process has been consistently strong throughout Albania's implementation of the EITI. The seven government members of the MSG include Deputy Minister of Energy and Industry Ilir Bejtja, the MSG Chair, as well as representatives from the Ministry of Finance (MoF), Ministry of Justice (MoJ), General Directorate of Taxes (GDT), Albanian Geological Service (AGS), National Agency of Natural Resources (AKBN) and the MEI. Government representatives have been actively engaged in core MSG activities such as drafting and commenting on EITI work plans and annual activity reports, EITI reporting templates and EITI Reports. An analysis of MSG meeting minutes confirms that several of these activities have been initiated by government representatives on the MSG.⁵ The MSG government representatives, in particular representatives of the MEI, AKBN, AGS and GDT, usually attend all MSG meetings. A MoF representative did not attend any of the meeting since Q2 2016 due to internal staff changes within the Ministry, although a new MoF representative was appointed to the MSG in May 2017, after the commencement of Validation.

Government representatives have regularly participated in national and international capacity-building events and conferences⁶, raising awareness of EITI implementation and disseminating findings from the 2013-2014 and 2015 EITI Reports in their communication with the media and broader public.⁷ Representatives from local governments, the MEI and secretariat staff have been engaged in EITI dissemination activities in regions hosting extractives activities; attendance of national government representatives at these events appears to have been less consistent than that of the AlbEITI Secretariat and local governments, but more consistent than the industry and civil society constituencies (see *Requirement 7.1*). The Albania government, including MEI and the AlbEITI Secretariat, has also facilitated study tours and peer learning events for delegations from Kosovo, including in October 2013 (Republic of Kosovo, 2013).

Government participation in EITI reporting has been somewhat uneven, although most government entities have tended to respond to requests for data, albeit with some delay on the part of certain key institutions. Thus, while the MoF, GDT and Customs Service have tended to consistently report on a timely basis, other bodies like AKBN and Albpetrol, two non-budgetary government entities, have tended to provide only part of the information requested. The 2015 EITI Report highlights that AKBN provided only limited information, refusing for instance to provide copies of its financial statements to the IA and MSG (see *Requirement 4.9*), (Albania EITI, 2016). Nonetheless, the MEI appears to have proactively followed up to encourage all material government entities to report, including through letters to

⁴ <http://www.albeiti.org/press-conference-eiti-report-2013-and-2014/>

⁵ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/>

⁶ <http://www.albeiti.org/training-sessions-good-governance-of-natural-resources/>

⁷ A list of interviews related to the EITI with government officials is available here [link to internal/google drive]

government entities from Deputy Minister of Energy and Industry Bejtja.

The government has also sought to create an enabling environment for companies' EITI reporting, by including requirements to participate in EITI reporting in amendments to the Law on Mining in 2009 and the Law on Hydrocarbons in 2015. The government has expressed support for a draft Law on Transparency in Extractive Industries aligned with the EU Transparency Directive and enshrining key EITI requirements in national legislation and routine government reporting. The MoF has also supported a draft Law on Accounting and Financial Reporting, which would integrate certified EITI reporting in companies' statutory requirements for reporting to government.

While the June 2013 general elections caused a temporary slow-down in EITI-related activities, with delays in appointment of new government MSG members and fewer MSG meetings, the pace of implementation recovered in 2015. In September 2013, the new government established the MEI to oversee the mining, hydro-power, oil and gas sectors in Albania and the Ministry has since taken the lead in EITI implementation, providing a share of funding for the EITI from its annual budget.

Stakeholder views

Statements of support: A civil society representative considered that the government's initially-strong commitment to the EITI had declined over the years and noted that the government did not appear to have reaffirmed its public commitment to EITI implementation in the past two years. Nonetheless, several CSO MSG members highlighted that the MSG Chair was always supportive of the EITI and had taken personal responsibility for ensuring that implementation stayed on track after a slow start to EITI reporting prior to Albania's first Validation under the EITI Rules. Government and industry stakeholders did not express any particular views on the government's public statements of support for EITI.

Senior lead: All stakeholders consulted, including MSG members, considered that Deputy Minister of Energy and Industry Bejtja provided an effective and sufficiently senior government lead for EITI implementation. However, several representatives from all three constituencies and secretariat staff expressed concern about the sustainability of this support following future legislative elections, considering that the prospects for EITI implementation were closely tied to the senior lead's personal devotion to EITI implementation. The IA and secretariat staff highlighted the MSG Chair's key role in overcoming barriers to EITI reporting, both in terms of following up with non-reporting companies and government entities and in following up on EITI recommendations.

Engagement: A company representative considered that the government engagement had increased over the years and that coordination amongst previously-unrelated government entities had markedly improved as a result of their collaboration on EITI. Several government and civil society MSG members noted that government participation in MSG meetings was uneven, with institutions like the MEI and GDT participating more consistently than others like AKBN. These representatives also noted that input to key EITI documents like the annual work plan and draft EITI Reports from government agencies like AKBN was not usually received by the MSG.

An industry MSG member noted that government MSG members tended to represent their own narrow interests and competencies, with a tendency to only provide feedback on areas of expertise. It was

noted that while government MSG members at times discussed issues of relevance to industry, they usually appeared resistant to the idea of enacting any reforms given that they were bound by their positions and the politics involved. Several government representatives highlighted the challenges in securing participation in EITI reporting from certain government entities like AKBN and Albpetrol, considering that these institutions did not always take the EITI seriously. Secretariat staff and the IA noted that Albpetrol's cooperation with EITI reporting had declined between the 2013-14 and the 2015 EITI Reports, due to Albpetrol's criticism of some aspects of the 2013-14 EITI Report related to the pricing of Albpetrol's crude oil sales.

Secretariat staff emphasised that MEI provided partial funding to the EITI, covering roughly one third of AlbEITI's annual funding needs (alongside two thirds from the World Bank). This funding covered secretariat staff salaries, administrative procurement, transportation, office space and other facilities.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement. Despite delays linked to the political transition in 2013, there are regular, public statements of support from the government, a senior individual has been appointed to lead on the implementation of the EITI and senior government officials are represented on the MSG. Evidence including MSG meeting minutes show that the government is actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI. Stakeholders note that although engagement from select government entities has at times been weak, the current representation on the MSG shows that the government is taking the process seriously and government stakeholders were effectively engaged in all aspects of implementation. However, government representatives' participation in dissemination and outreach activities appears to have been relatively inconsistent, albeit on a par with engagement from other constituencies on the MSG (*see Requirement 7.1*). Local government units are actively engaged in promoting the EITI and generating public debate. The MEI hosts the AlbEITI secretariat, employs secretariat staff and contributes roughly a third of EITI implementation funding.

The MSG should also ensure more consistent participation of government representatives in dissemination activities.

Industry engagement in the EITI process (#1.2)

Documentation of progress

Active engagement: Albania's EITI reporting covers the mining, oil and gas sectors as well as hydropower. The oil and gas industry consists of the following main players: state-owned Albpetrol, Shell, Bankers Petroleum, Transatlantic Albania, TransoilGroup Dega në Shqipëri, Sherwood International Petroleum and Phoenix Petroleum. Bankers Petroleum, which operates Europe's largest onshore oilfield of Patos-Marinza, accounts for roughly 89% of Albania's total oil production. The mining sector, consisting primarily of chromium, limestone and other construction minerals, includes mostly small- and medium-sized companies and contributes a total of only 0.8% of the national budget. The largest hydropower producers include state-owned Albanian Electrical Power Corporation (KESH), Transmission System Operator (OST) and Electricity Power Distribution Operator (OSHEE) alongside private investors (Albania EITI, 2016).

Foreign-invested extractives companies have been supportive of EITI implementation from the earliest stages, including through press releases from Foreign Investors Association in Albania⁸ (FIAA) (FIAA, 2012) (Anon., 2011).⁹ In October 2016, AlbEITI and FIAA signed a MoU to coordinate the industry constituency's engagement in EITI through FIAA. However, FIAA does not represent the locally-owned extractives companies, which account for the overwhelming majority of companies included in the scope of EITI reporting. Indeed some 527 companies held a total of 626 mining licenses in 2015. In addition, while hydropower is included in the scope of EITI reporting, there is no representation from the sector on the MSG.

Industry's role in EITI implementation is defined in the MSG's ToRs, including the constituency's responsibility to help ensure full participation of all material extractives companies, to accurately disclose all payments and relevant data to government and other stakeholders in a timely manner as well as to communicate with other industry stakeholders about EITI developments (Alb-EITI, 2017). Industry MSG members' participation in MSG meetings appears to have been consistent, with meeting attendance records showing that most industry members have participated in the majority of MSG meetings. However, there is no evidence that industry representatives participated in dissemination activities or used EITI implementation to specifically address the interests of extractives companies.

In addition, while most of the larger companies have consistently participated in EITI reporting, participation from smaller mining companies has proven more challenging despite consistent increases in the number of companies reporting from 41 in 2009 to 133 in 2015 (*see Requirement 4.1*). The number of companies participating in EITI reporting has consistently increased from 41 in 2009 to 69 in 2010, 75 in 2012, 103 in 2013, 118 in 2014 and 133 in 2015. However, while companies have tended to submit EITI reporting templates, they have consistently not complied with quality assurance procedures for EITI reporting agreed by the MSG (*see Requirement 4.9*).

Enabling environment: The government appears to have provided an enabling legal environment for companies' EITI reporting, including provisions making EITI reporting mandatory under Law 10304 on the mining sector and Law 7746 (amended) on the hydrocarbons sector (Parliament, 2010), (Parliament, 2015). There are no legal provisions making EITI reporting mandatory for the hydropower sector (Albania EITI, 2016). Article 51 of Law 10304 on the mining sector specifically waives any confidentiality provisions related to local and national tax payments in the mining sector and confirms mining companies' obligation to disclose such payments to the EITI (Parliament, 2010).

To circumvent confidentiality provisions of the tax code for other companies, which bar the national government from disclosing taxpayer information to third parties, the GDT has worked with the MSG to draft tax confidentiality waivers that have been sent to material companies on an annual basis. However, the 2015 EITI Report noted that "less than 50" companies had submitted signed waivers (Albania EITI, 2016). To bridge this gap, the AlbEITI Secretariat, as a government entity under the MEI, signed MoUs with each reporting government entity to allow government agencies to report EITI information to the

⁸ <http://fiaalbania.al/>. The FIAA acts as Albania's membership-based association of foreign-invested companies operating in all sectors of the economy. The association counted 96 members as of 1 April 2017, including 12 companies registered as operating in the energy sector and 13 operating in mining, oil and gas.

⁹ <http://fiaalbania.al/members-list/>

AlbEITI Secretariat, with the IA in copy. Thus, while the government's initial reporting is submitted to the AlbEITI Secretariat, it is the IA who follows up on the reconciliation and any additional data collection (see *Requirement 4.9*). This has effectively allowed the government to disclose the required information disaggregated by taxpayer, pending enactment of the draft Law on Transparency in the Extractive Industries, which would waive all tax confidentiality provisions for EITI reporting purposes.

Stakeholder views

There was consensus amongst MSG members and industry representatives consulted that industry MSG members represented foreign-invested companies that were members of FIAA, not locally-owned companies. There was also consensus that there was no representation of the hydropower sector on the MSG.

A former government MSG member commended industry representatives' active and vocal contributions to EITI discussions and activities, which were considered to represent companies' concerns. A civil society representative considered that industry MSG members were active and showed their professional competence. Several MSG members from all constituencies confirmed that MSG members from the FIAA had consistently been represented on the MSG since the start and had never missed a single MSG meeting. However, several government and civil society representatives expressed concern that some companies were represented only at a junior level or by their Public Relations department, which meant they had no mandate to follow up on MSG decisions or to take decisions on behalf of their companies, let alone the broader constituency.

The IA considered that companies were committed to EITI reporting, but that they tended to see their participation as a form of compliance and did not seem to recognise the value in implementation to identify and overcome challenges in sector governance. The IA noted that there were a number of areas where EITI reporting could be particularly useful for companies, including in clarifying ambiguities in the fiscal regime, opening up the licensing process and providing a diagnostic of the reliability of company reporting.

With regards to the lack of comprehensive reporting by all companies, none of the industry representatives consulted considered that it was the industry constituency's responsibility to follow up with non-reporting companies. All representatives consulted, including industry MSG members, considered that this was the government's responsibility in line with provisions with mining and hydrocarbons legislation. None of the stakeholders consulted, including the IA, could explain why industry MSG members agreed to the same quality assurance procedures for EITI reporting every year when none of the companies ever complied with the agreed procedures.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement. The biggest mining, oil and gas companies are actively and effectively engaged in the EITI process, both as providers of information and in the design, implementation, monitoring and evaluation of the EITI process. FIAA uses the EITI to advocate for enabling environment for companies and investors, and contributes to promoting public debate. However, the lack of EITI representation of the locally-owned mining companies is a concern. In addition, the lack of industry input to key EITI decisions such as mechanisms for ensuring the reliability of EITI information needs to be addressed. There are

clear legal provisions requiring EITI reporting for all mining, oil and gas companies in Albania, that enable the 110 largest extractive taxpayers to report in 2016. Although comprehensive reporting from all material companies is challenging (see Requirement 4.9).

To strengthen implementation, the industry constituency is encouraged to ensure that its MSG membership is representative of the structure of the mining, hydropower, oil and gas sectors and that the regularity and seniority of industry participation at MSG meetings is commensurate with the MSG's need to take informed decisions and follow-up on past action points. The MSG should ensure comprehensive reporting from all material companies.

Civil society engagement in the EITI process (#1.3)

Documentation of progress

A vibrant civil society emerged in Albania during the post-Communist transition in the 1990s, playing an important role particularly related to awareness-raising and advocacy on freedom of expression, human rights, corruption and democratic practice (CIVICUS, 2010). While there do not appear to be legal barriers to civil society participation in EITI implementation, there is little evidence that this space has been used in practice by NGOs.

Expression: There is no evidence to suggest legal or regulatory constraints on civil society organisations ability to freely express their views with regards to the EITI process. Article 22 of Albania's 1998 Constitution guarantees freedom of speech for all citizens while Part II of the Constitution provides for fundamental human rights and freedom of the press (Parliament of Albania, 1998). According to a 2016 report by Bertelsmann Stiftung's Transformation Index (BTI), the media plays an active role in exposing cases of political corruption, although it also highlights that journalists are at times used by business and politicians to improve their media coverage through paid content (Bertelsmann Stiftung, 2016). Freedom House rates Albania as partly free and does not note any barriers to freedom of expression, either statutorily or in practice, in relation to oil, gas mining issues (Freedom House, 2017). The Anti-Corruption Resource Centre has assessed civil society as being able to openly engage in public debate and criticism of the government (Anti-Corruption Resource Centre, 2011). The US Department of State's 2016 Human Rights Report on Albania highlighted incidents of violence and intimidation against members of the media and considered that journalists practiced some level of self-censorship to avoid harassment and pressure from publishers and editors (US Department of State, 2016). The European Parliament has also raised concerns over self-censorship by the Albanian media (Balkan Insight, 2016). However, there is no evidence of barriers to press freedom or self-censorship amongst CSOs with regards to mining, oil and gas or other EITI-related issues, and there are numerous examples of civil society criticising government oversight of the sectors, including protests and strikes (Industrial Union, 2007) (Reuters, 2011).

Minutes from MSG meetings show that CSOs are able to speak freely about the EITI process without restraint or coercion, including criticising both government and industry constituencies. MSG CSO members have expressed strong views on issues including social payments, beneficial ownership disclosure, subnational transfers, environmental issues and MSG governance at several MSG meetings throughout the 2013-2017 period (AlbEITI, 2016), (AlbEITI, 2016). The International Secretariat made repeated requests from CSOs of evidence of public pronouncements by CSOs on issues related to natural

resources governance or other EITI-related issues but was not provided with any such documentation. As such, while there is extensive evidence available online on CSOs' ability to speak freely and critically about extractives governance issues, there is only very limited evidence of CSOs discussing EITI issues publicly or making use of EITI information beyond minutes of MSG meetings.

Operation: There is no evidence of any legal, regulatory or administrative obstacles affecting the ability of civil society representatives to participate in the EITI process. Registration of NGOs is a relatively simple process regulated by the 2001 Law on Non-Profit Organisations, the 2001 Law on Registration of Non-Profit Organisations and Albania's Civil Code (ICNL, n.d.) (Parliament of Albania, 2001). Non-profits and NGOs can be registered by any person, including juridical entities and foreign citizens, by depositing a registration application at the Tirana District Court. Given that District Courts in other towns are not habilitated to receive such applications, several international CSOs and development partners have highlighted the need to travel to the capital Tirana as a potential administrative obstacle for those based outside the capital (EU, 2013) (TACSO Albania, 2016). The documents required to register an NGO are defined in Article 22 of the Law on Registration of Non-Profit Organisations and include the registration application (including the NGO type, objectives, field of activity, founder and leaders details, structure, governing body, organisation address and legal representative details), the NGO's foundation documents and charter of regulations (Council of Ministers, 2001). For branches of foreign NGOs, the required documents (in Albanian) include registration application, the foundation documents, charter and evidence of the NGO's decision to open an Albanian branch (IMF, 2016) (Council of Ministers, 2001). Closing an NGO also requires representatives to travel to the Tirana District Court to obtain a formal decision (ICNL, n.d.). As non-profits, NGOs are exempted from taxes on donations, membership dues as well as from profit tax but are still liable to pay general consumption taxes like Value-Added Tax (VAT).¹⁰ There is no evidence that any group that has attempted to register a NGO or other non-profit focusing on extractives issues, governance or transparency has ever been denied or faced challenges in registering a NGO. All CSOs that have engaged in EITI, both as MSG members or as CSOs participating in nomination of MSG members, appear to have been duly registered without administrative delay.

There is evidence that, while there are no legal or administrative barriers to NGOs securing funding from both domestic and international sources, civil society faces resource and capacity challenges that affect financial and administrative sustainability (Anti-Corruption Resource Centre, 2011). According to a 2010 survey conducted by CIVICUS for the Civil Society Index (CSI) in Albania¹¹, a mere 16.1% of organisations were considered to be sufficiently staffed, while many CSOs worked on a volunteer basis due to NGOs' overwhelming reliance for funding on foreign donors (57%) and the government (17.8%) (CIVICUS, 2010). According to the Balkan Civil Society Development Network local fundraising¹² is considered challenging due to a lack of tradition and incentives for private-sector contributions (Balkan Civil Society Development Network, n.d.). Several CSO MSG members have publicly raised concerns about constraints in accessing funding from the World Bank or the Government for EITI-related activities (AlbEITI, 2016). According to the World Bank's grant agreement with the Government of Albania dated 21 December 2015, MSG

¹⁰ <http://www.bridgewest.eu/article/register-non-profit-organization-albania>

¹¹ <http://www.civicus.org/>

¹² The main foreign donors to civil society are the European Commission, USAID, UNDP, OSCE, the Swiss State Secretariat for Economic Affairs (SECO), GIZ and the World Bank. International NGOs like the Open Society Foundation Albania (OSFA) and Konrad Adenauer Stiftung (KAS) provide more limited sources of funding. The only local entity that provides funding, from the government, is the Agency for the Support of Civil Society.

members are not eligible to bid for grant-funded EITI activities to avoid any conflict of interest (World Bank, 2015). The nature of other obstacles faced by civil society in raising funds for EITI-related activities from other donors is unclear. Nonetheless, a 2015 USAID Sustainability Index report emphasised improvements in recent years in the legal environment and financial sustainability of Albanian civil society, linked to the establishment of a National Council for Civil Society (see below) and government funding for NGOs (USAID, 2015).

Association: There is no evidence to suggest that there are restrictions or limitations on NGOs in terms of their ability to associate, communicate and cooperate with other national or international NGOs. Albania's Constitution and legal framework provide for freedoms of assembly and association, and it appears that the government generally respects these rights in practice (US Department of State, 2016). According to the Tirana District Court there were 6,855 CSOs registered as of the end of 2014, although the tax authorities recorded only 2,427 CSOs that regularly payed taxes (e.g. VAT) and hence were considered operational (USAID, 2015). According to the 2010 CSI-CIVICUS survey, civil society is relatively well-structured, with functional internal structures, active interactions, capacities to network and good infrastructure (CIVICUS, 2010). While the survey dates from 2010, its description of the situation still appears pertinent. On the other hand, the survey notes that citizens tend to be sceptical of civil society and perceive it as a source of financial benefits, often driven by donors and funding opportunities (CIVICUS, 2010). Civil society in Albania is diverse and includes different organisations ranging from NGOs dedicated to women, minority groups, anti-corruption, professional trade unions (e.g. miners), educational institutions, think tanks, environmental groups, social service delivery organisations, youth organisations, religious groups and the media (CIVICUS, 2010). However, the CSI-CIVICUS report highlights the public perception of civil society and media organisations being partisan, with roughly a quarter of NGOs as members of political organisations (CIVICUS, 2010).

There are currently four CSOs represented on the MSG: the Albanian Centre for Institutional Development, the Centre for Development and Democratization of Institutions, the Centre for Transparency and Free Information and the Miners Union of Bulqiza. The fifth CSO MSG member, Madlina Puka from the Centre for Research Cooperation and Development in Vlore, resigned in March 2016 upon being appointed to a position in local government and has not been replaced since (*see Requirement 1.4*). The four NGOs directly represented on the MSG registered a non-profit association called Albanian Network - Extractive Industry Transparency Initiative in January 2016, which has its own statutes and code of conduct (AlbNet-EITI, 2016). There are no local affiliates to the global Publish What You Pay (PWYP) network in Albania. There is evidence of frequent, if informal, contact between certain CSO MSG members and PWYP international and CSO MSG members have participated in regional workshops organised by PWYP and NREGI (PWYP, 2016) (PWYP, 2015) (NREGI, 2015).

The AlbNet-EITI statutes provide its main objectives and responsibilities, but does not indicate the NGO's membership size. The main objectives include providing full support to the EITI process in Albania, campaigning on transparency and accountability of government and companies through transparency of revenues and contracts, increasing public awareness on the benefits from the use of natural resources, influencing local government decision-making with regards to community development in extractives regions, the quality of education, culture and human rights, expanding the membership and conducting various studies related to the EITI (AlbNet-EITI, 2016). In addition to these, the NGO's statutes stipulate coalition members' responsibilities including active participation in Albania's EITI implementation, organising workshops, conferences, symposiums and other forms of discussions related to EITI,

promoting media space for discussion and development of public extractives policies, organising awareness-raising activities with local governments and civil society, membership of other international organizations working on related issues, providing technical assistance to central and local governments as well as companies on EITI implementation and preparing publications about EITI (AlbNet-EITI, 2016). There is no documentary evidence of such activities since the NGO's formation in January 2016.

Besides the four NGOs sitting on the MSG, other CSOs have expressed interest in the EITI, as evidenced through PWYP capacity building workshop (Centre for Development and Democratisation of Institutions, 2015). However, there is no evidence of any outreach by CSO MSG members to map Albanian CSOs focused on extractives, governance or transparency issues. In April 2015, the Centre for Development and Democratization of Institutions conducted a CSOs workshop for roughly 30 CSOs from Tirana, Bulqize, Pogradec, Patos and Vlore with support from PWYP and the MEI to broaden CSO engagement and build capacity for using the EITI (Centre for Development and Democratisation of Institutions, 2015). There is no evidence of subsequent EITI-related engagement with these 30 CSOs after the workshop, including from CSO MSG members. There are however a number of NGOs with potential interests in EITI-related issues, including CSO participants in Albania's OGP¹³ efforts (Transparency International Albania, Open Data Albania, Mjaft! Movement, Institute for Democracy and Mediation, Citizens Advocacy Office and the Network for Open Society in Albania) (Anti-Corruption Resource Centre, 2011).

According to the CSO's code of conduct, CSO MSG members should consult with and regularly report back to their constituency of local communities, networks and other NGOs. The code requires that MSG members provide sufficient information to the networks to allow opportunities for meaningful input to MSG deliberations and to hold preparatory meetings to coordinate and agree a common civil society position and recommendations on MSG meeting agenda items (CSOs Code of Conduct , 2015).

Engagement: Civil society is involved in the design, implementation, monitoring and evaluation of the EITI through participation in MSG meetings, however there is little documentary evidence of their engagement in dissemination and outreach. The minutes of MSG meetings point to active engagement in MSG discussions over the years and it is clear that there is capacity amongst wider civil society to engage in questions related to natural resource governance. There is evidence of several CSO MSG members having expressed their views on social payments, beneficial ownership disclosures, sub-national transfer of 5% royalties, environmental issues and MSG governance in MSG meetings in the 2013-2017 period (AlbEITI, 2016), (AlbEITI, 2016). However, there is no evidence that CSOs MSG members were active outside MSG meetings and used the EITI data for advocacy, research or dissemination to generate informed public debate. In addition, since the renewal of CSO MSG membership in April 2015, there is evidence that coordination between MSG members has declined and there is no documentary evidence of consultations between CSO MSG members outside of MSG meetings aside from anecdotal evidence of informal and ad hoc phone conversations.

The 2016 EITI work plan's third national objective recognises the importance of supporting civil society's representation of Albanian citizens in discussions with the government (Alb-EITI Workplan, 2016). One of AlbEITI's key objectives is to promote the establishment of an environment that encourages civil society's

¹³ <https://www.opengovpartnership.org/countries/albania>

independence, efficiency and sustainability (Alb-EITI Workplan, 2016). One of the work plan's activities relates to stakeholder mapping and consensus-building for civil society about EITI implementation, although the work plan does not include other activities linked to CSO capacity building. Although the EITI work plan includes activities aimed at building capacity for civil society, there is no evidence that these activities have been carried out or that civil society has actively sought to address any capacity challenges.

Access to public decision-making: There have been a number of recent legal reforms to strengthen civil society input to decision-making. Law 119/2014 on the Right to Information adopted in 2014 guarantees the right to access public information and provides the legal framework regulating access to public information (Parliament of Albania, 2014). In 2014, the Parliament adopted Law 247/2014 on Public Notification and Consultation to regulate the obligation to consult draft laws, strategies and other policies with citizens (Balkan Insight, 2014) (Ministry of Environment, 2015). According to Article 9 of Law 247/2014, all citizens and foreign residents are entitled to request information about public consultation, including access to draft legislation, propose the initiation of re-drafting of legislation by public authorities and submit comments and recommendations on drafts. An online platform was established by the Ministry of Innovation and Public Administration to facilitate these mechanisms (Council of Europe, 2016). Article 21 of Law 247/2014 regulates the channels for notification and receipt of comments and sets specific deadlines for processing requests, with clear appeals mechanisms (within 30 days of enactment) involving either the head of the public body responsible for the specific regulation or the Commissioner for Freedom of Information and Data Protection (Council of Europe, 2016).

The 2015 USAID Sustainability Index report highlighted the government's approval of a national policy in 2015 to provide an enabling environment for civil society, covering priority areas including public funding, government-CSO cooperation, the legislative framework for the registration and operation of CSOs, the development of volunteering and financial reporting and the tax treatment of CSOs (USAID, 2015). The government's Law 119/2015, enacted in 2015, institutionalised cooperation and dialogue between civil society and the government by creating a National Council for Civil Society (NCCS) (USAID, 2015). However, the fact that the NCCS is chaired by the Minister of Social Welfare and Youth has generated some scepticism about the NCCS' independence amongst some CSOs (USAID, 2015).

There is however little evidence of civil society using the EITI process to promote public debate. The Alb-EITI Secretariat hired the EuroSupport consultancy for a review of national legislation related to EITI and drafting of a Law on Transparency in the Extractive Industries. There is no documentary evidence that CSO MSG members provided input or commented on the draft law, nor of any civil society analysis of the draft legislation or EITI-related advocacy in the 2015-2017 period.

There is equally little evidence that CSO MSG members were active outside MSG meetings nor used the EITI data for advocacy, research and dissemination leading to public debate. There are no press releases, statements or publications made by CSO MSG members expressing any views on EITI-related or broader natural resource governance issues. MSG meeting minutes from 6 May 2016 show that a civil society representative suggested the preparation of a shadow EITI Report to investigate issues not fully covered by Albania's EITI Reports, such as the subnational transfer of royalties to extractives regions as well as social and environmental expenditures (AlbEITI, 2016). While positively received by other MSG members and the MSG Chair, who offered support in securing funding for such efforts, there is no evidence of CSOs' follow-up on the discussion to prepare such a report (AlbEITI, 2016). Despite repeated requests for

evidence of public pronouncements on issues related to natural resource governance or other EITI-related issues, the International Secretariat did not receive any evidence from CSO representatives consulted.

Stakeholder views

Expression: All CSO MSG members consulted confirmed they were able to speak freely in public and there were no obstacles to their freedom of speech about any EITI-related issues. An industry MSG member confirmed that CSOs were highly critical on the MSG, which was considered helpful in that this critical outlook helped improve the quality of implementation. Civil society representatives off the MSG noted that there were no issues affecting freedom of speech in Albania. While several CSOs considered that journalists at times practiced a form of self-censorship, this was ascribed to the fact that the media was politicised and that newspapers belonged to individual businessmen or politicians, which meant that journalists did not tend to express critical views of issues related to their owners. These representatives also noted that journalists often catered content to the priorities of their advertisers, although they conceded that this was also sometimes the case in other European countries. None of the journalists consulted considered that there was any issue that could not be covered in public for any reason. A government representative said that civil society faced no restrictions in freely expressing their views on extractive industry governance and highlighted that CSO MSG members were often vocal and highly critical of both government and companies at MSG meetings. Development partners considered that there were no restraints on civil society's ability to freely express their critical views and that there was an enabling environment for freedom of expression in Albania.

Operation: Civil society representatives off the MSG considered that there were no legal or practical obstacles for NGOs to operate, but that the requirement for founders of a NGO to visit the Tirana District Court was challenging (in terms of travel times and cost) for some activists based outside the capital city. It was noted that opening an NGO was not challenging and would cost approximately USD 100, although another CSO representative noted that legal and notarial fees could add another USD 200-300 to the cost of establishing a NGO. One CSO MSG member explained that it was possible to avoid most of the legal costs by preparing the NGO's statutes and other documentations in-house, provided the NGO founders had legal expertise. Upon discussion of the total number and diversity of CSOs actually operating in Albania, CSO representatives off the MSG highlighted the lack of clarity about the actual number of NGOs that were actually operational. They highlighted that while data from the Agency for Civil Society Support showed that there were 7,000 NGOs registered with the Tirana District Court, data from the General Department of Taxation showed only 3,000 NGOs paying taxes (e.g. VAT). In addition, a government official explained that NGOs could voluntarily register on the database of NGOs maintained by the Agency for Civil Society Support, only around 1,000 CSOs had done so to date. Several CSOs off the MSG explained that the larger number of NGOs registered at the Tirana District Court was likely due to the cost of closing a NGO, which required founders to travel to the Tirana District Court and obtain a court decision closing the NGO, and that most founders just let their NGO fall dormant rather than officially closing it. Other CSOs consulted did not consider the time and cost of closing a NGO to be a particular disincentive to closing an organisation.

All CSO MSG members lamented what they considered to be high barriers to accessing funding. One CSO MSG member noted that unsuccessful fundraising by CSOs was the main barrier to civil society undertaking EITI dissemination and outreach outside Tirana. When asked to describe fundraising efforts to date, some CSO MSG members conceded that they had not met with any of the donors present in

Albania on EITI-related projects specifically, nor developed concrete proposals to apply for funding. However, several CSO MSG members considered that the lack of CSO funding for EITI-related activities was due to a defamation campaign waged by the AlbEITI Secretariat to complicate CSOs' EITI-related fundraising efforts and discredit CSO MSG members with development partners. One CSO MSG member noted that while he had successfully fundraised for EITI-related activities in the 2011-2012 period, he had felt demotivated that other CSOs had used these funds without raising additional funds of their own. Several CSO MSG members noted that they had ongoing projects funded by foreign donors, including on transparency in the public health sector. Secretariat staff explained that they had sought to introduce CSO MSG members to potential donors amongst the development partner community in Tirana, but considered that CSOs had not proactively followed up on initial contacts. Several development partners confirmed that they had funding available for CSOs, particularly on transparency and governance issues, and considered that there were sufficient fundraising opportunities for CSOs in Albania. Some donors noted that they had never met with the CSOs represented on the MSG and had not received any applications for EITI-related activities. One development partner highlighted that a few NGOs had received donor funding for their EITI work in 2011-2012 but that these NGOs did not appear to have been active in EITI-related activities since then. While several industry representatives considered that CSOs always appeared interested and proposed ideas for new projects, it appeared that CSOs were interested in seeking funding of their own projects and this could be considered a conflict of interest for NGOs seeking to benefit from their MSG positions.

Association: Civil society MSG members said they had a list of around 100 NGOs that were interested in the EITI but that these CSOs had not been contacted since 2015. Indeed, the members explained that the NGOs members of AlbNet-EITI had not yet been notified that the organisation had been registered in January 2016. Civil society representatives off the MSG did not know their representatives on the MSG and noted that CSO MSG members had never been in contact with them prior to their participation in stakeholder consultations for Albania's Validation. One CSO noted that their initial contact with CSO MSG members about EITI, where the CSOs had sought to establish a working relationship on EITI issues, had been unsuccessful because one CSO MSG member had been particularly unfriendly and appeared to aggressively protect their place as a CSO MSG member rather than opening up to engagement with other CSOs with interests in EITI. Secretariat staff explained that they had tried to establish contacts between CSO MSG members and other CSOs and academics that were interested in the EITI, but that this had not been successful as CSO MSG members had reportedly not shown interest in outreach to other CSOs. Secretariat staff lamented the CSOs' accusation that the secretariat was interfering with civil society's independence through such efforts and explained that the secretariat had immediately desisted from such efforts as a consequence. Industry representatives consulted did not express any particular views about civil society association, either in general or in connection to the EITI.

Engagement: CSO representatives of the MSG noted that NGOs not represented on the MSG seemed to have only low general awareness of the EITI and considered that the main focal point on EITI issues was the AlbEITI Secretariat, not CSO MSG members. While some of these CSOs expressed interest in more engagement with EITI, they questioned the value of grass-roots mobilisation in relation to EITI and considered that the government should be the one to act and organise the civil society constituency in relation to EITI. One CSO representative noted that while he was well informed about the EITI, he was not aware of the possibility of being represented on the MSG. All CSOs off the MSG confirmed that CSO MSG members had not reached out to them or the broader constituency. Secretariat staff commented that CSO MSG members did not seem to have the good practice of consulting with their broader constituency

on EITI-related issues and that CSO MSG members primarily viewed their EITI engagement as participating in MSG meetings, not in other aspects of EITI implementation. Secretariat staff noted that while the fifth CSO MSG member (Madlina Puka from Vlore) had been proactive until her resignation in 2016, the lack of any replacement for her position had left a void.

One government representative considered that civil society on the MSG had not been active. One CSO MSG member highlighted the objections he had raised on the MSG in 2015 that CSOs' views were not considered in MSG deliberations and that this had constrained CSOs' operating space. However, the governmental official considered that the reason for these allegations was that CSO MSG members had not received any World Bank funding under the MDTF grant supporting EITI implementation despite these CSOs asking for funding for their participation on the MSG. The official highlighted the World Bank's clear policy on excluding MSG members from bidding for projects funded by the MDTF but noted that the EITI work plan offered opportunities for CSOs including workshops, capacity building events and travel expenses for CSOs.

A consultant that developed a 2016-2017 EITI communication strategy for CSOs has noted that Albanian CSOs' advocacy and lobbying capacities did not change noticeably in 2015, despite their involvement in several advocacy initiatives. While lauding CSOs' essential role on the MSG, in representing communities and highlighting challenging issues, the consultant highlighted the need for a genuine analysis and work plan to improve CSO involvement in EITI beyond their participation in MSG meetings to involve NGOs not directly represented on the MSG (Alb-EITI, 2016).

Access to public decision-making: Despite extensive consultations with CSOs on their use of EITI information in advocacy campaigns, CSO MSG members noted that they had only infrequently used any data from EITI Reports in their other work. Despite repeated requests for evidence of any use of EITI data, CSOs consulted did not provide any documents to the International Secretariat. One CSO representative on the MSG considered that EITI reporting was not sufficiently timely to support CSOs' advocacy, noting that 2015 data was of little interest in 2017 (*see Requirement 4.8*). There is however evidence of civil society having had access to public decision-making in other matters. One CSO MSG member noted that civil society had successfully taken part in advocacy campaigns for the enactment of the Freedom of Information Law in 2014. However, CSO MSG members noted that they had made no particular comments to the draft Law on Transparency in Extractive Industries and had not planned any related advocacy campaigns. Secretariat staff were critical of CSOs' fulfilment of their role in EITI implementation, considering that CSOs did not have a clear vision of how they wished to use the EITI, did not tend to share information about their plans or appeared to use EITI data in any way. Staff considered that the CSOs were largely inactive in terms of regional EITI outreach and dissemination and that companies appeared more active than civil society in this regard.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress in meeting this requirement. There is no evidence of any legal, regulatory or practical barriers to civil society's ability to engage in EITI nor to their ability to freely operate, communicate and cooperate with the broader constituency. MSG meeting minutes and stakeholder consultations showed no constraints on civil society's rights or ability to be actively engaged in the EITI. Yet there is little evidence to show that CSOs have used this space to be fully, actively and effectively engaged in EITI implementation aside from

voicing critical views at MSG meetings. While funding constraints and lack of effective CSO engagement prevents civil society from fully and effectively influencing the design and implementation of the EITI, there is little evidence to suggest that civil society organisations has taken steps to mobilise funding.

In accordance with requirement 1.3.a, the civil society constituency should demonstrate that they are able fully, actively and effectively engaged in the EITI process. Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process and that they have adequate capacity to participate in the EITI. In accordance with requirement 8.3.c.i, the civil society constituency should develop and disclose an action plan for addressing the deficiencies in civil society engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by <Board Decision + 3 months>. The constituency may wish to undertake an independent review of civil society engagement in the EITI in Albania, broadening the engagement with CSOs with potential interests in EITI implementation. Undertaking a capacity needs assessment and formulating actions to address civil society capacity constraints are crucial, not least to unlock funding from development partners and other relevant parties. The civil society constituency is encouraged to develop and agree on guidelines that effectively set out the process by which representatives on the MSG will be selected and held accountable.

