

EN

EN

EN



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.10.2009
SEC(2009) 1337

WESTERN BALKANS REGION	
Meeting doc. 161/09	
<u>Origin:</u> Cion	<u>Date:</u> 14.10.2009

COMMISSION STAFF WORKING DOCUMENT

ALBANIA 2009 PROGRESS REPORT

accompanying the

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

Enlargement Strategy and Main Challenges 2009-2010

{COM(2009) 533}

TABLE OF CONTENTS

1.	Introduction.....	4
1.1.	Preface.....	4
1.2.	Context.....	4
1.3.	Relations between the EU and Albania.....	5
2.	Political criteria.....	6
2.1.	Democracy and the rule of law.....	6
2.2.	Human rights and the protection of minorities.....	12
2.3.	Regional issues and international obligations.....	18
3.	Economic criteria.....	19
3.1.	The existence of a functioning market economy.....	19
3.2.	The capacity to cope with competitive pressure and market forces within the Union.....	23
4.	European standards.....	24
4.1.	Internal market.....	24
4.1.1.	Free movement of goods.....	24
4.1.2.	Movement of persons, services and right of establishment.....	26
4.1.3.	Free movement of capital.....	27
4.1.4.	Customs and taxation.....	28
4.1.5.	Competition.....	29
4.1.6.	Public procurement.....	30
4.1.7.	Intellectual property law.....	31
4.1.8.	Social policies, employment and public health policy.....	31
4.1.9.	Education and research.....	33
4.1.10.	WTO issues.....	34
4.2.	Sectoral Policies.....	35
4.2.1.	Industry and SMEs.....	35
4.2.2.	Agriculture and fisheries.....	35
4.2.3.	Environment.....	37
4.2.4.	Transport policy.....	38
4.2.5.	Energy.....	39

4.2.6.	Information society and media.....	40
4.2.7.	Financial control	41
4.2.8.	Statistics	42
4.3.	Justice, freedom and security.....	43
4.3.1.	Visa, border management, asylum and migration	43
4.3.2.	Money laundering	46
4.3.3.	Drugs	47
4.3.4.	Police.....	48
4.3.5.	Fighting organised crime and terrorism.....	48
4.3.6.	Protection of personal data.....	50

COMMISSION STAFF WORKING DOCUMENT

ALBANIA 2009 PROGRESS REPORT

1. INTRODUCTION

1.1. Preface

Since March 2002, the Commission has reported regularly to the Council and Parliament on the progress made by the countries of the Western Balkans region. This progress report largely follows the same structure as in the previous years.

The report:

- briefly describes the relations between Albania and the Union;
- analyses the situation in Albania in terms of the political criteria for membership;
- analyses the situation in Albania on the basis of the economic criteria for membership;
- reviews Albania's capacity to implement European standards, that is, to gradually approximate its legislation and policies to the *acquis*, in line with the Stabilisation and Association Agreement and the European Partnership priorities.

The period covered by this report is early October 2008 to mid September 2009. Progress is measured on the basis of decisions taken, legislation adopted and measures implemented. As a rule, legislation or measures which are under preparation or awaiting parliamentary approval have not been taken into account. This approach ensures equal treatment across all reports and permits an objective assessment.

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

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

1.2. Context

Albania is a potential candidate for EU membership. Albania applied for EU membership in April. The Commission stands ready to prepare an Opinion on this application once requested by the Council.

¹ The rapporteur for Albania until 2009 was Mr. Libor Roucek. New rapporteur is Mr. Nikolaos Chountis
² Enlargement Strategy and Main Challenges 2009-2010 (COM (2009) 533 of 14.10.2009).

The Stabilisation and Association Agreement (SAA) between Albania and the EU entered into force in April 2009. An Interim Agreement had been in force since December 2006. Albania applied for EU membership in April 2009.

1.3. Relations between the EU and Albania

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

The SAA provides a framework of mutual commitments on a wide range of political, trade and economic issues. Before the entry into force of the SAA, trade-related provisions had been implemented since December 2006 under an Interim Agreement. A Protocol to the SAA to take account of the accession of Bulgaria and Romania to the EU entered into force in April 2009.

The EU provides guidance to the Albanian authorities on reform priorities through the **European Partnership**.³ Progress on these reform priorities is encouraged and monitored via the **political and economic dialogue** with Albania. This dialogue takes place through the SAA structures. The first SA Council was held in May 2009. Six sectoral working groups/sub-committees have been held since November 2008.

Before the entry into force of the SAA, a Ministerial Troika meeting with Albania in February 2009 focused on key political priorities, including regional issues. A joint committee met in December 2008 to oversee the proper functioning of the Interim Agreement. A Consultative Task Force (CTF) meeting took place in December 2008, focusing on political accession criteria and rule of law issues. Working party/subcommittee meetings focused on economic, internal market and sectoral policies.

Albania contributed 12 soldiers to the EU-ALTHEA Mission in Bosnia and Herzegovina and 63 soldiers to the peacekeeping mission in Chad and in Central Africa (EUFOR). As a potential candidate for EU membership, Albania aligned itself with 116 CFSP declarations from a total of 128 relevant declarations adopted by the EU during the reporting period.

The **visa facilitation** and readmission agreements between Albania and the European Community continued to be implemented. In the framework of the visa liberalisation dialogue, Albania has made good progress in the areas of justice, liberty and security, but has not yet met all the benchmarks set in the roadmap. Further efforts are required particularly in the area of personalisation and distribution of biometric passports, border and migration management and the institutional framework to fight organized crime and corruption.

