

NATIONAL AND KAPODISTRIAN UNIVERSITY OF ATHENS  
DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC ADMINISTRATION  
MA IN SOUTHEAST EUROPEAN STUDIES

# **Albania 2016 Report**

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European Union Enlargement in SEE and beyond

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## **Political Criteria and Chapters 2, 3, 7, 10, 11, 12, 13, 14, 15, 18, 23, 24, 25, 26, 27, 28, 30, 31**

### Democracy

- *Elections*: Electoral reform before 2017 elections
- *Parliament*: Progress in its functioning
  - Consensus on adopting constitutional amendments
  - Justice reform
  - Transparency in its activities
- *Governance*: Focus on 5 Priorities
  - Stabilizing economy
- *Progress*: On policy coordination
  - At local governance

Still must: increase the administrative capacity of local government units and provide necessary financial resources

### Civil Society

**Progress**: implementation of the institutional framework for consultation with civil society and approval of the law establishing National Council for Civil Society

Still must: revise the fiscal framework which regulates the activity of civil society

### Public Administration

The country is **moderately prepared**

Still must: implement the public administration reform and the public financial management reform

### Rule of Law – Judicial System

There was **some progress** by adopting the constitutional amendments for both functioning and organizing the justice system

Still must: adopt and implement the legislation - further effort for Independence and impartiality of the system, efficiency, professionalism and accountability

- *Fight against corruption*: there is **some level** of preparation
  - Still must: establish a track record and improve institutional, legal and strategic framework
- *Fight against organized crime*: there is **some level** of preparation
  - Still must: strengthen cooperation between police and prosecution and financial investigation must be used systematically + effectively
- *Fight against terrorism*: **improvement** in operational and strategic level

Still must: be a deeper approach by law enforcement authorities and in judicial institutions

### Human Rights and Protection of Minorities

The legal framework of the country is in line with EU standards

Still must: enforce Human Rights Mechanism Improvement of living conditions for Roma + Egyptians

- *Freedom of expression*: some level of preparation, **no progress** in this area  
Still must: enhance transparency on state advertising and strengthen independence of regulatory authority and public broadcaster

### Regional issues and International Obligations

Albania maintains **good neighbourly relations** and continues to have a **constructive and proactive role** in regional cooperation

## CHAPTERS

2. Freedom of movement: **early** stage, there has been **no progress**

Still must: pursue the negotiations and implementation of the new bilateral agreements with the member states

3. Right of establishment and freedom to provide services: **moderately prepared** and some progress has been done

Still must: continue to align its legislation with the Services Directive and the Professional Qualifications Directive and strengthen institutional capacity in the field of right of establishment and mutual recognition of professional qualifications

7. Intellectual property law: **some level** of preparation regarding this field has been achieved there was some progress made by the adopting property strategy 2016 - 2020

Still must: ensure the implementation of the law to improve the functioning of collective management agencies and the payment of the royalties to right holders

10. Information Society and Media: **some progress** on the field by improving AKEP (agency for electronic and postal communications)

Still must: finalize digital broadcasting and RTSH's internal statute

11. Agriculture and Rural development: preparations are in an **early stage**

Still must: implement the IPARD and intensify efforts to set up an operational form register

12. Food safety, veterinary and phytosanitary policy: **some level of preparations and progress** but still must improve cooperation among the institutions to align with EU legislation, to implement the rules and to adopt a strategy for restructuring the sector

13. Fisheries: preparations on an **early stage, no progress** in the past year

Still must: align legislation, implement the sector strategy and enforce the regulations

14. Transport Policy: **good progress** on the field

Still must: implement legislation on railway sector reform and full preparation for the assessment on implementation of the European Common Aviation Area

15. Energy: **moderately prepared** on the area and **some progress** in the gas sector and interconnection lines

Still must: establish a power exchange in 2017 to start coupling with the neighbouring markets - certify the unbundling of energy companies and adopt the national efficiency action plans and primary and secondary legislation implementing the energy performance of building Directive

18. Statistics: **some level of preparation**

Still must: strengthen the position of INSTAT and make changes to improve its independence

23. Judiciary and Fundamental rights: **some level** of preparation and **some progress** was achieved by the constitutional amendments adopted this July

Still must: advance implementation of justice reform - develop a system to guarantee transparency - establish a solid track record for investigations - improve institutional mechanism for child protection and to bring the existing legislation on juvenile justice in line with the international

24. Justice, freedom and security: **some level of preparation** to implement the acquis and European standards and some progress was achieved, but still **must** improve institutional capacity on border management, asylum, fight against terrorism and organizational changes in law enforcement

26. Education and Culture: **moderately prepared** and **some progress** has been achieved by adopting the pre-university education strategy

Still must: ensure the implementation of the strategy, adopt VET (law on national education), enhance links between skills and labor demand

27. Environment and Climate change: 2015-2020 horizontal legislation has **some level of preparation, some progress** was achieved to integrate climate change

Still must: improve legal-policy framework related to environment, strengthen monitoring, advancing financial of major investments and implement Paris Climate Agreement

28. Consumer and health protection: **early stage - some progress** by establishing Market Surveillance Inspectorate

Still must: further align legislation with the acquis on tobacco, implement national strategy on consumer protection and ensure the proper operation of the inspectorate