MSG governance and functioning (#1.4)

Documentation of progress

MSG composition and membership: The 17-member MSG was established by Prime Ministerial Decree 71/2011 on 31 July 2011. Neither Decree 71/2011 nor the MSG's own ToRs provide for alternates to MSG members. The seven government members include Deputy Minister of Energy and Industry Ilir Bejtja, the MSG Chair, and representatives from the MoF, MoJ, GDT, Geological Albanian Service, AKBN and MEI. Industry's five MSG representatives include Albchrome, ANTEA Cement, Bankers Petroleum Ltd, the FIAA and Shell Upstream Albania. Civil society has five MSG seats, although the resignation of one CSO MSG member in 2016 had not led to her replacement as of the start of Albania's Validation on 1 April 2017. The other four CSO MSG members include representatives from three Tirana-based NGOs¹⁴ and a local workers' union, the Miners Union from Bulqiza.

The MSG's composition is set out in Article 7 of the MSG's January 2017 Terms of Reference (ToRs) (Alb-EITI, 2017). The ToRs set term limits for membership and note that government members' appointment is subject to their government position rather than being nominative (Article 11). MSG members from the other two constituencies are allowed to serve for a period of 3 years, with their replacement only undertaken on a gradual basis to ensure the preservation of the MSG constituency's institutional memory. The ToRs also allow MSG members to be re-appointed by their constituency if their performance has been considered "satisfactory" (Alb-EITI, 2017).

Civil society representation: Civil society on the MSG is represented by Sami Neza of the Centre for Transparency and Free Information, Ilir Aliaj of the Centre for Development and Democratizations of the

¹⁴ The Centre for Transparency and Free Information, Centre for Development and Democratization of Institutions and Albanian Centre for Institutional Development.

Institutions, Anila Hajnaj of the Albanian Centre for Institutional Development and Baki Bajraktari of the Miners Union Bulqiza. The MSG's ToRs specify that representatives from civil society will be selected from the "National Network of Civil Society for EITI" but does not include provisions on MSG members' selection. Order 71/2011 only requires the Network to submit names of its MSG representatives to the AlbEITI Secretariat. While the ToRs suggest that civil society is free to elect their members according to their own criteria, there are no firm rules and procedures for the selection of candidates. The nomination process for civil society held in April 2015 was supported by PWYP and the AlbEITI Secretariat. PWYP conducted a three-day workshop on 19-21 April 2015 for around 30 CSOs from Tirana and regions hosting extractives activities (Bulqiza, Pogradec, Patos and Vlore), which included diverse participants from organisations focusing on youth, media, democratic governance, environment, mining and oil labour unions. Prior to the workshop, the Centre for Development and Democratisation of Institutions conducted outreach in Tirana and the regions to map out relevant civil society actors. The outgoing CSO MSG members agreed that the two representatives who had not attended MSG meetings for the previous two years were required to relinquish their seats. Workshop participants agreed for the other three CSO MSG members to stay on in their positions to preserve institutional memory and build new members' capacities. The participants nominated five candidates for the two seats and selected Baki Bajraktari from the Bulqiza Chrome Mining Union and Madlina Puka from an environmental network operating in Patos and Vlore. While Madkina Puka and Rexhep Resuli (from the oil workers' union) consistently tied in three rounds of voting, Resuli conceded the MSG seat to Puka (Centre for Development and Democratisation of Institutions, 2015).

Industry representation: Industry's representation on the MSG includes Adriatik Golemi from Bankers Petroleum Ltd, Saimir Boka from Albchrome, Perparim Alikaj from the FIAA (Head of its Committee on Industry and Mining), Dritan Dervishaj from ANTEA Cement and Turker Sengonul from Shell Upstream Albania. There is no evidence of a nomination process for selecting industry's representation on the MSG. Prior to the signature of a MoU in October 2016 between AlbEITI and FIAA to strengthen cooperation and the constituency's coordination, there were no criteria for selecting industry MSG members. In May 2011, the government sent an invitation to participate in the MSG to four of the largest extractives companies (Albpetrol Sha, Bankers Petroleum, Beralba Company and ACR Company).¹⁵ The letter also invited these companies to seek other measures for involving the largest possible number of participants in MSG meetings. There is no evidence to clarify the evolution of industry's MSG representation since their initial nomination to the present day. While the MSG's ToRs confirm that the industry constituency is free to select its own MSG members according to their own criteria, there are no firm rules and procedures for selection and election of candidates (Alb-EITI, 2017). There are however concerns that industry representation on the MSG only reflects foreign-invested companies in the mining, oil and gas sector, with no representation for the majority of mining companies that are locally-owned or any private hydropower company (see Requirement 1.2).

Government representation: The five government representatives on the MSG are Ilir Bejtja, Deputy Minister of Energy and Industry, Dritan Spahiu from the MEI, Sajmir Laçeç from the MoF, Elda Spasse from the MoJ, Borjana Shaka from GDT, Nikoll Kaza from the Geological Albanian Service and Azbi Arapi from AKBN. While the number of government MSG members was reduced from the original six named in

¹⁵ Letter from Neritan Alibali, Deputy Minister of Economy, Trade and Energy, to companies and civil society to participate in the EITI MSG, 26 April 2011, http://www.albeiti.org/wp-content/uploads/2014/04/Zgjerimi_MSG_26-04-2011.pdf

Decree 71/2011 (which included a representative from the Ministry of Economy, Trade and Energy), there is no evidence of a document formalising this change (Cabinet of Ministers, 2011). The MSG's new ToRs agreed in 2017 (paragraph VII/b) only confirm that government MSG members are appointed by the heads of their representative institutions within 15 days of receiving the request for new representatives from the AlbEITI Secretariat (Alb-EITI, 2017).

Terms of reference: The AlbEITI MSG's ToRs are clear and public (Alb-EITI, 2017). Minutes of the MSG's 31 January 2017 meeting provide evidence that the ToRs were extensively discussed, with civil society representatives expressing concern about provisions for annual performance assessments of all MSG members.¹⁶ The ToRs include specific language on the MSG's responsibility to regularly review and update the AlbEITI work plan, appoint the IA, agree the scope of EITI implementation and participate in outreach and dissemination. Articles 4, 8 and 9 of the ToRs describe the MSG's mandates, powers and functions, including responsibilities for ensuring sustained political commitment, mobilising necessary resources, setting the strategic direction of implementation, assessing and removing barriers to implementation, setting the scope of EITI implementation and ensuring that the EITI is integrated into national reform processes. The ToRs also confirm the MSG's responsibilities for agreeing a fully-costed work plan, production of EITI Reports, annual reconciliation of payments, ToRs for the IA, oversight of the secretariat, as well as for outreach, dissemination and awareness building, although they do include specific provisions for the MSG to approve the appointment of the IA. In practice, it is the AlbEITI Secretariat that procures the Independent Administrator and the MSG endorses it.

During the course of the International Secretariat's stakeholder consultations, it became clear that the version of the 2015 EITI Report on the AlbEITI website (in June 2017) was different to that approved by the MSG in February 2017 and different from the version published on the AlbEITI website at the commencement of Albania's Validation on 1 April 2017. The June 2017 version of the report had differences in discrepancies and the MSG was not aware of this. AlbEITI Secretariat staff and the IA explained that the revisions were due to the late arrival of reporting templates from some companies, which had altered the results of reconciliation and that the IA had amended the 2015 EITI Report as it was laying out the publication for printing, but had not highlighted the changes to the AlbEITI Secretariat.

Representation: The MSG's ToRs outline the MSG's roles, responsibilities and rights, including the need for MSG members to undertake outreach with their broader constituencies (Article 8.e). Article 8.f also includes provisions for MSG members to communicate and raise awareness about the EITI while Article 8.g provides for the MSG to oversee and evaluate work plan implementation. Article 9.1 stipulates that government representatives are required to provide political leadership and support, ensure full participation of national and local government entities, ensure full participation of extractives companies, encourage full participation of civil society, provide a legal basis for EITI implementation and disclose government revenues and relevant data in an accurate and timely manner. Article 9.2 stipulates that industry MSG members are required to help ensure full participation by extractives companies, disclose payments and relevant data and communicate to industry stakeholders about EITI developments. Article 9.3 stipulates that civil society representatives are required to communicate and consult widely with a diverse range of stakeholders, build capacities, ensure full participation of relevant CSOs and monitor disclosures from government and extractives companies (Alb-EITI, 2017). However, there is no

¹⁶ <http://www.albeiti.org/year-2017/>

documentary evidence of MSG members' efforts (from any constituency) to undertake outreach to broader constituencies or canvass their opinion in practice.

Internal governance and procedures: Article 13 of the MSG's ToRs states that the MSG should meet once every quarter and more often if necessary (Alb-EITI, 2017). In practice, the MSG appears to have met six times in 2014, eight times in 2015, four times in 2016 and once in the first quarter of 2017, although meetings have not consistently been held every quarter.¹⁷ Agendas and relevant documentation should be circulated among the MSG members one week ahead of a meeting. The MSG's ToRs do not explicitly provide for any MSG member to table an issue for the MSG's discussion, although Article 14 notes that any MSG member's complaints would be treated openly during MSG meetings (Alb-EITI, 2017).

Decision-making: The ToRs define the rules for the MSG's decision-making, which is required to be by consensus or, in case consensus cannot be achieved, by simple-majority vote. Article 13 of the MSG's ToRs provides for decisions to be taken by email on a no-objection basis in instances where such decisions are not considered to require a formal MSG meeting, provided relevant papers for decision are circulated among MSG members prior to the decision by circular (Alb-EITI, 2017). There is no evidence of any MSG decisions ever having been taken by vote in the 2013-2017 period, although there is evidence of several key MSG decisions having been taken via email circular.

Record-keeping: Article 15 of the MSG's ToRs vests the Alb-EITI Secretariat with responsibility for preparing and circulating meeting minutes and sets a one-week time limit for comments on draft minutes, which are approved on a no-objection basis. It also requires the secretariat to report the implementation status of past MSG decisions at subsequent MSG meetings. The MSG has kept minutes of all meetings to date, which are available together with the five technical working group meetings on the Alb-EITI website¹⁸. The key MSG decisions are listed on the AlbEITI website, which should be highlighted as good practice in terms of highlighting the MSG's decisions.

Capacity of the MSG: Article 6 of the ToRs outlines general principles of engagement between government, industry and civil society in the MSG. This includes areas of consultation, capacity building and empowerment as a means of increasing knowledge of global best practices and stimulating sharing of knowledge through ongoing dialogue (Alb-EITI, 2017). Minutes of the MSG meetings document that the three constituencies have been engaged in technical discussions related to reporting templates as well as participated in capacity building workshops locally and abroad. There is evidence of funding constraints for CSOs, although these appear to be as a result of ineffective fundraising efforts rather than any statutory or practical constraints to CSOs' fundraising (see *Requirement 1.3*).

Per diems: The MSG does not follow a practice of per diems for MSG members to attend any EITI-related activities, including MSG meetings. Article 9 of the ToRs confirms that the MSG has no policy for the allocation of "diets of royalties and per diem" for EITI-related activities and that MSG members' commitment is purely on a voluntary basis (Alb-EITI, 2017).

¹⁷ For a full list of MSG meeting minutes for the 2014-2017 period, see: <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/>

¹⁸ Alb-EITI website, <http://www.albeiti.org>

Attendance: Article 11.4 of the MSG's ToRs requires annual performance appraisals at the start of each year for all MSG members by the MSG Chair, with technical support from the Alb-EITI Secretariat, addressing issues such as meeting attendance, meeting minutes, presentations, platforms and other materials used to measure "the real contribution of each member of the MSG". These appraisals are required to focus on the quality of participation as measured through the annual work plan implementation, with 30% weighting allocated to attendance at MSG meetings and other events, 30% to the level of engagement in consultative processes and in the drafting of key EITI documents and 40% to the member's commitment to communication activities and dissemination of EITI-related information. The ToRs require the replacement of MSG members that achieve less than a 60% performance appraisal, through processes designed by their own constituencies (Alb-EITI, 2017). There is evidence from MSG meeting minutes, including on 31 January 2017, of strong civil society opposition to this provision of the ToRs.¹⁹ In practice, attendance at MSG meetings appears to have been consistent for all three constituencies, although the level of participation has varied across different members of each constituency.

National secretariat: The national secretariat – AlbEITI – is hosted by MEI and consists of nine staff members. The MEI employs the secretariat's staff and funds salaries, administrative procurement, transportation, office space and other facilities. The head of the secretariat is Dorina Cinari. The work plan activities are covered by the World Bank funding. The Secretariat is the procurement entity for the funding and is responsible to evaluate bids for EITI-related tenders. There is evidence in MSG meeting minutes of CSO criticisms of this procurement structure, given concerns over the lack of a role for the MSG in selecting the IA for EITI Reports.

Article 10 of the MSG's ToRs states that the Alb-EITI Secretariat is a representative of the state, while Article 11 notes that the secretariat is responsible for tracking meeting attendance and preparing minutes of meetings, presentations, platforms or different materials required to assess each MSG member's contribution to EITI implementation (Alb-EITI, 2017).

Stakeholder views

MSG composition: A government representative considered that the MSG's composition was adequate for effective oversight of EITI implementation and that the right institutions and organisations were represented on the MSG.

In terms of civil society representation on the MSG, several company representatives expressed concern that the diversity of CSOs in Albania was not adequately reflected on the MSG and that the opinions of local communities were not represented on the MSG, despite their importance. Despite extensive consultations with CSOs both on and off the MSG, the International Secretariat was not provided with documentary evidence of any regular contacts between CSO MSG members and other NGOs not directly represented on the MSG.

In terms of industry representation, secretariat staff confirmed that there had never been any changes to the companies represented on the MSG, although some companies like Bankers Petroleum had replaced

¹⁹ <http://www.albeiti.org/year-2017/>

their representatives with PR officers in practice due to middle management's time constraints. Staff also highlighted that Shell Albania had joined the MSG in February 2017, following a bilateral meeting between a Shell Albania representative and the Alb-EITI Secretariat. Several industry representatives both on and off the MSG considered that their representation on the MSG could have been more effective. Secretariat staff noted that the October 2016 MoU between AlbEITI and FIAA had made it easier to cooperate with the industry constituency since it institutionalised the constituency's coordination mechanisms.

In terms of government representation, secretariat staff explained that government representatives were appointed based on their positions and thus tended to change often, with representatives from MoF, GDT and Customs having changed several times and the MoJ representative changing frequently. Secretariat staff also noted that it was seen as the Alb-EITI Secretariat's role to track changes in government functions in order to follow up with relevant government entities when their MSG representative was removed from functions in order to secure the new MSG member.

Terms of reference: Secretariat staff noted that procedures for the nomination of MSG members were not specified when the MSG was initially established in 2011, although the MSG's new ToRs in 2017 specified election and evaluation procedures for MSG members in order to better govern the EITI process. Staff confirmed that the MSG discussed the draft ToRs extensively and had approved the final draft via circular on a no-objection basis, once MSG members' initial comments had been included. Several CSO MSG members noted that the MSG had held extensive discussions on the draft ToRs, lasting 4-5 hours, and that most of the CSOs' concerns had been addressed aside from the annual performance appraisals. An industry MSG member considered that the MSG's ToRs met the requirements of the EITI and provided a safe space for discussion on EITI implementation.

With regards to the annual performance appraisals, the MSG Chair noted his concerns about his responsibility for evaluating members' performance and considered that he would have preferred to leave performance appraisals to each constituency. However, he noted that the assessment procedures had been introduced given that MSG members were not seen as sufficiently active and appeared distracted during MSG meetings. He emphasised that MSG members had not yet been assessed, highlighting that the repeated absence of the CSO MSG member from Bulqiza would have warranted his replacement but that the MSG Chair had wished for the constituency to resolve this challenge before proceeding with the assessments. The MSG Chair called for CSO MSG members to resolve this issue within their constituency, by for instance replacing the member with a Tirana-based NGO to facilitate attendance.

Representation: There was widespread recognition amongst MSG members consulted that the structure of the MSG was no longer reflective of the scope of the EITI Standard and MSG members recognised the need to restructure the MSG to ensure its representation of all relevant stakeholders. Secretariat staff explained that Albpetrol was not represented on the MSG because SOE-related EITI reporting requirements were non-existent under the EITI Rules when the MSG was originally established in 2011, and that the government planned to privatise Albpetrol at the time, as it still does. Secretariat staff stated that they were considering enlarging the MSG to seven representatives per constituency.

Industry MSG members noted that they represented the eight largest foreign-invested extractives

companies in Albania, but that they were not in touch with the hundreds of local companies operating in the mining sector or with any hydropower companies. Several FIAA representative noted that they planned to undertake wider outreach to locally-owned mining companies in order to participate both in FIAA, the EITI and potentially on the MSG.

Civil society MSG members conceded that they represented around seven NGOs from Tirana and were not in contact with other CSOs in Albania. Indeed, founders of the AlbNet-EITI NGO noted they had not yet formally notified the roughly hundred CSOs they considered potential members of the new coalition that the NGO had been established in January 2016 (*see Requirement 1.3*). Different CSO MSG members blamed each other for the lack of follow-up with the broader CSO constituency and there appeared to be no coordination between the four CSO MSG members' outreach activities.

Several CSO MSG members considered that government representation was inconsistent on the MSG and that long-standing members did not play active roles in the EITI. MSG members and secretariat staff highlighted the lack of attendance of MoJ representatives for instance, and called for the inclusion of relevant entities like the Department of Customs. Several key agencies like the Office of the Supreme State Audit had never previously been contacted by Alb-EITI, although stakeholders from all constituencies expressed mixed views about the auditor's political independence (*see Requirement 4.9*).

Internal governance and procedures: All MSG members consulted – both former and current – confirmed that all MSG decisions had always been taken by consensus, with no instance of voting. Several government MSG members and secretariat staff considered that the MSG's roles and responsibilities were well described in its ToRs, but were not followed in practice, with most MSG members seen as inactive.

Record-keeping: The majority of stakeholders consulted, including those off the MSG, praised the Alb-EITI Secretariat's work in documenting minutes of the MSG, circulating them for approval and publishing online. Stakeholders also applauded the secretariat's professionalism in drafting major papers such as work plans, annual progress reports and ToRs. However, reactions from CSO MSG members on the secretariat's record keeping and meeting logistics were mixed. One member lauded the secretariat's recording of detailed meeting minutes, with circulation of draft minutes within a week for approval by the MSG, and prior circulation of relevant documents well ahead of MSG meetings. On the other hand, two other members criticised the secretariat for not circulating documents or minutes of MSG meetings, and questioned the accuracy of meeting minutes despite their detailed nature.

Per diems: All stakeholders consulted confirmed that the MSG did not practice per diems. All CSOs on the MSG criticised the lack of reimbursement of travel costs for attending MSG meetings, which were a particular issue for the CSO representative from the mining region of Bulqiza. MSG members from other constituencies considered that it should be CSOs' responsibility to raise funding for their meaningful participation in EITI, including for attending MSG meetings. Secretariat staff and government officials confirmed that the terms of the World Bank grant funding to Alb-EITI, which accounted for two-thirds of implementation costs, did not allow for the payment of per diems. The MSG Chair explained that there was no budget line to cover civil society representatives' expenses.

Attendance: Secretariat staff highlighted that while MoF and MoJ representative on the MSG had

changed frequently, none of them tended to attend any MSG meetings. The IA noted that only around half of MSG members were present when the IA presented the draft 2015 EITI Report. Several CSOs noted that while government and companies mostly attended meetings, they were not usually active.

National secretariat: An industry representative noted that there were unresolved tensions between civil society and the AlBEITI Secretariat, but considered that the industry constituency had good relations with the AlBEITI Secretariat, as evidenced by the 2016 MoU with FIAA that was seen as being concluded with AlBEITI as a state institution. A government official and a development partner both commended the secretariat for its performance and fiduciary capacities in the management of its funds. A development partner highlighted the World Bank's prior procurement review of all recruitments and procurement at the request of the AlBEITI Secretariat. Secretariat staff confirmed that the AlBEITI budget was subject to four forms of control, including World Bank pre- and post-hoc audits, MEI audit and the PM's anti-corruption unit. The secretariat publishes all financial information on the AlBEITI Transparency Program²⁰ webpage. However, several CSOs called for the national secretariat to be more transparent about the allocation and funding of projects and considered that there should be stronger oversight by MSG members of all AlBEITI projects.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards meeting this requirement. The MSG has been formed and includes self-appointed representatives from each stakeholder group with no suggestion of interference or coercion, although the lack of representation for the diversity of Albanian extractives industry and civil society on the MSG is a concern. The MSG has adopted clear ToRs that address most of Requirement 1.4 of the EITI Standard. While the ToRs lack provisions such as appointing the IA, engaging in Validation and exercising the right to table an issue for discussion, it seems these provisions are largely followed in practice. While the MSG's ToRs suggest that civil society and companies are free to elect their members independently according to their criteria, there are no clearly-defined procedures for the selection of MSG members aside from the civil society Code of Conduct, which does not appear implemented, and the general MoU between Alb-EITI and FIAA, which does not clarify selection procedures. While MSG members appear to regularly attend MSG meetings and keep adequate records, there is little evidence of MSG participation in dissemination and outreach activities, which are led by the secretariat. While capacity appears strong among government and industry, there is limited evidence that civil society MSG members have sufficient capacity, particularly financial, to carry out their duties. Overall, it appears that the Alb-EITI Secretariat leads EITI implementation, with limited oversight by the MSG.

In accordance with requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. To strengthen implementation, the government is encouraged to ensure that relevant state entities, such as the national oil company Albpetrol given gaps in reporting on state participation (*see Requirement 2.6*), are represented on the MSG and that their level of seniority is commensurate with the need for the MSG to take informed decisions and follow up on agreed actions. In accordance with requirement 1.4.b.ii and 1.4.b.iii, the MSG should undertake effective outreach

²⁰ <http://www.albeiti.org/transparency-program/>

activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG should liaise with their constituency groups. In accordance with requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry and civil society. Government and company constituencies are encouraged to ensure that their representatives' attendance at MSG meetings is consistent and of sufficiently high level to allow the MSG to take decisions and follow up on them. The government may consider inviting Albpetrol to the MSG. It is also recommended that the MSG to review evaluation procedures for its members that all constituencies would agree to follow.

Work plan (#1.5)

Documentation of progress

Publicly accessible work plan: The MSG has agreed a work plan for EITI implementation over 2016-2019, published on the Alb-EITI website.²¹ While the work plan was approved by circular on 17 February 2016²², the MSG and secretariat subsequently continued revisions of the work plan, keeping track of fulfilled activities. For the purpose of this assessment, the International Secretariat has considered the version of the work plan for 2016-2019 available on the AlbEITI website on 1 April 2017.

Objectives for implementation: The work plan lists the following four national priorities related to natural resource governance and provides a detailed explanation (summarised below) of how the objectives will be implemented in relation to the EITI process:

1. Natural resource governance

The process should comply with the EITI Standard by producing high-quality and timely annual EITI reports. The MSG should use EITI reporting to address legal and fiscal shortcomings, to contribute to the development of national strategies and to lead to sectoral reforms. The EITI Reports should focus on the subnational level and environmental issues, and introduce the hydropower sector, which is strategically important for the government.

2. Open data

EITI reporting should be consistent with the government's policy on open data that enables timely access, a machine-readable format and reusability. The reporting should be cost efficient and ensure automated routine disclosures through governmental systems.

3. Support to civil society

The government should maintain an enabling environment for civil society that stimulates efficient,

²¹ www.albeiti.org

²² <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2016/>

active, sustainable and independent engagement with the Albanian EITI process.

4. Fight against corruption

This objective includes three areas: (1) reforming the national legal framework for better management of natural resources by introducing legal and regulatory amendments to the existing framework that governs the extractive industries; (2) building a legal basis and stakeholders' capacities to enable beneficial ownership disclosures; (3) increasing stakeholders' engagement and generating public debate on the governance of natural resources through targeted communication efforts.

Measurable and time-bound activities: The work plan includes measurable and time bound activities to achieve agreed objectives. The timeline for activities is clear and indicates specific deadlines (monthly basis).

Activities aimed at addressing any capacity constraints: Activity 11 focuses on capacity-building, including workshops for MSG members on enhancing their role in the extractive industries, the EITI Standard and beneficial ownership disclosures. It also plans for tailored workshops for different stakeholders (MSG members, national secretariat and separately for government and company representatives) on topics ranging from fiscal terms to the legal framework, local content, the environment, taxation, GIS mapping and cadastral systems, arbitrage and international contracts. The work plan also includes activities on mapping and consensus building for civil society engaged in EITI (#3) and on capacity building for MSG members to support implementation of the beneficial ownership roadmap in 2017-2018 (#13).

Scope of EITI reporting: Activity 4 includes activities aimed at identifying barriers to EITI data collection from government entities, including their EITI data collection and processing systems. It also addresses open data and includes plans to explore mainstreaming opportunities. Activity 7 refers to publishing EITI Reports covering 2015-2018 and includes the MSG's approval of the IA's ToRs, agreement on the reporting scope, procurement of the IA and dissemination of the EITI Report to the wider public. However, the work plan does not further elaborate on any MSG efforts to extend the scope or detail of EITI reporting and it is unclear whether the MSG has responsibility for approving selection of the IA or commenting on drafts of key documents such as the inception report or the EITI Report.

Legal or regulatory obstacles: Activity 4 covers the MSG's plans to undertake legal and regulatory reviews and the drafting of legal amendments for adoption in 2018. Activity 13 on beneficial ownership reporting plans for a legal review and the drafting of amendments to existing laws and regulations.

Follow-up on EITI recommendations: While Activity 7 plans for the procurement of consultancy services to assist government agencies with implementation of recommendations from EITI reports, the work plan does not outline plans for the MSG to discuss recommendations from previous EITI Reports or Validation.

Costings and funding: The work plan identifies sources of funding and specific technical assistance needs related to particular activities. While the government has provided limited financial support to EITI implementation, the World Bank has provided approximately 80% of funding, initially through the EITI Multi-Donor Trust Fund (MDTF) and through the Extractives Global Programmatic Support (EGPS) MDTF since 2016 according to successive Alb-EITI work plans and information from the Alb-EITI Secretariat. Some activities do not require funding or funding sources are not identified.

Stakeholder views

All MSG members confirmed that the AlbEITI Secretariat usually drafted a first version of the work plan and circulated it for comments, which were usually addressed in final versions of work plans. The MSG Chair said that the work plan objectives were defined based on the scope of work suggested in the World Bank's funding agreement, highlighting that the government's objectives were the hydropower and oil and gas sectors, alongside other priorities including agriculture, water management and the environment.

An industry MSG representative noted that the FIAA always discussed the draft work plan and other EITI-related issues internally, outside of MSG meetings, although their comments on the MSG were not always fully considered or included in the work plan. However, most of MSG members consulted confirmed that they had duly approved the work plan.

However, civil society members expressed mixed views on the work plan. Several CSO MSG members reportedly provided comments to the work plan, while another said that he had never seen an EITI work plan before. One CSO MSG member said that the AlbEITI Secretariat had unilaterally revised the work plan in early 2017 without consulting the MSG, adding some activities that did not involve MSG members.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress towards meeting this requirement. Albania has an updated EITI work plan for 2016-2019, which is publicly accessible. The work plan contains objectives aligned with national priorities, as well as activities and actions aimed at ensuring the objectives are met. The work plan includes a broad timeline for achieving the objectives, as well as costings and proposed funding sources. While there is a case that Albania has gone beyond the minimum requirement given the inclusion of hydropower in the scope of EITI implementation, the wider constituencies did not take active part in developing the work plan nor did they take part in overseeing the implementation of activities. In practice, the work plan is well managed and followed by the national secretariat, albeit with limited participation from MSG members.

The MSG is encouraged to agree a work plan that is linked to national priorities and that is the product of wide consultation with stakeholders. Clearer links to national discussions and priorities will encourage more active participation by all stakeholder groups and help mobilise additional resources. The MSG should address the financial sustainability of EITI implementation over the medium term.

Table 1 – Summary initial assessment table: MSG oversight

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Government oversight of the EITI process (#1.1)	The government is committed to the EITI. A senior individual has been appointed to lead on the implementation of the EITI and relevant government officials are represented on the MSG.	Satisfactory progress
Company engagement (#1.2)	Oil, gas and mining companies are actively and effectively engaged in the EITI process, both as providers of information and in the design, implementation, monitoring and evaluation of the EITI process. Hydro-power companies participate on a voluntary basis.	Satisfactory progress
Civil society engagement (#1.3)	There is an enabling environment for civil society participation in Albania. Civil society is involved in implementation. However, capacity constraints are affecting their ability to be fully and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process.	Meaningful progress
MSG governance and functioning (#1.4)	The MSG has been formed and includes self-appointed representatives from each stakeholder group with no suggestion of interference or coercion. The MSG meets frequently and attendance and record keeping appears adequate. While capacity is strong among government and companies, there is limited evidence that civil society MSG members have sufficient capacity to carry out their duties.	Meaningful progress
Work plan (#1.5)	The 2016 AlbEITI work plan is in line with provisions of	Satisfactory progress

	Requirement 1.5. It has clear objectives linked to national priorities for the extractive sector, as well as more detailed actions and timelines. The execution of the current work plan appears to be on track.	
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. The MSG should ensure more consistent participation of government representatives in dissemination activities. 2. To strengthen implementation, the industry constituency is encouraged to ensure that its MSG membership is representative of the structure of the mining, hydropower, oil and gas sectors and that the regularity and seniority of industry participation at MSG meetings is commensurate with the MSG's need to take informed decisions and follow-up on past action points. The MSG should ensure comprehensive reporting from all material companies. 3. In accordance with requirement 1.3.a, the civil society constituency should demonstrate that they are able fully, actively and effectively engaged in the EITI process. Specifically, civil society should ensure that they are able to fully contribute and provide input to the EITI process and that they have adequate capacity to participate in the EITI. In accordance with requirement 8.3.c.i, the civil society constituency should develop and disclose an action plan for addressing the deficiencies in company engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by <Board Decision + 3 months>. The constituency may wish to undertake an independent review of civil society engagement in the EITI in Albania, broadening the engagement with CSOs with potential interests in EITI implementation. Undertaking a capacity needs assessment and formulating actions to address civil society capacity constraints are crucial, not least to unlock funding from development partners and other relevant parties. The civil society constituency is encouraged to develop and agree on guidelines that effectively set out the process by which representatives on the MSG will be selected and held accountable. 4. In accordance with requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. To strengthen implementation, the government is encouraged to ensure that relevant state entities, such as the national oil company Albpetrol given gaps in reporting on state participation (<i>see Requirement 2.6</i>), are represented on the MSG and that their level of seniority is commensurate with the need for the MSG to take informed decisions and follow up on agreed actions. In accordance with requirement 1.4.b.ii and 1.4.b.iii, the MSG should undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and 		

civil society. Members of the MSG should liaise with their constituency groups. In accordance with requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry and civil society. Government and company constituencies are encouraged to ensure that their representatives' attendance at MSG meetings is consistent and of sufficiently high level to allow the MSG to take decisions and follow up on them. The government may consider inviting Albpetrol to the MSG. It is also recommended that the MSG to review evaluation procedures for its members that all constituencies would agree to follow.

5. The MSG is encouraged to agree a work plan that is linked to national priorities and that is the product of wide consultation with stakeholders. Clearer links to national discussions and priorities will encourage more active participation by all stakeholder groups and help mobilise additional resources. The MSG should address the financial sustainability of EITI implementation over the medium term.

Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

Legal framework: The 2015 EITI Report provides an overview of the legal framework for the oil and gas sector (2015 EITI Report, p.26), and for the mining sector (2015 EITI Report, pp.49-52), including brief descriptions and links to relevant government websites (MEI and AKBN) for summaries of sector-specific laws and regulations. The report also alludes to investment treaties with “many countries” and provides a link²³ to the full list of these (2015 EITI Report, p.103).

Government agencies’ roles: The report provides a cursory overview of the main government agencies²⁴ involved in the extractive industries and links to available websites, where detailed descriptions of each agency’s roles and responsibilities are available (2015 EITI Report, pp.15-18). Albania’s membership of the European Union’s Regional Energy Community since 2006 is also described (2015 EITI Report, p.18). The report provides a cursory description of the roles of MEI, AKBN and the Geological Service (SHGJSH) in approving mining licenses as well as of the Public Procurement Agency in overseeing mining license bidding rounds (2015 EITI Report, pp.49-51).

Fiscal regime: The report provides an overview of the fiscal terms in the oil and gas sector, including a diagram of upstream oil and gas revenues, the value of key oil and gas revenues in 2015 and descriptions of all key oil and gas revenue streams²⁵ (2015 EITI Report, pp.32-35). While noting that the specific terms of oil and gas PSAs are not public, the report provides a link to a MEI webpage²⁶ for the main terms and conditions of PSAs (2015 EITI Report, p.26). The 2015 EITI Report describes the fiscal framework in the mining sector, including regulations setting financial guarantees for investment plans and environmental

²³ <http://investmentpolicyhub.unctad.org/IIA/CountryBits/2#iialInnerMenu>

²⁴ Ministry of Energy and Industry, National Agency of Natural Resources, Albanian Geological Survey, Albanian Energy Regulator, Agency for Concession and PPP, Ministry of Environment, State-owned entities in the energy and resources.

²⁵ royalty, tax on profit, VAT, payments for social and health insurance and personal income tax, personal income tax, the state’s share of oil production, signature and training bonuses.

²⁶ <http://www.energija.gov.al/al/publikime/blloqet-e-lira-te-kerkimit>

rehabilitation plans (2015 EITI Report, pp.49-51). An overview of the taxes and fees²⁷ applicable to the mining sector is also provided (2015 EITI Report, pp.53-54).

Degree of fiscal devolution: The 2015 EITI Report describes statutory subnational transfers to local government units (LGUs) that host extractives production, originally implemented in 2008 at a rate of 25% of royalties and amended in 2014 to 5% of royalties (effective as of 2015) (2015 EITI Report, pp.75-76). The process for collecting and transferring these subnational transfers to LGUs is described (2015 EITI Report, p.75). The report also highlights inefficiencies in the transition to the reformed subnational transfer system in 2015, its first year of implementation (2015 EITI Report, p.76).

Reforms: The report lists reforms in the mining sector including a two-thirds reduction in mining royalties in November 2014 (2015 EITI Report, p.53) and briefly describes reforms to the Petroleum Law introduced by the MEI in December 2016 (2015 EITI Report, p.26).

The 2013-14 EITI Report describes the legal environment for oil and gas (2013-14 EITI Report, p.22), mining and quarrying (2013-14 EITI Report, p.40) and hydro-electricity (2013-14 EITI Report, p.54), with links where relevant, as well as the applicable fiscal regimes (2013-14 EITI Report, pp.37, 49, 69-70). The degree of fiscal devolution is described (2013-14 EITI Report, p.74), alongside the roles of relevant government agencies and several reforms enacted in 2015 (2013-14 EITI Report, pp.16-19).

Stakeholder views

Stakeholders consulted did not express any particular views on the comprehensiveness and accuracy of the 2015 EITI Report's coverage of the legal environment and fiscal framework for the extractives industries. One industry MSG representative considered that the explanation of the legal environment in the 2013-14 EITI Report was more comprehensive than in the 2015 EITI Report, given that it had reflected some of industry's concerns over certain legal ambiguities.

Several representatives from government, civil society and development partners highlighted the fragmented regulatory structure governing the extractives industries, split between the MEI, AKBN and Albpetrol. Several civil society representatives considered that the fragmentation of government entities with responsibility for overseeing the sector was a conscious attempt to hide information from the public. Several government and civil society members explained that there was a history of friction between AKBN and Albpetrol, given the politicized nature of the two organisations' management. A January 2017 report by Eurosupport explained that the roles and responsibilities of each ministry is described on the respective ministry's website and encouraged AlbEITI to consider providing an updated review of the legal environment and fiscal regime for the mining, oil and gas sectors on the AlbEITI website (Eurosupport, 2017).

Several industry, government and development partner representatives explained that there were significant ambiguities in the fiscal terms for mining, oil and gas. The issue of royalty calculations was highlighted as a challenge by these representatives, who noted that companies still paid royalties even

²⁷ Including descriptions of all key mining revenue streams (royalties, tax on profits, VAT, payments for social and health insurance and personal income tax, personal income tax, tax on dividend).

when they made no profit. In addition, several companies had struggled with the issue of cost recovery in oil and gas PSAs, with a number of cases referred to international arbitration. These stakeholders highlighted inconsistencies between the statutory fiscal terms from the Hydrocarbons Law, which consisted of only two pages, and the fiscal terms of certain oil and gas PSAs, which were approved by Decision of Council of Ministers and included stabilisation clauses. The US Department of State has used strong language regarding Albpetrol as “a consistent source of reports of corruption, predatory interpretation of regulations, and inefficiency in the hydrocarbon sector” (US Department of State , 2016).

Several government and development partner representatives highlighted a number of relevant reforms, both planned and ongoing. A senior government official explained that the ongoing review of the Hydrocarbons Law was aimed at ensuring its consistency with the terms of existing oil and gas PSAs. A development partner noted that both the US and UK Embassies were preparing technical assistance for reforming the regulatory framework for oil and gas. The US Department of State’s Bureau of Energy Resources was preparing to roll out an Energy Governance and Capacity Initiative (EGCI)²⁸ for Albania in the second half of 2017 to re-examine the fiscal structure of the oil and gas industry, potentially moving from a cost recovery model to a tax-and-royalty model, and form an inter-governmental task force on oil and gas. The proposed EGCI would also provide technical support for upgrading the government’s tax and audit capacity in relation to the oil and gas sector and ensuring that all oil and gas licenses were awarded through open tenders rather than direct negotiations, which were seen as opaque.

Initial assessment

The International Secretariat’s initial assessment is that Albania has made satisfactory progress in addressing this requirement. The 2015 EITI Report includes an overview of relevant laws, government entities, fiscal terms in the mining, oil and gas sector, the degree of fiscal devolution and brief commentary on current reforms.

To strengthen implementation, the MSG may wish to explore the potential of using EITI reporting to highlight inconsistencies in Albania’s legal environment, fiscal framework and regulatory responsibilities in the mining, oil and gas sectors. The MSG may wish to link EITI reporting to planned technical assistance in the mining, oil and gas sectors to ensure that EITI implementation serves as a diagnostic to support ongoing and planned reforms.

License allocations (#2.2)

Documentation of progress

In the mining sector, holders of exploration and production licenses are required to obtain mining permits annually from MEI, in line with Law 10081 of 23 February 2009 (2015 EITI Report, p.52). In oil and gas, all license-holders are required to conclude “petroleum sharing agreements” (PSAs), similar to production-sharing contracts, with the government either through AKBN or through Albpetrol (2015 EITI Report, p.26).