Since 2007, pre-accession **financial assistance** to Albania is provided under the Instrument for Pre-Accession Assistance (IPA). The EC allocated a total of €81.2 million in 2009. The Multi-Annual Indicative Planning Document (MIPD) for 2009-2011 for Albania under the IPA was adopted in July 2009. Main focus areas continue to be justice and home affairs, administrative capacity-building, economic and social development and democratic stabilisation as well as preparation for future management of EC Funds. Ongoing CARDS and IPA assistance is implemented by the EC Delegation in Tirana. The management of aid on a decentralised basis is a medium-term objective for Albania. The Financing Agreement for the National Programme for 2008 was signed in March 2009 and the implementation of the

³ Council Decision 2008/210/EC.

programme has started. The Financing Agreements for the cross-border cooperation programmes were signed in June 2009.

In response to the economic crisis, an IPA **crisis package** has been created, comprising €200 million for the Western Balkan region which are expected to leverage investments of at least €1 billion, co-financed by the partner financial institutions. The country will benefit from a share of multi-beneficiary funds for competitiveness, SMEs, energy efficiency and banking sector regulation. In addition, national IPA funds were programmed to boost the infrastructure investments. They contribute €4.5 million via the Infrastructure Project Facility for realisation of rural road and water projects. Furthermore, €7 million have been reallocated from the CARDS 2006 programme for the same purpose.

As regards support for **civil society**, €2.7 million has been earmarked under the Civil Society Facility for projects to enhance the capacity of civil society organisations over the period 2009-2011. More specifically, €1.5 million of IPA support is earmarked for civil society organisations dealing with the fight against corruption, organised crime and human trafficking, with environmental protection and education as well as poverty alleviation. Another €1.2 million under the European Initiative for Democracy and Human Rights (EIDHR) supports actions aimed at the children, women and minority rights, people with disabilities and mental illnesses and access to justice.

As regards **Community programmes**, Albania is participating in the 7th Research Framework programme under a memorandum of understanding signed in December 2007. The country is also participating in the Entrepreneurship and Innovation Framework Programme and in the Europe for Citizens programme, under memorandum of understanding signed respectively in June 2008 and February 2009.

2. POLITICAL CRITERIA

This section examines progress made by Albania towards meeting the Copenhagen political criteria, which require stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. It also monitors regional cooperation, good neighbourly relations with enlargement countries and Member States, and respect for international obligations.

2.1. Democracy and the rule of law

Parliament

On 29 January, parliament approved unanimously a resolution calling on the Government to apply for EU membership. In the resolution, Albania committed to conducting free and fair parliamentary elections and to approximating its legislation with the EU.

The parliamentary elections of 28 June were assessed by the OSCE Office for Democratic Institutions and Human rights (ODIHR) as meeting most OSCE commitments whilst not fully realising Albania's potential to adhere to the highest standards for democratic elections. Tangible progress with regard to voter identification, legal framework and voting took place but the politicisation of technical processes, such as the vote count, remains to be addressed in future elections.

Electoral reform was completed with the adoption of the Electoral Code in December 2008. The main OSCE/ODIHR recommendations from previous elections were addressed as part of the overall electoral reform. However, the culture of dialogue between the main political parties deteriorated before the elections. This held back progress on key reform areas, such as the judiciary. The last session of parliament was unable to adopt key legislation due to a boycott by some political parties. Debates centred first on the adoption of the Electoral Code and then on the modalities for issuing ID cards. To voice protest against the draft Electoral Code, some parties engaged in hunger strikes. Overall, the political dialogue, a key European Partnership priority, needs to get back on track.

Regarding preparations for the elections, progress can be noted on completing the electoral infrastructure in line with recommendations from the OSCE/ODIHR. Improved voters' lists were compiled on the basis of the new civil registry, thus meeting to a large extent this key European Partnership priority.

According to the new Electoral Code, only ID cards or passports could be used as identification for voting purposes. The distribution of ID cards, to enable citizens without passports to vote, started in January 2009 and was largely completed. The cost of ID cards and the rate of distribution turned into one of the most contentious issue in the election process. On election day, there were no major disputes about ID cards. However, some parties claimed that inaccuracies in voter lists persisted.

Albanian voters elected their new 140 members of parliament in 12 regions, according to the new regional proportional electoral system. The new parliament convened on 7 September and the new government was sworn in on 16 September.

Parliament adopted a good number of laws to approximate the Albanian legislation to the EU *acquis* but the adoption of some key laws was delayed due to the electoral campaign. The elections dominated the agenda of parliament. This resulted in little progress on key reform areas, such as the judiciary.

Management capacities of parliament have improved overall. There has been a significant decrease in the number of ad hoc parliamentary inquiry committees. The parliamentary administration started to transcribe and publish proceedings of committee meetings. However, the implementation of parliament's budget and of its internal financial rules has continued to suffer from a lack of transparency and accountability. On various occasions, procedures for recruitment have not been respected. This has had adverse effects on the quality of technical staff.

Parliament only partially exercised its oversight over the executive. To progress on approximation of legislation, parliament will have to strengthen administrative capacities to perform its control functions over the legislative process.

Parliament has not yet addressed the issue of introducing specific rules limiting the scope of the immunity of its members.

The European Integration Committee (EIC) has continued to raise awareness on EU matters. The EIC checks whether draft legislation includes concordance tables for legal approximation, as required under a new regulation of the Council of Ministers. However, further efforts are needed to enhance the role of parliament in monitoring the implementation of SAA obligations.

Overall, progress can be noted on the conduct of parliamentary elections which were considered as meeting most international standards. The timely adoption of the Electoral Code and preparation of improved voters' lists, largely meets this key European partnership priority. However, due to the elections, the political dialogue between political parties deteriorated and this delayed progress on key reform areas.

Government

Following the June parliamentary elections, a new coalition government headed by outgoing Prime Minister Berisha from the Democratic Party (DP) was asked by President Topi to form a new government. In addition to the DP, the coalition includes the Socialist Movement for Integration (SMI), the Republican Party (RP) and the Party for Justice and Integration. The new cabinet is made up of 14 ministers. The SMI, as the main coalition partner, secured the post of Deputy Prime Minister and Minister of Foreign Affairs as well as the Ministry of Economy and the Ministry of Health. The Republican Party secured the post of Minister of Environment and Water Management for its party leader Fatmir Mediu. Mr. Mediu was Minister of Defence in the previous government and resigned after the explosion of an ammunition dismantling plant in Gërdec in March 2008. The High Court dismissed charges against him in September following his re-election as member of parliament.