30. External Relations: **moderately prepared** and **some progress** was done within the WTO with the ratification of the Trade Facilitation Agreement

Still must: strengthen the capacity of trade policy, take more steps in aligning its legislation with the acquis on export control of dual use goods and to enhance its administrative and control capacity

31. Foreign, security and defense policy: **good level of preparation** and has made **some progress** on the common foreign and security policy - Albania has de facto maintained **full alignment** with all relevant EU declarations and Council decisions

Still must: finalise the destruction of the remaining stockpile of small arms and light weapons and improve the condition of storage facilities

#### Economic Criteria and Chapters 1, 4, 5, 6, 8, 9, 16, 17, 19, 20, 21, 22, 29, 32, 33

| Key economic figures                                                                                                                  | 2014              | 2015              |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Gross domestic product (GDP) per capita (% of EU28 in PPS)                                                                            | 30                | 30                |
| GDP growth (%)                                                                                                                        | 1.8               | 2.8               |
| Unemployment rate (female; male) (%)                                                                                                  | 17.5 (19.2; 15.2) | 17.1 (17.1; 17.1) |
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (female; male) (%) | 68.6              | 71.3              |
| Current account balance (% of GDP)                                                                                                    | -12.9             | -11.3             |
| Net foreign direct investment (FDI) (% of GDP)                                                                                        | 8.1               | 8                 |

Source: Eurostat

## The existence of a functioning market economy

Albania is **moderately prepared** in developing a functioning market economy.

- GDP growth **accelerated** by a strong revival in investment and a positive contribution from foreign trade
- Account deficit remained **high** but its financing is healthy
- Inflation continued to be **low**
- Public Debt is **high** (70%) and poses macroeconomic risks
- Macroeconomic policy mix has been appropriate
- There have been taken some measures to tackle informality
- The implementation of the judicial reform is **crucial** for the improvement of the business environment
- Electricity reform led to **substantial decrease** in distribution losses – **improvement** in bill collection rates
- **Advanced** market liberalization and privatization (private sector is dominant in the economy – 80% of jobs)
- Stable banking sector (dominated by foreign banks)
- Unemployment, especially of young people **remains high** (29.9%), although there has been some progress (this underlines substantial skill mismatches)

Albania should pay particular attention to:

- pursuing efforts to improve tax revenue mobilisation to lower the public debt level
- strengthening financial sector stability by implementing the non-performing loans action plan and developing a medium-term strategy to promote the use of the local currency
- increasing the coverage of active labour market policies and improving the activation of unemployed and inactive persons

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

Albania has **some level of preparation** in terms of capacity to cope with competitive pressure and market forces within the Union.

- **Considerable gaps** to close between education outcomes and labour market needs (lack of appropriately skilled workers)
- **Low** expenditure in research, development and innovation (low-technology, labour-intensive and low-cost products and services)
- Transport and energy infrastructure **still not sufficiently developed** (**high** transport and energy/business costs)
- The economy is dominated by **services** but agriculture still retains an important role
- EU is Albania's dominant trading partner

Albania should pay particular attention to:

- improving the quality of the education system
- further liberalising the energy market in accordance with the Energy Community Treaty
- facilitating trade through simplifying procedures and removing non-tariff barriers

## Chapters

1. Free movement of goods: **moderately prepared** in the area of free movement of goods, mainly in aligning with the New and Global Approach acquis and increased capacity for accreditation

4. Free movement of capital: **moderately prepared** - progress in the area of payment systems through the amendment of regulations by the Bank of Albania

5. Public procurement: **some level of preparation** - no progress was made in the past year with further aligning with the acquis, in particular on strengthening the public procurement review system

6. Company law: **some progress** was made through measures taken to strengthen the capacity and independence of the Public Audit Oversight Board, a key recommendation in the 2015 report, and also by establishing online business registration

8. Competition policy: **some progress** on legislative alignment in all areas - significant efforts are needed to improve legislative alignment and enforcement in the area of State aid

9. Financial services: **moderately prepared** - regulations related to credit risk management and amendments to capital adequacy ratio were adopted and the Financial Supervisory Authority board structure was completed

16. Taxation: **moderately prepared** – some progress on legislative approximation with the acquis on value added tax (VAT) and excise and revenue performance in 2015 exceeded targets, largely resulting from fighting the informal economy

17. Economic and monetary policy: **moderately prepared** - some progress was made in particular by introducing a basic fiscal rule and strengthening medium-term budget planning

19. Social policy and employment: **some level of preparation** - implementation of the national jobs and skills strategy has started. The employment rate and labour market participation remain low, and the informal economy is still a significant job provider

20. Enterprise and industrial policy: **some progress** was made, particularly by establishing a National Business Centre and aligning policies with the EU Small Business Act principles

21. Trans-European networks: **some level of preparation** - some progress was made also in this reporting period in developing road infrastructure and interconnecting energy networks

22. Regional policy and coordination of structural instruments: **moderately prepared** - some progress was made with the completion of the entrustment process for the 2014 IPA national programme

29. Customs Union: **moderately prepared** - some progress was made on further approximating legislation with the acquis and addressing informality

32. Financial control: **moderately prepared** - some progress was made, especially in amending the public internal financial control (PIFC) legislation in line with the international standards

33. Financial and budgetary provisions: **some level of preparation** - some progress was made by amending the organic budget law and defining the basic elements of a fiscal rule