Awards/transfers: In oil and gas, it appears from the list of PSAs (in Appendices 5 and 6) and from the list

²⁸ <https://www.state.gov/documents/organization/264507.pdf>

of exploration licenses (in Appendix 7) that no oil and gas PSAs were awarded or amended in 2015, although the 2015 EITI Report does not clearly state whether any oil and gas licenses were awarded or transferred in 2015 (2015 EITI Report, pp.139-140,141). There is evidence in the media of an oil and gas exploration license (Block D) being allocated to Shell and Petromanas in July 2015 (World Oil, 2015).

The report states that MEI announced competitive bids for 77 mining areas in 2015 and granted 50 mining licenses for chromium (14), limestone and other construction minerals (40), iron-nickel and nickel-silicate (4) and gravel and tar sands (4) (2015 EITI Report, p.52). However, Appendix 8 provides a list of 62 mining licenses awarded through competitive bidding in 2015 (2015 EITI Report, pp.142-144). The reasons for the discrepancy in reporting of mining license allocations in 2015 are not described in the report. The 2015 EITI Report does not refer to whether there were any transfers of mining, oil and gas licenses in 2015. The report provides an overview of the MEI's publicly accessible mining, oil and gas license registers, and a link²⁹ to a PDF list of licenses on the MEI website (2015 EITI Report, pp.101-102). The AlbEITI website also provides two lists of licenses, covering mining³⁰ and oil and gas³¹, although the list of mining licenses was last updated on 3 November 2015. Based on a comparison of the mining licenses listed on the websites of AlbEITI³² and MEI³³, it appears that 12 mining licenses were awarded in the period 3 November – 31 December 2015.

Award/transfer process: For oil and gas, the report refers to the process for oil and gas license awards (and links to the relevant webpages), involving MEI³⁴, AKBN³⁵ and Albpetrol³⁶ (2015 EITI Report, p.27). The three webpages provide general descriptions of the statutory process for awarding licenses. The report confirms the need for ministerial approval and provides a link to MEI's information on free exploration licenses³⁷ (2015 EITI Report, p.27), where there are links to the ministerial decisions awarding exploration licenses. An overview of the processes for concluding PSAs in areas respectively administered by AKBN and Albpetrol is provided, including the need for ministerial approval (2015 EITI Report, p.27). In addition, the report states that, in cases of two or more applicants for the same oil block, AKBN or Albpetrol should submit preliminary evaluations to MEI for approval before negotiations start (2015 EITI Report, p.27).

Following the creation of AKBN as the sector regulator in 2006, Albpetrol is required to conclude an agreement with MEI for any oil and gas license on which it concludes a PSA with an oil and gas company. The 2015 EITI Report provides an overview of the process for concluding such license agreements between Albpetrol and MEI (2015 EITI Report, p.28). The process for concluding a license agreement is governed by the same rules as normal PSAs and requires ministerial approval (2015 EITI Report, p.28). In terms of oil and gas license transfer procedures, Table 4 states that the MEI's approval was required for Transatlantic Petroleum's acquisition of Stream Oil and Gas's Albania operations in September 2014 (2015 EITI Report, p.29), but the report does not provide more details on the statutory process for transferring

²⁹ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

³⁰ <http://www.albeiti.org/mining-register/>

³¹ <http://www.albeiti.org/petroleum-licenses/>

³² <http://www.albeiti.org/mining-register/>

³³ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

³⁴ <http://www.energija.gov.al/al/publikime/blloqet-e-lira-te-kerkimit>

³⁵ <http://www.akbn.gov.al/rregullore-per-procedurat-e-miratimit-te-marreshjeve/>

³⁶ <http://www.albpetrol.al/marreshjet-hidrokarbure/baza-ligjore/>

³⁷ <http://www.energija.gov.al/al/publikime/blloqet-e-lira-te-kerkimit>

oil and gas licenses or equity stakes in PSA consortia.

In relation to statutory mining license award procedures, the 2015 EITI Report describes the process for allocating licenses both through competitive bidding rounds and for ad hoc negotiations on a “first come first served” basis, with competitive and open bidding areas set in the national annual mining plan (2015 EITI Report, pp.51-52). The report also clarifies that annual mining permits are also required, in parallel to longer-term mining licenses (2015 EITI Report, p.52). Table 7 provides an overview of the terms (duration and surface) of the two types of mining licenses (exploration and production) (2015 EITI Report, p.49). The process for submitting and approving annual investment and environmental rehabilitation plans is described (2015 EITI Report, pp.49-50).

Regarding the actual procedures followed for awarding the mining licenses granted in 2015 in practice, the report states that “no additional information with regard to the bid evaluation process and non-winning applicants is disclosed for the purpose of this report” (2015 EITI Report, p.52). Appendix 8 provides information on the terms of the 62 licenses awarded in 2015 but does not describe the process for allocating them (2015 EITI Report, pp.142-144). Given that the report provides dates of application for only 33 of the 62 mining licenses awarded in 2015 (2015 EITI Report, pp.142-144), it is only possible for readers to make general assessments of the timeframe for awarding licenses for roughly half of the mining licenses awarded in 2015.

Technical and financial criteria: The 2015 EITI Report provides a cursory overview of the statutory technical and financial criteria used in awarding oil and gas licenses, “including know-how, technology, personnel, and previous experiences in the sector and at the same time possess financial resources to finance a viable investment exploration and development (...) as well as ability to positively affect the surrounding communities” (2015 EITI Report, p.27). While noting that the specific terms of oil and gas PSAs are not public, the report provides a link to a MEI webpage³⁸ for the main terms and conditions of PSAs (2015 EITI Report, p.26). This MEI webpage does not provide a comprehensive and detailed list of the technical and financial criteria assessed, although it states that requirements include the provision of three years of audited financial statements as part of the application.³⁹

For mining licenses, the report describes the content of bid notices, the weighting of general technical and financial criteria, and the bid evaluation process (2015 EITI Report, pp.51-52). However, the report states the IA was unsuccessful in securing a list of the technical and financial criteria used specifically in awarding the mining licenses in 2015 (2015 EITI Report, p.102).

The report does not provide information on technical and financial criteria used for assessing license transfers in the mining, oil and gas sectors.

License awardee information: The identity of the 62 mining license awardees in 2015 is provided in Appendix 8 (2015 EITI Report, pp.142-144). The report does not indicate whether any new oil and gas licenses were awarded in 2015 and does not refer to any license transfers in the mining, oil and gas

³⁸ <http://www.energija.gov.al/al/publikime/blloqet-e-lira-te-kerkimit>

³⁹ <http://www.energija.gov.al/files/userfiles/Publikime2/Binder1-1.pdf>

sectors, even if the list of PSAs and oil and gas exploration licenses in the 2015 EITI Report does not seem to indicate any oil and gas license awards or transfers (2015 EITI Report, pp.139-140,141).

Non-trivial deviations: The 2015 EITI Report states that “the contracting authorities” did not report any deviations from the applicable legal and regulatory framework governing license transfers, but that the IA did not verify whether there were any deviations because it was “not enabled to perform this task” (2015 EITI Report, p.162). While the report highlights mining license awards in 2015, it does not provide information on deviations in the statutory license allocation procedures in practice for any of the 62 mining licenses awarded in 2015. The report notes that the IA received information on bid rounds in 2015 but not on the bid criteria used to evaluate bids or bidder names where more than one applicant submitted its proposal (2015 EITI Report, p.102).

The report does not highlight any deviations from statutory award procedures in oil and gas licenses awarded prior to 2013, stating only that the IA “understood that almost all petroleum agreements were allocated through ad hoc negotiations procedures up to August 2013, (...) we requested but did not receive from MEI information on technical and financial criteria used in allocating these agreements” (2015 EITI Report, p.102).

Earlier, the report stated that “almost all” PSAs signed until the end of 2015 were awarded through ad-hoc negotiations, with the main technical and financial terms not disclosed for public access (2015 EITI Report, p.27).

Comprehensiveness: The report provides some information on oil and gas licenses awarded in 2016, although some negotiations for license awards and transfers were ongoing, but not concluded, in 2015⁴⁰ (2015 EITI Report, p.28-29). However, the report does not refer to any oil and gas licenses awarded or transferred prior to or after 2015.

Bidding process: The 2015 EITI Report states that MEI awarded 50 mining licenses in 2015 through competitive bidding (2015 EITI Report, p.52), but that no information on the bid evaluation process could be provided, nor list of unsuccessful bidders. The list of areas allocated and winning applicants are shown in Appendix 8 (2015 EITI Report, pp.142-144), although this includes 62 winning mining license bids rather than the 50 mentioned earlier in the report (2015 EITI Report, p.52). The general process of competitive bidding is described, with competitive and open bidding areas set in the annual mining plan (2015 EITI Report, pp.51-52). “Competitive bids are granted for areas where known geological and recovered reserves present significant economic interest.” The report explains that bid notices, ToR and bid evaluation criteria are published on the websites of MEI⁴¹ and the Public Procurement Agency⁴², and

⁴⁰ MEI started allocation procedures for on-shore exploration blocks 4, 5, C, Panaja, Dumre, Joni-5 and Rodoni in 2015. By end 2015, MEI was negotiating with Petromanas Albania and Shell Upstream Albania for a PSA for exploration block 4, although this was not finalised at the time of the 2015 EITI Report’s drafting. By end-2015 MEI was also negotiating with Navitas Petroleum Limited for Dumre block. On 15 March 2016, MEI and AKBN signed a PSA with Albanides Energy for exploration block number 8, a PSA approved by a 26 April 2016 Council of the Ministers Decision, with the PSA published in official gazette 63/2016. In 2016, Petromanas Albania GmbH sold its petroleum operations to Shell Upstream Albania B.V. and filed for liquidation. In September 2014, Transatlantic Petroleum Ltd acquired Stream Oil & Gas in Albania, a transaction approved by MEI. In February 2016, Transatlantic Petroleum sold its shares to GBC Oil. In February 2016, Petromanas Albania sold its operations and PSA for exploration blocks 2 and 3 to Shell Upstream Albania.

⁴¹ <http://www.energija.gov.al/>

⁴² <http://www.app.gov.al/>

provides links to the agencies' general websites. The report also describes the content of bid notices, the weighting of general technical and financial criteria, and the bid evaluation process (2015 EITI Report, pp.51-52). However, Section 11.3.6 notes that the IA could not obtain information on the bid criteria used to evaluate bids in each round for mining licensees awarded in 2015 nor the names of unsuccessful bidders (2015 EITI Report, p.102).

Commentary on efficiency: There is no additional information on license allocation or transfer procedures, but there is a general reference to the inefficiency and lack of transparency in the license allocation process. The report highlights the international investment treaties signed by Albania and refers to a comprehensive list⁴³, noting that these agreements include requirements on transparency of licensing and procurement procedures and that "lack of transparency and ineffective processes for allocation licensees could expose the Country against international arbitration claims" (2015 EITI Report, p.103).

The 2013-14 EITI Report described the two systems for awarding mining licenses, ad hoc negotiations and competitive bidding (2013-14 EITI Report, p.29), and the new regulations from May 2015 (2013-14 EITI Report, p.41), including technical and financial criteria (2013-14 EITI Report, p.42) and information about the recipients of mining licenses in 2015 (2013-14 EITI Report, pp.261-262), although the bid criteria for mining licenses awarded in 2013-14 were similarly not provided. The new regulations enacted in late 2015 for the award of oil and gas licenses were described (2013-14 EITI Report, p.30), including the technical and financial criteria. The report provided a link⁴⁴ to the terms and conditions for applying for an oil and gas PSA, but noted that the technical and financial criteria used during ad hoc negotiations for all PSAs awarded up to 2015 were not available (2013-14 EITI Report, p.31). The 2013-14 EITI Report also included a recommendation on strengthening the licensing system.

Stakeholder views

Stakeholders from different constituencies expressed starkly different views regarding the transparency of license allocation procedures in the mining, oil and gas sectors, although there was consensus amongst stakeholders consulted that Albania had a history of opaque license allocations and that this had been an emotive issue in the past. A senior government official noted that the creation of AKBN as a quasi-independent sector regulator had marked a significant improvement in strengthening oversight of license allocations, noting that past practices of allocating oil and gas licenses and PSAs based on "clientelism" were no longer possible. Secretariat staff explained that AlbEITI had undertaken significant work on clarifying license allocation procedures due to past ambiguities in the license allocation process. However, several CSO MSG members generally argued that there were significant deviations from statutory license allocation procedures, albeit without specific examples despite extensive consultations on the topic. Several development partners highlighted concerns over deviations from the requirement for public consultations prior to awarding hydro-power concessions, noting specific examples where public consultations appeared to be fake given the selection of specific individuals for the consultations. However, no specific examples of deviations from license allocation procedures in the mining, oil and gas sectors were provided. One government MSG member questioned why the issue of deviations from statutory license allocation procedures would be relevant to EITI reporting and considered that such assessments were beyond the scope of the EITI. The official explained that there could be no deviations

⁴³ <http://investmentpolicyhub.unctad.org/IIA/CountryBits/2#iialInnerMenu>

⁴⁴ <http://www.energija.gov.al/files/userfiles/Publikime2/Binder1-1.pdf>

from allocation procedures in either mining or oil and gas, given that the officials in charge of such allocations would be prosecuted for any deviations.

Mining licenses: The IA explained that the reference to 50 mining licenses awarded in the full text of the 2015 EITI Report was a mistake and confirmed that the number of mining licenses awarded in 2015 was in fact 62. Both the IA and MEI representatives confirmed that there were no mining licenses awarded through *ad hoc* direct negotiations in 2015, beyond the 62 awarded through competitive bidding. The government representative explained that there had been instances of mining license awards through direct negotiations in the past, including two mining production licenses in 2001. In addition, government representatives and the IA noted that the government could decide to award mining licenses through direct negotiations in cases of national “social or economic” importance, for instance where the mining company committed to invest in downstream processing, but that such production licenses were granted for three years rather than the usual 25-year period. The official confirmed that there were no such cases in 2015.

In terms of the technical and financial criteria for mining license awards, the IA and a government representative explained that the specific criteria were included in the bid criteria communicated only to bid participants when they applied through the dedicated portal at the public procurement agency⁴⁵, but that these were not accessible to the general public (and only available to participants for the duration of the tender) nor summarised on the MEI website. The representatives confirmed that specific bid criteria differed according to the specific tender but the IA noted that it was not provided access to the specific bid criteria during their work, despite several requests. A government official noted that while technical criteria usually stayed the same for all tenders, the financial criteria differed depending on the size and geological characteristics of the licenses on offer. The IA noted that it intended to check whether these were indeed available to bid participants during future bidding rounds (while they were open). While the IA noted that it had highlighted this gap to the MSG, it had only been told that MSG members “would look into it”. Secretariat staff confirmed that they had asked MEI to provide information on the actual process for awarding mining licenses in 2015 but that MEI had not cooperated on this issue. A government representative explained that there was a strict two-month timeframe for the government to process mining license applications.

A January 2017 report by Eurosupport explained that the technical and financial criteria used for assessing mining license awards on a first-come-first-served basis were codified in Decision 942 dated 17 November 2010 (Eurosupport, 2017). For mining licenses awarded through competitive bidding, Law 145/2013 required bid criteria to be published alongside tender documents on the Public Procurement Agency’s website. Details of the bid terms and unsuccessful bidders are available upon request for one year following the conclusion of the tender, following requirements of point 7.4 of DCM 320 of 21 April 2011. The report also states that the transfer of mining licenses is managed in line with Decision 362 of 29 April 2011 and that any interested party can request information on the process for transferring a particular license in line with Freedom of Information Law 119/2014. While the Eurosupport report considered that information mandated under Requirement 2.2 was available in the public domain in Albania, it also recommended that information on mining license bids be kept for more than one year and that all information on bidding rounds be freely accessible on the MEI website. This would require amending

⁴⁵ www.app.gov.al

point 7.2 of DCM 320 of 21 April 2011. The report also recommends that the MEI prepare a public summary report of the procedures followed for the allocation of each mining license awarded on a first-come-first-served basis. This would require amendment of paragraph 11 of Decision 942 of 17 November 2010 (Eurosupport, 2017).

With regards to non-trivial deviations from the statutory procedures for the 62 mining licenses awarded in 2015, the IA explained that it had consistently asked to review the bid evaluation reports both for the 2013-14 EITI Report and the 2015 EITI Report, but that it had not been given access to these documents. The IA noted that it had relied on the MEI's opinion that there had been no deviations from statutory procedures for mining license awards in its assessment under Requirement 2.2. While the IA had undertaken independent research based on public media and the government's official gazette for any news on mining licenses and concessions, it had not consulted with any of the companies that had received any of the 62 mining licenses awarded in 2015. However, the IA stated that it had "encouraged" participating companies to share any concerns over the licensing and supervision process, through a general question in the reporting templates, but that it had not received any input from reporting companies on this issue. The IA noted that several companies receiving mining licenses in 2015 were "material", i.e. required to participate in EITI reporting, and that it intended to specifically ask about any deviations from statutory license allocation procedures as part of their correspondence with companies in preparing the next EITI Report, covering 2016. Several journalists highlighted that a large number of mining licenses appeared to have been awarded with record speed in the run-up to the 2013 elections and that they considered this to be a reflection of deviations from statutory rules.

Oil and gas licenses: Extensive consultations revealed that there had been no transfer of oil and gas licenses or change in the equity structure of PSA consortia in 2015. With regards to oil and gas license allocations, one government official noted that a consortium of Shell and Petromanas had received an onshore oil and gas exploration license in July 2015 (Block D), for which there is evidence in the media (World Oil, 2015). Another government representative noted that there had been no new award or transfer of a PSA in which Albpetrol participated in 2015.

With regards to non-trivial deviations from license allocation and transfer procedures in practice, amongst most stakeholders consulted expressed confusion over the difference between transferring a license between two companies and the acquisition of a company (and its assets, including licenses) by another. Several civil society and development partner representatives expressed concern over allegations of discretionary allocations of oil and gas licenses and PSAs. However, no specific allegations were made regarding the one oil and gas exploration license awarded in 2015. One CSO MSG member considered that there had been instances of renegotiating a PSA with AKBN after it had originally been awarded, highlighting that such amendments were not covered in the law, but did not provide specific examples of such instances, even in periods outside the year under review (2015). Several development partners expressed concern at the fact that oil and gas PSAs had never been awarded through competitive tender and that the reliance on direct negotiations left room for excessive discretion. While the government had tried to hold a bidding round in 2015, the lack of interest from would-be bidders meant the tender was unsuccessful and that licenses were eventually awarded through direct negotiations according to these representatives. One development partner explained that one of the areas of focus for the US Department of State's planned technical assistance would be to ensure that licenses and PSAs were never awarded through direct negotiations and were only ever awarded on the basis of competitive bidding.

Upon discussion of the lengthy period for concluding PSAs negotiations (eventually concluded in 2016), the IA noted that a MSG representative from MEI had explained that negotiations had been extended when bidders lost interest due to declining international oil prices. Highlighting that it had not received input from any other MSG member despite raising this issue, the IA stated that it had not contacted companies engaged in these negotiations as part of preparing the 2015 EITI Report but that it intended to contact these companies' representatives to assess any non-trivial deviations in preparing the next EITI Report, covering 2016.

License transfers: The IA and a government representative explained that the Mining and Hydrocarbons Laws did not allow for the transfer (or sale) of mining, oil and gas licenses awarded through competitive bidding, i.e. mining licenses awarded post-2007. For mining licenses awarded prior to 2007, a government official explained that the license could be transferred between two companies, subject to the company meeting the original technical and financial criteria for the license's initial allocation and only with formal approval from the MEI. In cases where a company sought to sell its interest in a mining or oil and gas operation, the transaction was also subject to the MEI's approval on the basis of the new partners or shareholders meeting the technical and financial criteria of the initial license allocation. The IA confirmed that such requirements only covered mergers and acquisitions between Albanian-incorporated companies given that Albanian authorities did not have the capacity to track transactions executed entirely offshore (e.g. transactions between two companies incorporated offshore).

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards meeting this requirement. While the 2015 EITI Report provides a list of mining licenses awarded in 2015, and implies that no new oil and gas license was awarded in 2015, it only describes the statutory license allocation process, including the technical and financial criteria, but not any deviation in practice. There is evidence of one oil and gas license allocation in July 2015. The process for transferring licenses is described for the oil and gas sector, but not for mining, and the report does not clearly state whether any mining, oil and gas licenses were transferred in the year under review. Given the fact that the mining licenses were awarded through bidding, the list of unsuccessful bidders and actual bid criteria for each round should have been disclosed.

In accordance with requirement 2.2.a, the MSG should ensure annual disclosure of which mining, oil and gas licenses were awarded and transferred in the year(s) under review, highlighting the technical and financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers.

License registers (#2.3)

Documentation of progress

Licenses held by material companies: Given that all oil and gas companies operating in Albania were included in the scope of the 2015 EITI Report, all oil and gas licenses are held by material companies. Table 4 provides a list of nine oil and gas companies (including state-owned Albpetrol) and a list of their respective oilfields, including license agreement dates (2015 EITI Report, p.29). Appendix 8 provides a list of 62 mining licenses awarded through competitive bidding in 2015 (2015 EITI Report, pp.142-144), but

the 2015 EITI Report does not provide a list of all licenses held by material companies, awarded in periods prior to 2015. The report provides an overview of the MEI's publicly accessible mining, oil and gas license registers, and a link⁴⁶ to a PDF list of licenses on the MEI website (2015 EITI Report, pp.101-102), although it has gaps in the provision of dates of application and license coordinates in the cadastre. In addition, the report states that the oil and gas license register "is not updated to show changes/sales of shares and transfers of operation in the sector" (2015 EITI Report, p.102). However, the AlbEITI website provides two comprehensive lists of licenses, covering mining⁴⁷ and oil and gas⁴⁸, although the list of mining licenses was last updated on 3 November 2015. The 2015 EITI Report does not refer to the list of licenses available on the AlbEITI website. Based on a comparison of the mining licenses listed on the websites of AlbEITI⁴⁹ and MEI⁵⁰, it appears that 12 mining licenses were awarded in the period 3 November – 31 December 2015.

License-holder names: In *oil and gas*, Table 4 provides a list of nine oil and gas companies (including Albpetrol) and a list of their respective oilfields (2015 EITI Report, p.29). Section 11.3.5 confirms that MEI's cadastre provides names of oil and gas license-holders (2015 EITI Report, pp.101-102). Information on the six PSAs signed with Albpetrol in Appendix 5 (2015 EITI Report, p.139), the four PSAs signed with AKBN in Appendix 6 (2015 EITI Report, p.140) and the 24 exploration blocks in Appendix 7 (2015 EITI Report, p.141) includes the name of the contracting company. In *mining*, the overview of MEI's mining license cadastre in Section 11.3.5 confirms that names of mining license-holders are included and provides the link⁵¹ to a PDF list of licenses on the MEI website (2015 EITI Report, pp.101-102). The list of 62 mining licenses awarded through competitive bidding in 2015 in Appendix 8 also includes the names of license-holders (2015 EITI Report, pp.142-144).

License coordinates: The 2015 EITI Report states that coordinates of mining, oil and gas licenses are not publicly available through the MEI cadastre (2015 EITI Report, pp.101-102,162-163). However, coordinates for all mining licenses awarded prior to 3 November 2015 are available on the AlbEITI website⁵², although only for four oil and gas licenses.⁵³ This implies that coordinates are available for all mining licenses aside from the 12 mining licenses that were awarded after November 2015, but not for oil and gas licenses.

Dates: The 2015 EITI Report's overview of the MEI license cadastre states that the dates of award and duration of each mining, oil and gas license are provided, but that dates of application are not (2015 EITI Report, pp.101-102). Information on all oil and gas PSCs in the 2015 EITI Report includes the license agreement dates for each of the oil and gas PSCs (2015 EITI Report, pp.29, 139-140). The report explains that dates of application are available for all oil and gas licenses awarded from 2015 onwards, but not for those awarded prior to 2015 (2015 EITI Report, p.162). The list of 62 mining licenses awarded in 2015 in Appendix 8 includes date of award and duration, but dates of application for only 33 of them (2015 EITI Report, pp.142-144). The report confirms that the MEI does not publish information on dates of

⁴⁶ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

⁴⁷ <http://www.albeiti.org/mining-register/>

⁴⁸ <http://www.albeiti.org/petroleum-licenses/>

⁴⁹ <http://www.albeiti.org/mining-register/>

⁵⁰ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

⁵¹ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

⁵² <http://www.albeiti.org/mining-register/>

⁵³ <http://www.albeiti.org/petroleum-licenses/>

application for mining licenses (2015 EITI Report, p.163).

Commodity: The 2015 EITI Report's overview of MEI's mining license cadastre confirms that it includes the commodity(ies) covered (2015 EITI Report, pp.101-102). However, the report also states that while MEI provides information on the commodity(ies) covered by mining licenses, it does not specify the full list of minerals covered by each commodity, nor their concentrations (2015 EITI Report, p.163). The information on oil and gas licenses in the report indicates that the PSCs cover both crude oil and natural gas (2015 EITI Report, pp. 29, 139-140). The report provides the number of mining licenses in production, disaggregated by each of the six general mineral groups (2015 EITI Report, p.41). The list of 62 mining licenses awarded in 2015 in Appendix 8 specifies the commodity covered for each (2015 EITI Report, pp.142-144).

Licenses held by non-material companies: The 2015 EITI Report refers to the mining license register on the MEI website (2015 EITI Report, pp.101-102), where information on all 626 mining licenses active as of 2016 is available. This implies that information is provided on mining licenses held by all mining companies active in Albania, regardless of their materiality. In oil and gas, it appears that the information on the ten PSAs and 24 exploration licenses represents all licenses and PSAs active in 2015.

Public cadastre/register: The overview of the MEI's publicly-accessible mining, oil and gas license registers, which includes a link⁵⁴ to the PDF list of licenses, highlights gaps in the provision of dates of application and license coordinates in the cadastre (2015 EITI Report, pp.101-102,162-163). In addition, it states that the oil and gas license register "is not updated to show changes sales of shares and transfers of operation in the sector" and that the current MEI register is marked as having last been updated in February 2016 (2015 EITI Report, p.102). The 2015 EITI Report does not review the register of mining, oil and gas licenses on the AlBEITI website.

The 2013-14 EITI Report provides information on all oil and gas PSAs (2013-14 EITI Report, p.31), all 626 active mining licenses (2013-14 EITI Report, pp.170-260) and all 177 hydro-electric concessions (2013-14 EITI Report, pp.263-271). Information on mining licenses included most information mandated under Requirement 2.3, including license coordinates in appendix, commodity(ies) covered, except for dates of application. However, license coordinates were missing for all oil and gas PSAs.

Stakeholder views

The January 2017 Eurosupport report highlights the lack of provision of license coordinates, dates of application, duration of licenses or commodities covered in the license information provided on the MEI website⁵⁵ (Eurosupport, 2017).

Mining: Secretariat staff explained that the information on mining licenses on the AlBEITI website was sourced from AKBN and expressed uncertainty over reasons for any discrepancies between information on the websites of AlBEITI and MEI. Secretariat staff highlighted that dates of application for most mining licenses were available on the AlBEITI website, but that these dates were not available for older licenses given deficiencies in the government's data management systems at the time. A government

⁵⁴ http://www.energija.gov.al/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2016_Aktive.pdf

⁵⁵ http://www.energija.gov.al/f/files/userfiles/minierat2/2016/RREGJ_LEJEVE_SHKURT_2_016_Aktive.pdf

representative noted that dates of application for all mining licenses were available from the National Registration Centre website but questioned the value of including these in the EITI Report, considering that dates of application were beyond the scope of EITI reporting.

The January 2017 Eurosupport report noted that license coordinates are available for all mining licenses through the NCL's National Register for the Licensees and Permits⁵⁶ (Eurosupport, 2017). However this site requires registration and the International Secretariat was unable to create a profile to gain access, despite several attempts. Several government officials explained that license coordinates were published during competitive tenders, but that these were taken off the MEI website once the bidding round was completed. A development partner noted several instances of overlapping mining licenses and considered that this problem was due to the fact that mining license coordinates were not always clear and available to all.

The January 2017 Eurosupport report recommends that the MEI provide information on the commodities covered by licenses and that the AKBN update the mining license register every three months, at the same time as it prepares its quarterly report on mining production and investment (Eurosupport, 2017).

Oil and gas: Secretariat staff explained that dates of application for oil and gas licenses were not available to the public and that attempts to secure these dates from MEI, AKBN and Albpetrol had thus far been unsuccessful. Staff highlighted concerns over the quality of government record-keeping. A government official stated that there should be no barriers to AlbEITI securing the dates of application for all oil and gas licenses from MEI but questioned the relevance of these dates, given his conception that this was beyond the scope of EITI reporting. Another government representative stated that AKBN only had the dates of award for PSAs and did not have dates of application. The template application form⁵⁷ for oil and gas exploration and production licenses on the MEI website includes date of application.

With regards to coordinates of oil and gas licenses, secretariat staff explained that the AlbEITI website provided coordinates only for the four PSAs that were actually producing oil and gas, but not for others. AlbEITI had requested coordinates of PSAs held by AKBN from the agency but had not received them. A government representative confirmed that coordinates for oil and gas licenses that were offered for competitive tender were published on the MEI website during the period of the bidding round, but were subsequently taken offline.

Reforms: Secretariat staff and the IA highlighted two significant reforms related to the management of the mining, oil and gas cadastral systems. The first, mentioned in the 2015 EITI Report, concerned AKBN's establishment of a GIS system, while the second, which was not mentioned in the report, related to the creation of an integrated land use mapping system by the State Authority for Geospatial Information.⁵⁸

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards

⁵⁶ <http://www.qkl.gov.al/Registries.aspx>

⁵⁷ http://www.energija.gov.al/files/userfiles/2017/Application_form_EN.pdf

⁵⁸ <http://geoportal.asig.gov.al/en/Default.aspx?AspxAutoDetectCookieSupport=1>

meeting this requirement. The 2015 EITI Report provides a link to the public mining, oil and gas license register, although there are gaps in the public provision of dates of application and coordinates for some mining, oil and gas licenses.

In accordance with requirement 2.3.b, Albania should ensure that dates of application, award and expiry, commodity(ies) covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available, in line with past Alb-EITI recommendations. The government is encouraged to make this information available for licenses held by all companies, regardless of their materiality.

Contract disclosures (#2.4)

Documentation of progress

Government policy: The 2015 EITI Report clarifies the government's policy on oil and gas contract disclosure through confirmation from Mr. Dritan Spahiu, MEI Director for the Development of Policies in the Petroleum Sector that the ministry "would not favour public access to PSAs in order not to affect the terms of future PSA negotiations" (2015 EITI Report, p.26) and that detailed terms of signed PSAs are considered confidential and not currently disclosed to the public. The report does not clarify the government's policy on contract disclosure in the mining sector.

Actual practice: The 2015 EITI Report states that no PSA contract has yet been published (2015 EITI Report, p.26). The report states that the government published the Council of Ministers' decision awarding the PSA for onshore exploration block 8 to Akbanides Energy in official gazette 63/2016 (2015 EITI Report, p.163), although the full text of the PSA was not published. There is evidence of at least ten oil and gas PSAs having been published on NRG's Resource Contracts portal.⁵⁹

Accessibility: The report does not provide guidance on accessing any mining, oil and gas license, stating that no PSA has yet been published.

The 2013-14 EITI Report described the confidentiality provisions of PSAs, mining licenses and concession agreements, but similarly did not clarify the government's policy on contract disclosure (2013-14 EITI Report, p.22-23).

Stakeholder views

Policy: While there was consensus amongst stakeholders consulted that the government's policy was not to publish oil and gas PSAs given confidentiality provisions in the contracts, there were different views on whether mining contracts were published. The IA and several government and industry representatives confirmed that the confidentiality provisions of PSAs covered the whole contract, rather than specific clauses, and that these could only be broken with consent from both parties to the contract. However, secretariat staff highlighted the difference between the government not being able to publish contracts due to confidentiality provisions and the government's policy being not to publish contracts. Staff noted that the government had never stated that it was against publishing contracts and that certain lawyers

⁵⁹ <http://resourcecontracts.org/search?q=albania>

considered that the government could use its sovereign prerogative to break confidentiality clauses of a contract. However, a senior government official highlighted a number of cases where the government had lost cases brought by companies at international arbitration and explained that the government had to proceed cautiously with such matters. A CSO MSG member explained that civil society had requested access to the full text of mining, oil and gas contracts in preparing the 2013-14 EITI Report in order to assess the existence of mandatory social expenditures. There were different views on whether mining contracts also contained confidentiality clauses. While a government representative explained that mining contracts did include such clauses, the IA noted that it was not able to ascertain whether there were such confidentiality clauses given that it had never had access to a mining contract.

Practice: The IA explained that it was aware of the public availability of these contracts, but noted that it had not received any explanation for their presence online from MEI or reporting oil companies despite highlighting this issue to them in preparation of the 2015 EITI Report. The IA noted its intention to ask NREGI whether the contracting parties had approved the publication of these contracts, in preparing the next EITI Report. There was significant interest on the part of all civil society, media and local government representatives consulted in gaining access to the full text of PSAs as a means of monitoring companies' respect of contractual obligations. The example most often cited was that of the 2004 PSA with Bankers Petroleum, which was not available on the Resource Contracts website (although its two amendments were).

The January 2017 Eurosupport report states that mining permits are disclosed to the public aside from any project-related data. Mining contracts, approved by Parliament in line with Article 16 of Law 10304, are published in the Official Gazette⁶⁰, omitting only confidential project data. The main terms of mining concessions are also supposed to be available from the Agency of Concessions' Register of Concessions, although the report states that the register has not yet been created. The report notes that there is no requirement in Law 145/2013 to publish the full text of mining concessions, but that the main mining concessions have been approved by Parliament and have thus been published. (Eurosupport, 2017).

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards meeting this requirement. The 2015 EITI Report clarifies the government's policy on contract disclosure in the oil and gas sector, but not in mining. The report does not comment on actual contract disclosure practice despite key stakeholders being aware of several contracts being available in the public domain.

In accordance with requirement 2.4.b, Albania is required to document in future EITI Reports the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include relevant legal provisions, any reforms that are planned or underway as well as an overview of contracts already published.

⁶⁰ <http://www.qbz.gov.al>

Beneficial ownership disclosure (#2.5)

Documentation of progress

Government policy: The 2015 EITI Report does not clarify the government's policy on beneficial ownership disclosure in extractives companies.

Actual practice: The 2015 EITI Report states that the Ministry (presumably MEI) does not maintain a register listing all beneficial owners and their shareholdings (2015 EITI Report, p.78). The January 2017 Eurosupport provides a review of laws relevant to beneficial ownership in Albania and highlights confusion between legal and beneficial ownership in the application of certain laws related to extractives licenses (Eurosupport, 2017). The 2015 EITI Report describes the approach to beneficial ownership disclosures adopted for the 2015 EITI Report, with reporting templates including requests for beneficial ownership information from reporting companies (2015 EITI Report, p.78). With only 31 of the 134 reporting entities having provided BO information, the report notes that "representatives of the reporting entities commented that they were not able to or authorised to provide this information" (2015 EITI Report, p.78). The 2016 annual progress report provides further explanation for the lack of company beneficial ownership reporting, noting that companies "were not ready for this kind of reporting" and that the majority of companies did not submit the required information given their conception that all relevant company ownership information was already available through the National Registration Centre and "a great number of companies" considering that they had no detailed information on the full corporate ownership chain. The 17 companies that did report ownership information provided the same owners as those registered in the NRC (Alb-EITI, 2017).

The January 2017 Eurosupport reviews provisions of Law No. 9917, enacted on 19 May 2008 to curb money-laundering and terrorism financing, which define concepts of "beneficial ownership" and "politically exposed person" aligned with international norms, and calls for the extension of such terms to companies operating in the extractive industries. The report provides a list of laws⁶¹ that require review and potential amendment in the context of AlbEITI's beneficial ownership work (Eurosupport, 2017). The report also notes that the beneficial ownership of companies owning licenses is disclosed in the approval act for each mining license, although it concedes that the beneficial owners are sometimes identified as companies rather than natural persons. The report states that the "Trade Register" (the NRC), based on provisions of Laws 9901/2008 and 9723/2007, provides data on the founders of each company or individual trader, but that this information includes companies rather than natural persons in some cases (Eurosupport, 2017).

In terms of reforms, the 2015 EITI Report states that AlbEITI undertook "legal due diligence" to agree a roadmap for beneficial ownership disclosures by January 2017, started drafting regulatory changes and performed "enquiries of the reporting entities in order to receive feedback on their readiness to

⁶¹ Law No.9901, dated 14.4.2008 "On the traders and trading companies"; Law no. 9723/2007 "On national registering centre". Law No. 9917, dated 19.5.2008 "On prevention of money laundering and financing of terrorism"; Law No. 9367, dated 7.4.2005 "On the prevention of conflicts of interest in exercising public functions"; Law No. 9049, dated 10.4.2003 "On the declaration and audit of assets to liabilities of the elected and certain public officials "; Criminal Code of the Republic of Albania; Law No. 10,279, dated 20.5.2010 "On administrative offenses".

cooperate” (2015 EITI Report, p.78).

Albania’s three-year beneficial ownership roadmap⁶² (to 2020) provides a description of Albanian legislation related to beneficial ownership to help identify the laws and regulations that may require amendments and identify next steps in harmonizing domestic regulations with EU Directives related to beneficial ownership disclosure. The roadmap foresees the establishment of a public beneficial ownership register in 2018, which would potentially be integrated into existing databases for corporate registers. While the roadmap does not identify the institutional home for a public beneficial ownership register, it plans for extensive consultations to identify the best-suited institutional home (and mentions the Ministries of Finance, Energy and Justice as possible homes). The total costs of implementation for the three-year roadmap are set at USD 415k.

Legal owners of material companies: The report states that the National Registration Centre⁶³ provides information on the shareholders and activity of all companies operating in Albania (2015 EITI Report, p.78). The International Secretariat confirmed that the legal owners of all material companies were available on the NRC website.⁶⁴ The 2015 EITI Report also describes changes in Bankers Petroleum’s legal ownership in 2016 (2015 EITI Report, p.31).

The 2013-14 EITI Report similarly describes the MEI’s lack of a register of beneficial owners of extractives companies that were not listed on a stock exchange, but notes that information on legal owners of all companies incorporated in Albania is available from the NRC⁶⁵ (2013-14 EITI Report, p.72).