Building on the 2009 work programme of the previous government, the new government programme gives priority to European Integration, raising living standards and social policies. The fight against organised crime and corruption, along with judicial reform, continue to be government priorities.

Relations between state institutions continued to be difficult at times. A tendency by the executive to exert control over independent institutions, in particular in the judiciary, raised concerns.

The lustration law was adopted by parliament in December 2008. Wider consultation and consensus would have been appropriate before the law was adopted. The implementation of the lustration law was suspended by the Constitutional Court and the law is under review.

Horizontal coordination of EU matters has improved through the upgrading of European integration units in all line ministries and the establishment of inter-institutional working groups for drafting sectoral strategies.

Some measures have been taken to improve the monitoring and inter-agency coordination of SAA commitments. In April, an Inter-Ministerial Coordination Committee on European Integration was established to strengthen the coordination role of the Ministry of European Integration (MoEI). At the MoEI, some progress has been made in increasing administrative capacity and in filling vacancies. The newly established department for translation of the *acquis* has recruited 8 staff.

There has been some progress regarding the translation of the *acquis*, such as the establishment of a database of translated *acquis*. In January, a decision on "legal approximation" was adopted including a requirement to prepare concordance tables in draft legislation. Moreover, legislative gap assessments have been completed for the political criteria and several sectors. Training efforts continued. The approximation of legislation with the *acquis* remains a major challenge.

Little progress has been made in the implementation of the National Plan for the Implementation of the SAA and a reliable database on approximation of legislation is missing. The entry into force of the SAA in April was not matched by a strengthening of administrative capacity to monitor SAA commitments. Capacity for inter-ministerial coordination remains weak. Administrative capacity to implement SAA commitments, a key European partnership priority, needs further strengthening

The National Strategy for Development and Integration (NSDI) remains the government's strategic framework, covering 36 sectoral strategies of which 24 have been adopted so far. The implementation of the SAA is set as a first priority under European integration in the NSDI. However, cost estimates and performance indicators by sectors remain uneven.

Government planning has improved. The Government's overall Integrated Planning system (IPS) has built-in links on key sectors for European Integration. However, central coordination capacity remains limited in terms of implementation.

Overall, Albania has continued to make some progress in strengthening its government structures with a view to addressing SAA commitments, a key European Partnership priority. However, further strengthening of capacity, coordination and strategic planning for EU integration remains necessary.

Public administration

Little progress can be reported in this area. The legal framework is largely in place through the civil service law but its implementation remains problematic. The strategy for public administration reform was adopted but implementation has not started. Some measures were taken to improve human resource management, but the implementation of the new reward system for civil servants has been uneven. In terms of financing for public administration, some progress can be noted with the adoption of the new Organic Budget Law. However, the administrative capacity of the Department of Public Administration (DoPA) remains weak. Awareness on fraud issues among civil servants, including on the use of EU funds, is insufficient. An adequate human resource management system for public administration is needed.

Politically motivated turnover of public employees has continued, although to a lesser extent. The share of vacancies filled by temporarily contracted employees remains high, at 20% of all vacancies. This practice undermines the implementation of the Civil Service Law and creates an opening for politicisation of the administration. Recruitment in the civil service continues to take place through non-transparent procedures.

The capacity of the Training Institute for Public Administration (TIPA) has improved due to recruitment and training of managerial staff and heads of training centres. However, the role of the DoPA in ensuring implementation of the Civil Service Law, particularly in terms of political appointments, and the capacity of TIPA requires further strengthening

Overall, the legal framework for public administration reform is in place but the lack of transparency and accountability in appointments remains a key European Partnership priority to be addressed. Further progress is needed to establish an independent, merit-based and professional civil service, free of political interference. Full enforcement of the Civil Service Law and implementation of the Strategy for public administration reform will be key to progress in this regard.

Judicial system

There has been little progress in completing the legal framework for judicial reform. Amendments to the Law on the General Prosecutor's Office (GPO) were adopted. These amendments clarify the career structure of the GPO and introduce improved recruitment and promotion criteria for prosecutors. However, a comprehensive long-term strategy to reform the judiciary is pending. The adoption of bylaws to implement the Law on Judicial Power has progressed slowly. The Law on the High Council of Justice (HCJ) and the Law on administrative courts are pending. The administrative capacity of the HCJ remains weak. Attempts by the government to curtail the independence of the judiciary have politicised the debate about judicial reform and hampered progress.

The General Prosecutor's Office completed its investigation on the explosion in 2008 at the ammunition depot in Gërdec. 29 indictments, including that of the then Minister of Defence, were forwarded to the High Court. The trial was postponed several times on procedural grounds and the High Court decided in September to suspend the case against former Defence Minister Mediu based on his immunity as Member of Parliament. To ensure credibility in the fight against corruption, a fair and transparent process to condemn all responsible persons, regardless of their position, is needed. Little progress can be reported regarding the shortcomings in health and safety standards which were part of the Gërdec investigation (*See also section 4.1.8*).

In November 2008, the Law on the private bailiff service was adopted, allowing for private enforcement agents to carry out bailiff duties. The establishment of the twin-track (private and public) bailiff system will help in enforcing civil court rulings. However, implementation regulations for the service to start operating are pending.

The Law on State Advocacy was adopted in November 2008. The State Advocacy Office is being established and recruitment has started. This body will defend and represent the State before national and international courts, including the European Court of Human Rights in Strasbourg. In December 2008, amendments to the Criminal Code dealing with cybercrime were adopted, reflecting the obligations stemming from the ratification of the Convention on Cybercrime.