Stakeholder views

The IA explained that it undertook consultations with government MSG members as well as MEI representatives about the government’s policy on beneficial ownership disclosure, but noted its uncertainty over whether the MSG members understood the full breadth of work planned in Albania’s three-year beneficial ownership roadmap. Several stakeholders who preferred not to be identified highlighted the use of nominee shareholders in some instances, which obscured the ultimate beneficial ownership of certain companies. The IA noted that it was a legal requirement for all companies registered in Albania to notify the NRC of any changes in legal ownership within 15 days of the fact.

Several civil society, media and government representatives as well as the IA highlighted the legal provisions requiring Politically-Exposed Persons (PEPs) to complete annual asset disclosures to the High Inspectorate of Declaration and Audit of Assets and Conflict of Interests (HIDAACI), although there was disagreement over whether these disclosures were accessible to the public. Several stakeholders noted that they had seen asset disclosures of certain PEPs in the newspapers and on the “Transparency” tab of government websites (all government websites are required to include a “Transparency” section on their website). Secretariat staff confirmed that AlbEITI had not approached the HIDAACI regarding PEPs’ asset disclosures to date. The International Secretariat confirmed that asset declarations were not available on the HIDAACI website but that asset declarations of some high-level PEPs appeared to be available on the

⁶² <https://eiti.org/sites/default/files/documents/bo-roadmap-albania.pdf>

⁶³ <http://www.qkr.gov.al>

⁶⁴ <http://www.qkr.gov.al/search/search-in-trade-register/search-for-subject/>

⁶⁵ <http://www.qkr.gov.al/nrc/default1.aspx>

websites of individual government entities.

Several government representatives considered that the natural institutional home for a public beneficial ownership register would be either the MEI or AlbEITI itself, although none of the stakeholders consulted aside from secretariat staff appeared to have considered the possibility of including beneficial ownership information in the existing NRC portal.

Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country's EITI status. The 2015 EITI Report does not clarify the government's policy on beneficial ownership disclosure in extractives companies but the names of legal owners of all material companies are publicly available on the National Registration Centre website.

To strengthen implementation, the MSG may wish to consider piloting beneficial ownership reporting in the forthcoming EITI Report in order to increase awareness of beneficial ownership transparency and pilot beneficial ownership definitions and thresholds. AlbEITI may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.

State participation (#2.6)

Documentation of progress

Materiality: The 2015 EITI Report states that the state participates in oil exploration, development and production through its "direct ownership" of Albpetrol (2015 EITI Report, pp.10, 27, 135). Appendix 4 states that Albpetrol was split into three SOEs in 1999: Albpetrol Sh.a., ARMO Sh.a. and Servcom (2015 EITI Report, p.135). While it is clear from the results of reconciliation that state participation in the oil and gas sector gives rise to material revenues (through Albpetrol dividends), the report does not clarify whether the state retains a stake in ARMO or in Servcom (and whether such a stake gave rise to material revenues in 2015). The 2015 EITI Report also clarifies that no SOEs were identified as operating in the mining sector (2015 EITI Report, p.163).

Financial relationship with government: The 2015 EITI Report does not explicitly explain the rules and practices related to SOEs' retained earnings, reinvestment or third-party financing, although it appears that Albpetrol operates like a commercial Joint Stock Company (Sh.a) (2015 EITI Report, p.135). The report provides an overview of the governance of Albpetrol (2015 EITI Report, pp.135-138) and of plans for its privatisation (2015 EITI Report, p.138). The report describes Albpetrol's role as a primary licensee in all oil fields discovered up to 1993 and its granting of rights to private oil companies (2015 EITI Report, p.10). The revenues associated with state participation in the oil and gas sector are described, with the state entitled to dividends from Albpetrol's annual financial results and taxes applicable to all commercial oil and gas companies such as profit tax, royalty, VAT, etc. The report specifies that there are no other transfers to the government aside from dividends and normal taxes and fees (2015 EITI Report, p.34).

The process of Albpetrol's crude oil sales is described⁶⁶ (2015 EITI Report, p.136). It is apparent from the diagram of oil and gas revenue flows provided that Albpetrol collects a share of oil production and bonuses from companies operating under PSA (2015 EITI Report, p.79) and that Albpetrol pays dividends to MEDTTE; royalties on exports to the Albanian Customs Administrative; seven taxes and levies⁶⁷ to the General Directorate of Taxes; and (unspecified) local taxes to local governments (2015 EITI Report, p.80). Appendix 4 presents information from Albpetrol's 2012, 2013 and 2014 annual audited financial statements (2015 EITI Report, p.138).

Government ownership: The report does not provide a comprehensive overview of state equity in companies operating in the extractive industries (particularly oil and gas). While the report does not explicitly state that the government owns 100% of Albpetrol, it repeatedly refers to Albpetrol as state-owned (e.g. 2015 EITI Report, p.135). The report states that Albpetrol holds exclusive exploration and production rights to all existing producing oilfields and some exploration blocks and that it is the contracting party to all producing PSAs (2015 EITI Report, p.27). The report states that Albpetrol had shares in PSAs with five companies producing oil and gas, but also operated its own wells in Ballsh, Patos and Kuçova as of 31 December 2015 (2015 EITI Report, pp.27,135). The list of six PSAs signed by Albpetrol is provided in Appendix 5 (2015 EITI Report, p.139). The report provides an overview of ARMO Sh.a. as an originally state-owned refining company established in 1999 and 85%-privatised in August 2008 (2015 EITI Report, p.21). Following successive sales it is stated that Heaney Asset Corporation now has effective control through indirect ownership of 68% of ARMO shares. It is unclear who owns the remaining 32% of shares, nor whether the government retains its 15% stake since August 2008.

The establishment of the Albanian Gas Transmission Operator (Albgaz Sh.a.) in 2016 is briefly mentioned (2015 EITI Report, p.13), although the government's exact stake in the company is not provided.

Ownership changes: The report only alludes to changes in government ownership in years preceding 2015, not during the period under review. The report states that the Council of Ministers transferred eight exploration blocks⁶⁸ from Albpetrol to MEI, although it provides two different dates for the Council of Minister's decision (April 2014 in the full-text and 22 April 2015 in the footnote⁶⁹) (2015 EITI Report, p.138).

Loans and guarantees: While the report describes the debt accumulated by ARMO (2015 EITI Report, pp.21-22), it does not specify the state's ownership of ARMO in 2015 nor any loans or loan guarantees extended by the State, or any SOE, to ARMO. More broadly, the 2015 EITI Report does not refer to any loans or loan guarantees extended by the government, or any SOE such as Albpetrol, to any company operating in the mining, oil and gas sectors, although it provides extensive evidence of loans and guarantees to companies operating in the hydro-power sector (2015 EITI Report, pp.62,63).

The 2013-14 EITI Report clarifies that the government retained a 15% equity stake in ARMO Sh.a. (2013-14 EITI Report, p.17) and describes the same description of the prevailing rules related to financial

⁶⁶ with reference to rules for public auctions set in Order n.83 of 10 October 2012.

⁶⁷ Royalties on internal sales; profit taxes; VAT; social and health insurance; personal income tax; tax penalties; tax on dividend.

⁶⁸ Dumre, Panaja, 1, 4, 5, 6, 8 and C exploration blocks.

⁶⁹ CMD no. 335, dated 22 April 2015 "On some changes to the CMD no. 279 dated 12 April 2012."

relations between the government and SOEs as in the 2015 EITI Report (2013-14 EITI Report, pp.24-28). However, the report does not refer to any loans from the government or extractives SOEs to any oil, gas and mining company, although it did refer to government loans to companies in the hydro-power sector (2013-14 EITI Report, pp.59-60).

Stakeholder views

Ownership: The January 2017 Eurosupport report confirmed that there were no SOEs operating in the mining sector in Albania (Eurosupport, 2017). The IA confirmed that Albpetrol was the only company operating in the extractive sector in which the government held over 51% stake in 2015, given that both Servcom and state-owned mining company Albkrom had previously gone bankrupt. The IA confirmed that AKBN could not be considered a SOE, despite its status as a quasi-independent government entity. The January 2017 Eurosupport report states that there is no active SOE operating in the mining sector, but notes that “there are some companies, whose shares are owned 100% by state, such as company Albaker Sh.a., which is a company under liquidation procedure and is not exercising any commercial activity in mining sector.”

The EBRD’s Transition Report on Albania notes that the government has sought to sell its remaining 15% stake in ARMO since 2010 (EBRD, 2012). However, the IA and several government and civil society representatives confirmed that the government retained a 15% stake in ARMO. There was consensus amongst MSG members consulted that the issue of whether ARMO should be considered a SOE for the purposes of EITI reporting had not been considered by the MSG in preparing any of the EITI Reports. One CSO MSG member considered that ARMO should be categorised as a SOE: while the government only held a 15% stake legally, the investor holding the other 85% had fled the country and since it was not possible for ARMO to go bankrupt (since refining was considered a national strategic sector) the government was effectively in control.

Several government officials and the IA confirmed that there had been a change in the government entity holding Albpetrol’s equity, from the Ministry of Economic Development, Tourism, Trade and Enterprise (MEDTTE) to the MEI as part of the “Third Energy Package” in 2016. However, these officials confirmed that the MEDTTE still held the equity stake in ARMO.

In terms of changes in state participation in the year under review (2015), the IA stated that there had been no change in ownership, clarifying that it considered change of ownership to represent transactions from the state to the private sector. However, a government representative confirmed that the transfer of eight exploration blocks from Albpetrol to the MEI took place in 2015 and that the reference to 2014 in the 2015 EITI Report was a mistake. The official explained that the government had transferred nine blocks to Albpetrol ahead of its planned privatisation, but subsequently transferred eight of these blocks back to the MEI when the privatisation proved unsuccessful (in 2015). The government had left one exploration block in Albpetrol’s possession given that it was at advanced study stages and expected to conclude a PSA on the exploration block in 2017.

Financial relations: Representatives from civil society and the media expressed significant concern over the financial management of Albpetrol and the financial relations between extractives SOEs and the state, albeit without any specific allegations or examples aside from allegations of political appointments to Albpetrol’s Board of Directors. Several development partners noted repeated allegations over financial

misconduct at Albpetrol in the press and on the part of civil society, but noted that they had not heard any specific allegations in recent years. The IA explained that the rules governing Albpetrol's retained earnings, reinvestments and third-party financing were codified in the company's Articles of Association, but not enshrined in any law. The IA confirmed that Albpetrol is subject to the Law on Entrepreneurs and Commercial Companies and does not benefit from any "special" terms, which the IA confirmed through Albpetrol's financial statements and consultations with a MSG representative who sits on Albpetrol's Board of Directors and Albpetrol management. Several CSO MSG members noted that civil society had raised the issue of Albpetrol financial management in preparing the 2013-14 EITI Report, which they considered to have been the first time Albania's EITI Reports covered Albpetrol, but considered that the 2015 EITI Report simply repeated the information that had already been disclosed in the 2013-14 EITI Report.

A CSO MSG member expressed concern over Albpetrol retaining most of its earnings and distributing only very small dividends to government. However, a government representative explained that dividends were decided by Albpetrol's Board of Directors and confirmed by the shareholders meeting, which consisted mainly of MEI representatives. The official confirmed that minutes of Board and shareholder meetings were not public documents. Albpetrol's dividends had been lower in 2015 and 2016 due to lower international oil prices and Albpetrol needed to retain most of its earnings to finance its operations, according to this representative.

Loans and guarantees: There were contrasting views across different constituencies on whether Albpetrol benefitted from a sovereign guarantee on its third-party financing. While several CSO MSG members considered that Albpetrol had such a guarantee, all other stakeholders consulted considered that it did not. The IA explained that it had examined Albpetrol's financial statements and consulted with its management to ascertain that Albpetrol did not have any loans or guarantees outstanding in 2015. However, a government representative explained that Albpetrol had provided loans to other companies in the past, such as to water companies as well as AKBN. The official was uncertain about whether there were any such active loans in 2015.

A CSO MSG member stated that the MSG had never discussed the issue of government loans or guarantees to ARMO in the past. A senior government official explained that ARMO held a total of USD 530m in debt (including USD 270m in debt to banks) and was currently in negative equity of USD 90m, with the government exposed to 15% of this negative equity. However, the official explained that since refining was a strategic sector, the government could not allow ARMO to file for bankruptcy and would have to make a strategic decision over the future of the company. The IA explained that it did not have access to the RMO privatisation documents, ARMO's agreement with creditors or the structure of the agreement for TPD's use of Fieri refinery and thus included only publicly-known facts about ARMO in the 2015 EITI Report.

The IMF's January 2016 fiscal transparency evaluation of Albania highlighted the extensive sovereign guarantees provided to the electricity sector (over 80% of total sovereign guarantees in 2015) and noted that the Ministry of Finance's debt management department published granular disclosures of sovereign debt, including guarantees, every three months (IMF, 2016).

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress in meeting this requirement. The 2015 EITI Report does not provide a comprehensive list of companies operating in the mining, oil and gas sectors in which the government holds equity, although it does provide reference to the rules (but not practices) related to the financial relations between SOEs and the government, albeit only concerning retained earnings and reinvestment, not third-party funding. The existence of loans or loans guarantees from the state or any SOE to companies operating in the mining, oil and gas sectors is unclear in the 2015 EITI Report, although there is extensive information on state loans and guarantees to hydro-power companies.

In accordance with requirement 2.6.a, the MSG should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings, reinvestment and third-party funding. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies in line with requirement 2.6.b.

Table 2- Summary initial assessment table: Award of contracts and licenses

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Legal framework (#2.1)	The 2015 EITI Report includes an overview of relevant laws, government entities, fiscal terms in the mining, oil and gas sector, the degree of fiscal devolution and brief commentary on current reforms.	Satisfactory progress
License allocations (#2.2)	While the 2015 EITI Report provides a list of mining licenses awarded in 2015, and implies that no new oil and gas license was awarded in 2015, it only describes the statutory license allocation process, including the technical and financial criteria, but not any deviation in practice. There is evidence of one oil and gas license allocation in July 2015. The process for transferring licenses is described for the oil and gas sector, but not for mining, and the report does not clearly state whether any mining, oil and gas licenses were transferred in the year under review. Given the fact that the mining licenses were awarded through bidding, the list of unsuccessful bidders and actual bid criteria for each round should have been disclosed.	Meaningful progress
License registers (#2.3)	The 2015 EITI Report provides a link to the public mining, oil and gas license register, although there are gaps in the public provision of dates of application and coordinates for some mining, oil and gas licenses.	Meaningful progress
Contract disclosures (#2.4)	The 2015 EITI Report clarifies the government's policy on contract disclosure in the oil and gas sector, but not in mining. The report does not comment on actual contract disclosure practice despite key stakeholders being aware of several contracts being available in the public domain.	Meaningful progress

Beneficial ownership disclosure (#2.5)	The 2015 EITI Report does not clarify the government's policy on beneficial ownership disclosure in extractives companies but the names of legal owners of all material companies are publicly available on the National Registration Centre website.	
State-participation (#2.6)	The 2015 EITI Report does not provide a comprehensive list of companies operating in the mining, oil and gas sectors in which the government holds equity, although it does provide reference to the rules (but not practices) related to the financial relations between SOEs and the government, albeit only concerning retained earnings and reinvestment, not third-party funding. The existence of loans or loans guarantees from the state or any SOE to companies operating in the mining, oil and gas sectors is unclear in the 2015 EITI Report, although there is extensive information on state loans and guarantees to hydro-power companies.	Meaningful progress
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. To strengthen implementation, the MSG may wish to explore the potential of using EITI reporting to highlight inconsistencies in Albania's legal environment, fiscal framework and regulatory responsibilities in the mining, oil and gas sectors. The MSG may wish to link EITI reporting to planned technical assistance in the mining, oil and gas sectors to ensure that EITI implementation serves as a diagnostic to support ongoing and planned reforms. 2. In accordance with requirement 2.2.a, the MSG should ensure annual disclosure of which mining, oil and gas licenses were awarded and transferred in the year(s) under review, highlighting the technical and financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers. 3. In accordance with requirement 2.3.b, Albania should ensure that dates of application, award and expiry, commodity(ies) covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available, in line with past Alb-EITI recommendations. The government is encouraged to make this information available for licenses held by all companies, regardless of their materiality. 4. In accordance with requirement 2.4.b, Albania is required to document in future EITI Reports the government's policy on disclosure of contracts and licenses that govern the exploration 		

and exploitation of oil, gas and minerals. This should include relevant legal provisions, any reforms that are planned or underway as well as an overview of contracts already published.

5. The MSG may wish to consider piloting beneficial ownership reporting in the forthcoming EITI Report in order to increase awareness of beneficial ownership transparency and pilot beneficial ownership definitions and thresholds. AlbEITI may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.
6. In accordance with requirement 2.6.a, the MSG should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings, reinvestment and third-party funding. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies in line with requirement 2.6.b.

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

Overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

In the *oil and gas* sector, the 2015 EITI Report provides an overview of the crude oil sector, including number of companies operating⁷⁰, the location of production⁷¹, state participation and an overview of oil production, exports, revenues and employment in 2015 (2015 EITI Report, pp.10-11, 20-21). A map of oil and gas deposits is provided in Figure 2 (2015 EITI Report, p.23). The report provides a brief history of the development of oil and gas reserves and a link⁷² to Albpetrol's webpage for reserves and cumulative production (2015 EITI Report, p.23). The report also provides geological and recoverable oil reserves based on studies dating from 1985-1990, disaggregated by field (2015 EITI Report, p.24). The report provides an overview of the characteristics of each oilfield and a general link⁷³ to the AKBN website for more information on geological formations and exploration opportunities (2015 EITI Report, p.25) as well as a low-definition map of oil and gas licenses (2015 EITI Report, p.28). A brief overview of oil and gas exploration undertaken by Bankers Petroleum and Shell is provided (2015 EITI Report, pp.30-31).

In *mining*, the report provides an overview of the sector, including number of licenses, the value of 2015 mining production, the share of the two largest groups of minerals produced, 2015 mining employment and the share of mining revenues out of total government revenues and exports (2015 EITI Report, pp.12, 40-42). The report also provides an overview of mining activity per mineral type⁷⁴ (2015 EITI Report, pp.43-48). An overview of the hydro-power sector is also provided (2015 EITI Report, pp.12-13,56-57).

Exploration: The 2015 EITI Report provides overviews of key companies in the *oil and gas* sector (2015 EITI Report, pp.30-31) and gas infrastructure development plans (2015 EITI Report, pp.13,37-38). The overview of *mining* activity per mineral type includes descriptions of significant exploration activities (2015 EITI Report, pp.43-48).

The 2013-14 EITI Report provides an overview of the extractive industries (pp.11-15, 20-21) but only of significant exploration activities prior to 2013-14 (pp.20-21, 32).

⁷⁰ Five in production, four in exploration.

⁷¹ Southern Albania.

⁷² <http://www.albpetrol.al/rezervat-gjeologjike/>

⁷³ <http://www.akbn.gov.al/>

⁷⁴ Chromium, copper, iron-nickel & nickel-silica, limestone and construction materials, bitumen, gravel and tar sands.

Stakeholder views

While stakeholders consulted did not express any particular views regarding the 2015 EITI Report's overview of the extractive industries, civil society and industry representatives expressed significantly different views about the reliability of reserves estimates collected by government and included in Albania's EITI Reports. Several CSO MSG members raised concerns over the quality of official reserves estimates, considering that the government relied on companies' self-reporting of reserves without additional checks. However, several industry representatives both on and off the MSG explained that companies were required to re-state reserves to the government every two years and that the government could compare these estimates to the government's high-quality reserves estimates collected during the Communist period (up to 1990). While these industry representatives considered that the government did undertake some checks of company reserves reporting, they also noted that companies had a disincentive to state accurate reserves estimates given the impression that this would lead to the government and other stakeholders asking companies for more money. The IA also highlighted discrepancies between companies' self-reporting and the geological data the government holds from the 1980s. The January 2017 Eurosupport report highlights the extensive information on the MEI website related to the mining sector, including comprehensive information on exploration activities (Eurosupport, 2017).

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress towards meeting this requirement. The 2015 EITI Report provides an overview of the mining, oil and gas sectors, including significant exploration activities.

To continue strengthening implementation, the MSG may wish to follow up on repeated recommendations from past EITI Reports related to ensuring the accuracy of official reserves estimates.

Production data (#3.2)

Documentation of progress

Volumes and values: In terms of oil and gas, the 2015 EITI Report provides total oil production volumes and value, although the value of 2015 oil production was calculated using the average 2015 export price (2015 EITI Report, pp.11, 21). Table 4 provides 2015 oil production disaggregated by each of the six producing companies (including Albpetrol) (2015 EITI Report, p.29). The report states that MEI, AKBN and Albpetrol did not report gas production in 2015 (2015 EITI Report, p.21). The general location of oil production, southern Albania, is provided (2015 EITI Report, pp.10-11) as well as the names of individual producing oilfields (2015 EITI Report, p.29).

In mining, the 2015 EITI Report provides the value of total mineral production in 2015, although this includes the value added through processing (2015 EITI Report, p.12). The share of production value from

the two most significant minerals produced⁷⁵ is provided (2015 EITI Report, p.12). Table 5 provides the volumes and values of production for five minerals⁷⁶ produced in 2015, although the value of production of chromium and ferrochrome is provided aggregated for the two minerals (2015 EITI Report, p.41). The name of the location of production for each type of mineral is provided (2015 EITI Report, p.41), alongside maps of deposits of all key minerals⁷⁷ (2015 EITI Report, pp.43-48).

Other information: The report explains that private oil and gas companies accounted for 96% of production in 2015, mainly from the Patos-Marinza oilfields operated by Bankers Petroleum, which accounted for 89% of 2015 production (2015 EITI Report, p.21). Table 2 provides cumulative production up to 2015 for 12 fields and a link⁷⁸ to Albpetrol's webpage for this data (2015 EITI Report, pp.23-24). A brief description of causes for different reserves estimates is provided (2015 EITI Report, p.24). Section 11.3.2 recommends that AKBN provide a comparison of production reported by mining companies and AKBN's own measurements throughout the year, including mineral grade (concentration) and values based on local market transactions as well as exports (2015 EITI Report, p.100). The report highlights limitations to AKBN's mining production statistics, given that these are based on companies' self-reporting without independent verification by AKBN (2015 EITI Report, pp.42,81,100). The report explains that only 67% of companies (400 out of 597 licenses) reported production to AKBN, which could not provide the IA with information on composition and quality (concentration) of production for the 2011-2015 period. The report also states that domestic production values were not provided and that production values were calculated using either export figures of AKBN-supplied prices for minerals not exported or export figures reported by the Albanian Custom Administrative (2015 EITI Report, p.42).

The report also provides an overview of hydro-electric output (p.70).

The 2013-14 EITI Report provides production volumes and values for crude oil and natural gas (2013-14 EITI Report, p.33) as well as all key minerals produced (2013-14 EITI Report, pp.14,44,48). The share of production reconciled between disclosures from companies and AKBN increased from 70% in 2013 to 85% in 2014 (2013-14 EITI Report, p.43).

Stakeholder views

A CSO MSG member stated that while he considered extractives export data to be reliable, there were significant concerns over the reliability of production data. The representative expressed concern at the use of export prices for calculating the value of production. The IA explained that it was not possible to find any reliable data on domestic prices and that export prices were chosen as a proxy given that most oil and minerals produced in Albania were exported and processed abroad. The IA did not consider that there were any significant barriers to disclosing information on domestic prices and highlighted that while AKBN had provided domestic price data for the 2013-14 EITI Report, it had not provided this information for the 2015 EITI Report.

A government representative noted that the Customs Department had disaggregated information on

⁷⁵ Chromium and "limestone and other construction materials".

⁷⁶ Chromium, ferrochrome, copper, iron-nickel & nickel-silica, and cement.

⁷⁷ Chromium, copper, nickel, limestone and construction materials.

⁷⁸ <http://www.albpetrol.al/rezervat-gjeologjike/>

exports of chrome and ferrochrome given that they had two different customs (HNSH) codes, which implied that the government also tracked production volumes and values of the two minerals in a disaggregated manner. The official explained that the inclusion of an aggregate value for the two in the 2015 EITI Report must have been an oversight.

The IA explained that government entities had not provided the volumes and value of natural gas production for the 2015 EITI Report, but noted that none of the natural gas produced was sold. Rather, it was either reinjected to maintain oil production or simply flared. A government representative and secretariat staff explained that natural gas production volumes were negligible and not commercially viable, at around 12m-13m cu m a year. Given that all producing oilfields were under PSAs with Albpetrol, the IA explained that Albpetrol was in a position to provide comprehensive information on Albania's total natural gas production.

The IMF's January 2016 fiscal transparency evaluation of Albania noted that while the budget published revenue from royalties, it did not publish annual estimates for volumes and values of oil, coal or other mineral products, although some limited information was published by the Institute of Statistics (IMF, 2016).

In terms of the MSG's follow-up on past EITI recommendations about the quality of official production statistics, the IA noted that AKBN did not possess the tools or expertise to monitor actual output and that AKBN had poor control over data administration and that they tended to rely excel spreadsheets. The IA explained that strengthening oversight of companies' self-reporting of production would require significant investment on the part of AKBN, but noted that the draft Law on Transparency in Public Administrations prepared by AlBEITI would ensure greater collaboration between government entities and licensees.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress towards meeting this requirement. The 2015 EITI Report provides the production volumes and values of all major minerals produced including oil, chromium, ferrochrome, copper, iron-nickel & nickel-silica, and limestone, although an aggregate production value is only provided for chromium and ferrochrome. While the use of export prices to calculate production values is a concern, given the government's lack of reporting of domestic prices (in contrast to previous years), it is notable that the MSG has made efforts to provide an estimate of production values in the 2015 EITI Report. While the lack of information on natural gas production is also a concern, it appears that total natural gas production in Albania is negligible and not sold.

To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports provide disaggregated production volumes and values for all key minerals produced in the year(s) under review. The MSG may also wish to work with relevant government entities to ensure that information on domestic prices of all minerals is published as part of routine government disclosures.

Export data (#3.3)

Documentation of progress

In oil and gas, while the 2015 EITI Report provides total oil production volumes and value (2015 EITI Report, pp.11,21), it only states that oil production is “mostly exported” for overseas refining and that oil accounted for 55% of extractives exports and 13% of total exports in 2015 (2015 EITI Report, pp.11, 22). Thus the exact volumes of exported crude oil are not provided in the 2015 EITI Report, although the value of oil exports is provided disaggregated by year for 2011-2015, sourced from the Albanian Customs Administrative (2015 EITI Report, p.11).

In mining, the 2015 EITI Report provides the value of mining exports in absolute terms and relative to total 2015 exports, as well as disaggregated for each of the three-largest mineral exports⁷⁹ (2015 EITI Report, p.42). However, the report does not provide the volumes of exported minerals.

Other information: The report provides a graph of the three main export destinations⁸⁰ (2015 EITI Report, p.22). The general growth trends in crude oil export values are provided for 2011-2015 (2015 EITI Report, p.22). The report also provides an overview of hydro-electric exports (2015 EITI Report, p.71).

The 2013-14 EITI Report provided the export values for all minerals exports (2013-14 EITI Report, p.13), but not volumes.

Stakeholder views

All stakeholders consulted expressed confidence in the reliability of official export data, including for extractives commodities. The IA confirmed that the volume of oil exported in 2015 was 991k tons (approximately 7.234m barrels), compared to total oil production of 1.279m tons (approximately 9.337m barrels). The IA explained that, up to 2015, the Ballsh refinery produced diesel (10 ppm) sold on the domestic market and virgin naphtha exported for further refining, while the Fier refinery produced mainly bitumen and petroleum coke. The IA stated that it had received no information on the volumes of oil refined in Albania in 2015 during its preparation of the 2015 EITI Report, but noted that the MEI had reported that the two refineries had processed roughly 678k tons of crude oil in the period 2011-2014, far below to their installed capacity.

A government representative explained that roughly 80%-90% of crude oil exports were handled by the Port of Vlora, with the balance exported through the Port of Durres, while mineral exports were both through the Port of Durres and through land borders with Kosovo and Macedonia. Several government representatives noted that both the Customs Department and INSTAT produced monthly statistics on oil and mineral exports, including volumes, values and country of destination (through the Trade Balance Report⁸¹). However, this data was only disaggregated between crude oil and “other minerals”, without disaggregation by specific mineral commodity. While one government representative noted that there would be no legal or practical barriers to the Customs Department publishing export data disaggregated

⁷⁹ Limestone, chromium and ferrochrome.

⁸⁰ Malta, Spain and the largest, Italy.

⁸¹ <http://www.dogana.gov.al/c/171/225/291/statistika>

by individual commodity, noting that the only reason this was not already done was that no one had ever asked, another government representative noted that it would not be possible for INSTAT to publish export data disaggregated by mineral commodity for those where less than three companies produced a particular mineral, in line with provisions of the national Law on Official Statistics.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress in meeting this requirement. The 2015 EITI Report provides export values for crude oil, but not specific oil export volumes, and the value of the main three mineral exports, but not volumes and values of all exported minerals.

In accordance with requirement 3.3, the MSG should ensure future EITI Reports provide disaggregated export volumes and values for all key minerals exported in the year(s) under review. The MSG is encouraged to clearly segregate any future transit natural gas from the development of the Trans-Adriatic Pipeline are clearly segregated from Albania's bona fide exports.

Table 3- Summary initial assessment table: Monitoring and production

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Overview of the extractive sector, including exploration activities (#3.1)	The 2015 EITI Report provides an overview of the mining, oil and gas sectors, including significant exploration activities. In the International Secretariat's view, Albania has made efforts to go beyond the requirement by including extensive information on the hydro-electricity sector.	Satisfactory progress
Production data (#3.2)	The 2015 EITI Report provides the production volumes and values of all major minerals produced including oil, chromium, ferrochrome, copper, iron-nickel & nickel-silica, and limestone, although an aggregate production value is only provided for chromium and ferrochrome. While the use of export prices to calculate production values is a concern, given the government's lack of reporting of domestic prices (in contrast to previous years), it is notable that the MSG has made efforts to provide an estimate of production values in the 2015 EITI Report. While the lack of information on natural gas production is also a concern, it appears that total natural gas production in Albania is negligible and not sold.	Satisfactory progress
Export data (#3.3)	The 2015 EITI Report provides export values for crude oil, but not specific oil export volumes, and the value of the main three mineral exports, but not volumes and values of all exported minerals.	Meaningful progress
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. To continue strengthening implementation, the MSG may wish to follow up on repeated recommendations from past EITI Reports related to ensuring the accuracy of official reserves estimates. 2. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports provide disaggregated production volumes and values for all key minerals produced in the year(s) under review. The MSG may also wish to work with relevant government entities to ensure that information on domestic prices of all minerals is published as part of routine 		

government disclosures.

3. In accordance with requirement 3.3, the MSG should ensure future EITI Reports provide disaggregated export volumes and values for all key minerals exported in the year(s) under review. The MSG is encouraged to clearly segregate any future transit natural gas from the development of the Trans-Adriatic Pipeline are clearly segregated from Albania's other exports.

4. Revenue collection

4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

4.2 Assessment

Materiality (#4.1)

Documentation of progress

Materiality threshold for revenue streams: The 2015 EITI Report confirms that the IA reviewed the MSG's original materiality thresholds, included in the IA's ToRs, but also highlights the IA's concerns over the data used as the basis for setting materiality thresholds (2015 EITI Report, p.85). While the report refers to a quantitative materiality threshold for selecting material revenue streams (i.e. as a share of total government revenues) it only does so in general terms referring to "substantial revenue flows to the State budget" (2015 EITI Report, p.79). The report explains the government's inability to disaggregate the extractives components of common taxes (i.e. not extractives-specific), given the Treasury system's inability to provide monthly revenue disaggregated by taxpayer or industry (2015 EITI Report, p.100). The report notes that payments selected for reconciliation represent only the "significant" payments to the State Budget and to off-budget entities including AKBN, the Albanian Energy Regulator (ERE), KESH and Albpetrol and do not include all extractives payments (2015 EITI Report, p.14).

The report states that all common taxes were excluded from the scope of reconciliation (2015 EITI Report, p.80). While the report only confirms that the MSG included all revenues listed under Requirement 4.1.b in the scope of reporting for oil and gas (2015 EITI Report, p.79) but not explicitly for mining, the list of revenue streams selected for reconciliation include "common tax" revenue streams such as Profit Tax, tax penalties and VAT in the scope of reconciliation (2015 EITI Report, pp.79-80). While the report states that licensee and entry fees were excluded from the scope of reconciliation based on the fact that they "do not give rise to substantial payments from the sector" (2015 EITI Report, p.80), it does not provide a specific quantitative materiality threshold for excluding these revenues. All material mining, oil and gas companies were also required to report any other payment of more than USD 50k to the national government and USD 5k to local governments (2015 EITI Report, pp.79-81).

Descriptions of material revenue streams: The report provides descriptions of all material revenue

streams in oil and gas⁸² (2015 EITI Report, pp.33-35) and mining⁸³ (2015 EITI Report, pp.53-54).

Materiality threshold for companies: For oil and gas, the 2015 EITI Report confirms the MSG's decision to include all oil and gas companies operating in Albania in the scope of reporting, namely eight private oil and gas companies and Albpetrol (2015 EITI Report, pp.80, 89). For mining, the report states that the MSG selected material mining companies based on different annual production thresholds⁸⁴, rather than based on payments to government (2015 EITI Report, p.80). The report confirms that "no material payments related to mining concession agreements were reported by licensees in 2015" (2015 EITI Report, p.81). The report states that the selection of material mining companies provided a reconciliation coverage of 89% of 2015 estimated mining production value, albeit raising concerns over the reliability of official mining production data (2015 EITI Report, p.81). The MSG's materiality decisions are clearly highlighted under MSG decisions on the AlbEITI website.⁸⁵

Material companies: The 2015 EITI Report provides a list of all nine oil and gas companies (including Albpetrol), the 106 mining companies and 19 hydro-power companies, selected for participation in the 2015 EITI Report (2015 EITI Report, pp.19,91,108-110,127-129). The total number of material companies stood at 134 in the 2015 EITI Report, including 115 mining, oil and gas companies.

Material company reporting: The 2015 EITI Report states that only 122 of the 134 material companies submitted EITI reporting templates (2015 EITI Report, pp.86,96). While the report notes that all nine material oil and gas companies submitted their reporting templates (2015 EITI Report, p.89), it also states that one oil and gas company, Emanuelle Adriatic Energy Ltd, did not report although it confirms that the government did not report any revenues from the company in 2015 (2015 EITI Report, p.89). The report also states that only 100 of the 106 material mining companies reported and provides the names of the six non-reporting companies⁸⁶ (2015 EITI Report, p.91). The report assesses the materiality of the six non-reporting companies' omissions in aggregate⁸⁷, but not disaggregated by company (2015 EITI Report, p.91). However, it is possible to calculate the materiality of each of four of the six non-reporting mining companies' omissions based on the results of reconciliation in Appendix 2, although it appears that the government did not report revenues from the other two non-reporting companies (2015 EITI Report, p.113). The reasons for non-reporting companies' refusal to participate are not provided, beyond general reference to time constraints (2015 EITI Report, p.89).

The report also refers to confidentiality provisions of the tax code, where it explains the inclusion of tax confidentiality waivers in the reporting templates for all material companies⁸⁸ (2015 EITI Report, p.104).

⁸² Royalty, tax on profit, VAT, payments for social and health insurance and personal income tax, personal income tax, the state's share of oil production, signature and training bonuses.

⁸³ Royalties, tax on profit, VAT, payments for social and health insurance and personal income tax, personal income tax, tax on dividend.

⁸⁴ The thresholds for selecting material companies were: chromium companies with over 3.000 tons p.a. production; copper companies with over 100 tons p.a. production; nickel companies with over 10.000 tons p.a. production; limestone companies with over 20.000 tons p.a. production; clay companies with over 100,000 tons p.a. production; and bitumen and bitumen sands companies with over 10.000 tons p.a. production.

⁸⁵ E.g. the selection of material companies for the 2015 EITI Report on 29 July 2016: <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2016/>

⁸⁶ Durici, Kurti, Silbora, Nickel Mine, Oruçi, and Afrimi – K.

⁸⁷ as 0.2% of total mining revenues disclosed by government.

⁸⁸ Reporting templates included a letter granting the licensee's explicit consent "to the recipient public entities for reporting of information on licensees which classified as confidential under governing laws, regulations and agreements" and "to allow publication of the concerning cash flows by payments stream by licensee on a disaggregated level in the EITI report."

However, there was significant delay companies' submission of the waivers, with waivers only received from "less than 50 out of 134" material companies (2015 EITI Report, p.104).

Material government entities: The government entities collecting extractives revenues and material to the 2015 EITI Report are listed, in diagram form, in the 2015 EITI Report (2015 EITI Report, p.80). However, the 2015 EITI Report does not specify the number and names of LGUs selected for reporting.

Government reporting: The 2015 EITI Report does not explicitly state whether all material government entities reported all revenues, although it does highlight incomplete reporting by local governments, without specifying the number or names of non-reporting LGUs (2015 EITI Report, p.98). It is stated that not all LGUs collecting revenues from the mining, oil and gas industries were included in the scope of reporting and that reporting from participating LGUs was "incomplete and came with significant delays" (2015 EITI Report, p.98).

Discrepancies: The report refers to the MSG's lack of materiality threshold for investigating discrepancies, although this is not a requirement of the EITI Standard, and notes that the IA investigated discrepancies bilaterally with individual companies or government agencies (2015 EITI Report, p.86). The value of aggregate unreconciled discrepancies is provided, disaggregated between the mining and oil and gas sectors (2015 EITI Report, p.88), and the materiality of discrepancies can be assessed based on the data provided.⁸⁹ The report presents the results of reconciliation of oil and gas revenues (2015 EITI Report, p.89) and mining revenues (2015 EITI Report, p.91), where discrepancies are identified by revenue stream. The results of reconciliation disaggregated by company provided in appendix, both for oil and gas (2015 EITI Report, pp.108-110) and mining (2015 EITI Report, pp.111-129), provide discrepancies disaggregated by company and revenue stream. The report also provides an overview of the main causes of discrepancies (2015 EITI Report, pp.90-91). A key cause of discrepancies in oil and gas royalties was due to the way in which royalties on exports are levied (2015 EITI Report, pp.90,92).

Full government disclosure: The report provides the government's full unilateral disclosure of total 2015 revenues, disaggregated by stream, in nine material oil and gas revenue streams⁹⁰ (2015 EITI Report, p.32) and seven mining revenue flows⁹¹ (2015 EITI Report, p.53). While the report describes the tax confidentiality waivers included in the reporting templates and provision of waivers from "less than 50 of the 134" material companies (2015 EITI Report, p.104), it does not clarify whether the lack of confidentiality waivers from over 84 material companies affected the government's ability to provide full unilateral disclosure.

The report also provides an overview and reconciliation of payments to government from the hydro-

⁸⁹ Final unreconciled discrepancies were Lek 1.081m in oil and gas revenues (or 0.00976% of oil and gas revenues reported by government) and Lek 3.898m in mining revenues (or 0.124% of mining revenues reported by government).

⁹⁰ Royalty, tax on profit, VAT, payments for social and health insurance and personal income tax, personal income tax, tax on dividends, tax penalties, the state's share of oil production, and signature and training bonuses.

⁹¹ Royalty, tax on profit, VAT, payments for social and health insurance and personal income tax, personal income tax, tax on dividend, and tax penalties.

power sector (2015 EITI Report, pp.72-74).

The 2013-14 EITI Report includes similar materiality thresholds (pp.74-78) and descriptions of material revenue streams (2013-14 EITI Report, pp.12, 74-77). The number of material companies is lower, at 81 mining companies (accounting for 85% of production) in 2013 and 99 mining companies (87% of production) in 2014. Participation was also lower than in 2015, with 94 of 108 material companies reporting in 2013 and 103 of 115 in 2014 (2013-14 EITI Report, p.83). It appears based on analysis of MSG meeting minutes that the MSG decided to remove all companies that failed to report from the list of material companies for the 2013-2014 EITI Reports⁹², although it is unclear how the removal of material companies retroactively on the basis of data collection was justified on methodological grounds.

Stakeholder views

Materiality: MSG members from all constituencies highlighted the challenges posed by the inability to disaggregate extractives components of common taxes in the current government systems, but confirmed that the MSG re-examined its materiality decisions annually. Secretariat staff and government officials explained that the inability to provide total government extractives revenues had constrained the MSG's ability to set quantitative materiality thresholds. All MSG members consulted confirmed that the MSG had decided to include all sector-specific revenue flows and exclude common taxes from the scope of reconciliation, although they conceded that certain sector-specific revenue flows (license and entry fees) had been excluded given their very low contribution to government revenues. The IA explained that given constraints on the granularity of government data, the IA had adopted an alternative approach of selecting companies and payments based on the structure of contractually-required and statutory payments.

To ensure that the 2015 EITI Report included all "significant" sector-specific payments to government and identify any "new or previously uncovered" payment streams, the IA explained that the MSG asked all material companies to report all other payments (both sector-specific and common taxes) above thresholds of Lek 5m for national payments and Lek 0.5m for subnational payments. While the IA noted that the coverage of the reconciliation could not be estimated as a share of total government extractives revenues, the IA estimated that the coverage "should be relatively high" given that all major revenue streams were covered. With regards to the more than Lek 2bn in aggregate "other payments" reported by material companies in the 2015 EITI Report, the IA explained that these payments were reported by oil and gas companies and "a few" mining companies and consisted of excise tax and carbon tax on fuel imports for use in oil production, two taxes introduced following a tax law change in 2014. Indeed, the IA explained that oil and gas companies often used refined oil products as diluent in oil extraction and that some mining companies used gasoil in their smelting facilities. Where such payments were reported by companies, the IA noted that it compared this data with information from the Customs Department (for carbon tax on fuel imports) and from the Tax Department (for excise tax on domestically-purchased fuel). While the IA did not consider these two revenue streams to be related to extractives activities, it had proposed including these payments in reconciliation given their aggregate value in order to build a more comprehensive picture of total extractives revenues. An industry MSG member considered that the MSG's extensive deliberations over the materiality thresholds were not adequately described in the 2015

⁹² <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2015/>

EITI Report, in particular the rationale for adopting a particular approach to materiality.

Company reporting: Several MSG members noted that the MSG's main focus in materiality discussions was on mining rather than oil and gas, since all oil and gas license-holders were included, although several members noted this could have been better described in the EITI Report. For the 2015 EITI Report, the IA asked the Customs and Tax Departments to provide a comprehensive list of all license-holders operating in the mining sector and of their single Tax ID numbers, as well as disclosure of all revenues received from these companies. A senior government official explained that the selection of material mining companies on the basis of production rather than payments to government was an acceptable approach, since mining royalties were calculated on the basis of production volumes. A CSO MSG member explained that while civil society had originally wanted all mining companies to participate in EITI reporting, in line with provisions of the Mining Law, they had understood that mining companies with low turnovers were unlikely to make significant payments to government. However, an industry representative was highly critical of the exclusion of smaller mining companies from the scope of EITI reporting, considering that smaller companies were the most likely to stray from their statutory duties. A senior government official noted that the materiality threshold for selecting mining companies had been lowered since the first EITI Reports, providing a sufficiently high reconciliation coverage. While several industry representatives noted that company participation had consistently improved annually, industry and government representatives considered that the 2010 Mining Law's introduction of mandatory EITI reporting requirements had made companies more cautious about reporting, as they considered that EITI reporting could lead to more levies from government.

With regards to the reasons for 6 of the 115 material mining, oil and gas companies (excluding hydropower) refusing to participate in the 2015 EITI Report, the IA noted that it had not received any official responses from these companies, although some companies had simply unofficially refused to cooperate and others simply had not responded to repeated follow-up. Anecdotally, the IA explained that some of the companies may have been frustrated at the government given the lack of renewal of their licenses, while others were either not sufficiently organised, didn't have the adequate accounting systems or were simply "too small". The IA noted that the AlbEITI Secretariat and MEI representatives had been "very supportive" in the process of following up with non-reporting companies, sending official reminders to all non-reporting companies. Several industry representatives noted that they did not consider it part of companies' responsibilities to follow-up with non-reporting companies to encourage them to report. One CSO MSG member expressed significant criticism at the fact that the government did not withdraw the licenses of mining companies that failed to report, considering that this reflected insufficient government commitment to the EITI. The IA explained that it had only assessed the combined materiality of payments from non-reporting companies (as 0.2% of mining revenues) as it did not see the value in disaggregating this small figure further.

Government reporting: The majority of government stakeholders and secretariat staff consulted highlighted the laborious process of data collection within government systems. Several government representatives explained that line agencies, rather than the Treasury, had been selected to report in EITI. While the Treasury was the entity actually receiving the payments from companies, it did not disaggregate revenues per taxpayer and thus could not provide sufficient disaggregation for EITI reporting purposes. While line agencies like the Tax and Customs Departments were the liquidators of payments and thus did not receive revenues themselves, they had appropriate systems to disaggregate revenues per tax ID number. A government official explained that line agencies and the Treasury reconciled

invoices and revenues on a monthly basis.

While an industry MSG representative highlighted the full participation of government entities in EITI reporting, several CSO MSG members expressed concern over the consistent delays in reporting by certain government entities, such as the Customs and Tax Departments. These CSOs considered that civil society pressure on the MSG had been crucial in ensuring full government reporting in the 2015 EITI Report. A Secretariat staff explained that there was a cultural legacy of considering information to be restricted in Albania, which could explain the slow response of some government entities. The IA confirmed that all national government entities had fully reported extractives revenues in the 2015 EITI Report and that, while a number of LGUs had not reported, the IA considered that the main LGUs receiving the lion's share of extractives revenues had participated in reporting.

Discrepancies: A senior government official highlighted the low level of discrepancies in the 2015 EITI Report and considered that the low level of variances in initial reporting reflected the reliability of data being reported both by companies and government entities (see Requirement 4.9). Several industry MSG members emphasised the declining trend of discrepancies across Albania's seven years of EITI reporting.

Initial assessment

The 2015 EITI Report includes the MSG's definition of the materiality thresholds for payments and companies to be included in reconciliation based on production volumes, including a justification for why the thresholds were set in this way and at this level. However, the setting of a qualitative rather than quantitative threshold for selecting material revenue streams (as a share of government revenues for instance) is a concern. However, while two of the revenue flows listed in Requirement 4.1.b have only been excluded from reconciliation based on general reference to their lack of materiality, there is no evidence to suggest that their value was significant. The companies that did not report are named and the value of their payments to government is provided relative to government-reported revenues. The share of non-reporting companies appears to be insignificant. The 2015 EITI Report does not explicitly state whether all material government entities reported all revenues, although stakeholder consultations confirmed that all national government entities had fully reported and that omissions from local governments were not considered material. While the commentary from the IA on the comprehensiveness of the EITI Report is limited to a statement on the lack of assurances, it is possible to calculate the materiality of omissions. Given that these appear immaterial, in light of the low materiality threshold adopted for selecting material companies and in light of the EITI Board's decision in other comparable cases like Mongolia, the International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement.

To strengthen implementation, the MSG is encouraged to consider revisiting its materiality threshold for selecting mining companies to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden. The MSG is also encouraged to ensure that the Independent Administrator provides its opinion on the comprehensiveness of the EITI Report.

In-kind revenues (#4.2)

Documentation of progress

Materiality: The 2015 EITI Report confirms that companies were required to report in-kind payments to government and SOEs and that revenue in the form of the state's share of oil production was the second largest extractives revenue in 2015 (2015 EITI Report, p.90). In line with MEI and MF Instruction no. 1 of 26 May 2015, the report explains that companies can transfer the share of production allocated to Albpetrol either in cash or in-kind (2015 EITI Report, p.34). Albpetrol sells both the share of oil collected under the PSAs and its own oil production through annual public auctions (2015 EITI Report, p.34).

Volumes collected: The report provides two different figures for the volume of oil collected as Albpetrol's share of oil production, with companies reporting having transferred 50,791 tons to Albpetrol (2015 EITI Report, pp.14,95) and Albpetrol reporting having received 50,540 tons (2015 EITI Report, p.34). The second figure is confirmed as the result of pre-existing production of 91,039 tons and production issued contractor's investment of 11,985 tons (2015 EITI Report, p.34), while the first figure is quoted twice in the report (including reference to the higher figure as the actual payments without sourcing) without a clear explanation that the discrepancy was the result of reconciliation of the in-kind flows, nor investigation of the reasons for the discrepancy.

Volumes sold: The report states that Albpetrol reported sales of 84,623 tons of crude oil in 2015, to a single buyer, Trading Petrol & Drilling (TPD) (2015 EITI Report, pp.34,137). TPD operates the Fier refinery in an agreement with ARMO, without having taken on ARMO's debt (2015 EITI Report, pp.21,34) (*see Requirement 2.6*). Appendix 4 presents the details of public auctions of Albpetrol's crude oil (2015 EITI Report, p.137). However, the reasons for significantly higher sales volumes than those collected by Albpetrol for the sale of the state's share of oil production are not explained. While not explicitly stated, this would imply that the volumes provided for crude oil sold by Albpetrol include both Albpetrol's own production as well as the state's share of oil production under PSAs.

Sales proceeds: The report provides the value of proceeds from the sale of Albpetrol's 84,623 tons of crude oil in 2015 as USD 15.4m (2015 EITI Report, p.34,137). Appendix 4 presents the details of public auctions of Albpetrol's crude oil, disaggregated by month and buyer, albeit to a single buyer (2015 EITI Report, p.137).

However, the report also provides the estimated value of oil payments collected by Albpetrol, Lek 1,615,639,000, "estimated using the average export price applied in 2013 of USD 254 / ton. amount in USD ... converted in Lek with the average rate of the Bank of Albania for the year 2013 at 1 USD equal to 125.96 Lek." A total of Lek 8,024,000 was left as unreconciled discrepancies in the reconciliation of in-kind share of oil payments, which can be calculated as 0.5% of revenues under the share of oil payments reported by government (2015 EITI Report, p.95). Using USD 1: Lek 125.96 as the exchange rate, the value of crude oil from PSAs collected by Albpetrol in 2015 can be calculated as USD 148.74m, roughly ten times higher than the USD 15.4m in crude oil sales proceeds reported earlier in the report (2015 EITI Report, p.34).

Discrepancies: A total of Lek 8,024,000 was left as unreconciled discrepancies in the reconciliation of in-kind share of oil payments, which can be calculated as 0.5% of revenues under the share of oil payments

reported by government (2015 EITI Report, p.95).

Disaggregation: The data in Table 55 of Appendix 4 is presented disaggregated by (the single) buyer and month (2015 EITI Report, p.137).

Additional information: The information on crude oil sales is not reconciled with buyers. The report describes the process for selling Albpetrol's crude oil⁹³ (2015 EITI Report, pp.136-137) and the formula for calculating the state's share of oil production⁹⁴ (2015 EITI Report, p.34).

The 2013-14 EITI Report provided the volumes and deemed value of in-kind revenue, the state's share of oil production (distinct from Albpetrol's equity oil)⁹⁵ (2013-14 EITI Report, pp.12, 100). The report discloses the volumes collected by AlbPetrol on behalf of the government, the volumes sold and the proceeds of crude oil sales. Data on crude oil sales was also disaggregated by buyer (2013-14 EITI Report, p.169).

Stakeholder views

The January 2017 Eurosupport report noted that Requirement 4.2 was not applicable in the Albanian mining sector, given that Article 40 of Law 10304 required mining royalties to be paid in cash (Eurosupport, 2017).

The IA explained that the decision on whether companies should transfer the share of oil production in cash or in-kind was left to Albpetrol and the oil companies, in line with a joint order from the Minister of Energy and the Minister of Finance in May 2015. The IA confirmed that all such transfers were in-kind in 2015. A government official expressed concern at the fact that two different figures were provided for the share of oil collected under PSAs, considering that this highlighted the need for government entities to check draft EITI Reports to ensure such discrepancies were not published.

A government representative confirmed that the figure for volumes sold by Albpetrol in 2015 (84,623 tons) represented both the share of oil from PSAs and Albpetrol's own production. The IA explained that while Albpetrol had disaggregated the two in its reporting for the 2013-14 EITI Report, it had not done so for the 2015 EITI Report and categorised Albpetrol as "uncooperative" in this respect. A CSO MSG member considered that Albpetrol's own production was marginal and represented less than 1% of Albania's oil production, thereby considering that even aggregated volumes sold by Albpetrol were roughly equivalent to the share of oil production collected under PSAs. However, a government official confirmed that Albpetrol collected roughly 50k tons a year in oil under PSAs and produced around 34k

⁹³ Albpetrol sells oil through open public auctions in line with Order n.83 of 10 October 2012. The quantities of oil sold are based on annual forecasts of oil production and share of oil derived from PSAs. The schedule of oil deliveries is set for the year. The composition of the commission administering oil auctions is described. The pricing formula for 2015 crude oil sales is provided (Brent * 72.52% - USD 5.55/barrel + K (where K is USD 0.1 per barrel)) and the process for setting oil sales prices is described in general terms. A link to the Albpetrol [webpage](#) describing the procedures for the sale of Albpetrol's crude oil in 2015 is provided.

⁹⁴ The share of oil production collected by Albpetrol is calculated "based on deemed production (pre-existing production when the well was transferred - PEP) and incremental production (production issued from contractor's investment - ASP), which varies based on the level of production and cost recovery stage as measured by R factor (Factor R is calculated by dividing oil revenue accumulated since the commencement of the PSA operations to the oil costs accumulated for the same period. Royalty accrued during the period is deducted from revenue." (2015 EITI Report, p.34)

⁹⁵ At 75,825 tons in 2013 and 94,304 tons in 2014.

tons of its own oil output.

The IA confirmed that there was no legal requirement for Albpetrol to transfer the proceeds from the sale of oil production from PSAs to the Treasury given that the wording of PSAs identified this as “Albpetrol’s share of production”, not the state’s share, given that the PSAs had been concluded prior to the corporatisation of Albpetrol. A government official considered that Albpetrol needed to retain most of the proceeds from the sale of share of oil from PSAs in order to finance its operations, which explained the low level of Albpetrol’s dividends to Treasury in recent years. However, another government representative and several donors expressed significant concerns at the fact Albpetrol retained much of the proceeds and highlighted the need to amend the process for operators to transfer the share of oil in cash directly to the Treasury.

The IA confirmed that the option of including buyers of Albpetrol’s crude oil sales in the scope of reporting was not discussed by the MSG in preparing the 2015 EITI Report. The IA noted that there should be no barriers to presenting data on Albpetrol’s crude oil sales disaggregated by cargo, where relevant (given that supplies to the domestic refinery operated by TPD in 2015 were through pipeline). The IA explained that it received information on crude oil exports disaggregated by individual cargo from the Customs Department in preparing the annual EITI Reports, but that it was not possible to publish this disaggregated data “unless agreed by the concerned parties”.

Several government stakeholders expressed interest in the EITI’s targeted effort on transparency in the sale of the state’s in-kind revenue. One government official expressed uncertainty over whether it would be possible to publish the crude oil sales contracts concluded by Albpetrol, noting that it would be necessary to confirm whether these contracts included any confidentiality clauses in the same way as PSAs. The official noted that it could be possible to undertake a double reconciliation of Albpetrol’s crude oil sales between with reporting from oil buyers as well as from the Customs Department, which since 2012 also had responsibility for levies of excise tax on key domestic products such as crude oil. Several government stakeholders highlighted the criticisms from Albpetrol when the price of Albpetrol’s crude oil sales was originally disclosed (along with the formula) in the 2013-14 EITI Report, given that it was significantly lower than the price at which private operators like Bankers Petroleum sold their own oil production to international buyers (with a spread of roughly 30% and 18% discounts on Brent respectively). A government official explained that this difference in prices could be attributable to several reasons including the lower volumes sold by Albpetrol, the private operators’ ability to hedge international oil price movements and differences in crude oil blend qualities.

Initial assessment

The 2015 EITI Report reconciles crude oil volumes collected under PSAs, discloses crude oil volumes sold and the value of proceeds from crude oil sales, disaggregated by buyer. The report provides volumes collected, volumes sold and sales proceeds for both the share of oil production under PSAs as well as Albpetrol’s equity oil, albeit without disaggregation between the two. While there is a case for considering that Albania has gone beyond the minimum requirement by disclosing information on the sales of Albpetrol’s equity oil, the International Secretariat’s initial assessment is that Albania has made satisfactory progress in meeting this requirement given the lack of disaggregation between the state’s in-kind revenues and Albpetrol’s equity oil.

To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports clearly disaggregate the state's in-kind revenues from Albpetrol's equity oil, as it has done in previous EITI Reports. The MSG could consider joining the EITI's [targeted effort](#) on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.

Barter and infrastructure transactions (#4.3)

Documentation of progress

The 2015 EITI Report does not address the existence of infrastructure provisions or barter agreements. During the IA's presentation of the 2015 inception report to the MSG at its 29 July 2016 meeting, the IA explained that it did not have sufficient information to assess the existence of any infrastructure provisions to mining or oil and gas contracts and noted that material companies would be asked to report details of such provisions as part of the reporting templates (Alb-EITI, 2016).

The 2013-14 EITI Report states that there were no infrastructure barter agreements in force in the mining, oil and gas sectors in 2013-14 (2013-14 EITI Report, p.275).

Stakeholder views

None of the stakeholders consulted were aware of any barter or infrastructure provisions of contracts in the mining, oil and gas sector. One CSO MSG member did not recall the MSG discussing this issue in preparing the 2015 EITI Report and considered that the MSG should have had access to the full text of all mining, oil and gas contracts to confirm whether any such clauses existed. The IA noted that two MEI representatives had confirmed that there were no such agreements in any of the mining, oil and gas contracts signed to date. The IA noted that while it had not had access to the full text of contracts to confirm that such agreements did not exist, it explained that it relied on information provided by these MEI representatives and considered that any such arrangements would have appeared in the media. The January 2017 Eurosupport report considered Requirement 4.3 to be not applicable to Albania, given that legal provisions and terms of concession agreements do not provide for barter or infrastructure agreements (Eurosupport, 2017).

Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable to Albania in the year under review (2015). However, the 2015 EITI Report's lack of comment on the MSG's consideration of Requirement 4.3 is a concern.

To strengthen implementation, the MSG should ensure that future EITI Reports clearly address Requirement 4.3 and confirm the MSG's assessment of its non-applicability. The MSG may wish to consider the extent to which a review of the actual terms of mining, oil and gas contracts would be necessary to ensure a comprehensive assessment of the applicability of Requirement 4.3.

Transport revenues (#4.4)

Documentation of progress

The 2015 EITI Report implies that the government and SOEs do not receive revenues from the transportation of minerals, crude oil or natural gas, although it does not explicitly state so. The report describes the infrastructure for exporting crude oil and states that no SOE provides port-side oil depots (2015 EITI Report, p.22). It explains that exported oil is trucked from the oilfields to the oil terminal of the Port of Vlora, which is concessioned to a private company, La Petrolifera Italo-Albanese Sh.a, and provides links to two websites⁹⁶ with the terms of the port concession (2015 EITI Report, p.22). It is also stated that two pipelines of 188km from the two refineries to the Port of Vlora are not operational (2015 EITI Report, p.22).

The report also provides an overview of gas infrastructure development plans, including the government's Law on Natural Gas Sector n.102/2015 of March 2015, the development of the 215km Trans-Adriatic Pipeline and the establishment of the Albanian Gas Transmission Operator (Albgaz Sh.a.) in 2016 (2015 EITI Report, pp.13,37-38).

The 2013-14 EITI Report provided a similar description of the truck-based transportation arrangements for oil, gas and minerals and the lack of operational pipelines (2013-14 EITI Report, p.275).

Stakeholder views

The January 2017 Eurosupport report confirmed that the government or SOEs do not receive revenues from the transportation of minerals, given that the cost of transportation is borne by private mining companies. While these companies pay normal taxes and fees, they do not pay any levy associated with their transportation of minerals (Eurosupport, 2017). A CSO MSG member noted that the MSG did not discuss the issue of transportation revenues in relation to the terms of the Port of Vlora concession in preparing the 2015 EITI Report. While civil society had raised the issue of TAP on the MSG, the MSG member noted that the pipeline was not operational in 2015. All stakeholders consulted either did not express an opinion on the issue or stated that the government did not receive any revenues from the transportation of minerals or crude oil.

The IA confirmed that the concessionaire of the Port of Vlora, La Petrolifera Italo-Albanese Sh.a., did not make any payments to government in 2015, given that the IA had confirmed that the concession was structured as a Build-Operate-Transfer (BOT) based on its reading of the Concession Law. However, the IA confirmed that the MSG had not considered this issue in preparing the 2015 EITI Report and that it had clarified the issue during Validation stakeholder consultations. The IA stated its intention to raise this issue with the MSG in preparing the next EITI Report, covering 2016.

The IA also confirmed that the trucking companies transporting oil from the oilfields to the Port of Vlora were privately owned and that oil and gas companies were free to select the service provider of their choice, which meant that the government received no revenues from the transportation of oil by truck.

⁹⁶ <http://www.gruppopir.com/en/la-petroliera-italo-albanese> and <http://fiaalbania.al/members-list/la-petrolifera-italo-albanese-sh-a/>

With regards to potential future revenue from the transportation of natural gas through the TAP, the IA confirmed that Albania is not entitled to collect any transit fees on the TAP gas corridor. While the Albanian Gas Transmission Operator was established to manage gas transport from the TAP stations to the gas distribution pipeline network in Albania, the IA stated that the implementing regulations had yet to be finalized at the time of Validation stakeholder consultations.

Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable to Albania in the year under review (2015). The 2015 EITI Report describes infrastructural arrangements for the transportation of crude oil, but not of natural gas or minerals. However, the International Secretariat understands that the government and SOEs do not receive any revenues from the transportation of minerals, crude oil or natural gas.

To strengthen implementation, the MSG should consider ensuring that future EITI Reports explicitly state that the government and SOEs do not receive any revenues from the transportation of minerals, crude oil or natural gas in the year(s) under review.

Transactions between SOEs and government (#4.5)

Documentation of progress

In terms of transactions between SOEs and other oil, gas and mining companies, the 2015 EITI Report confirms state participation in the oil and gas sector through Albpetrol (2015 EITI Report, pp.10, 27). It is apparent from the diagram of oil and gas revenue flows in Section 8.1 that Albpetrol collects share of oil production and bonuses from companies operating under PSA (2015 EITI Report, p.79).

The report states that Albpetrol collected 22.6% of oil and gas revenues generated from PSAs in 2015 (2015 EITI Report, p.35). Table 24 in the report provides the results of reconciliation of the revenues collected by Albpetrol (two revenue streams: share of oil payments and Bonuses-Albpetrol) (2015 EITI Report, p.95). The results of the reconciliation of share of oil production and signature bonuses are presented in Appendix 1, disaggregated by company (2015 EITI Report, pp.108-109).

In terms of transactions between government and SOEs, the 2015 EITI Report describes revenues associated with state participation in the oil and gas sector, whereby Albpetrol transfers dividends to the treasury, alongside regular taxes applied to all commercial oil and gas companies including profit tax, royalty, VAT etc. (2015 EITI Report, p.34). It is apparent from the diagram of oil and gas revenue flows from SOEs to government in Section 8.1 that Albpetrol pays dividends to MEDTTE, royalties on exports to Albanian Customs Administrative, seven taxes and levies⁹⁷ to the General Directorate of Taxes and local

⁹⁷ Royalties on internal sales; profit taxes; VAT; social and health insurance; personal income tax; tax penalties; tax on dividend.

taxes to local governments (2015 EITI Report, p.80).

The report states that Albpetrol contributed USD 9.7m in oil and gas revenues to the national budget in 2015 through the payment of corporate income tax, royalty tax, VAT etc. (2015 EITI Report, p.35). Table 23 provides the results of the reconciliation of cash payments by Albpetrol to the government in 2015 under the seven revenue streams,⁹⁸ disaggregated by revenue stream (2015 EITI Report, p.95). However, it appears that Albpetrol's dividend to government in 2015 was only unilaterally disclosed through Albpetrol's 2012, 2013, 2014 and 2015 audited financial statements in Appendix 4 (2015 EITI Report, p.138), but not reconciled.

The 2015 EITI Report does not disclose any other ad hoc transfers from extractives SOEs to or from government.

The 2013-14 EITI Report provides a similar reconciliation of payments from oil and gas companies to Albpetrol and from Albpetrol to the government (2013-14 EITI Report, p.100-101), but only the same unilateral disclosure of Albpetrol's dividends to government.

Stakeholder views

The January 2017 Eurosupport report confirmed that there were no SOEs operating in the mining sector in Albania (Eurosupport, 2017). While CSO MSG members as well as several media and development partner representatives expressed significant concern over the financial management of Albpetrol, none of the stakeholders consulted made any particular comments on the coverage of SOE transactions in the 2015 EITI Report. The IA and a government representative noted that Albpetrol was also entitled to penalty payments in cases where PSA operators breached the obligations of their work programmes, they confirmed that there were no such payments from oil and gas companies to Albpetrol in 2015. The IA explained that the reporting templates had asked material companies to report any other material payments to SOEs but that no such payments were reported for 2015. The IA also confirmed that it was not aware of any other transfer from Albpetrol to any other government entity than those covered in the 2015 EITI Report.

The IMF's January 2016 fiscal transparency evaluation of Albania found that the government did not publish a report on the finances of public corporations, although their financial statements are available from the National Registration Centre like all other joint-stock companies and transfers between the government and SOEs are published in the national budget (IMF, 2016).

Initial assessment

While the 2015 EITI Report includes a reconciliation of oil and gas company payments to extractives SOEs (Albpetrol) and of some of Albpetrol's payments to government, it only provides Albpetrol's unilateral disclosure of its dividends to government, which are not reconciled with MEDTTE receipts. While

⁹⁸ Royalty – internal sales; VAT; profit tax; payments for SI and HI; tax on dividend; tax penalties; other payments to local governments.

Albpetrol's dividends to MEDTTE are material, they account for only 0.57% of government's oil and gas revenues and 0.39% of revenues from the mining, oil and gas sectors.⁹⁹ However, the International Secretariat understands that MEDTTE's receipt of Albpetrol dividends are disclosed in the annual budget execution report, given that MEDTTE's revenues are recorded in the national budget (*see Requirement 5.1*). In addition, the fact that Albpetrol's annual financial statements are audited (*see Requirement 4.9*) provides a high degree of quality assurance for Albpetrol's unilateral disclosure of its dividends to government. It can thus be argued that the broader objectives of the requirement have been met despite the lack of reconciliation of Albpetrol's dividends to government. Therefore, the International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement.

To strengthen implementation, the MSG is strongly encouraged to ensure that future EITI Reports include Albpetrol's dividends to government in the scope of reconciliation.

Subnational direct payments (#4.6)

Documentation of progress

The 2015 EITI Report does not provide a definition of materiality for direct subnational payments nor detail the different types of direct subnational payments, and it is unclear whether LGUs were included in the scope of reporting. It is apparent from the diagram of oil and gas revenue flows in Section 8.1 that LGUs collect local taxes directly from oil and gas companies (2015 EITI Report, p.79), but the diagram of mining revenue flows in Section 8.2 does not refer to any mining company payments to LGUs (2015 EITI Report, p.80). The report states that the MSG required mining, oil and gas companies to report any direct subnational payment of over USD 5k to LGUs (2015 EITI Report, p.80). This threshold for reporting local taxes was agreed at the MSG's 29 July 2016 meeting.¹⁰⁰ The MSG had originally decided at its 16 October 2015 meeting to include five municipalities in the scope of reporting of direct subnational payments for the 2013-2014 EITI Reports.¹⁰¹ Yet the 2015 EITI Report also states that "when local taxes reported were above 50,000 USD, these were selected for reconciliation as material payments" (2015 EITI Report, p.80). Thus, the selection of payments to be reconciled appears to have been based on reporting from material companies.

The 2015 EITI Report provides company reporting of direct subnational payments in oil and gas, but not in mining. The report provides oil and gas companies' reporting of "other payments to local governments" of Lek 158,688,000 both in aggregate (2015 EITI Report, p.89) and the results of reconciliation disaggregated for the three reporting companies (2015 EITI Report, p.110). In addition, Table 23 shows that Albpetrol paid Lek 17.88m in "other payments" to local governments (2015 EITI Report, p.95). However, the report does not provide the results of mining companies' reporting of "other payments to local governments" and does not explain whether this was due to omissions in company reporting or to the lack of such payments. Section 11.2.2 highlights incomplete reporting by LGUs, noting that the MSG only selected "a few" LGUs for reporting based on 2015 production data by LGU provided by AKBN and

⁹⁹ According to Table 56 of the 2015 EITI Report, Albpetrol paid Lek 49m to MEDTTE in dividends in 2015 (2015 EITI Report, p.138). According to Table 1, total government revenues from oil and gas were Lek 8590m and from mining, oil and gas were Lek 12,520m (2015 EITI Report, p.14).

¹⁰⁰ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2016/>

¹⁰¹ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2015/>

that the reporting process did not include all LGUs collecting extractives revenues. The report notes that despite cooperation between AlbEITI and some LGUs, “their reporting was incomplete and came with significant delays” (2015 EITI Report, p.98).

Stakeholder views

The IA highlighted the constraints on the MSG’s scoping work in preparing annual EITI reporting, given the inability to receive full unilateral disclosure from LGUs ahead of key materiality decisions. The IA explained that the different types of local taxes were set in the Law on Local Taxes (including tax on property, tax on impact infrastructure, tax on public space occupation etc.), but that none of these were specific to companies operating in the mining, oil and gas sectors. The IA explained that companies “tended to account” for their payments of local taxes to LGUs on an aggregated basis. The IA explained that information on local taxes collected by LGUs was not publicly-accessible and was not subject to annual financial audits. The IA noted that it would be possible to request companies and LGUs to report local taxes disaggregated by payment stream, but that this had not been done in the past. The IA confirmed that cases for reconciliation, i.e. where the LGU was requested to report local tax revenues, were selected based on payments initially reported by companies, i.e. during the data collection stage rather than inception phase. The IA was not able to confirm the number of LGUs to whom reporting templates were sent for the 2015 EITI Report. A CSO MSG member noted that the issue of reconciliation of local taxes had been raised on the MSG but that the IA had responded that including LGUs in the scope of reporting would have created work in excess of the scope of work in the IA’s ToRs, on which the IA’s contract had been signed. This CSO representative highlighted the importance of local taxes for LGUs, which were significant for local communities even if they did not appear significant compared to other revenues collected by the national government.

Initial assessment

The International Secretariat’s initial assessment is that Albania has made meaningful progress towards meeting this requirement. It is possible that further work on this issue would demonstrate that this requirement is not applicable in Albania, as it seems likely that subnational payments to LGUs are not material. However, the MSG clearly agreed to include subnational payments to LGUs within the scope of the reporting process, noting the significance of these payments to local communities. In the absence of comprehensive government data, the approach adopted based on selecting LGUs for reconciliation based on company data appears reasonable. However, there appear to be significant gaps in the reporting from companies and in the participation of LGUs.

In accordance with requirement 4.6, the MSG should undertake appropriate scoping of direct subnational payments by extractives companies to LGUs, establishing a comprehensive basis for the MSG’s materiality discussions regarding direct payments to LGUs. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden.

Level of disaggregation (#4.7)

Documentation of progress

The 2015 EITI Report presents reconciled payment and revenue information disaggregated by company

and revenue stream (and by extension by receiving government entity) for oil and gas (2015 EITI Report, pp.108-110) and mining (2015 EITI Report, pp.111-129). The report details constraints to EITI reporting on a per-project basis, noting that taxes and levies are calculated at a consolidated company level (for companies holding several licenses) and that revenue-collecting agencies including the Tax Department, Custom Department, Local Tax Directorates, LGUs, Ministries and other public entities only hold records for each company's Unique Tax Identification Number (NUIS) (2015 EITI Report, p.82).

Stakeholder views

One CSO MSG member stated that the MSG had not discussed the issue of project-level disaggregation for EITI reconciled data. When asked whether the MSG had considered project-level reporting, the IA stated that the exercise was not possible given that Company and Tax Laws did not require the calculation of tax liabilities on a per-project basis. The IA noted that while royalties "might be to a certain extent" calculated on a project level in the oil and gas sector, it could not say the same for the mining sector. The IA stated that it would not be feasible for the government to report on a per-project basis in the short term, given that this would require amendments to the Treasury's MIS and fiscal reporting structure given that it currently only received payments identified by companies' single tax ID numbers and by payment stream. The IA confirmed that Profit Tax and other taxes were levied on a consolidated corporate basis, while only AKBN and Albpetrol required production data and bonuses to be reported by oil and gas companies disaggregated per license. However, the IA expressed uncertainty over whether AKBN calculated mining companies' liabilities on a per-license basis. The IA also noted that some companies might not be prepared to report on a per-license basis, given that smaller and mid-sized companies tended to have less developed management and cost accounting frameworks. The IA considered that it would take at least "a couple of years" for Albania to transition to project-level reporting, given the need for feasibility and impact studies, legal due diligence, potential legislative and contractual changes and sufficient time to reform accounting information systems and the actual practices of fiscal agents and companies.

The fact that 626 mining licenses were held by 527 companies would seem to imply that at least a share of mining companies operated only a single mine, which is reflected in the register of mining licenses on the MEI and AlbEITI websites, which include some companies' single tax ID numbers.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement. The 2015 EITI Report presents reconciled information disaggregated by company, revenue stream and government entity.

To strengthen implementation, the MSG may wish to consider the extent to which it can make progress in implementing project-level EITI reporting of sector-specific levies and taxes ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogotá.

Data timeliness (#4.8)

Documentation of progress

Albania published its 2012 EITI Report in November 2014, its 2013-2014 EITI Report in December 2015 and its 2015 EITI Report in February 2017¹⁰², even if the draft published on the AlbEITI website states December 2016.¹⁰³ The 2015 EITI Report confirms the reporting period to be the fiscal year ending 31 December 2015 (2015 EITI Report, p.6).

Stakeholder views

All MSG members expressed satisfaction at the fact that Albania had ensured timelier reporting than during the period covered by Albania's first Validation, under the EITI Rules. However, several CSOs and journalists considered that the data would be more useful if EITI Reports were published within a year of the end of the fiscal period under review. Several government representatives echoed these concerns over the timeliness of EITI reporting, considering that timelier EITI data would be more effective in supporting informed policy-making and effective communications to the investor community. One government official asked about the possibility of AlbEITI producing quarterly interim reports ahead of the annual EITI Report. Several government and industry representatives noted that both company and government financial statements were required to be submitted before June of the succeeding year, which implied that data collection could begin within six months of the end of the fiscal period covered. Several industry representatives both on and off the MSG called for the integration of EITI reporting with companies' mandatory reporting requirements to government. Secretariat staff highlighted provisions of the draft Law on Accounting and Financial Reporting, which if enacted would integrate companies' EITI reporting into their statutory reporting requirements (including audited financial statements, where applicable) (*see Requirement 4.9*).

During the course of the International Secretariat's stakeholder consultations for this initial assessment, it became clear that the version of the 2015 EITI Report on the AlbEITI website (in June 2017) was different to that approved by the MSG in February 2017 and to the version published on the AlbEITI website as of the commencement of Albania's Validation, on 1 April 2017. Following examination of the two versions, the International Secretariat found that the updated version (currently on the AlbEITI website¹⁰⁴) had altered the results of reconciliation, most notably in the fact that unreconciled discrepancies increased from around Lek 1m in the original version to Lek 14m in the revised version. Secretariat staff and the IA explained that the revisions were due to the late arrival of reporting templates from some companies, which had altered the results of reconciliation. The IA had amended the 2015 EITI Report as it was laying out the publication for printing, but had not highlighted the changes to the AlbEITI Secretariat, according to secretariat staff. Staff explained that they had only realised the discrepancy during the course of the International Secretariat's Validation stakeholder consultations and that the MSG was not yet aware of the discrepancies. Thus, page numbers referenced in this initial assessment are not in line with the

¹⁰² <http://www.albeiti.org/year-2017/>

¹⁰³ http://www.albeiti.org/wp-content/uploads/2017/04/EITI-REPORT-2015_FINAL_ENG_FINAL.pdf

¹⁰⁴ http://www.albeiti.org/wp-content/uploads/2017/04/EITI-REPORT-2015_FINAL_ENG_FINAL.pdf

version of the 2015 EITI Report on the AlBEITI website, but are consistent with the version of the 2015 EITI Report on the Albania page of the global EITI website.¹⁰⁵

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress towards meeting this requirement. All of Albania's EITI Reports under the EITI Standard have been published within two years of the close of the fiscal year(s) under review. However, the fact that the time stamp on the 2015 EITI Report is marked as two months prior to the actual publication of the report, and the fact that a significantly revised version of the 2015 EITI Report was published without MSG approval (or knowledge) is a concern. In the future, any updates to the EITI Report should be brought to the attention of the MSG. This is further detailed in the assessment of MSG oversight above (*see Requirement 1.4*).