Constitutional court rulings have been issued on public administration matters and on the Law on the organisation of the judiciary. Other rulings regarded complaints by economic operators such as diesel fuel import restrictions and market access for some mobile telephone operators.

Judicial inspections continue to be mixed competencies between the HCJ and the Ministry of Justice. Competencies of the inspectorates of the HCJ and those of the Ministry of Justice remain to be clarified. Inspections by both inspectorates and disciplinary proceedings against judges often do not meet European standards and weaken the independence of the judiciary. The adoption of the Law on the HCJ will be key in this respect.

The School of Magistrates increased the amount of continuous education training programmes for judges and prosecutors. However, adequate financial resources are needed to broaden the scope of specialised training programmes and to ensure sustainability.

Concerning judicial infrastructure, the serious crimes court building in Tirana has been completed, and the criminal section of the Tirana district court has been relocated, which has helped alleviate overcrowding. However, court infrastructure remains poor. Sessions in

judges' offices continue to be common, and public access to court hearings remains a concern.

The random electronic allocation of court cases to judges is working fairly well. The judges affected by the abolition of eight small district courts in 2007 have been reinstalled. A computerised case management system for both civil and criminal cases is installed in all courts. The Ministry of Justice started publishing case management statistics on its website. However, court procedures remain problematic in terms of efficiency and transparency.

The budget for the judiciary has been increased in 2009. The management of the Office for the judicial budget has improved. However, the funding for the judiciary remains insufficient to ensure proper functioning of court administration.

The number of cases of blood feud-related killings is decreasing due to improved prosecution of perpetrators and to the reconciliation efforts led by civil society. Over 1000 families were disenfranchised for the elections because they could not leave their homes to apply for ID cards and/or vote. A coordinated strategy dealing with blood feuds, including crimes committed under customary law, remains to be adopted.

Overall, judicial reform in Albania remains at an early stage. Key pieces of legislation needed to complete the legal framework have not been adopted. The justice system continues to function poorly due to shortcomings in independence, transparency and efficiency, which are key European Partnership priorities to be addressed. A comprehensive strategy to improve the judicial system will be key to progress in this area.

Anti-corruption policy

The government has undertaken more coordinated efforts to fight corruption in some areas. Where corruption can result from direct contact between the private sector and the administration, measures aimed at reducing personal contacts with officials were taken. Measures include a reduction of bureaucracy and reform of procedures (e-procurement, e-taxation, one-stop-shop for registration and licensing of businesses and e-government). Progress can be reported in the education sector, such as university entrance exams, which use an anonymous system to limit the scope for corruption.

An Inter-sectoral Strategy on the Prevention and Combating of Corruption 2008-2013 was adopted in October 2008, followed by the adoption of an action plan in January 2009. Their implementation has started. However, realistic implementation mechanisms and timeframes are missing, together with monitorable indicators and adequate resources.

Progress can be noted regarding the improvement of legislation in accordance with the Council of Europe Civil Convention against Corruption. In many other fields, efforts of the government to tackle corruption are stalling at the strategy stage or are only selectively applied. Out of thirteen recommendations from the Council of Europe Group of States against corruption (GRECO) report on Albania, two recommendations regarding the rules on political parties financing remain to be addressed.

Firm and transparent handling of cases of alleged corruption, regardless of the position of the persons involved, will be important indicators for the independence of the judiciary. More political will is needed to uproot the culture of impunity which continues to prevail.

The lack of significant progress in the reform of the health sector has maintained the practice that adequate healthcare often depends on a bribe. Corruption remains high at almost all levels of the health sector. Adoption of a comprehensive health reform strategy will be key in this respect.

The lack of transparency and the unclear legal basis in the area of property rights has favoured corrupt practices in this sector.

The transparency of party financing remains a matter of concern to be addressed. The Electoral Code requires that the Central Election Commission collects political party financial declarations; it lacks however the proper mechanisms to investigate these and there is no reporting obligation for private sector donations.

Progress can be reported with the results obtained by the multidisciplinary Joint Investigative Unit (JIU) on economic crime and corruption. (*See also section 4.3*). However, the investigative capacity of law enforcement bodies and the prosecution remains weak due to shortfalls in expertise, poor inter-agency coordination and investigative methods. Conviction rates in corruption cases remain low.

The High Inspectorate for Declaration and Audit of Assets (HIDAA) has continued to publish an annual report including revenue declarations from public officials aimed at combating conflict of interest. In March, a memorandum of cooperation was signed between the HIDAA and the Financial Intelligence Unit (FIU). The Department for Internal Administrative Control and Anti-Corruption (DIACA) continued to perform internal control duties over public administration. However, the administrative capacity of supervisory and auditing bodies needs further strengthening particularly in the areas of conflict of interest and financing of political parties.

Overall, Albania has continued to address corruption, a key European Partnership priority. The legal framework and inter-agency structures are in place but implementation remains uneven. The commitment of the authorities to combat corruption has not been backed by consistent implementation of legislation. A more systematic and strategic approach is needed in fighting corruption by putting in place systems of accountability in public administration and the judiciary and by increasing transparency. A convincing track record of verdicts and sanctions in corruption cases remains to be established, particularly for high level corruption. Corruption is prevalent in many areas and continues to be a particularly serious problem.

2.2. Human rights and the protection of minorities

Observance of international human rights law

Albania has ratified most of the international and European **human rights instruments**. It ratified the Optional Protocol to the UN Convention on the Rights of the Child on the involvement of children in armed conflict, in December 2008. It also ratified the Council of Europe Convention on the protection of children against sexual exploitation and sexual abuse in April 2009. However, Albania has not yet signed the UN Convention on the Rights of Persons with Disabilities, or the European Charter for Regional or Minority Languages.

The **European Court of Human Rights** delivered five judgements finding that Albania had violated the European Convention on Human Rights and related protocols, in cases concerning the right to access to court and property rights, and the prohibition of degrading

treatment and unlawful detention. The total number of pending applications before the Court regarding Albania is 219. However, further efforts are required as regards the execution of judgements.

Albania has an adequate legal framework to guarantee the **promotion and enforcement of human rights**. However, existing legislation is often not enforced, especially in the field of prevention of torture and ill treatment, gender equality, child protection and discrimination.

Civil and political rights

With regard to the **prevention of torture and ill-treatment and the fight against impunity**, Albania has made some progress to combat physical abuse of prisoners. Law enforcement agencies have prosecuted cases of ill-treatment and police officers have been dismissed for misconduct. The mechanisms for monitoring prison conditions have improved due to extensive prison visits by the People's Advocate acting as National Prevention Mechanism against Torture. However, allegations of excessive use of force during police custody remain an issue of concern. Further efforts are needed to train law enforcement officials and to limit the high turnover of trained prison staff.

There has been some progress in the prevention of torture and ill-treatment. The People's Advocate (Human Rights Ombudsman) continued to play an active role in investigating claims of violations of fundamental rights and making recommendations. The institution received a total of 2,862 complaints during the year 2008. Most of the complaints were related to prisons, police and property rights. The People's Advocate has expressed particular concern over the conditions in pre-trial detention centres and prisons. Further action is required to implement the recommendations of the People's Advocate and the European Committee for the Prevention of Torture.

Concerning **access to justice**, a Law on legal aid entered into force in April 2009. It provides for free legal services to juveniles, witnesses, or vulnerable persons. The State Commission for legal aid has been appointed but is not yet operational. However, the appointment of the Legal Aid Commission is pending and implementation has not started. Further efforts are needed to improve access to legal aid for vulnerable groups, such as victims of domestic violence, and some minorities, in particular the Roma.

With regard to the **prison system**, parliament adopted in December 2008 the Law on prison police. In March 2009, the government adopted the General Rules of Procedure of Prisons, including provisions on the right of prisoners to employment and education. The establishment of minor's sections in the office of several prosecutors has encouraged the use of alternative sentencing of juveniles and relieved the burden on pre-trial detentions and prisons.

Several prisons have been refurbished to improve living conditions. The construction of a juvenile rehabilitation institution in Kavaja and a new pre-trial detention centre in Durrës were completed in June 2009. These two new centres should help to alleviate overcrowding. The total number of detainees has decreased. However, it remains well above capacity. General prison conditions remain below standard. Cases of bribery and excessive use of force in Albanian prisons remain to be addressed. Progress in developing rehabilitation schemes, such as education, work and social programmes for detainees, will be key to progress in this area.

In December 2008, Parliament adopted amendments to the Criminal Code regarding alternatives to detention. To implement this law, the Regulation on the probation service was adopted in March 2009. The probation service is starting to operate but application of alternative sentencing by the judiciary is progressing slowly.

Overall, progress has been made in establishing a probation service and in improving the prison and pre-trial detention system, but overcrowding continues and detention standards in older prisons remain poor.

As regards **freedom of expression**, investigative journalism has contributed to reporting of corrupt practices. However, some pressure was applied by the executive, mostly financially, but also through selective action against media operators. Some media outlets were evicted from their premises owned by the government. Business and political interests continue to influence the independent media, in terms of editorial independence and professional capacities.

The media coverage of the electoral campaign was often biased. Regarding media coverage, the OSCE/ODIHR media monitoring indicated that during the official campaign period the coverage for the main parties was balanced. However the report points out that all broadcasters showed a bias towards either DP or SP. The public service broadcaster has not fully guaranteed equal airtime to all political parties. The National Council for Radio and Television (NCRT) has advanced preparations for the national strategy for TV digitalisation. However, the Law on electronic broadcasting remains to be adopted. The Law on public and private radio and television is still not in compliance with international standards. Required amendments to the Criminal and Civil Codes to decriminalise libel and defamation and the implementation of the law on access to information are pending.

In terms of administrative capacity, no progress can be reported on the NCRT's monitoring capacity. The NCRT has favoured the media linked to the government. A fine imposed by the NCRT on a private TV broadcaster prompted the reaction of the People's Advocate. This raises questions about the independence of the NCRT.

The reform of the public broadcaster has stalled. The government's continuing influence impacted negatively on the independence of the institution. The low collection rate of the licence fee remains a matter of concern.

Overall, there has been only little progress on completing the legal framework on the media. More efforts are needed to improve the overall climate for the media, to finalise the digitalisation strategy and to adopt key legislation on broadcasting, decriminalisation of defamation, public information and transparency of media ownership.

No restrictions on **freedom of assembly and association** are to be reported.

As regards **civil society organisations**, progress can be noted. Civil society relations with the government improved. The law on the establishment of the Civil Society Foundation entered into force. However, greater efforts are needed to foster the non-profit sector and for consulting civil society organisations on legal and administrative reforms. The fiscal regime governing non-profit organisations remains unclear and needs to be clarified.

Civil society is represented by many small NGOs which remain largely fragmented. The government has started to consult civil society organisations on draft laws and to engage with a wide range of stakeholders. However, there are no formal mechanisms in place for such

consultations. Coordination mechanisms to enhance civil society participation in policy making remain weak.

As regards **freedom of religion**, the government signed an agreement with the three main religious communities to regulate their relations with the state. In February, the National Strategy for the Alliance of Civilisations in support of inter-cultural and inter-religious dialogue was adopted. Interfaith relations continue to be good. However, no progress has been made on solving the issue of property restitution to religious communities.

Economic and social rights

With regards to **women's rights**, some progress can be reported. The Electoral Code introduces a 30% gender quota. Political parties generally respected this quota in candidates' lists for the parliamentary elections. The representation of women in parliament doubled from previous elections reaching 23 female deputies. However, some of the lists did not meet the quota. The Central Election Commission did not apply sanctions provided for in the Electoral Code in this respect.