To strengthen implementation, the MSG may wish to liaise with key revenue collecting agencies and sector regulators to explore means of embedding disclosures of EITI-required information in routine government systems to ensure timelier EITI reporting.

Data quality (#4.9)

Documentation of progress

Terms of Reference for the Independent Administrator: The MSG approved the ToRs for the IA of the 2015 EITI Report via circular on 1 March 2016, having received the draft ToRs for comment two weeks prior.¹⁰⁶ The MSG had approved the IA's ToRs for the 2011-2012 EITI Reports on 13 February 2014¹⁰⁷ and the ToRs for the 2013-2014 EITI Reports on 14 June 2015.¹⁰⁸ The ToRs for the 2015 EITI Report is generally consistent with the Standard ToRs agreed by the EITI Board (as of March 2016).¹⁰⁹ The MSG filled out the annexes of the ToRs for the reconciliation outlining its initial scoping decisions on materiality and quality assurance and the ToRs confirm the need for the MSG and IA to agree materiality thresholds for selecting companies and revenue streams during the inception phase.

Appointment of the Independent Administrator (IA): Funded by World Bank grants through the Multi-Donor Trust Fund (MDTF), procurement of the IA followed World Bank procurement guidelines through competitive bidding, with the AlBEITI Secretariat acting as the procurement entity for all contracts. The IA's ToRs, evaluation of bids and selection of the winning bid were all submitted to the World Bank for "no-objection" for each of the three procurement processes for IAs (for EITI Reports covering 2011-12, 2013-14 and 2015-16). Deloitte Audit Albania was the winning bidder for all three procurement processes for IAs under the EITI Standard, covering six fiscal years. The first and third procurement rounds (covering 2011-12 and 2015-16) were based on the consultant's qualification, while the second round (2013-14) was based on single-source repeat procurement. There is no evidence of MSG involvement in the evaluation and selection of bidders for the 2015 EITI Report and it appears that the bid evaluation

¹⁰⁵ https://eiti.org/sites/default/files/documents/2015_albania_eiti_report.pdf

¹⁰⁶ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2016/>

¹⁰⁷ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2014/>

¹⁰⁸ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2015/>

¹⁰⁹ See comparison of ToRs for the 2015 EITI Report and the Board-approved template on the following PDF comparison website: <https://draftable.com/compare/rrAWnAeZjPxY>

committee for the 2015-16 EITI Reports was composed exclusively of AlbEITI secretariat staff. Both the World Bank and the MEI undertook post-award internal audits of grant administration, including of procurement of the IA. The dates of key steps in the procurement process are provided below, sourced from the AlbEITI Secretariat:

Description	Method	MSG's IA ToR approval	World Bank No-Objecti on	EOI Advertisem ent	Evaluati on Report	Bank's No Objecti on	Contra ct Signin g	Compa ny name	Contract Completi on
IA for 2011-2012 EITI Reports	CS - CQ	15-Mar-14	6-Mar-14	10-Mar-14	2-Apr-14	30-Apr-14	2-May-14	Deloitte Albania	31-Oct-14
IA for 2013-2014 EITI Reports	CS - SSS	2-Jun-15	-	-	-	3-Jul-15	14-Jul-15	Deloitte Audit Albania	30-Nov-15
IA for 2015-2016 EITI Reports	CS - CQ	6-May-16	14-May-16	19-May-16	18-Jun-16	13-Jul-16	18-Jul-16	Deloitte Audit Albania	31-Dec-17

Source: AlbEITI Secretariat.

Reporting templates: The reporting templates were agreed by the MSG in August 2016 (2015 EITI Report, p.84). The report raises concerns over the structure of EITI reporting templates, which was agreed in March 2011 via CMD 233 and does not reflect the changes in the EITI Standard, and recommends their revision in light of changes in the EITI Standard and in the structure of the industry (2015 EITI Report, pp.104-105). The IA ran a workshop for reporting entities, providing guidance on filling out EITI reporting templates, on 6 September 2016 (2015 EITI Report, p.85).

Review of audit practices: The 2015 EITI Report provides a summary of the IA's review of statutory audit procedures for *private companies* including thresholds¹¹⁰ for statutory external audits, the statutory audit requirement for limited-liability companies "electing to report under IFRS" (although it is unclear whether LLCs have scope not to report under IFRS), the statutory audit requirements for all joint-stock companies regardless of size, and the exemption from statutory audits for foreign company branches that do not report under IFRS (2015 EITI Report, p.77). The report also states that independent audit of oil and gas concessions and public-private partnership performance is not required as part of the statutory annual audit (2015 EITI Report, p.77). The report confirms that statutory audits of private companies are based on laws, regulations and standards that are "generally accepted in Albania, including International Standards on Auditing" (2015 EITI Report, p.77). In terms of actual audit practice for material companies in the 2015 EITI Report, the report states that "many licensees" were not required to undergo a statutory

¹¹⁰ in line with the Law on Audit no. 10091 of 5 March 2009, namely that all limited liability companies (Ltd. or Sh.p.k) are subject to statutory audits, aside from small companies (defined as those with total assets of less than Lek 40m, average of less than 30 employees and annual revenues of less than Lek 30m).

audit given their form of incorporation, as branches of foreign companies, or small size (2015 EITI Report, p.97) but does not provide a comprehensive list of reporting practices for each of the material companies. The report does not clearly categorize the material companies that are limited liability companies, joint-stock companies and branches of foreign companies. The report recommends “follow up and strict application” of financial reporting and auditing of financial statements of extractives companies (2015 EITI Report, p.97). The report indicates that financial statements are submitted to the National Registration Centre¹¹¹ by 31 July of the subsequent calendar year (2015 EITI Report, p.77) but does not explicitly state whether all financial statements of material companies are available from the NRC where relevant.

In terms of statutory audit procedures for *government entities*, the 2015 EITI Report provides a summary of the IA’s review including a cursory description of the Supreme State Auditor (2015 EITI Report, pp.77-78). The report provides a link to the Office of the Supreme State Auditor¹¹², where information on audit standards and guidelines is available, and confirms that Albanian auditing standards are in line with INTOSAI standards (2015 EITI Report, p.78). The report does not state whether the Supreme State Auditor’s report for 2015 was provided to the IA in preparation of the 2015 EITI Report, although it appears that all government provided copies of their audited financial statements to the IA aside from AKBN (2015 EITI Report, p.86).

Assurance methodology: While the 2015 EITI Report states that “no special audit requirements were imposed with regard to the numbers reported under EITI” (2015 EITI Report, p.77), it appears based on the results of data collection that government entities such as Albpetrol, KESH and AKBN were asked to provide the IA with copies of their 2015 audited financial statements (2015 EITI Report, p.86). Material companies were asked to submit certification letters from their external auditors attesting that the company’s EITI reporting was “comprehensive and consistent with their audited financial statements” (2015 EITI Report, p.86). Reporting templates from all reporting entities, including both companies and government, were required to be signed by a high-level official, “attesting that that the completed reporting form is a complete and accurate” (2015 EITI Report, pp.86, 92). It appears based on the results of data collection that the IA attempted, unsuccessfully, to compare government EITI reporting templates with published annual accounts, which was not possible due to the lack of disaggregation by revenue streams of published data from the General Directorate of Taxes and the Albania Custom Directorate (2015 EITI Report, p.86).

Cash vs accrual: The 2015 EITI Report does not clearly state whether EITI reporting was undertaken on a cash or accrual accounting basis. One of the main causes for discrepancies in the reconciliation of oil and gas revenues is highlighted as “parties reported accruals versus cash flows”, implying that EITI reporting was on a cash basis (p.90). Yet the basis for reporting remains unclear in the 2015 EITI Report. For instance, the reporting of subnational transfers of 2015 royalties in Table 15 includes transfers relating to 2015 royalties that were executed in 2016, i.e. on an accrual basis (2015 EITI Report, p.76).

Confidentiality: The 2015 EITI Report does not refer to any mechanism established between the MSG and the IA to ensure the confidential treatment of EITI reporting pre-reconciliation. However, the report describes challenges caused by confidentiality provisions of the tax and customs codes, which prevent

¹¹¹ www.qkr.gov.al

¹¹² <http://www.klsh.org.al/>

disclosure of company payment information without written company consent (2015 EITI Report, p.104). While the report describes the tax confidentiality waiver developed for the purposes of EITI reporting, it states that “less than 50” of the 134 material companies provided the signed official waivers (2015 EITI Report, p.104). The report does not provide a comprehensive list of companies that provided the signed tax confidentiality waivers, nor describe the implications of the lack of waivers from the more than 84 material companies for the government’s ability to disclose revenue information disaggregated by company and revenue flow.

In addition, the IA’s recommendation for the MSG to ask reporting entities to agree with regional tax offices the amount of taxes paid for the year under review prior to submitting their EITI reporting templates is a concern (2015 EITI Report, p.97), as this would seem to undermine the independence of the reconciliation process.

Reconciliation coverage: While the 2015 EITI Report does not provide the total coverage of reconciliation, it states that the selection of material mining companies provided a reconciliation coverage of 89% of “estimated mining production value in 2015” (2015 EITI Report, p.81), not as a share of total government revenues. Given that all oil and gas companies operating in Albania were included in the scope of reporting, it can be inferred that the reconciliation coverage of sector-specific oil and gas revenues was 100%.

Assurance omissions: The 2015 EITI Report states that eight out of nine reporting oil and gas companies (2015 EITI Report, p.90) and four of the 104 reporting mining companies (2015 EITI Report, p.92) submitted “officially signed declarations and authorizations for publication of data, beside the electronic declarations submitted earlier via email” (2015 EITI Report, pp.90,92). However, the report states that none of the 122 reporting companies (out of 134 material companies) provided the requested letter from their external auditors and that only 15 companies provided sign-off from a senior official (2015 EITI Report, p.86). The report further explains that the IA “understands” that the request for external auditor certification comes with additional costs and recommends that the MSG include certification of EITI reporting in companies’ usual audits and that all companies be subject to audit regardless of their legal form (2015 EITI Report, pp.86,97).

The report also states that AKBN did not provide their audited financial statements and that it was not possible to reconcile government EITI reporting with financial statements for Albpetrol, AKBN, the General Directorate of Taxes and the Albania Custom Directorate due to the lack of disaggregation in their annual accounts (2015 EITI Report, p.86). The report does not clarify whether any of the reporting templates from government entities were accompanied with certification letters from high-level officials.

The report does not identify the 15 companies that provided management certification letters and does not assess the materiality of omissions, including from AKBN.

Data reliability assessment: The 2015 EITI Report provides a cursory overview of the work performed by the IA including data collection, reconciliation, compilation of contextual information, drafting of recommendations (2015 EITI Report, pp.9,83-87). The report also includes the IA’s clear renunciation of assurance on the comprehensiveness or accuracy of the report:

“This process [EITI reporting] does not confirm that there were no other payments made to the government other than those that were reported, as such amounts may have been omitted in the reporting from licensees and governmental agencies at the same time. The current regulations do not require us to perform detailed testing in order to uncover such omissions; and to uncover these omissions would be difficult even through detailed testing of all licensees.” (2015 EITI Report, p.87)

Sourcing of information: All contextual information appears clearly sourced in the 2015 EITI Report. The report does not appear to include comments from stakeholders aside from the IA. The report also provides a list of source documents on which the IA’s preliminary collection of contextual information was based (2015 EITI Report, p.84).

Summary data: The IA appears to have prepared summary tables of EITI data in line with provision 5.3 of the ToRs for the 2015 EITI Report, available on the Albania EITI national website¹¹³ and on the Albania page of the global EITI website.¹¹⁴

Recommendations: The report does not review follow-up on recommendations from previous EITI Reports or Validation.

Chapter 11 presents 14 recommendations from the 2015 EITI Report, including a majority of recommendations linked to broader reforms in the mining, oil and gas sectors as well as in public financial management (2015 EITI Report, pp.96-105).

The 2013-14 EITI Report provides an overview of statutory audit procedures for government and companies (2013-14 EITI Report, p.72), but not of actual practice for the period under review nor any reforms planned or underway. As in the subsequent (2015) EITI Report, only 15 reporting companies provided sign-off from a senior official and none provided letters from their external auditors (2013-14 EITI Report, p.83). Likewise, AKBN did not provide copies of their audited financial statements (2013-14 EITI Report, p.18). The IA did not assess the materiality of payments from non-complying entities, nor provide any assurance regarding the reliability of data reported.

Stakeholder views

IA procurement: All MSG members confirmed that while the AlbEITI Secretariat prepared a first draft of the IA’s ToRs, MSG members provided input to the draft ToRs and approved them annually. Several CSO MSG members were highly critical of the IA procurement process, noting that neither civil society nor industry representative had been represented on the bid evaluation committee since procurement of the 2010 EITI Report. Noting that there had been significant interest from bidders for that report, with around ten bids, one of the CSOs voiced allegations of potential collusion between the successful bidder for subsequent reports (Deloitte) and senior government officials, albeit without providing specific evidence. A senior government official considered that CSO concerns over procurement of the IA had been addressed and noted that such demands may have been linked to CSOs’ desire to receive paid contracts for EITI activities. Secretariat staff confirmed that the MSG was not briefed on progress in procuring the IA

¹¹³ <http://www.albeiti.org/en/>

¹¹⁴ <https://eiti.org/albania#revenue-collection>

between the time they approved the IA's ToRs and the signing of the IA contract. Secretariat staff highlighted that the World Bank's grant agreement with the government explicitly stated that the AlbEITI Secretariat was the procurement entity and that it was thus its sole responsibility to evaluate bids, noting that the inclusion of MSG members on the bid evaluation committee for the 2009 and 2010 EITI Reports was purely honorific. In response to CSOs' allegations of financial mismanagement, Secretariat staff highlighted that the IA procurement process was controlled by four audits and that the AlbEITI webpage provided all necessary information on AlbEITI finances, including audit reports. The IA stated that it was not aware of any stakeholder comments on the IA procurement process and was satisfied with the process. Despite concerns cited above, all MSG members consulted, including from civil society, expressed confidence in the professionalism of Deloitte Albania as the IA.

Reporting templates: While a CSO MSG member stated that the reporting templates were originally agreed in 2011 and never re-examined in preparation of subsequent EITI Reports, several government and industry MSG members confirmed that the draft reporting templates were approved as part of the MSG's review of the inception report every year. The IA explained that while the Decision of the Council of Ministers (DCM) 233 of March 2011 had approved the content of EITI reporting templates, it had not barred the MSG from including additional elements in subsequent reporting templates, as the MSG had done for instance by including beneficial ownership information. Rather, DCM 233 was for enforcement purposes following the inclusion of mandatory reporting requirements in the Mining and Hydrocarbons Laws, since it approved data points that mining, oil and gas companies were required to report to EITI. The MSG's additions to the reporting templates approved by DCM 233 were thus not enforceable by law, according to the IA. The IA highlighted that the draft Law on Transparency in Public Administrations would allow AlbEITI to add mandatory reporting requirements to reporting templates through secondary implementing regulations.

Audit practices: In terms of *companies'* audit practices, the IA confirmed that while "the majority" of mining, oil and gas companies were subject to statutory audits, with financial statements prepared on an accrual accounting basis, smaller companies typically did not have audited financial statements. The IA explained that while it had undertaken a review of statutory audit procedures for extractives companies during the inception phase of the 2015 EITI Report, it had not reviewed in detail each material company's actual audit practices for 2015 prior to data collection. Rather, it had requested copies of material companies' audited financial statements as part of the data collection and had received these statements from some, but not all, reporting companies. The IA emphasised the recommendation in the 2015 EITI Report to strengthen enforcement of statutory audit requirements. There was considerable confusion over whether companies' audited financial statements were freely available to the public, with several government representatives and Secretariat staff confirming that the audited financial statements were accessible free of charge on the NRC website, while several media and civil society representatives considering that these were only available upon request from the Tax Department, which normally did not release them to the public. Upon investigation, the International Secretariat confirmed that companies' audited financial statements were available on the NRC website¹¹⁵ (for companies that are required to undertake such statutory audits), although the process for accessing them consisted of

¹¹⁵ <http://www.gkr.gov.al/>

several steps that were not clearly explained on the website.¹¹⁶ Neither Secretariat staff nor the IA had considered providing guidance to the public on the process for accessing audited financial statements but considered this could be a value-added provided by AlbEITI in future.

With regards to *government* audit practices, the IA noted that government entities did not publish financial statements showing revenues disaggregated by industry or revenue stream and did not undergo annual financial audits. Rather than financial audits, the IA and government representatives confirmed that the Office of Supreme State Auditor undertook only performance and compliance audits of government entities in line with INTOSAI's ISSAI 400¹¹⁷ on Fundamental Principles of Compliance Auditing for compliance and ISSAI 300¹¹⁸ on Fundamental Principles of Performance Auditing for performance respectively.

The IA noted that it was not possible for it to review each government entity's actual audit practices for the year under review during the inception phase for the 2015 EITI Report, given the lack of financial audits. Representatives from the Office of the Supreme State Auditor confirmed that they had never interacted with AlbEITI prior to the International Secretariat's Validation stakeholder consultations. Government representatives explained that summaries of Supreme State Auditor reports were available on the institution's website, including annual reports¹¹⁹, quarterly reports¹²⁰ and the Supreme State Auditor's procedures manual¹²¹, although the latest summary reports available in the English language date from 2011.¹²² By law, the final accounts are to be submitted to the Supreme State Auditor by May 30th of the year following the reporting period, with the auditor reporting to Parliament in September and presenting its annual audit report to Parliament in March of the subsequent year (World Bank, 2012). The government representatives confirmed that the Supreme State Auditor also undertook performance audits of AKBN and, since 2015, Albpetrol. Several representatives from government, media, civil society and development partners highlight sensational findings of past Supreme State Audit reports, which included allegations of financial mismanagement. However, several development partners and government representatives expressed concern at the politicised nature of such audits. Several representatives from government and development partners highlighted support for reforms of the Supreme State Auditor from the OECD and EU under the SIGMA programme¹²³, under the sixth pillar of Albania's PFM reforms required as part of its EU accession process. While Albania's 2017 Public expenditure and financial accountability (PEFA) assessment was being prepared at the time of Validation stakeholder consultations, Albania's latest PEFA assessment (from 2011) noted that while the Supreme State Auditor audited the government's revenues, expenditures, financial assets and liabilities, it did not yet express an overall opinion on a set of consolidated financial statements (World Bank, 2012). The 2011 PEFA assessment also noted reforms in internal audits, with the creation of a small inspection unit within the MOF to take over the investigation of areas suspected of corrupt or fraudulent activities (World Bank,

¹¹⁶ In order to access a company's audited financial statements, it is necessary to first search for the name of the company on the NRC website, click on "download historical extracts" in order to download a PDF with hyperlinks to all historical documents (in the Albanian-language) and navigate to the required audited financial statement ("Bilanci Kontabël") in order to download another PDF with the desired audited financial statements.

¹¹⁷ <http://www.intosai.org/issai-executive-summaries/view/article/issai-400-fundamental-principles-of-compliance-auditing.html>

¹¹⁸ <http://www.intosai.org/issai-executive-summaries/view/article/issai-300-fundamental-principles-of-performance-auditing.html>

¹¹⁹ http://www.klsh.org.al/web/Raporte_Auditimi_Rregullshmerie_1770_1.php

¹²⁰ http://www.klsh.org.al/web/Buletini_i_Auditimeve_80_1.php

¹²¹ http://www.klsh.org.al/web/Standarde_dhe_Manuale_1328_1.php

¹²² http://www.klsh.org.al/web/raporti_buxh_2011_ang_328.pdf

¹²³ <http://www.sigmaweb.org/countries/albania-sigma.htm>

2012). The assessment highlighted donor-supported reforms including revisions to the State Supreme Audit Institution audit law to comply with international standards, preparation of an audit opinion on the government's summary financial statements and harmonisation of external audits with the new Public Internal Financial Control (PIFC) control system, with the aim of increasing the share of financial audits to 50% of total annual audits performed over the medium term (World Bank, 2012).

Several government representatives explained that the government's accounting systems were for the most part cash-based, although there were some cases of accrual-based accounting. These officials explained that Albania's goal was to transition to a fully accrual-based accounting system, although no fixed timeframe had yet been set for this reform. The IA confirmed that EITI reporting was always cash-based.

EITI quality assurance: With regards to quality assurance for *company* reporting, the IA noted that company adherence to EITI-specific quality assurance procedures had been a weakness of the process historically and highlighted its repeated recommendation for companies to include certification of their EITI reporting templates as part of their routine annual audit to reduce additional costs. Stakeholders from all constituencies recognised that this had already proved a key challenge in Albania's first Validation, under the EITI Rules. Several industry and government representatives, as well as Secretariat staff and the IA, highlighted consistent complaints from reporting companies over the perception that companies were already being over-burdened by statutory reporting and compliance requirements. A senior government official referred to independent studies that found that companies spent an average of 774 hours a year to comply with government regulations. Several stakeholders from government and industry also considered the requirement for certification of company reporting templates from a high-level company official as a form of over-burdening, considering that the reconciliation process itself provided sufficient quality assurance for EITI reporting. Several industry representatives called for the integration of EITI reporting in companies' statutory reporting requirements to government, a call that government representatives and Secretariat staff said had been a consistent demand from companies in past EITI Reports. Secretariat staff and several government representatives highlighted provisions of the draft Law on Accounting and Financial Reporting, which would integrate auditor certification of companies' EITI reporting templates as part of their routine audits.

An independent auditor estimated that the cost of securing a letter from the external auditor was roughly a fifth (20%) of the cost of their statutory annual audits (even if prepared as part of the company's routine annual audit), which ranged from EUR 1k to EUR 70k depending on the company's size. There was some confusion over whether any of the reporting companies in the 2015 EITI Report had actually provided a letter from their external auditors, with Secretariat staff considering that the larger companies had provided this certification, although all stakeholders confirmed that the 2015 EITI Report clearly stated that none of the reporting companies had provided such letters at the time of publication of the 2015 EITI Report. None of the stakeholders consulted, including MSG members, could explain why the MSG had agreed the same quality assurance procedures for reporting companies in every successive EITI Report (i.e. a certification letter from the external auditor), when none of the reporting companies had ever complied. The IA confirmed that it was not possible to reconcile cash-based EITI reporting with companies' accrual-based audited financial statements.

With regards to quality assurance for *government* reporting, several government representatives

considered that the government's disclosures were reliable given that reporting entities had provided a statement that the EITI-reported data was official government data. However, the IA noted that there was no quality assurance for government's EITI reporting given the lack of financial audits of government's extractives revenue. Representatives from the Office of the Supreme State Auditor confirmed that they were not involved in the certification of government's EITI reporting.

Despite the lack of financial audit of government extractives revenues, the IA explained that all extractives revenues aside from bonuses and share of oil under PSAs were fiscal payments collected by the main fiscal agents, i.e. the Tax and Customs Departments. The IA noted that all fiscal payments were recorded in the Tax and Customs systems when paid and that individual taxpayers could undertake a reconciliation between their payments and the fiscal agents' receipts on a real-time basis through the dedicated tax portal. In addition, crude oil and minerals could not be exported until companies' royalty paid to Customs was paid and reconciled. Thus, the IA considered that the risk of any tax payment being made by a company but not recorded in the fiscal agents' systems was "very low", as was the likelihood of a company reporting payments in excess to those received by the fiscal agents.

Confidentiality waivers: The IA and Secretariat staff explained that in order to circumvent the confidentiality provisions of Albania's Tax Code, AlbEITI (as a government entity itself) had signed an MoU with government entities waiving tax confidentiality provisions for government reporting to AlbEITI. Thus, the initial data collection from government entities was undertaken via emails from each government entity to the AlbEITI Secretariat, with a copy to the IA who then followed up. While the company reporting, templates included a tax confidentiality waiver to allow for publication of individual taxpayer data, the IA and Secretariat staff explained that over half of the reporting companies had not provided a signed waiver. The IA noted that it continued to receive such waivers from reporting companies after the 2015 EITI Report was published, with "less than" 60 companies providing this signed waiver at the time of Validation stakeholder consultations, up from the "less than 50" mentioned in the 2015 EITI Report itself. The IA and Secretariat staff highlighted provisions of the draft Law on Transparency in Public Administrations would waive tax confidentiality provisions for EITI reporting purposes and remove the need for companies to sign tax confidentiality waivers.

Data reliability: The IA and several government representatives explained that the detailed nature of the annual EITI reconciliation, which was performed on a per-transaction basis, provided assurance for the accuracy and existence of reconciled payments but highlighted that the reconciliation procedure could not ensure the completeness of reconciled information if both parties to the transaction did not report certain payments. The IA also confirmed that it had requested copies of receipts from reporting entities in cases of discrepancies. The IA and several government representatives considered that the audit environment in Albania was "better-known" and more strictly followed than in other EITI-implementing countries, noting that this lessened the need for a robust quality assurance procedures for EITI reporting. However, the IA defended its explicit disavowal of an assessment of the comprehensiveness and reliability of data in the 2015 EITI Report on the grounds that there was no quality assurance for government's financial statements or the process for compiling financial accounts. The IA said that it was not possible to provide an estimate of the reconciliation coverage given the lack of comprehensive figures on total government extractives revenues (*see Requirement 4.1*), but considered that the coverage was "likely quite high" given that most of the large companies had reported.

However, all stakeholders consulted (from all constituencies) considered that the data in Albania's EITI Reports was reliable and that the issue of quality assurance for EITI data was not a significant issue for the MSG, or for Albania as a whole. Several government representatives considered that the quality of data in EITI Reports had improved over time given that the value of aggregate discrepancies had consistently declined.

Recommendations: Secretariat staff considered that the MSG did not have high-quality discussions of draft recommendations ahead of publication of the EITI Reports. However, a senior government official noted that EITI recommendations were always discussed by the MSG following publication of the EITI Report and Secretariat staff explained that the MSG established specific ad hoc working groups to follow up on specific EITI recommendations. Several government representatives and the IA noted follow-up on past EITI recommendations related to the quality of official production figures and the fact that the IA had been provided with companies' single tax ID numbers in preparing the 2015 EITI Report for the first time (see Requirement 7.3). The IA noted that most of the EITI recommendations were the same every year and were only updated as necessary. The IA welcomed the International Secretariat's questions concerning follow-up on past EITI recommendations and stated that it intended, in the 2016 EITI Report, to disclose the year when each past EITI recommendation had originally been made, the MSG's action plan related to each recommendation and any subsequent updates.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards meeting this requirement. The MSG appears to have approved the selection of the IA for the 2015 EITI Report, including a ToRs consistent with the Board-approved template, as well as the reporting templates. While the IA appears to have reviewed material entities' statutory audit procedures prior to agreeing quality assurance procedures for ensuring the reliability of reconciled data in the 2015 EITI Report, there is no evidence that the IA reviewed reporting entities' actual audit practices. It is unclear why the industry MSG members approved quality assurance procedures that no company followed in practice. The 2015 EITI Report does not assess the significance of reporting from entities that did not comply with the agreed quality assurance procedures. The lack of any assurance from the IA on the comprehensiveness and reliability of reconciled data is a concern and represents a deviation from the IA's ToRs for the 2015 EITI Report. The IA has prepared summary tables of data in the Albania's EITI Reports.

In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

- a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to

which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.

- b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

Table 4- Summary initial assessment table: Revenue collection

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Comprehensiveness (#4.1)	<p>The 2015 EITI Report includes the MSG's definition of the materiality thresholds for payments and companies to be included in reconciliation based on production volumes, including a justification for why the thresholds were set in this way and at this level. However, the setting of a qualitative rather than quantitative threshold for selecting material revenue streams (as a share of government revenues for instance) is a concern. The companies that did not report are named and the value of their payments to government is provided relative to government-reported revenues. The share of non-reporting companies appears to be insignificant. The 2015 EITI Report does not explicitly state whether all material government entities reported all revenues, although stakeholder consultations confirmed that all national government entities had fully reported and that omissions from local governments were not considered material. While the commentary from the IA on the comprehensiveness of the EITI Report is limited to a statement on the lack of assurances, it is possible to calculate the materiality of omissions.</p>	Satisfactory progress
In-kind revenues (#4.2)	<p>The 2015 EITI Report reconciles crude oil volumes collected under PSAs, discloses crude oil volumes sold and the value of proceeds from crude oil sales, disaggregated by buyer. The report provides volumes collected, volumes sold and sales proceeds for both the share of oil production under PSAs as well as Albpetrol's equity oil, albeit without disaggregation between the two. While there is a case for considering that Albania has gone beyond the minimum requirement by disclosing information on the sales of Albpetrol's equity oil, the International Secretariat's initial assessment is</p>	Satisfactory progress

	that Albania has made satisfactory progress in meeting this requirement given the lack of disaggregation between the state's in-kind revenues and Albpetrol's equity oil.	
Barter and infrastructure transactions (#4.3)	The International Secretariat's initial assessment is that this requirement is not applicable to Albania in the year under review (2015). However, the 2015 EITI Report's lack of comment on the MSG's consideration of Requirement 4.3 is a concern.	
Transport revenues (#4.4)	The International Secretariat's initial assessment is that this requirement is not applicable to Albania in the year under review (2015). The 2015 EITI Report describes infrastructural arrangements for the transportation of crude oil, but not of natural gas or minerals. However, the International Secretariat understands that the government and SOEs do not receive any revenues from the transportation of minerals, crude oil or natural gas.	
Transactions between SOEs and government (#4.5)	While the 2015 EITI Report includes a reconciliation of oil and gas company payments to extractives SOEs (Albpetrol) and of some of Albpetrol's payments to government, it only provides Albpetrol's unilateral disclosure of its dividends to government, which are not reconciled with MEDTTE receipts. While Albpetrol's dividends to MEDTTE are material, they account for only 0.39% of government revenues from the mining, oil and gas sectors. However, the International Secretariat understands that MEDTTE's receipt of Albpetrol dividends are disclosed in the annual budget execution report, given that MEDTTE's revenues are recorded in the national budget (see Requirement 5.1). In addition, the fact that Albpetrol's annual financial statements are audited (see Requirement 4.9) provides a high degree of quality assurance for Albpetrol's unilateral disclosure of its dividends to government.	Satisfactory progress
Subnational direct payments (#4.6)	It is possible that further work on this issue would demonstrate that this requirement is not applicable in Albania, as it seems likely that subnational payments to LGUs are not material. However, the MSG clearly agreed to include subnational payments to LGUs within the scope of the reporting process, noting the significance of these payments to local communities. In the absence of	Meaningful progress

	comprehensive government data, the approach adopted based on selecting LGUs for reconciliation based on company data appears reasonable. However, there appear to be significant gaps in the reporting from companies and in the participation of LGUs.	
Level of disaggregation (#4.7)	The 2015 EITI Report presents reconciled information disaggregated by company, revenue stream and government entity.	Satisfactory progress
Data timeliness (#4.8)	All of Albania's EITI Reports under the EITI Standard have been published within two years of the close of the fiscal year(s) under review. However, the fact that the time stamp on the 2015 EITI Report is marked as two months prior to the actual publication of the report, and the fact that a significantly revised version of the 2015 EITI Report was published without MSG approval (or knowledge) is a concern. This is further detailed in the assessment of MSG oversight above (<i>see Requirement 1.4</i>).	Satisfactory progress
Data quality (#4.9)	The MSG appears to have approved the selection of the IA for the 2015 EITI Report, including a ToRs consistent with the Board-approved template, as well as the reporting templates. While the IA appears to have reviewed material entities' statutory audit procedures prior to agreeing quality assurance procedures for ensuring the reliability of reconciled data in the 2015 EITI Report, there is no evidence that the IA reviewed reporting entities' actual audit practices. It is unclear why the industry MSG members approved quality assurance procedures that no company followed in practice. The 2015 EITI Report does not assess the materiality of payments from entities that did not comply with the agreed quality assurance procedures. The lack of any assurance from the IA on the comprehensiveness and reliability of reconciled data is a concern and represents a deviation from the IA's ToRs for the 2015 EITI Report. The IA has prepared summary tables of data in the Albania's EITI Reports.	Meaningful progress

Secretariat's recommendations:

1. To strengthen implementation, the MSG is encouraged to consider revisiting its materiality threshold for selecting mining companies to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden. The MSG is also encouraged to ensure that the Independent Administrator provides its opinion on the comprehensiveness of the EITI Report.
2. In accordance with requirement 4.2, the MSG should ensure that it clearly disaggregate the state's in-kind revenues from Albpetrol's in-kind revenues in future EITI Reports. The MSG could consider joining the EITI's [targeted effort](#) on commodity trading to provide a framework for ensuring that disclosures of the state's sales of its in-kind revenues are in line with international best practice.
3. To strengthen implementation, the MSG should ensure that future EITI Reports clearly address Requirement 4.3 and confirm the MSG's assessment of its non-applicability. The MSG may wish to consider the extent to which a review of the actual terms of mining, oil and gas contracts would be necessary to ensure a comprehensive assessment of the applicability of Requirement 4.3.
4. To strengthen implementation, the MSG should consider ensuring that future EITI Reports explicitly state that the government and SOEs do not receive any revenues from the transportation of minerals, crude oil or natural gas in the year(s) under review.
5. To strengthen implementation, the MSG is strongly encouraged to ensure that future EITI Reports include Albpetrol's dividends to government in the scope of reconciliation, in line with requirement 4.5.
6. In accordance with requirement 4.6, The MSG should undertake appropriate scoping of direct subnational payments by extractives companies to LGUs, establishing a comprehensive basis for the MSG's materiality discussions regarding direct payments to LGUs. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden.
7. To strengthen implementation, the MSG may wish to consider the extent to which it can make progress in implementing project-level EITI reporting of sector-specific levies and taxes ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018, agreed by the EITI Board at its 36th meeting in Bogotá.
8. To strengthen implementation, the MSG may wish to liaise with key revenue collecting agencies and sector regulators to explore means of embedding disclosures of EITI-required information in routine government systems to ensure timelier EITI reporting.
9. In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and

Independent Administrator should:

- a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
- b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

5. Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

The 2015 EITI Report states that revenues collected by AKBN and Albpetrol are not recorded in the national budget (2015 EITI Report, p.35). The report states that only 76.7% of oil and gas revenues from private companies was recorded in the national budget in 2015 (2015 EITI Report, p.35).

Chart 16 in the 2015 EITI Report shows that AKBN retains all revenues it receives from oil and gas companies and the report clarifies that AKBN only received bonuses and “guarantees executed” (which represents penalties from oil and gas companies that do not meet their work programme obligations), but no share of oil given that the PSAs to which it is party did not produce any crude oil in 2015 (2015 EITI Report, p.35). While the IA requested copies of AKBN’s audited financial statements, the report states that AKBN did not provide these (2013-14 EITI Report, p.18). Thus, while the report highlights revenues collected by AKBN as being off-budget, it does not provide an explanation of the allocation of these resources.

Chart 16 also shows that Albpetrol collected 22.6% of oil and gas revenues in 2015 and that these were not recorded in the national budget (2015 EITI Report, p.35). While Albpetrol collects (signature and training) bonuses and the share of oil under PSAs to which it is signatory, it retains these earnings and only pays dividends to the Treasury, aside from regular taxes and fees levied on all companies operating in the oil and gas sector. Appendix 4 presents information from Albpetrol’s 2012, 2013, 2014 and 2015 annual audited financial statements (2015 EITI Report, p.138), which provide an explanation of the allocation of these off-budget funds.

The 2015 EITI Report does not refer to any national revenue classification system.

The 2013-14 EITI Report provides a similar coverage of extractives revenues not recorded in the national budget, with AKBN not disclosing its audited financial statements (2013-14 EITI Report, p.49).

Stakeholder views

Several government officials and the IA confirmed that the only two entities collecting revenues from the mining, oil and gas sector that were not recorded in the national budget were AKBN and Albpetrol. These stakeholders confirmed that Albpetrol retained revenues it collected and only paid dividends to government and regular taxes and fees (*see Requirement 4.5*). The IA confirmed that AKBN was a non-budgetary entity and that it made no transfers to the central government, retaining its revenues to fund

its own budget. Despite repeated requests for AKBN's financial statements, the IA explained that AKBN had not been cooperative in this regard. Several government representatives confirmed that AKBN prepared annual financial statements and that it was subject to performance (but not financial) audits from the Office of the Supreme State Auditor. However, one government representative expressed concern that AKBN's annual financial statements were prepared on the basis of private-sector auditing standards rather than public-sector standards. Several government and development partner representatives referred to repeated calls, including from the Supreme State Auditor, for a centralisation of all extractives revenue flows to the Treasury, in cash. However, a government representative noted that this recommendation had not been followed up on. A CSO MSG member did not recall the MSG ever considering the issue of AKBN-collected revenues as being off-budget in the sense of Requirement 5.1.

With regards to revenue classification systems, several government and development partner representatives noted that the government followed the GFS-2001 classifications, which was confirmed in Albania's 2011 PEFA assessment (World Bank, 2012). While the PEFA assessment noted that the government prepared GFS-based financial statements that were not fully compliant with IPSAS standards for cash-based reporting systems, it forecast that full compliance would be achieved within six years (i.e. by 2018) (World Bank, 2012). The IA confirmed that Albanian revenue classifications were generally in line with international standards, but highlighted the cash-based rather than accrual-based nature of accounting systems.

Several government representatives and Secretariat staff highlighted ongoing work to establish the Albanian Government Financial Information System (AGFIS) linking MoF systems to improve interconnections between various databases including Treasury, Customs, Tax etc.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress in meeting this requirement. While the 2015 EITI Report highlights extractives revenues collected by AKBN and Albpetrol as being off-budget (i.e. not recorded in the national budget), it only provides an explanation of the allocation of funds collected by Albpetrol, not AKBN. While the report does not refer to national or international revenue classification systems, the International Secretariat understands that national revenue classification systems are based on GFS-2001 classifications.

In accordance with requirement 5.1.a, the MSG should ensure that the allocation of extractives revenues not recorded in the national are explained, with links provided to relevant financial reports as applicable. The MSG may wish to explore the extent to which it could use extractives-specific GFS classifications from its EITI summary data tables as a means of disaggregating the extractives components of common taxes in existing MoF systems.