In January 2009 the National Council for Gender Equality was established. However, there continues to be low representation of women in high-level elected and appointed bodies both at central and local level.

Gender equality is guaranteed by law but the implementation of the existing legal framework and policies is insufficient. Most of the bylaws implementing the Law on domestic violence have been adopted. A first public shelter for victims of domestic violence is being established. However, domestic violence remains widespread. Many incidents went unreported. Sound data is missing. Further measures are required to strengthen the level of protection for women victims of domestic violence, including media awareness campaigns and specialised training for judges.

Overall, some progress has been made to protect women's rights. However, further efforts are needed to effectively promote gender equality. Domestic violence remains a serious concern. The protection of women against all forms of violence needs to be considerably strengthened.

Some progress took place as regards **children's rights**. In November 2008, parliament adopted amendments to the Criminal Code, which now considers the use of children for pornographic materials a criminal offence. Measures implementing the 2008 Strategy on Foster Care have been prepared but implementing standards and adequate resources are missing. As regards juvenile justice, progress has continued in the implementation of alternative measures to detention for juveniles. Up to 42% of all sentencing is for community service. The system for protection of children between 14 and 18 years of age has improved in terms of legislative provisions, knowledge of professionals and in the use of alternative sentencing. However, the juvenile justice system lacks responses and referral mechanisms for children under the age of 14 who commit a crime.

Albania remains a country of origin for children trafficked for sexual exploitation and forced labour. Child protection units are in place at the local level as part of a referral system for children at risk. However, registration of children is not fully implemented, particularly in poor areas and in the Roma community. School dropout rates, street children and child labour continue to be issues of serious concern. The establishment of a national child protection

system, including efficient reintegration mechanisms for children victims of exploitation and children left behind, would be key to progress in this area.

Overall, some progress has continued in the area of children's rights. However, further efforts are needed to fully implement existing legislation and policies to ensure effective child protection.

As regards **socially vulnerable and people with disabilities**, following protest campaigns by NGOs, the government has improved some of the disability benefit packages. However, the existing legislation and administrative measures are not fully enforced. Statistics on people with disabilities are lacking. Access to employment continues to be problematic.

The legal framework regarding the protection of people with disabilities remains to be completed. Albania has not signed the UN Convention on the Rights of Persons with Disabilities and its optional protocol. The Law on people with disabilities remains to be adopted. The implementation of the national strategy on people with disabilities has remained slow. New urban planning measures were adopted to improve accessibility to individuals with disabilities, but implementation has not started.

No significant changes can be reported in the field of **labour and trade union rights**. The law allows the creation of trade unions and employers associations. However, these organisations continue to be weak and fragmented, due to the predominance of small and medium-sized enterprises and the large informal economy. Legal provisions denying the right to strike to some State employees persist, which is not in line with the European Social Charter. The position of trade unions and employers' organisations remains weak. Preparations for the social dialogue remain at an early stage.

Concerning **anti-discrimination** policies, discrimination based on gender, race, language or religion is prohibited by law. However, the Law on Anti-discrimination prepared in consultation with civil society has not been adopted yet. Discriminatory practices against women and some minority groups such as Roma are widespread. There are no longer active lesbian, gay, bisexual and transgender (LGBT) organizations operating in the country. LGBT persons are subject to intolerance. The government has not taken any action to develop an action programme to counter discrimination, including on grounds of sexual orientation and gender identity.

There has been little progress in consolidating **property rights**. The land valuation maps, an essential basis for compensation, were finalised for the entire country. The Immovable Property Registration Office (IPRO) has continued initial property registration in different parts of the country but the process is not completed. A complete inventory of State land earmarked for compensation remains to be completed. Unresolved legal issues with regard to the compensation of former owners continued to hamper progress. The number of court cases stemming from disputed property rights has further increased.

The Agency for legalisation of informal zones (ALUIZNI) increased its staff from 350 to 900 in order to speed up the process of legalisation. However, the process remains non transparent and few legalisation requests have been processed. By the end of 2008, the Property Registration and Compensation Agency (PRCA) paid €4 million compensation to some former owners. Other legal amendments, were adopted in a piece-meal and uncoordinated manner. Considerable further efforts are needed regarding the first registration of real estate,

property restitution, and compensation and legalisation of informal constructions. The adoption of a comprehensive strategy accompanied by an action plan will be key in this area.

Overall, there has been little progress in consolidating property rights, a key European Partnership priority. The problems relating to the property reform require a wide-ranging approach and the setting-up of a comprehensive legal and institutional framework. Uncertainties about property rights continue to hamper development of a functional land market and keep foreign investment below potential.

Minority rights, cultural rights and protection of minorities

The Constitution provides for the protection of civil, economic, social and political rights of minorities and the law forbids discriminatory treatment. There are three recognised national minorities (Greek, *Macedonian* and Serbian-Montenegrin) and two ethno-linguistic minorities (Aromanian and Roma) in Albania. The Egyptian community is seeking the status of an ethno-cultural minority. With regard to **cultural rights**, the European Charter for Regional or Minority Languages remains to be adopted.

Albania has continued to develop its legislative framework with a view to improve the implementation of the Council of Europe Framework Convention for the Protection of minorities. Agreements were signed between central and local authorities regarding the display of traditional local names in minority languages. However, further efforts are needed to defuse intra-ethnic tensions. The legal framework on minority protection, including territorial limitations, education policy and the distinction between categories, needs to be clarified based on updated statistical data. There continues to be no accurate data on minorities. The next population census, while respecting international standards on data protection, will be key to address this issue.

The Civil Service Law provides for the participation of minorities in public administration, the armed forces and the police. Efforts have been made to recruit persons belonging to minorities, particularly Roma, in the police. However, minority representation remains limited.

The institutional capacity of the State Committee on Minorities remains weak. Its role as intermediary between the government and minority representatives requires further strengthening in order to ensure effective participation of minorities in decision-making processes.

Overall, progress has continued on the protection of minority rights but additional efforts are needed to ensure that members of all minorities can fully enjoy their cultural rights. The collection of updated data on the size of minorities is key to development of a national minority policy. The legal framework on minority protection needs to be further developed and clarified.

Concerning the **Roma** minority, some progress can be reported. An inter-ministerial working group for the implementation of the national strategy was established in March. However, the implementation of the National Strategy is progressing slowly. Effective coordination of central and local authorities together with improved cooperation of stakeholders is weak. There is no information on the budget allocated to the implementation of the strategy. Albania has not yet adopted the Action Plan for the Decade of Roma inclusion.

The Ministry of the Interior launched in December 2008 a project to register the Roma, of whom up to 50% have no ID cards. In view of the general elections, the Government issued ID cards for the Roma at no cost and used mobile units to distribute them. However, registration is not completed and requires more attention. Roma children are particularly vulnerable to trafficking due to a lack of birth registration and low school enrolment rates.

Overall, the Roma minority continues to face very difficult living conditions, poverty and discrimination, particularly regarding access to education, social protection, health care, employment and adequate housing.

2.3. Regional issues and international obligations

Albania still maintains the 2003 bilateral immunity agreement with the United States granting exemptions from the jurisdiction of the **International Criminal Court**. This does not comply with the EU Common Positions on the integrity of the Rome Statute or the related EU guiding principles on bilateral immunity agreements. Albania needs to align with the EU position.

Albania is still being monitored by the Parliamentary Assembly of the **Council of Europe**, to verify fulfilment of obligations and commitments relating to its membership of the Council of Europe.

Regional cooperation and good neighbourly relations form an essential part of the process of moving towards the European Union. Albania continues to actively participate in regional initiatives, including the South-East European Cooperation Process (SEECP), the Regional Cooperation Council (RCC), the Central European Free Trade Agreement (CEFTA), the Energy Community Treaty and the European Common Aviation Area Agreement (ECAA).

Bilateral relations with other enlargement countries and neighbouring EU Member States continued to be positive. An increased number of bilateral activities and visits have been held with the countries of the region.

Albania has maintained good relations with the *former Yugoslav Republic of Macedonia* and cooperation has continued to grow. The implementation of the visa-free bilateral travel agreement has started and the agreement on joint patrolling of common borders entered into force

Relations with *Montenegro* have intensified and exchanges have increased, including the signing of agreements on cooperation in science and technology and in culture, and the adoption of measures in fighting organised crime. The construction of the joint border crossing point at Muriqan/Sokobine was completed. Albania has further developed its good relations with *Croatia*. The country's relations with *Bosnia and Herzegovina* have intensified and agreements on cooperation in fighting organised crime, corruption, illegal migration and drugs trafficking and in the area of customs have been concluded. A visa-free bilateral agreement and a readmission agreement have been signed.

Relations with *Serbia* have remained stable, although they were affected by Albania's recognition of the independence of Kosovo⁴. There have been no bilateral political visits, but there were senior-level meetings on the margins of regional and international events. There have been ongoing contacts regarding judicial cooperation. Economic cooperation progressed

⁴ Under UNSCR 1244/1999.

and in March 2009 a Memorandum on Cooperation was signed between the Serbian and Albanian Chambers of Commerce.

Albania has continued to develop its relations with *Kosovo*. Intensification of high-level contacts and the signing of new agreements, including those on free movement of people, and the opening of common border and customs points have taken place. The construction works for the motorway linking Durrës to Kukës, which will eventually link Kosovo to Albania, are well advanced.

Political, economic and cultural relations with *Turkey* have continued to intensify. Agreements on cooperation in the fight against money laundering were signed. Agreements were signed with a view to abolish the bilateral visa regime.

Relations with *Italy* continued to be very good and to develop with a number of joint projects in key sectors such as energy and agriculture. Italy continues to rank as Albania's first partner in terms of trade and commercial exchanges. Relations with *Greece* remained very good. Greece remained Albania's second largest trading partner. In 2009, the two countries signed important bilateral agreements in areas such as energy, seasonal employment and justice and home affairs.

Albania became a member of the North Atlantic Treaty Organisation (NATO) in April 2009.

Overall, Albania has continued to foster positive relations with its regional partners, thus contributing to regional stability.

3. ECONOMIC CRITERIA

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

3.1. The existence of a functioning market economy

Economic policy essentials

In February, Albania submitted its third Economic and Fiscal Programme for 2008-2011. The programme presents a coherent set of economic policies and aims at consolidating public finances. Albania's medium-term macroeconomic and fiscal framework was revised in May in order to update the external assumptions and better reflect the impact of the global economic crisis. The 2009 growth estimate was revised downwards. The programme reflects an improved budget and project planning capacity, as well as better availability of statistics. The document is well integrated with other medium-term planning instruments such as the Medium-Term Budget Programme 2009-2011 and the National Strategy for Development and Integration 2007-2013. In July 2009, the government adopted the Medium-Term Budget Programme 2010-2012. The regular use of these medium-term planning instruments indicates that administrative planning and implementation capacity has improved. Albania completed its three year 2006-2009 PRGF/EFF⁵ programme with the IMF in January 2009 and so far has

⁵ Poverty Reduction and Growth Facility and Extended Fund Facility.

not requested a new programme. *Overall*, consensus on the fundamentals of a market-oriented economy was maintained.

Macroeconomic stability

The Albanian economy recorded strong and sustained growth of 8% in 2008 and, according to the authorities' data, of 6% in the first quarter of 2009, mainly driven by large public investments in the road network. Private sector activity benefited from strong, albeit slowing, credit growth, and from improved stability of the energy supply. So far, the international financial and economic crisis has resulted in lower demand for Albanian exports, a fall in net inflows of monetary transfers in the form of remittances, and a marked slowdown in credit growth. Per capita GDP in purchasing power parities was estimated at 25% of the EU-27 average in 2008, up from 24% in 2007. *Overall*, the Albanian economy continued to grow, albeit at a slower pace.