Sub-national transfers (#5.2)

Documentation of progress

The 2015 EITI Report describes statutory subnational transfers¹²⁴ and their reduction from 25% to 5% of royalties, effective from 2015 (2015 EITI Report, p.75). The report describes Instruction n.26 of 4 September 2008, which requires each LGU to agree royalty payments made by licensees operating in the LGU district with the regional directorate of taxes and customs at the end of the month. The regional directorates of taxes and customs then submits a list of royalty revenues collected from each LGU to the Directorate of Budget at Ministry of Finance, which initiates monthly transfers of royalty to LGUs (2015 EITI Report, p.75). For oil companies, which operate simultaneously in several LGUs, the instruction sets the share of royalty allocated to each LGU based on the output generated by each oilfield (2015 EITI Report, p.75).

The report provides the 2015 royalties collected and allocated for transfer (5% of royalties collected), aggregated for all LGUs but disaggregated between mining royalties and oil and gas royalties (2015 EITI Report, p.76). The formula for calculating subnational transfers to individual LGUs in 2015 is not provided, aside from a general reference to allocations to host LGUs based on production levels. While the report provides the value of mining and oil royalties that should have been transferred according to the formula, as well as the actually-transferred amounts, this information is only provided in aggregate for all LGUs, not disaggregated per individual LGU. In addition, the report does not clearly state how many LGUs were meant to receive subnational transfers in 2015, nor the number of LGUs that actually received transfers. Finally, the information on executed subnational transfers is provided for transfers executed both in 2015 and in 2016 (as stated in the footnote on p.76), which means that reporting of executed subnational transfers was on an accrual-accounting basis rather than on a cash-accounting basis.

The report notes that the MoF explained that LGUs were responsible for initiating subnational transfers through the reconciliation process and that lower disbursements in the first year of implementation of the new subnational transfer system in 2015 were being investigated and arrears cleared. It also notes that the MoF planned to introduce amendments to the statutory procedures to prevent under- and over-claiming by LGUs in future (2015 EITI Report, p.76).

The report also includes commentary on the efficiency of subnational transfers over the 2011-2015 period, with a chart showing the rising trend in subnational royalty transfers in the 2011-2015 period. It notes that only oil-producing LGUs received subnational transfers up to 2014, with no clear correlation between royalties collected and subnational transfers, but that since 2015 new royalty transfer procedures led to higher transfer levels. The report states that these transfers will be even higher when the royalty for 2015 is fully allocated to the producing LGUs" (2015 EITI Report, p.76).

The report highlights significant deviations in the level of executed subnational transfers in 2015, with subnational royalty transfers significantly lower than the transferable portion as set in law, based on reporting by the Ministry of Finance (2015 EITI Report, p.103). Subnational royalty transfers were not

¹²⁴ The Law on National taxes no. 9975, dated 28 July 2008, amended, requires a portion of royalty tax to be allocated to each local government unit in proportion with their contribution to the domestic output of oil, gas and mining. Following parliamentary changes to the Law on National taxes in November 2014, the royalty earmarks were reduced from 25% to 5% of royalties, starting from 2015 (2015 EITI Report, p.75).

reconciled in the 2015 EITI Report and the IA recommends that the MSG include such transfers in the scope of reconciliation in future EITI Reports (2015 EITI Report, p.103).

The 2013-14 EITI Report provides a similar level of detail in its description of subnational royalty transfers, including the general revenue sharing formula, the aggregate amount budgeted and transferred (2013-14 EITI Report, p.49), but not the specific revenue sharing formula for calculating transfers to specific LGUs nor executed subnational transfers disaggregated by LGU.

Stakeholder views

The IA confirmed that there were no other subnational transfers linked to extractives revenues in 2015 aside from the subnational transfers of royalties described in the 2015 EITI Report. There was significant interest amongst all stakeholders consulted about the issue of subnational royalty transfers.

Representatives from all constituencies consulted highlighted the significant challenges posed by such subnational transfers in the past. Several senior government officials explained that while the share of royalties to be transferred had been cut from 25% to 5%, the transfers were now actually being executed. In the past, the transfer of 25% of royalties to LGUs was contingent on LGUs achieving 120% of their budgeted internally-generated revenues (local taxes), which was impossible to achieve on a consistent basis. In addition, these funds could only be used on energy infrastructure, to offset the impact of extractives activities or directly to benefit communities hosting extractives activities. A development partner highlighted that the government had been transparent about the reasons for hindering the execution of subnational transfers in the past, as they had noted that if 25% of royalties were transferred to LGUs hosting significant extractives activities, a LGU like Bulqizë would have a larger budget than the national capital Tirana. Government representatives expressed pride at the fact that this issue had been identified thanks to EITI reporting, with the lower 5% of royalties now transferred automatically without conditionality other than the funds being used to fund LGUs' capital (rather than recurrent) expenditures.

Several CSO MSG members called for the publication of subnational transfers disaggregated by LGUs in order to allow stakeholders to track the implementation of the new system for subnational transfers, although these members appeared not to realise that such disaggregation was an integral part of Requirement 5.2. Several government representatives as well as the IA and Secretariat staff explained that data on executed subnational transfers disaggregated by LGU was available and that there was no barrier to publishing such data. Noting the oversight, the IA and Secretariat staff secured the data on executed 2015 subnational transfers disaggregated by LGU and published this as an addendum to the 2015 EITI Report on the AlbEITI website¹²⁵ on 13 June 2017, after the commencement of Validation. Upon consultations, the IA appeared to recognise the inconsistency in accounting basis between accrual-based reporting of subnational transfers and cash-based accounting used for the rest of information included in the 2015 EITI Report. Thus, the addendum to the 2015 EITI Report clearly disaggregated 2015 subnational transfers that were executed in 2015 from those executed in 2016, disaggregated by LGU. Both the IA and Secretariat staff considered that this had been an oversight in preparing the 2015 EITI Report and noted that none of the MSG members had highlighted this issue before.

Several government representatives, the IA and Secretariat staff highlighted barriers to disclosing the

¹²⁵ <http://www.albeiti.org/wp-content/uploads/2014/03/EITI-Report-2015-Subnational-Royalty.pdf>

amounts that each LGU should have received based on the formula's calculations. They explained that while the Customs Department tracked the location of a company's operation in its collection of royalties, and thus could disaggregate royalties on exports per LGU, the Tax Department did not track the location of companies paying royalties on domestically-consumed minerals and thus could not provide information on budgeted royalty transfers disaggregated by LGU. Stakeholders could not explain how the MoF could budget what each LGU should receive without such records from the Tax Department. Several government stakeholders explained that it was the responsibility of the LGU to initiate the reconciliation of royalty receipts in order to request subnational transfers from the MoF. They explained that LGUs did not always know of this responsibility, which explained the low level of executed 2015 subnational transfers and considered that significant capacity building was needed at the level of individual LGUs. Secretariat staff explained that AlbEITI had undertaken training workshops on the issue of subnational transfers in 2015 for LGUs hosting extractive activities. An industry representative highlighted the need for transparency in subnational transfers to LGUs, given that local communities sometimes blamed companies for not providing sufficient support for local development, when they did not see any share of the royalties companies paid. A LGU representative highlighted the value of data being disaggregated by receiving LGU, given that LGUs currently did not have the capacity to track how the value of royalty transfers they should have received.

Several stakeholders from all three constituencies highlighted the challenges posed by the restructuring of LGUs effective in 2016, which reduced the number of LGUs from a total of 305 to 61 municipalities and 12 districts. Several government officials explained that this had led to double-claims by several LGUs regarding their 2015 royalty transfers, but considered that this represented only "teething problems" for the new system. The IA explained that it had no mandate to inspect the process for transferring royalties for the 2015 EITI Report but that it intended to propose that subnational transfers be reconciled in the next EITI Report covering 2016 and that it had already received positive feedback on this recommendation from MSG members. Stakeholder consultations revealed that the MSG had not yet reached out to associations of LGUs such as the Albanian Association of Municipalities.¹²⁶

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress towards meeting this requirement. The 2015 EITI Report describes statutory subnational transfers of royalties, provides the general formula, budgeted and actual transfers for 2015 in aggregate terms, albeit reported on an accrual rather than cash basis. However, the report does not provide the specific formula for calculating subnational transfers to individual LGUs, nor the level of budgeted and executed subnational transfers disaggregated by LGU, even if it highlights discrepancies between budgeted amounts and actual transfers. While AlbEITI published executed 2015 subnational transfers disaggregated by LGU on a cash-accounting basis after the start of Validation, the level of budgeted 2015 subnational transfers disaggregated by LGU is not publicly available.

In accordance with requirement 5.2.a, the MSG should assess the materiality of subnational transfers prior to data collection and ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of discrepancies between budgeted and executed

¹²⁶ <http://aam.org.al/en/>

subnational transfers. Given the high level of public interest in this issue, the MSG may wish to consider including LGUs in the reporting process for subnational transfers in order to reconcile these transactions.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

The 2015 EITI Report does not refer to any earmarked extractives revenues, nor describe the budget-making process. The report provides a brief review of the Supreme State Auditor's audit of government entities, including a link to more information (2015 EITI Report, pp.77-78), but does not provide additional information on production projections or revenue forecasts.

The 2013-14 EITI Report states that the Ministry of Finance and other government entities did not report earmarked revenues (2013-14 EITI Report, p.71), and provides a chart of oil revenue allocations (2013-14 EITI Report, p.38).

Stakeholder views

The IA confirmed that it was not aware of any earmarked extractives revenues and that it had been told by MoF representatives that none of the extractives revenues recorded in the national budget were earmarked for a specific project, aside from the subnational transfers of 5% of royalties to LGUs (*see Requirement 5.2*). The IA also stated that it was not aware of any earmarked revenues collected by AKBN and Albpetrol. None of the other stakeholders consulted were aware of any earmarked extractives revenues.

Albania's 2011 PEFA assessment noted that substantial fiscal information was available from the MoF website, including the medium-term budgeting plan, economic and fiscal programmes, the annual budget law and in-year budget execution reports in the form of fiscal tables in excel spreadsheet format, albeit with a focus on numbers rather than explanatory narratives (World Bank, 2012). This was confirmed with the IA.

Initial assessment

It is encouraging that the MSG has made some attempt to including information on the auditing process in the 2015 EITI Report, although the International Secretariat's view is that AlbEITI has made only modest efforts to include additional information on the budget-making process.

The MSG may wish to consider including additional information on the budget-making and auditing processes for government accounts in future EITI Reports.

Table 5 - Summary initial assessment table: Revenue management and distribution

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Distribution of revenues (#5.1)	While the 2015 EITI Report highlights extractives revenues collected by AKBN and Albpetrol as being off-budget (i.e. not recorded in the national budget), it only provides an explanation of the allocation of funds collected by Albpetrol, not AKBN. While the report does not refer to national or international revenue classification systems, the International Secretariat understands that national revenue classification systems are based on GFS-2001 classifications.	Meaningful progress
Sub-national transfers (#5.2)	The 2015 EITI Report describes statutory subnational transfers of royalties, provides the general formula, budgeted and actual transfers for 2015 in aggregate terms, albeit reported on an accrual rather than cash basis. However, the report does not provide the specific formula for calculating subnational transfers to individual LGUs, nor the level of budgeted and executed subnational transfers disaggregated by LGU, even if it highlights discrepancies between budgeted amounts and actual transfers. While AlbEITI published executed 2015 subnational transfers disaggregated by LGU on a cash-accounting basis after the start of Validation, the level of budgeted 2015 subnational transfers disaggregated by LGU is not publicly available.	Meaningful progress
Information on revenue management and expenditures (#5.3)	It is encouraging that the MSG has made some attempt to including information on the auditing process in the 2015 EITI Report, although the International Secretariat's view is that AlbEITI has made only modest efforts to include additional information on the budget-making process.	
<p>Initial conclusions and recommendations:</p> <ol style="list-style-type: none"> 1. In accordance with requirement 5.1.a, the MSG should ensure that the allocation of extractives revenues not recorded in the national are explained, with links provided to relevant financial reports as applicable. The MSG may wish to explore the extent to which it could use extractives- 		

specific GFS classifications from its EITI summary data tables as a means of disaggregating the extractives components of common taxes in existing MoF systems.

2. In accordance with requirement 5.2.a, the MSG should assess the materiality of subnational transfers prior to data collection and ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of discrepancies between budgeted and executed subnational transfers. Given the high level of public interest in this issue, the MSG may wish to consider including LGUs in the reporting process for subnational transfers in order to reconcile these transactions.
3. The MSG may wish to consider including additional information on the budget-making and auditing processes for government accounts in future EITI Reports.

6. Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

The 2015 EITI Report does not state whether mining, oil and gas companies are required to undertake mandatory social expenditures in line with any provisions of the Mining or Hydrocarbons Laws, or of their operating contracts. The report does not state whether all social expenditures covered in the report are mandatory, as it only refers to social expenditures in general terms without distinguishing between mandatory and voluntary expenditures. The report states that companies were required to unilaterally report social expenditures of over Lek 5m, but that these were not reconciled with reporting from beneficiaries (2015 EITI Report, p.80). On the basis of the list of revenue flows selected for reporting in Annex 1 of the IA's ToRs for the 2015 EITI Report, it appears that government entities were required to report voluntary donations to government from mining, oil and gas companies, while companies were required to report social expenditures disaggregated between mandatory and voluntary (IA's ToRs for 2015 EITI Report, pp.20-21). The MSG agreed a USD 5,000 materiality threshold for the reporting of mandatory social expenditures such as "public works and infrastructure under contractual obligations" at its 29 July 2016 meeting.¹²⁷

However, aside from the report's cursory statement that Bankers Petroleum reported social expenditures worth Lek 194m "made for the benefit of the community in the area surrounding the business" (2015 EITI Report, p.90), there is no evidence in the 2015 EITI Report of the results of companies' unilateral reporting of social expenditures. The only details of social expenditures reported, that of Bankers Petroleum (in aggregate), does not distinguish between cash and in-kind contributions and did not highlight the identity of any non-government beneficiaries.

The 2013-14 EITI Report similarly does not clarify whether mining, oil and gas companies were required to undertake mandatory social expenditures in 2013-14 and only provided Albpetrol and Bankers Petroleum's unilateral disclosure of their social expenditures, without clarifying whether they were mandatory or voluntary (2013-14 EITI Report, pp.91,101).

Stakeholder views

There was significant disagreement between stakeholders over whether there were any mandatory social

¹²⁷ <http://www.albeiti.org/multi-stakeholder-group/msg-meetings/year-2016/>

expenditures to be undertaken by companies operating in the mining or oil and gas sectors. The IA and several government officials confirmed that neither the Mining nor Hydrocarbons Laws required companies to make any mandatory social expenditures. However, all CSO MSG members stated that there were contractual clauses requiring some companies to undertake mandatory social expenditures. The IA and government representatives noted that some operating contracts may require companies to undertake social expenditures but that they did not set a specific level for these expenditures. The IA noted that some of the PSAs it had reviewed included some provisions covering social expenditures, although these were not required to be annual, which were entirely cost recoverable once agreed as part of the work programme with the PSA counterpart (either AKBN or Albpetrol). The IA described assurances from two government MSG members that no “material” social expenditures were foreseen in the agreements currently in force, but noted that they had not provided any supporting documentation. An industry representative explained that Bankers Petroleum was required to undertake mandatory social expenditures as part of its oil and gas exploration license, but not under its oil and gas production license. Several industry and civil society representatives considered that there were only mandatory social expenditures in the oil and gas sector, not in the mining sector. Several government officials also explained that certain oil and gas companies made cash payments to the MEI for staff training purposes, under the terms of their PSAs. Several development partners and Secretariat staff emphasised the high standards of the TAP project, which included a clear dollar figure for mandatory social expenditures in the contract between TAP and the Government of Albania. All CSO MSG members consulted highlighted the need for disclosure of all mining, oil and gas contracts to allow the MSG and IA to undertake a comprehensive review of mandatory social expenditure clauses.

The IA stated that it had not reviewed all operating contracts held by material companies to assess the existence of mandatory social expenditures but had instead asked reporting companies to “voluntarily” disclose amounts paid in social expenditures, albeit not clearly disaggregated between mandatory and voluntary. The IA noted that companies had reported social expenditures in previous years, such as for the 2013-14 EITI Report, but that reporting companies had never made a distinction between mandatory and voluntary social expenditures in their EITI reporting. The IA also noted that “most” of the social expenditures reported in the 2013-14 EITI Report were provided in cash, not in kind. Upon discussion, the IA noted that the reference to Bankers Petroleum’s social expenditures in the 2015 EITI Report was erroneous and had been taken out of the revised version of the 2015 EITI Report published in mid-April 2017 on the AlbEITI website, given that it was a leftover from previous EITI Reports. The IA confirmed that no reporting company had disclosed any social expenditures in the 2015 EITI Report. Thus, the IA expressed concerns over the potential lack of comprehensiveness in reporting of mandatory social expenditures in the 2015 EITI Report. Secretariat staff expressed surprise at the fact that material companies reported extensive social expenditure programmes in corporate reports on their websites but had not reported any social expenditures in the 2015 EITI Report. For instance, the example of Bankers Petroleum reporting a cumulative USD 7.5m in community relations projects in Albania in the 2009-2015 period on their corporate website¹²⁸ was cited. One industry MSG member expressed surprise at the lack of information on social expenditures in the 2015 EITI Report, in contrast to the 2013-14 EITI Report, given that such information in EITI Reports was particularly useful for companies’ relations with host communities.

¹²⁸ <http://www.bankerspetroleum.com/albania/bankers-albania>

Several industry representatives confirmed that many mining, oil and gas companies, particularly larger ones, undertook extensive voluntary social expenditures as part of their CSR. However, several civil society and development partner representatives consulted expressed concern over the tendency for certain companies to re-categorise infrastructure that they built for their own operations as a form of voluntary social expenditures. The IA noted that companies were eager to report all forms of social expenditures without distinguishing between mandatory and voluntary expenditures, as a form of public relations. Secretariat staff highlighted the high level of public interest in social expenditures from mining, oil and gas companies, given that they tended to see the use of these funds for themselves in contrast to subnational transfers.

The IA confirmed that the MSG had not discussed the materiality of mandatory social expenditures ahead of data collection for the 2015 EITI Report and that companies were simply invited to report such expenditures in an attempt to trace such payments. The IA explained that the government entity in a position to provide accurate information on social expenditures agreed as part of companies' work plans (and thus cost recoverable) was AKBN, but that this entity had not proved cooperative in this regard. The IA confirmed that recipients of social expenditures were either LGUs or local communities, which meant that some of the recipients were non-governmental entities. All MSG members confirmed that environmental rehabilitation payments were going to be included in the scope of the next EITI Report, covering 2016.

Initial assessment

The International Secretariat's initial assessment is that Albania has made inadequate progress towards meeting this requirement. The MSG does not seem to have assessed whether mandatory social expenditures exist under contractual terms ahead of data collection and there is widespread confusion over whether any such mandatory social expenditures exist. The 2015 EITI Report provides unilateral reporting of social expenditures by one oil and gas company (although this may have been erroneously included), but does not clarify whether these were mandatory and does not include the IA's concerns over the comprehensiveness of reporting of mandatory social expenditures in the 2015 EITI Report. The MSG appears to have made no attempt to distinguish between mandatory and voluntary social expenditures, cash and in-kind expenditures nor to clarify the identity of any non-government recipient of mandatory social expenditures.

In accordance with requirement 6.1.a, the MSG should agree a clear distinction between mandatory and voluntary social expenditures prior to data collection and ensure that material mandatory social expenditures are comprehensively disclosed in future EITI Reports. Where beneficiaries of mandatory social expenditures are a third party, i.e. not a government agency, the MSG should ensure that the name and function of the beneficiary be disclosed. The MSG may wish to consider the extent to which disclosure of actual mining, oil and gas contracts (or review of key terms) would be necessary to provide a comprehensive assessment of the existence of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

Neither the 2015 EITI Report nor the 2013-14 EITI Report refers to any quasi-fiscal expenditures undertaken by extractives SOEs (e.g. Albpetrol).

Stakeholder views

The IA stated that there were no quasi-fiscal expenditures codified in Albanian law and that neither Albpetrol nor MEI had reported any quasi-fiscal expenditures in the data collection for the 2015 EITI Report. While the IA noted that Albpetrol was providing a form of social services by maintaining a substantially larger workforce than was necessary, it expressed uncertainty over whether such a policy could be considered as a form of quasi-fiscal expenditures. Several government representatives and the IA also highlighted the significant price difference between crude oil sold on international markets by private operators like Bankers Petroleum and crude oil sold by Albpetrol. While the IA noted that there could be different reasons for this, including potentially a subsidy from Albpetrol to buyers of its crude oil (TPD in 2015), it expressed uncertainty over whether this was a quasi-fiscal expenditure given the lack of explanation. However, a government representative stated categorically that Albpetrol did not provide subsidies in its crude oil sales to private companies and the IA referred to Albpetrol management representations that it did not undertake any quasi-fiscal expenditures.

Upon extensive consultations, several government representatives noted that Albpetrol undertook certain types of sponsorships of cultural events, including sponsorship of the national football team, but that this was in line with the Law on Sponsorship that allowed companies to spend up to a set level of their profits on sponsorship and subsequently recover the cost through tax deductions. A development partner noted allegations that Albpetrol provided funding to certain political parties through its choice of politically-affiliated sub-contractors. Several government representatives and Secretariat staff confirmed that the MSG had never discussed the issue of quasi-fiscal expenditures in preparing any of Albania's EITI Reports.

Initial assessment

The International Secretariat's initial assessment is that Albania has made no progress towards meeting this requirement. There is no evidence that the MSG has ever considered the issue of quasi-fiscal expenditures in relation to Albpetrol or any other extractives SOE.

In accordance with requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by extractives SOEs and their subsidiaries, ensuring that all material quasi-fiscal expenditures are disclosed in future EITI Reports.

Contribution of the extractive sector to the economy (#6.3)

Documentation of progress

The 2015 EITI Report provides the extractive industries' (mining, oil and gas) *contribution to GDP* in relative terms (3%) (2015 EITI Report, p.10) but not in absolute terms. However, the report provides a

link to the INSTAT website¹²⁹, where information on 2015 GDP in both current and constant prices can be obtained (2015 EITI Report, p.84). The 2015 EITI Report did not provide an estimate of the size of the informal sector, such as artisanal mining.

In terms of the extractives' share of *government revenues*, the 2015 EITI Report provides the relative share of the mining, oil, gas and hydro-electric sectors ("about 4.1%") (2015 EITI Report, p.5), as well as, in relative and absolute terms, the direct and indirect contribution to total revenues of revenues from oil and gas ("above 1.1%" and "approximately 2%", or USD 54.6m)) (2015 EITI Report, pp.11,35) and mining ("at minimum 0.8%" and "about 1.1%", or USD 31.2m) (2015 EITI Report, pp.12,53). However, given the constraints on government's ability to disaggregate the extractives component of common law taxes, the report only provides government-reported revenues from material companies, rather than total extractives revenues. Nonetheless, the report is transparent about challenges in disaggregating the extractives components of common taxes (*see Requirement 4.1*), provides a figure for total mining, oil and gas revenues based on EITI reporting and formulates a recommendation to address the government's inability to provide a comprehensive figure for total extractives revenues.

The 2015 EITI Report provides the extractives sector's share of *exports* in absolute and relative terms¹³⁰ (2015 EITI Report, p.10), as well as disaggregated between crude oil¹³¹ and mineral exports¹³² (2015 EITI Report, pp.22,42).

The report also provides the extractives' share of *employment* for the three sectors (mining, oil and gas, hydro-electricity) in relative terms ("less than 1%" of total employment) (2015 EITI Report, p.5), as well as in absolute and relative terms for oil and gas¹³³ (2015 EITI Report, pp.11,23) and for mining¹³⁴ (2015 EITI Report, pp.12,41).

In terms of the *location* of the extractive industries, the 2015 EITI Report provides maps of key deposits of oil and gas (2015 EITI Report, p.23) and minerals (2015 EITI Report, pp.43-48).

The 2013-14 EITI Report provided a similar level of macro-economic data but did not provide the absolute value of extractive industries' share of GDP nor the extractives' share of total employment in 2013 (2013-14 EITI Report, pp.11,44).

Stakeholder views

The IA explained that information on GDP composition in absolute and relative terms was available from the INSTAT website and that a link was provided to the INSTAT webpage in the 2015 EITI Report. A government representative explained that INSTAT published preliminary GDP data in November of the subsequent year and final GDP data in the following May. However, INSTAT also published quarterly GDP data at constant prices within 90 days of the end of the quarter. The IA explained that it had only included

¹²⁹ <http://www.instat.gov.al/al/home.aspx>

¹³⁰ 24% of total exports in 2015, or Lek 57.9bn.

¹³¹ USD 252m, or 13% of total exports in 2015.

¹³² Lek 26.3bn, or USD 208.5m, equivalent to 11% of total exports in 2015.

¹³³ 3215 employees, or 0.3% of total employment in 2015.

¹³⁴ 5000 employees, or 0.4% of total employment in 2015.

GDP data in relative terms in the 2015 EITI Report for ease of understanding and considered that interested parties could freely access additional information on GDP composition online, through the INSTAT portal.

Extensive consultations with a broad range of stakeholders highlighted the government's inability to provide a comprehensive figure for total government extractives revenues, given the constraints on disaggregating extractives components of common taxes. Several stakeholders highlighted that this was only an issue for mining companies, rather than for oil and gas companies that tended to be solely operating in the oil and gas sector (*see Requirement 4.1*).

A government representative explained that INSTAT estimated the size of the informal sector, for instance artisanal mining, through the Structural Business Survey (SBS), where they asked companies to estimate the size of their workforce, and then compared this information with official data sources on employment. However, none of the stakeholders consulted knew of any studies estimating the value of informal mining activity.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress towards meeting this requirement. While the 2015 EITI Report provides, in absolute and relative terms, estimates of the extractive industries' contribution government revenues, exports, employment and the location of major activities, it only provides the mining, oil and gas sector's contribution to GDP in relative, not absolute, terms. However, it is possible to access the value of GDP in 2015 in both current and constant prices through the INSTAT website, which allows readers to calculate the contribution of extractive industries to GDP in absolute terms.

To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports include the value of extractive industries' contribution to GDP in absolute terms and provide specific figures for the macro-economic information covered under Requirement 6.3. The MSG is encouraged to study the extent to which it could provide updated macro-economic information on the contribution of the extractive industries in a timelier manner through the AlBEITI (or other relevant government) website.

Table 6- Summary initial assessment table: Social and economic spending

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions (to be completed for 'required' provisions)
Social expenditures (#6.1)	The MSG does not seem to have assessed whether mandatory social expenditures exist under contractual terms ahead of data collection and there is widespread confusion over whether any such mandatory social expenditures exist. The 2015 EITI Report provides unilateral reporting of social expenditures by one oil and gas company (although this may have been erroneously included), but does not clarify whether these were mandatory and does not include the IA's concerns over the comprehensiveness of reporting of mandatory social expenditures in the 2015 EITI Report. The MSG appears to have made no attempt to distinguish between mandatory and voluntary social expenditures, cash and in-kind expenditures nor to clarify the identity of any non-government recipient of mandatory social expenditures.	Inadequate progress
SOE quasi fiscal expenditures (#6.2)	There is no evidence that the MSG has ever considered the issue of quasi-fiscal expenditures in relation to Albpetrol or any other extractives SOE.	No progress
Contribution of the extractive sector to the economy (#6.3)	While the 2015 EITI Report provides, in absolute and relative terms, estimates of the extractive industries' contribution government revenues, exports, employment and the location of major activities, it only provides the mining, oil and gas sector's contribution to GDP in relative, not absolute, terms. However, it is possible to access the value of GDP in 2015 in both current and constant prices through the INSTAT website, which allows readers to calculate the contribution of extractive industries to	Satisfactory progress

	GDP in absolute terms.	
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. In accordance with requirement 6.1.a, the MSG should agree a clear distinction between mandatory and voluntary social expenditures prior to data collection and ensure that material mandatory social expenditures are comprehensively disclosed in future EITI Reports. Where beneficiaries of mandatory social expenditures are a third party, i.e. not a government agency, the MSG should ensure that the name and function of the beneficiary be disclosed. The MSG may wish to consider the extent to which disclosure of actual mining, oil and gas contracts (or review of key terms) would be necessary to provide a comprehensive assessment of the existence of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures. 2. In accordance with requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by extractives SOEs and their subsidiaries, ensuring that all material quasi-fiscal expenditures are disclosed in future EITI Reports. 3. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports include the value of extractive industries' contribution to GDP in absolute terms and provide specific figures for the macro-economic information covered under Requirement 6.3. The MSG is encouraged to study the extent to which it could provide updated macro-economic information on the contribution of the extractive industries in a timelier manner through the AlBEITI (or other relevant government) website. 		

Part III – Outcomes and Impact

7. Outcomes and Impact

7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.2 Assessment

Public debate (#7.1)

Documentation of progress

Comprehensibility: The AlbEITI Secretariat has led all EITI-related communication efforts since 2011, structured through communication strategies for 2011-2012, 2014-2015 and 2016-2017. All EITI Reports covering 2009-2015, their summaries and Summary Data Files are accessible in Albanian and in English on the AlbEITI website¹³⁵, as well as having been published in hard copies. The IA has prepared Summary EITI Reports that are also available in both hard copy and online.¹³⁶ The secretariat frequently updates the AlbEITI website, covering all EITI events and recent news under its news and blogs section.¹³⁷ The secretariat has also prepared two EITI newsletters¹³⁸ and a brochure¹³⁹ in 2012, although it appears to have discontinued this practice thereafter. The AlbEITI Secretariat produced two promotion videos on the EITI process in Albania, one in January 2017¹⁴⁰ and one in March 2015¹⁴¹ to promote the 2013-2014 EITI Report. Driven by the secretariat, AlbEITI has also followed contentious issues such as subnational transfers that were not being transferred to local government¹⁴² and published a supplement to the 2015 EITI Report covering sub-national transfers in June 2017 (Alb-EITI, 2017).

Promotion: The AlbEITI Secretariat has actively promoted EITI information through press briefings¹⁴³, dissemination activities in Tirana and extractive regions¹⁴⁴, opinion polls¹⁴⁵, social media and capacity

¹³⁵ <http://www.albeiti.org>

¹³⁶ Summary 2015 EITI Report, <http://www.albeiti.org/wp-content/uploads/2016/02/Brochure-EITI2.pdf>

¹³⁷ <http://www.albeiti.org/news-2/>

¹³⁸ http://www.albeiti.org/wp-content/uploads/2014/03/newsletter_3.pdf; http://www.albeiti.org/wp-content/uploads/2014/03/NewLetter_print-1.pdf

¹³⁹ http://www.albeiti.org/wp-content/uploads/2014/03/Broshura_Albeiti_2012.pdf

¹⁴⁰ <https://www.youtube.com/watch?v=rjfhNsTako&feature=youtu.be>

¹⁴¹ <https://www.youtube.com/watch?v=g1wccmQbbw&feature=youtu.be>

¹⁴² Collecting and distributing royalties in LGU, <http://www.albeiti.org/collection-and-distribution-of-mining-rent-in-lgu/>

¹⁴³ <http://www.albeiti.org/press-conference-eiti-report-2013-and-2014/>

¹⁴⁴ <http://www.albeiti.org/wp-content/uploads/2014/03/EITI-Report-2015-Subnational-Royalty-1.pdf>; <http://www.albeiti.org/presentation-of-the-2015-eiti-report-in-bulgize/>; <http://www.albeiti.org/presentation-of-the-2015-eiti-report-in-fier-and-patos-2/>

¹⁴⁵ <http://www.albeiti.org/wp-content/uploads/2014/03/2016-Impact-and-Outcomes-of-EITI-Implementation-in-Albania-4-ENG.pdf>

building workshops for the MSG¹⁴⁶; civil society, media¹⁴⁷ and companies.¹⁴⁸ The secretariat conducted extensive dissemination campaigns that included meetings with local governments, local populations and companies in regions hosting extractives activities (Tiranë, Korçë, Berat, Kuçovë, Fier, Marinzë, Patos, Bulqiza and Kukës). In addition to this, the MSG held two meetings in the extractive regions: a meeting in March 2017 in Borizanë where cement extraction is carried out¹⁴⁹ and a meeting in December 2016 in Bulqiza where chrome is produced. The secretariat together with MSG members held a roundtable with extractive companies and local government in Kukes¹⁵⁰ in February 2016. There is no evidence that MSG members were actively engaged in other dissemination and outreach activities in extractives regions, including from civil society, beyond those activities driven by the AlbEITI Secretariat. The recent promotion video based on the 2015 EITI Report was shown in nine biggest cities (Tiranë, Korçë, Berat, Kuçovë, Fier, Marinzë, Patos, Bulqiza and Kukës) in February 2017 and the feedback on people's perception and understanding of simplified complex economic topics is available in a separate study¹⁵¹. According to an AlbEITI Impact survey in 2016, 70% of respondents considered Facebook as their primary means of accessing information about the extractive industries in Albania (Alb-EITI, 2016).

Public accessibility: The AlbEITI Secretariat has been active in ensuring the public accessibility of EITI information both through online channels, in hard copy through dissemination and outreach events. An active social media presence is maintained through Facebook.¹⁵² Secretariat staff have sought to improve the accessibility of key EITI data by developing easy-access infographics, for instance mapping extractives revenues in Albania geographically.¹⁵³

Open data policy: The MSG agreed the AlbEITI Open Data Policy in December 2016 which refers to government's policy on access to information in accordance with the Digital Agenda for 2015-2020 for E-governance and Information Society¹⁵⁴ as a part of the government's OGP commitments (Council of Ministers, 2015). The MSG updated the paper in March 2017 by adding Open Data Principles and Priorities relevant to the national agenda (AlbEITI, 2017). On access and release, the policy states that data shall be complete, authentic, timely, accessible, machine-readable, non-discriminatory, non-proprietary and published under open license. On reuse, it states that data shall be freely used, modified, and shared by anyone for any purpose. In terms of the natural resource governance, the government should move toward mainstreaming the EITI and ensure timely high-quality data that could be used and reused in machine readable format and in a cost-effective way (AlbEITI, 2017, p. 5).

Contribution to public debate: Press coverage of AlbEITI activities has been extensive, both at periods of publication of EITI Reports and during roadshows and workshops, online¹⁵⁵ and in printed media, news videos¹⁵⁶ and TV programs.¹⁵⁷ The 2016-2017 EITI communication strategy targets key stakeholder groups

¹⁴⁶ <http://www.albeiti.org/training-from-world-bank-mission-for-msg-members-eiti-albania/>

¹⁴⁷ <http://www.albeiti.org/transparency-and-accountability-in-the-extractive-industry-in-albania/>

¹⁴⁸ <http://www.albeiti.org/roundtable-with-the-extractive-industries-operators/>

¹⁴⁹ <http://www.albeiti.org/msg-meeting-in-premises-of-antea-in-borizane-kruje/>

¹⁵⁰ <http://www.albeiti.org/round-table-with-the-extractive-industries-operators-in-kukes/>

¹⁵¹ <http://www.albeiti.org/wp-content/uploads/2016/02/Eng-Report-Testimi-i-Spotit-te-Vjeter-.pdf>

¹⁵² <https://www.facebook.com/eititalbania/?fref=ts>

¹⁵³ <http://www.albeiti.org/extractive-industries-map-2/>

¹⁵⁴ https://issuu.com/miap4/docs/booklet_m-inovacionit_preview

¹⁵⁵ Droni news outlet, <http://www.droni.al/2016/01/20/eiti-publikon-transparenca-e-minierave-dhe-naftes-per-dy-vite/>

¹⁵⁶ <https://www.youtube.com/watch?v=53EzMIr5VDk>

¹⁵⁷ Interview with Dorina Cinari on SCAN TV, 7 January 2016, <https://www.youtube.com/watch?v=7JeWBLyJyj>

including government entities, local governments and communities, the media, CSOs, extractives companies, academics and students, researchers and experts as well as the general public (Alb-EITI, 2016). While EITI Reports have been used as diagnostic tools for Albania's extractives governance, including expanding to the hydropower sector as a key government priority in 2015, communications efforts have focused on raising the EITI as a process rather than the findings and figures of EITI Reports themselves. With the 2016 annual progress report highlighting the EITI as a mechanism to tackle corruption, ensure transparency and trigger sectoral reforms (Alb-EITI, 2017), it is clear the AlbEITI has actively promoted public debate of sector facts and reforms in their communications and outreach.

According to the 2016 Impact survey, 78% of respondents had never heard of the EITI, with urban respondents accounting for the higher share of those who had heard of the EITI at least once. The fact that 80% of respondents were not aware of the revenue generated by extractive companies was used to demonstrate the low level of interaction between companies and host communities (Alb-EITI, 2016).

Stakeholder views

Comprehensibility: One CSO MSG member explained that civil society had suggested making the MSG's own simplified version of the EITI Report, in parallel to the normal summary report produced by the IA, but that this had not been supported by other MSG members. Several development partners noted the use of EITI Reports for facts and statistical data, but highlighted the fact that large AlbEITI Reports were not very user-friendly. Several government officials considered that EITI data was helpful for citizens. Several stakeholders from different constituencies considered that the reconciliation part was easy to read and only certain parts of the narrative report could have been simplified. Certain government representatives noted that certain stakeholders could not understand the complex data in EITI Reports. Another government representative said that the EITI Reports were sufficient and considered among the best reports on extractive industries in the country.

Promotion: Several government representatives said they widely disseminated EITI Reports, for instance when visiting regions to talk to local communities, at meetings of the Council of Ministers and other government entities, and for meetings with companies and investors. Some development partners noted that they had not received EITI Reports before and would have appreciated receiving notification when EITI Reports were published, criticising the fact that they were not invited to EITI-related events. One journalist considered that the government used the EITI process to improve its international image.

One CSO MSG member noted that the AlbEITI conducted a lot of events in extractive regions and sometimes invited civil society to join, although the interviewee had only participated once due to one's lack of free time. Another CSO MSG member said that civil society always mentioned the EITI and its benefits when talking to local governments and communities. Several CSO representatives both on and off the MSG emphasised funding constraints to explain the lack of civil society outreach on EITI outside Tirana, independently or in conjunction with the AlbEITI Secretariat's efforts. However, civil society representatives complained that they did not have funding to conduct dissemination and awareness raising events. The CSOs denied that they had ever been asked by the AlbEITI to join dissemination activities in extractives regions. None of the CSOs consulted provided evidence of their use of EITI data, despite general claims that EITI data was useful for CSOs' advocacy and lobbying needs.

Public accessibility: Several government representatives commented that EITI Reports were publicly

available and widely consulted on the AlbEITI website. Secretariat staff explained that all relevant documentation was continuously uploaded on the website, including EITI Reports, their summaries and analyses of the data. The secretariat published the 2015 EITI Report, like all others, in Albanian and the popular summary EITI report in both Albanian and English. Stakeholders did not express any particular views on the usefulness of EITI data for companies or civil society, nor provide any specific examples of their use. However, several government and industry representatives noted the use of EITI Reports for investors seeking to apply for mining or oil and gas licenses, and considered that it would be helpful to extrapolate key EITI data (and the benefits of EITI for industry) into brochures and infographics.

Contribution to public debate: One CSO MSG member said that public awareness and dissemination activities were important for EITI implementation.

Several industry representatives said that companies used the EITI to lobby their rights and that it served as a platform to communicate their challenges. It was noted that the EITI reporting and use of data had grown over years. The reports have become timelier, the quality of EITI data has improved and reports have become more extensive. It was noted that communities could see the information on companies' payments and better understand the value of extractives payments. One industry representative praised the fact that the 2013-2014 EITI Report had included information on social payments but was displeased by the fact that the 2015 EITI Report provided no such data.

A mayor of an extractive region said that public hearings and citizens' consultations were conducted on a regular basis and among other topics they discussed the EITI process. The EITI triggered discussions from citizens seeking benefits from living on resource-rich lands. The local official noted that aside from AlbEITI's holding of punctual public hearings and meetings, there was no sustained mechanism through which to voice concerns over local issues at the national level. The local official called for the government to consult with local governments and citizens when taking important decision such subnational royalty transfers.

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement. The EITI Reports are published on a regular and timely basis, full and summary reports are published in Albanian and English in hard copies and online. The AlbEITI Secretariat has been the key driver of communications and outreach, at times sacrificing multi-stakeholder engagement, and widely disseminated and promoted EITI Reports in the regions and online through videos, news items and surveys. However, given that the Alb-EITI Secretariat is executing work plan activities, it could be argued that the secretariat operates with a mandate from the MSG. There is some evidence of use of EITI data from some stakeholders including government, journalists and to a lesser extent civil society. The MSG has agreed a policy on access, release and reuse of EITI data that is aligned with the broader government agenda.

To strengthen implementation, the MSG should consider strengthening multi-stakeholder engagement in its communications, dissemination and outreach efforts, to ensure broader dissemination and public debate on EITI-related issues. Natural resource governance and anti-corruption are heated topics in Albania, and the MSG may wish to consider tailoring EITI discussions to tangible demands from stakeholders.

Data Accessibility (#7.2)

Documentation of progress

The AlbEITI Open Data Policy establishes the clear presumption of transparency for all AlbEITI information (Alb-EITI, 2016). Summary data tables were produced for all AlbEITI Reports covering seven fiscal years (2009-2015) in machine-readable format on the AlbEITI homepage¹⁵⁸ and on the Albania page of the global EITI website.¹⁵⁹ However, AlbEITI has not yet published machine-readable files of all reconciled data in EITI Reports. There is limited evidence of MSG discussions related to the recommendations linked to EITI Requirement 5.1 on revenue classification systems or to production of summary reports. However, the MSG has published summaries of the AlbEITI Reports, accessible on the AlbEITI website and disseminated hard copies of reports. The MSG included moving toward disclosures in open data format as one of its objectives for the 2016-2019 EITI work plan. In addition, the MSG hired DM Consulting Services to explore opportunities to integrate the EITI into the governmental systems in 2015. The feasibility study, whose executive summary is available on the AlbEITI website¹⁶⁰, focused on assessing existing systems and the potential for integrating EITI reporting and creating an online EITI reporting system (DM Consulting Services, 2015).

Stakeholder views

Several secretariat staff and government representatives highlighted that summary data tables had been prepared for all EITI Reports produced by Albania, which were accessible on the AlbEITI homepage. Several secretariat staff and development partners considered that the 2015 mainstreaming pre-feasibility study had been initiated too early and had focused on the technical interconnections between government IT systems, rather than broader issues of integrating reporting under specific EITI Requirements in routine government systems. Secretariat staff highlighted the importance of the government's open data policy and work, noting that the EITI open data efforts were being integrated into broader government open data policy in order to avoid duplication of data collection and aggregation automation systems. None of the stakeholders consulted expressed any particular views on the use of machine-readable EITI data.

Several government stakeholders and secretariat staff highlighted AlbEITI's 2015 mainstreaming pre-feasibility study but noted that it had focused on integrating existing government databases from an IT perspective rather than scoping EITI-required information that was already produced by government systems. A consultant highlighted the lack of integration of government databases, noting that agencies such as Customs, Tax, AKBN and others did not communicate. While the National Agency for IT Systems (NAIS) was seeking to integrate government databases through the GovNet cloud, this was still at an embryonic stage. The consultant also noted that companies were now required to file their taxes online, since 2015. Several government officials however highlighted ongoing reforms to establish the Albanian Financial Information System (AFMIS) in 2018, a EUR 40m project supported by the Austrian Development Agency¹⁶¹, which would integrate databases of the Ministry of Finance's Treasury, Customs, Tax, Budget

¹⁵⁸ <http://www.albeiti.org/en/>

¹⁵⁹ <https://eiti.org/albania#revenue-collection>

¹⁶⁰ <http://www.albeiti.org/wp-content/uploads/2015/04/Feasibility-study-for-the-implementation-of-EITI-data-integrated-system-in-Albania-4.pdf>

¹⁶¹ http://www.entwicklung.at/fileadmin/user_upload/Dokumente/Publikationen/Landesstrategien/CS_Albania_2015-2020.pdf

and Human Resources Departments.

Initial assessment

Requirement 6.2 encourages the MSGs to make EITI reports accessible to the public in open data formats. Such efforts are encouraged but not required and should not be considered in assessing compliance with the EITI Standard. The AlbEITI data is available in machine readable format through the national AlbEITI website and the Albania page of the EITI global website, drawing on summary data tables completed by the national secretariat and IA. The AlbEITI secretariat has also published summaries of EITI Reports prepared by the IA.

Lessons learned and follow-up on recommendations (#7.3)

Documentation of progress

The 2016 annual progress report, approved by the MSG on 20 March 2017¹⁶², provides an overview of the MSG's response and progress made in addressing some of the recommendations from the 2015 EITI Report (pp.36-44). The annual progress report lists 14 recommendations from the 2015 EITI Report, all of which were recurrent from previous EITI Reports. The recommendations relate both to EITI Requirements and to broader improvements in government systems, including:

- improving reporting process and data collection procedures,
- requiring quality assurance of company reporting by statutory audit,
- reconciliation of subnational transfers and the inclusion of LGUs in reporting,
- transitioning to centralised extractives revenues reporting by the Treasury system,
- encouraging MEI and AKBN to routinely disclose statistical data (e.g. on production, export, investment and employment, etc.) on their websites,
- publishing data on proven natural resource reserves,
- maintaining an updated license register or cadastre system that is publicly accessible,
- publishing online the financial and technical criteria, list of bidders and tender outcomes for license allocation, and
- amending the legal basis for comprehensive EITI reporting (Alb-EITI, 2017).

The MSG has discussed some of the recommendations on several occasions, including delays in EITI reporting, assurance practices, improvements in reporting systems, reporting from LGUs, routinely disclosing production data, maintaining an online license register and publishing license allocation procedures. However, there is no evidence that the MSG investigated unreconciled discrepancies after

¹⁶² <http://www.albeiti.org/year-2017/>

the publication of EITI Reports. Given that the IA provided the same recommendations for the 2013-2014 EITI Report as for the 2015 EITI Report, progress in implementing past EITI recommendations appears to have been limited to the MSG discussions only. In most of the cases, the MSG agreed to the recommendations and tasked the AlbEITI Secretariat to share and follow up on recommendation with relevant individual entities.

The 2015 EITI Report does not assess the progress on implementing 14 recommendations from the previous EITI Report, nor comments on whether any of them were addressed. The annual progress report notes that the lack of legal enforcement keeps the reporting entities from taking ownership and acting upon recommendations (p.36). For this reason, the MSG and AlbEITI initiated a legal review that suggested amendments to the legal framework to strengthen and empower the implementation of past EITI recommendations (Eurosupport, 2017). Based on the legal review, a consultant developed a draft Law on Transparency of the Extractive Industries Activities in Albania, supported by the government and due to be adopted by Parliament before September 2017.

Recommendations that do not appear to have been followed up on by government but appear highly relevant to improvements in the management of the extractive industries include:

- reporting entities to reconcile tax payments with regional tax offices prior to submitting EITI reporting templates;
- MoF to disclose a formula on calculating a 5% of subnational royalty and report on how it was distributed to LGUs;
- MEI to request audited financial statements from the extractive companies;
- disaggregate payments by licenses;
- mainstream statistical data on MEI and AKBN websites for more timely reporting.

The Alb-EITI prepared a work plan to follow up on recommendation from the 2015 EITI Report. The work plan lists all past EITI recommendations, objectives, actions required, responsible stakeholder and timeline. The work plan¹⁶³ also planned for the establishment of working groups of MSG members and relevant government entities to address each recommendation, which held its first joint meeting on 9 May 2017.¹⁶⁴

Stakeholder views

The IA noted that addressing recommendations required collaboration across government institutions to build internal EITI-related processes and establish the necessary quality controls, for instance on production data. The IA noted that there was insufficient institutional memory across the government due to frequent changes in ministerial staff, which meant that proactive bilateral follow-up with individual government entities on past EITI recommendations was required. The IA noted that very few EITI

¹⁶³ The work plan on recommendations from EITI reports is available in Albanian.

¹⁶⁴ <http://www.albeiti.org/working-group-on-implementing-the-independent-administrators-recommendations-on-the-2015-eiti-report/>

recommendations had been addressed in practice, with the notable exception of the provision of a list of all material companies' single Tax identification numbers to the IA for the 2015 EITI Report for the first time.

Secretariat staff confirmed that there was no institutionalised structure for follow-up and implementation of EITI recommendations and noted that follow-up was on a bilateral basis between the secretariat and relevant government agencies. Secretariat staff and certain MSG members noted that in late 2016 they had started addressing recommendations related to legal amendments. However, the IA noted that legal amendments would require significant efforts by the government beyond the MSG and highlighted that the same recommendations had been repeated in the last five EITI Reports. According to the IA, when the MSG discussed EITI Reports' recommendations, it usually did not object to any of them, nor comment or make suggestions.

A senior government official said that EITI recommendations were considered by the government and served to improve management of the extractive industries. The official stated that EITI data would be made even more relevant to decision-making through the government's efforts to standardise company EITI reporting, integrate it into normal company reporting to government and ensure it is published on a timelier basis (e.g. quarterly). Secretariat staff said that the MEI and AlbEITI had sent official letters to government entities to follow up on individual recommendations in 2015-2016, although the ministries were slow in responding with many not following up. It was noted that certain government entities were not willing to take ownership in addressing recommendations. Secretariat staff confirmed that the AlbEITI Secretariat was the driver in following up on recommendations from EITI Reports, with the MSG having only inconsistent discussions on certain recommendations. The secretariat prepared a list of recommendations from the 2015 EITI Report and suggested the creation of working groups that would address every recommendation. A company representative said that the recommendations in the EITI Reports should be presented and discussed by each constituency, but that this had not happened in practice for past EITI Reports.

Initial assessment

The International Secretariat's initial assessment is that Albania has made meaningful progress in meeting this requirement. There is limited evidence of MSG follow-up to act on lessons learned, to identify, investigate and address the causes of discrepancies and to consider the recommendations for improvements from the IA in previous EITI Reports. Minutes of MSG meetings do not reveal substantial discussions on recommendations and lessons learned from EITI Reports. Successive EITI Reports covering five years have included the same recommendations. The annual progress report provides some assessment of follow-up on past EITI recommendations, albeit only to a limited extent. The AlbEITI Secretariat has been the driver of follow-up on recommendations, bilaterally with relevant agencies through ad hoc working groups, although the lack of multi-stakeholder engagement has limited the extent to which secretariat follow-up has had an impact.

In accordance with requirement 7.3, the MSG should take steps to act upon lessons learnt, to identify, investigate and address the causes of any discrepancies, and to consider the recommendations resulting from EITI reporting. The MSG, in consultation with government stakeholders in particular, may wish to consider institutionalising its mechanisms for following up on recommendations from EITI Reports and Validation as a means of ensuring stricter attention to implementation.

Outcomes and impact of implementation (#7.4)

Documentation of progress

AlbEITI has produced four annual activity reports covering 2013-2016, published in both Albanian and English, available on the AlbEITI website.¹⁶⁵ As in the past several years, the MSG approved the 2016 annual progress report and published it on the AlbEITI website in March 2017, ahead of the 1 July deadline, to ensure the reports' relevance and timeliness for stakeholders.

The annual progress report underlines that one of the main outcomes of EITI implementation in Albania was the inclusion of the hydropower sector in the scope of reporting from 2015. The hydropower sector is a government priority in Albania and extending the EITI to the hydropower was aimed at highlighting challenges in the sector and ensuring that transparency led to reforms and improvements in governance. Despite the lack of legal requirements for hydropower companies to report, hydropower companies have reported voluntarily for the last three years (Alb-EITI, 2017). The annual progress report includes a summary of activities undertaken in 2016 (Alb-EITI, 2017, pp. 3-11). The report notes that work in 2016 focused on preparation of the 2015 EITI Report and follow up on legal reforms for the extractive industries as a consequence of recommendations from the 2013-14 EITI Report (Alb-EITI, 2017, p. 3). The report also provides an assessment of progress with meeting EITI requirements, stating that the 2015 EITI Report covers 100% of revenues in oil and gas, 95% in hydropower and 88% in mining. It provides an assessment of progress and actions that were taken in relation to the "encouraged" aspects of the EITI Standard such as revenue management and expenditure, transportation payments, discretionary social expenditures, subnational transfers, contracts and beneficial ownership (Alb-EITI, 2017, pp. 23-34). While the annual progress report does not include an assessment of progress with meeting each EITI Requirement, each of the past three AlbEITI Reports has provided a comprehensive overview of progress against each requirement, e.g. in Appendix 10 of the 2015 EITI Report (Albania EITI, 2016, p. 161). The annual progress report also comments on aspects of the EITI Standard that were exceeded, for instance in the hydropower sector.

The annual progress report provides a limited overview of the MSG's responses and progress made in addressing the recommendations from the 2015 EITI Report (Albania EITI, 2016, pp. 36-44). The annual progress report lists 14 recommendations from the 2013-2014 EITI Report¹⁶⁶, although these are also included into the 2015 EITI Report. The annual progress report provides clear evidence that the MSG did not fully consider nor discuss in detail any follow-up on EITI recommendations, given that most recommendations reviewed in the annual progress report show no MSG position or any follow-up action (*see Requirement 7.3*).

The annual progress report lists 12 objectives from the 2016 EITI work plan¹⁶⁷, which relate to technical

¹⁶⁵ <http://www.albeiti.org/publications/>

¹⁶⁶ Delays and discrepancies, Assurance process, Other quality aspects of the payments analysis, Lack of centralized reporting at government level, Reporting from Local Government Units, Limitations on reports produced by the Tax authorities' MIS, Publication of statistics in the sector, Production data and values, Disclosure of total government revenue, Reserves, Maintaining of an updated public register of licensees and concessions, Transparency over license allocation, Reconciliation of subnational transfers and Regulatory aspects in the context of EITI reporting.

¹⁶⁷ 2016 EITI Work plan; 2015 Annual Activity Report; MSG; Legal and regulatory review; 2016-2017 Communication Strategy; Communication activities; 2015 EITI Report; 2016 EITI Validation; Study on the use of royalty income transparency and extractive industries companies donations in the local government; Surveys on EITI impact; Additional projects; and EITI capacity building.

EITI aspects rather than national extractives priorities, even though the 2017 work plan objectives are more in line with national priorities and the EITI Principles. The annual progress report assesses progress against listed work plan objectives, highlighting the outcomes of each objective's implementation and comments on the impact where possible (Alb-EITI, 2017, pp. 11-22). The annual progress report includes a narrative account of strengths and weaknesses of Albania's EITI implementation. The report comments that the strongest aspects include the wide scope of reporting companies and EITI awareness amongst stakeholders, while one of the weaknesses included the low knowledge of EITI amongst citizens. The report suggests ways of addressing these weaknesses by raising more funds and building capacities for stakeholders, while also recommending that EITI reporting be integrated into governmental reporting systems to ensure the sustainability of the process, beyond its current dependence on foreign donor funding (Alb-EITI, 2017, p. 46). The report does not comment on other efforts to expand the scope of EITI implementation beyond the expansion of reporting to the hydropower sector. The annual progress report provides an overview of funding and expenditures, including a detailed budget (Alb-EITI, 2017, pp. 47-48), and details changes to the MSG amongst the government and civil society constituencies and approval of the MSG's new ToRs. The annual progress report is also illustrated with photos from MSG meetings and other EITI evening in 2016 (Alb-EITI, 2017, pp. 51-62).

AlbEITI undertook three opinion surveys to measure the impact of the EITI on communities. The first survey was conducted in October 2014 and looked into a general awareness of EITI implementation and an impact of the extractive industries operations on citizens in Bulqiza, Kukës, Librazhd, Patos, Perrenjas and Tirana (AlbEITI, 2014). The second survey, undertaken in January 2016, showed that 90% of its 1,000 respondents were aware of the extractive operations in the regions but knew little about the payments that companies made, including 5% of subnational royalties (AlbEITI, 2016). The third survey conducted in September 2016, covered thirteen cities (Bulqiza, Burrel, Fier, Korca, Kukes, Librazhd, Patos, Pogradec, Perrenjas, Rrëshen, Tirana, Vau i Dejes and Vlora) (Alb-EITI, 2016).

Stakeholder views

None of the stakeholders consulted, including MSG members, expressed any particular views on the use of the AlbEITI annual progress report. Secretariat staff noted that the annual progress report was disseminated at some regional roadshows and was useful in accounting for AlbEITI activities throughout the year. Secretariat staff also highlighted the existence of several annual audit reports on AlbEITI, accessible under the Transparency tab of the AlbEITI website, which were considered complimentary to the AlbEITI annual progress report. Most stakeholders who expressed any views on the issue appeared to consider the annual progress report as a simple compliance document, in line with EITI Requirements, rather than a means of communicating AlbEITI activities to broader constituencies and the general public. A government MSG member confirmed that the draft annual progress report was prepared by the AlbEITI secretariat and circulated among stakeholders for input. The annual progress report was considered helpful in terms of tracking progress, identifying results and assessing gaps. One CSO MSG member noted that civil society had provided comments and input to the 2016 annual progress report during MSG meetings.

There were varying views regarding the outcomes and impacts of EITI implementation, both across and between stakeholder groups. A government representative commented that the EITI provided credible data and helped in assessing gaps in reporting systems. The official noted that the government used the EITI to attract more responsible investment and enact more transparent rules for business in Albania.

Several government officials noted that EITI reporting was considered neutral and served as a diagnostic tool to provide credible data to the government, with EITI data often used by the Members of Parliament and government officials, in particular to forecast revenues. Several stakeholders from all constituencies highlighted the alignment of EITI with national priorities by noting the expansion of EITI implementation to the hydropower sector, considering that this in itself constituted an impact of EITI implementation. A high-level government official considered that annual reporting was not sufficient and that the EITI should cover more thematic topics of interest to the public, noting that the government saw value in expanding the EITI further to forestry and fisheries. Several government officials highlighting the general importance of the EITI as a form of internationally-recognised good practice. One industry MSG member said that the EITI was used to communicate concerns about the governance of natural resources and as a means of reassuring investors who wanted assurances that their investment would be safe by clarifying ambiguities. The EITI thus helped in clarifying ambiguities, according to the representative. One civil society representative said that EITI implementation had gradually strengthened, with CSOs following every step since the start in 2009, with the MSG constantly asking for improvements in EITI Reports. Another CSOs representative considered that the EITI was a good tool for Albania to be transparent about mining, oil and gas, energy and water and could be extended further to fisheries and forestry, as the MSG had recently discussed. A CSOs representative raised concerns about the need for general awareness raising about the EITI, given the challenges for citizens to understand the complexity of revenues generated from the extractive industries. The CSO also noted that engaging LGUs and relevant government entities was challenging, given CSOs' own capacity constraints and that EITI provided a vehicle for building capacity on extractives governance.

According to an EITI impact survey conducted in September 2016, citizens considered that while the extractive industries should serve the economic, social and cultural development of communities, this was not usually the case. When asked who among government, company owners, residents and "powerful people" were the real beneficiaries of payments and revenues generated from the extractive industries, only 33% of the respondents chose local government and none chose residents (Alb-EITI, 2016). According to the impact study, roughly 75% of respondents did not know of any public investment made with the revenues coming from the extractive activities in their city. The survey showed that citizens were mostly concerned about the slow economic growth and high unemployment rates in their local areas. Yet a quarter of respondents believed that public works carried out in many Albanian cities were financed through the income generated by extractive industries (Alb-EITI, 2016).

Initial assessment

The International Secretariat's initial assessment is that Albania has made satisfactory progress in meeting this requirement. The MSG has reviewed progress and outcomes of implementation on a regular basis, including by publishing annual progress reports over the past four years. However, the progress reports lack an impact assessment and do not address all recommendations from previous EITI Reports. Yet there is evidence that AlbEITI has undertaken other forms of impact assessments through opinion polls and impact assessments.

To strengthen implementation, the MSG could consider discussing the role the EITI could play in achieving national priorities in reform of the extractive industries as part of its annual review of the work plan. The MSG may also wish to undertake an impact assessment with a view to identify opportunities for increasing the impact of implementation.

Table 7 - Summary initial assessment table: Outcomes and impact

EITI provisions	Summary of main findings	Validator's recommendation on compliance with the EITI provisions (to be completed for 'required' provisions)
Public debate (#7.1)	The EITI Reports are published on a regular and timely basis in hard copies and online. The AlbEITI Secretariat has been the key driver of communications and outreach, at times sacrificing multi-stakeholder engagement, and widely disseminated and promoted EITI Reports in the regions and online through videos, news items and surveys. There is some evidence of use of EITI data from some stakeholders including government, journalists and to a lesser extent civil society. The MSG has agreed a policy on access, release and reuse of EITI data that is aligned with the broader government agenda.	Satisfactory progress
Data accessibility (#7.2)	Requirement 6.2 encourages the MSGs to make EITI reports accessible to public in open data formats. The MSG agreed on the Open Data Policy and included more accessible data as one of the objectives of the EITI work plan. Such efforts are encouraged but not required and should not be considered in assessing compliance with the EITI Standard.	
Lessons learned and follow up on recommendations (7.3)	There is limited evidence the MSG has taken serious actions to act upon lessons learnt, to identify, investigate and address the causes of discrepancies and to consider the recommendations for improvements from the IA for the EITI Reports. The MSG meetings minutes do not show that there were discussions on the recommendations and lessons learnt from the publication of the EITI Reports. The IA provided the same recommendations for the last two EITI Reports and little action was taken to address them. To some extent, a limited assessment of MSG's views on recommendations was provided in the 2016 Annual Progress Report. The AlbEITI developed a work plan to follow up on recommendation from the 2015 EITI Report.	Meaningful progress

Outcomes and impact of implementation (#7.4)	The MSG has produced an account of activities undertaken in 2016 through their Annual Progress Report. The APR notes the strengths and weaknesses of the EITI process in Albania. Despite the lack of impact assessment in the APR, there is evidence of MSG efforts to assess impact through other means, such as opinion polls.	Satisfactory progress
<p>Secretariat's recommendations:</p> <ol style="list-style-type: none"> 1. To strengthen implementation, the MSG is encouraged to ensure that future EITI Reports include the value of extractive industries' contribution to GDP in absolute terms and provide specific figures for the macro-economic information covered under Requirement 6.3. The MSG is encouraged to study the extent to which it could provide updated macro-economic information on the contribution of the extractive industries in a timelier manner through the AlBEITI (or other relevant government) website. 2. The MSG is encouraged to provide more EITI data in open data formats. 3. In accordance with requirement 7.3, the MSG should take steps to act upon lessons learnt, to identify, investigate and address the causes of any discrepancies, and to consider the recommendations resulting from EITI reporting. The MSG, in consultation with government stakeholders in particular, may wish to consider institutionalising its mechanisms for following up on recommendations from EITI Reports and Validation as a means of ensuring stricter attention to implementation. 4. To strengthen implementation, the MSG could consider discussing the role the EITI could play in achieving national priorities in reform of the extractive industries as part of its annual review of the work plan. The MSG may also wish to undertake an impact assessment with a view to identify opportunities for increasing the impact of implementation. 		

8. Impact analysis

(not to be considered in assessing compliance with the EITI provisions)

Documentation of progress

Impact

The objectives of Albania's EITI implementation, as agreed by the MSG, include well-established natural resource governance, shifting to an open data format, support participation of civil society and tackle corruption. The objectives were approved in early 2017 and it is early to assess the progress on their implementation. However, there is a positive direction of travel in fulfilling most of these objectives and the outcomes of implementation have shown some positive impact.

The EITI has been an important platform for strengthening transparency and accountability of the government and extractive industries in Albania. The EITI is helping to improve government systems and procedures, especially with regard to licensing. For instance, the Ministry of Energy and Industry has established a mining register following recommendations from EITI Reports. Through EITI reporting, the government revealed significant barriers for receiving statutory subnational royalty transfers entitled to LGUs. In 2014, the allocation formula and share of royalties had been changed, enabling actual execution.

The EITI reporting process in Albania is timely and generally well managed. Minister of Energy and Industry Damian Gjicknuri and his Deputy Minister Ilir Bejtja have demonstrated a robust commitment to EITI implementation. The Alb-EITI Secretariat headed by National Coordinator Dorina Cinari is well-established.

There is growing foreign and domestic interest in the hydropower sector, which is covered in Albanian EITI Reports. The EITI Reports provide solid base for open data, bring clarity on legal and fiscal framework governing the sector, and give recommendations to structural reforms. Improving hydropower concession regulation may stimulate development of the sector.

The Trans-Atlantic Pipeline project has become one of the main engines of the country's economic and social development. The EITI could set a framework for transparency and accountability of the TAP project in Albania.

In the light of the political change after Parliamentary election in June, the issue of beneficial ownership discourse is particularly relevant. In 2017 Alb-EITI will undertake a pilot project on disclosure of extractive companies' beneficial owners. Albania's three-year beneficial ownership roadmap (to 2020) provides next steps in harmonizing domestic regulations with EU Directives related to beneficial ownership disclosure. The roadmap foresees the establishment of a public beneficial ownership register in 2018, which would potentially be integrated into existing databases for corporate registers.

Constructive engagement: The EITI has helped create opportunities for dialogue among different government entities that did not previously coordinate on extractives issues. Many government representatives agreed that participating in EITI reporting and attending MSG meetings had enabled more frequent communication between relevant entities. The Foreign Investors' Association of Albania (FIAA)

also signed an MoU with AlbEITI in October 2016 to strengthen cooperation and the industry constituency's coordination. FIAA plans to undertake wider outreach to locally-owned mining companies in order to participate both in FIAA, the EITI and potentially on the MSG. However, there is little evidence of the EITI's impact on enhancing collaboration between CSOs and building trust between CSOs and other stakeholder groups. While the EITI has supported the gradual emergence of links within the government and industry constituencies, there is scant evidence of linkages or meaningful coordination within the civil society constituency. In addition, relations on the MSG remain tense and trust between MSG members from different constituencies has developed in only fits and starts.

Economic contributions: Through EITI reporting, the government highlighted constraints in its ability to calculate total extractives revenues due to its inability to separate extractives components of common taxes paid by diversified conglomerates. Nonetheless, through the EITI Report, the government has helped develop estimations of total mining, oil and gas revenues using the EITI data. Building on the findings of EITI Reports, the IA has repeatedly recommended reforming Treasury systems to address the government's inability to provide a comprehensive figure for total extractives revenues. In addition, Albania's EITI Reports have also shown, for the first time, the mechanism for collecting royalties and allocating a share for transfer to LGUs (5% of royalties), highlighting challenges in full disbursement of subnational transfers.

Public understanding: AlbEITI conducted three opinion surveys on EITI impact amongst communities living in the extractive regions (Pogradec, Korca, Bulqiza, Burrel, Librazhd, Kukes, Vlora, Patos, Fier, Perrenjas, Rrëshen, Vau i Dejes and Tirana) (AlbEITI, 2014), (AlbEITI, 2016), (Alb-EITI, 2016). The surveys show that, despite being aware of extractives operations in their regions, citizens did not know how they benefitted from these activities, nor how much companies were paying. Several companies noted that they found EITI useful for their public relations and that they saw value and impact in terms of improving the public's understanding. Several government officials explained that they used the EITI to improve Albania's image at the international level.

Strengthening government systems: Through EITI reporting, Albanian stakeholders have identified issues of LGUs not receiving the statutory subnational royalty transfers they were entitled to. In the past, the transfer of 25% of royalties to LGUs was contingent on LGUs achieving 120% of their budgeted local taxes, which was impossible to achieve on a consistent basis. The share of royalties had been cut from 25% to 5% in 2014, and the transfers were now actually being executed without conditionality.

The government provided an enabling legal environment for companies' EITI reporting, including provisions making EITI reporting mandatory under Law 10304 on the mining sector and Law 7746 (amended) on the hydrocarbons sector (Parliament, 2010), (Parliament, 2015). Article 51 of Law 10304 on the mining sector specifically waives any confidentiality provisions related to local and national tax payments in the mining sector and confirms mining companies' obligation to disclose such payments to the EITI (Parliament, 2010).

Recognition: EITI has been important for Albania's international image. Amidst negotiations surrounding the TAP project, the EITI has been important in setting a framework for transparency and accountability in company payments to government, as well as social expenditures. Implementation of the EITI has also been important to the Albanian government in supporting its reform agenda as part of its EU accession

efforts.

Sustainability

Funding: The MEI has consistently provided partial funding for EITI implementation, covering approximately one third of annual AlbEITI funding needs. This funding covered secretariat staff salaries, administrative procurement, transportation, office space and other facilities. The remaining two thirds of funding has been covered by the World Bank's EITI Multi-Donor Trust Fund (MDTF) until 2016 and its Extractives Global Programmatic Support (EGPS) MDTF since 2016. Heavy dependence on external funding imposes risks on the sustainability of the process. However, over the medium term, the embedding of EITI reporting into government and company systems should ensure the sustainability of EITI implementation over the longer term.

Institutionalisation: Alb-EITI has developed a draft law on EITI in order to embed it into the national legislative framework. The law has found political support within the government and will be most likely adopted before September 2017. The government has expressed support for the MSG's draft Law on Transparency in the Extractive Industries, which is aligned with the EU Transparency Directive and enshrines key EITI requirements into national legislation. The MoF has also supported a draft Law on Accounting and Financial Reporting, which would integrate companies' certified EITI reporting in their statutory government reporting requirements.

Annexes

Annex A - List of MSG members and contact details¹⁶⁸

Head of Multi-Stakeholder Group

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¹⁶⁸ <http://www.albeiti.org/multi-stakeholder-group/>

Annex B – MSG meeting attendance

Albania-EITI MSG meeting attendance chart																
MSG meeting	13.feb.15	13 March 2015	02.apr.15	2 June 2015	21 July 2015	16 Oct 2015	06.nov.15	23 Dec 2015	6 May 2016	9 June 2016	29 July 2016	31 Oct 2016	31.jan.17	Not attended	Attended	MSG member at that time
Government																
MSG Chair														9	4	
Ministry of Energy and Industry														2	11	
Ministry of Finance														13	-	
AKBN														5	8	
Geological Albanian Service														3	10	
Ministry of Justice														7	6	
General Directorate of Taxes														7	6	
Civil society																
Sami Neza, Center for Transparency and Free Information														3	10	
Ilir Aliaj, Center for Development and Democratizations of the Institutions														4	9	
Anila Hajnaj, Albanian Center for Institutional Development														3	10	
Baki Bajraktari, Miners Union Bulqiza														9	1	3
Madlina Puka (Vlore)														2	5	6
Companies																
Adriatik Golemi, Bankers Petroleum Ltd														5	8	
Saimir Boka, Albchrome														12	1	
Perparim Alikaj, FIAA														2	11	
Dritan Dervishaj, ANTEA Cement														3	10	
Shell																13
Note																
<i>a. Shell was appointed as member of MSG by FIAA on 02. 05. 2017</i>																
<i>b. Other companies were member of MSG on 2015 & 2016</i>																
<i>c. Already requested different times to the CSOs to replace the missing member of MSG and we have highlighted to them that Mr. Bajraktari since his appointment has been attending meetings only once and asked to them to solve the question.</i>																
<i>Until now we don't have any response from the CSOs in this regard.</i>																

Annex C – Cost of EITI Reports

EITI Report	Cost (USD)	Selection process	MSG no Objections on ToR's	Bank's No Objection	Contract Signing	Name of consultats	Contract Completion
2011-2012 EITI Report	109,000	CS - CQ	15-Mar-14	30-Apr-14	2-May-14	Deloitte Albania	31-Oct-14
2013-2014 EITI Report	100,000	CS - SSS	2-Jun-15	3-Jul-15	14-Jul-15	Deloitte Audit Albania	30-Nov-15
2015-2016 EITI Report	128,000	CS - CQ	6-May-16	13-Jul-16	18-Jul-16	Deloitte Audit Albania	31-Dec-17

Source: AlbEITI Secretariat.

Annex D - List of stakeholders consulted

Government

ALBANA AGOLLI, Department Director, KLSH, High State Auditor

ARLINDA RUMBALLAKU, staff member, AlbEITI

ARJANA DYRMISHI, General Directorate of Customs

AUREL LAMÇE, General Director of Support Services, Ministry of Justice

AZBI ARAPI, Director of the Mining Directorate, National Agency of Natural Resources (AKBN)

BORJANA SHAKA, Director of Enforcement Collection, General Directorate of Taxation

BILAL KOÇI, Albanian Geological Service (SHGJSH)

BLERIM BRAJA, Hydropower Department, National Agency of Natural Resources (AKBN)

DORINA CINARI, National Coordinator, Head of AlbEITI

ELSA DHULI, Director of Economic Statistics Directory, State Statistics Office (INSTAT)

ENTELE MUHA, Ministry of Justice

FRAN BRAHIMAJ, Directorate of Budget, Ministry of Finance

ILIR BEJTJA, Deputy Minister, Ministry of Energy and Industry

IRSIDA NUELARI, State Statistics Office (INSTAT)

LAVDERIM SAHITI, Head of Directorate of Treasury, Ministry of Finance

MANJOLA NACO, General Director, High State Auditor (KLSH)

MAJLINDA ARUCI, Hydropower Department, National Agency of Natural Resources (AKBN)

MEHMET HASANLAMI, Directorate of Policies and Mining Development, Ministry of Energy and Industry

MYNYR SINAMAJ, Hydrocarbon Department, National Agency of Natural Resources (AKBN)

NERTILA XHIVESHI, Head of Directorate of Taxes, Ministry of Finance

NIKOLL KAZA, Director of Mineral Resources, Albanian Geological Service (SHGJSH)

OLTION KUKE, General Directorate of Customs

RAIMONDA BALILAJ, Mayor of Patos

SAJMIR LACEJ, Director of Directorate of Fiscal Policy & Analysis, Ministry of Finance

VALMIRA BEBRI, State Statistics Office (INSTAT)

Industry

ANISA CANAJ, ALBPETROL

BLERIMA AZEMI, Mining Ferro Nickel

DRITAN DERVISHAJ, Technical Director for Exploitation, ANTEA Cement

DRITAN SPAHIU, ALBPETROL

HAMZA CUM, Yebei Shpk moi

LAURA CELA, Bankers Petroleum Ltd

LUCA DI BENEDETTO, Ph.D, North Group Mining SHPK

MARINELA JAZOJ, Executive Director, FIAA

PATRICK PASCAL, General Manager, Selenice Bitumi Sha

PANOI BOMBAJ, Selenice Bitumi Sha

PERPARIM ALIKAJ, Head of its Committee on Industry and Mining, FIAA

SIBA AZEMI, Mining Ferro Nickel

SILVANA HYSENI, Accounting and Compliance Analyst, Shell Upstream Albania B.V.

SOKOL MATI, Nesko Metal A.Ş.

Civil Society

ANILA HAJNAJ, Albanian Centre for Development and Integration

ANI PLAKU, Gender Impact

BAKI BAJRAKTARI, Mining Union of Bulqiza

ERALD KAPRI, Youth Media Albania

ERION BANUSHI, Head of Sector of the Development of Programs, International Cooperation and Communication, Agency for the Support of Civil Society

FROSTINA GJINO, Executive Director, Albanian Occupational Safety and Health Centre

HENK SCHRAMA, Albanian Occupational Safety and Health Centre

ILIR ALIAJ, Executive Director, Centre for Development and Democratisation of Institutions

LORENC GORDANI, Chairman, Albanian Centre for Energy Regulation and Conservation

LVIS TANUSHI, Albanian Political Network

NERITA SEJAMINI, New Policy Group

SAMI NEZA, Centre for Transparency and Free Information

Independent administrators

ELVIS ZIU, Engagement Partner, DELOITTE Albania Sh.p.k

JONIDA VESIU, Consulting Manager, DELOITTE Albania Sh.p.k

Development partners

ELTON QENDRO, Project Assistant, Good Governance in Economic Environmental Issues Department,

OSCE Albania

FRANK NIKOLLA, Economic Assistant, Embassy of the USA

ILIR BASHA, Associate Banker, EBRD Albania

JEFFREY D BOWAN, Economic & Commercial Officer, Embassy of the USA

JENS REINKE, Resident Representative of IMF in Albania

ORLENA SHAPO, Anti-corruption Focal Point for DGC, GIZ Albania

MATTEO COLANGELI, Head of Mission, EBRD Albania

PHILIPP KELLER, Deputy Head of Mission, Embassy of Switzerland in Albania

SIGITA STAFA, National Programme Officer for Economic Development, Embassy of Switzerland in Albania

Media

ENIO CIVICI, Information Director, SCAN TV

FEJZI BRAUSHI, Albanian Political Journalists Network

LUTFI DERVISHI, journalist

VJOLLCA KOLGJONI, journalist

Others

ASMARA KLEIN, EITI Coordinator, PWYP

EMIL OMAROV, Eurasia Regional Coordinator, PWYP

DRITAN MEZINI, Managing Director, DM Consulting

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