The current account deficit widened in 2008 to 14.5% of GDP, up from 10.5% of GDP in 2007, reflecting a further deterioration of the trade deficit and a decline of remittances. The trade deficit in 2008 increased to 27.2% of GDP from 26.5% of GDP in 2007. Partly due to the massive public road works, imports of capital goods increased by 29% as compared to 2007. Consumption goods imports decreased by 6% in 2008. Albanian exports continued to show strong dependency on apparel industries, which accounted for 43% of total exports. Exports of mining products grew substantially in 2008 but suffered a severe setback in 2009, partly due to lower international demand for chromium and nickel. In the first half of 2009 exports fell by 21% year-on-year, and the exports-over-imports coverage ratio fell to 25.5%, down from 30.8% in the first half of 2008. Remittances were down by around 16% in 2008 compared to 2007, amounting to 9.2% of GDP, partly reflecting the impact of the global financial crisis, partly the declining trend observed over the past years. Latest data for the second quarter 2009 point to a further decrease of remittances of 4% compared to the same period in 2008.

External imbalances remained high and continued to widen. In 2008 net capital inflows covered the current account deficit and contributed to the foreign reserves' increase. Net FDI increased by about 42%, reaching the level of 7% of GDP, up from 5.9% in 2007, with an increasing share of greenfield investment. During the first half of 2009, a tender for a syndicated loan of up to €250 million was awarded to a consortium of foreign banks. If fully drawn, the loan would finance about 30% of public investment in 2009. The public external debt ratio increased to 18.4% of GDP in 2008 from 15.4% of GDP in 2007. Corporate foreign financing remained negligible. Albania preserved a sufficient level of international reserves at around 4.2 months of imports. *Overall*, strong capital inflows more than financed a large current account deficit in 2008, and they continued during the first half of 2009, partly driven by the privatisation process.

The unemployment rate decreased slightly to 12.7% by the end of 2008, down from 13.2% by the end of 2007. Public wages increased by 8.8% in 2008, whereas the average wage in the private sector increased by 15.1%. A further increase in public sector wages and pensions took place in May 2009. *Overall*, there were some improvements in labour market outcomes. However, unemployment remained high and labour market data continued to be poor.

Price stability was maintained. The annual average inflation rate rose to 3.4% during 2008 from 2.9% in 2007, but remained within the Bank of Albania's target range of 2-4%. The main contributors to inflation were international food and fuel prices as well as domestic

energy prices. Inflationary pressure started fading out in the third quarter of 2008 in line with slowing money supply growth. The inflation rate continued its declining trend during the first three months of 2009, reaching 1.6% in March, and thereafter slightly resumed and stabilised at 2.2% in July and August. In view of subsiding inflationary pressures and as a reaction to the international financial crisis, the Bank of Albania reduced its basic policy rate from 6.25% to 5.75% in January and started providing unlimited liquidity to banks at its current policy rate. Deposit withdrawals reduced the stock of deposits by 8.2% between September 2008 and April 2009. Thereafter, deposits started growing again as of May 2009. The increase of the state deposit insurance to 100% coverage of deposits of up to 25 million lek (about €20,000) was a stabilising element. Albania continued to pursue a free floating foreign exchange regime. In 2008, the lek appreciated by 0.7% and 7.2%, respectively, against the euro and the US dollar, while it depreciated against both currencies in the first half of 2009 by 6.5% vis-à-vis the euro and 4.5% vis-à-vis the US dollar. *Overall*, monetary policy remained sound, maintaining price stability and ensuring the liquidity of the banking sector after the outbreak of the crisis. Inflation remained within the target range.

During 2008, the tax administration made further progress in both general revenue collection and administrative reforms. Tax revenues increased to 24.3% of GDP up from 23.2% of GDP in 2007. The application of the 10% flat personal income tax continued to produce effects in 2008 and led to a sharp increase in income tax revenues. However, revenue collection at local government level remained low. Public expenditures in 2008 increased to 32.3% of GDP due to accelerated capital expenditures, reaching 8.6% of GDP in 2008 after 5.8% of GDP in 2007, mainly reflecting public investment projects such as the Durrës-Kukës road. 98% of budgeted capital expenditures was actually spent, signalling improved project planning and implementation capacity. However, there were also costs overruns in the particular case of the Durrës-Kukës road. Domestic public debt remained at 36.7% of GDP, whereas foreign public debt increased to 18.4% of GDP as compared to 15.4% in 2007. Higher interest payments partly reflected the strategy to lengthen the maturity structure of Albania's public debt.

The fiscal policy stance continued to be expansionary in 2008, as in the previous year. Fiscal imbalances deteriorated, with the total budget deficit increasing to 5.5% of GDP in 2008. The 2009 budget initially projected a deficit of 4.2% of GDP, based on a GDP growth rate of 4.8%. The budget includes a contingency line of approximately 2% of GDP, to be used to address fiscal downside risks. It has, however, already been partly used to fund the rise of public wages as from May 2009. Fiscal revenues performed well during the first five months of 2009, with total revenues up 8.1% in annual terms. Nevertheless, since the 2009 budget had originally been based on a more favourable macro-fiscal framework, total revenues were 6% behind schedule. As a consequence a revised budget was prepared in summer and approved by the Parliament in September, with an increased deficit of 6.4% of GDP for 2009. The financing of fiscal deficits continued to put a floor under the level of interest rates for business and consumer loans and to divert savings to the government sector, thereby hampering growth. The government relies in 2009 on privatisation revenues and borrowing to finance the deficit, to an extent that does not appear sustainable over the medium-term. *Overall*, fiscal policies continued to sustain growth but will need to be reassessed to ensure long-term sustainability of public finance.

Overall, macro-economic stability has been maintained, as the crisis has had only a limited impact on the country. Monetary policy reacted to the changes in the economic environment and ensured liquidity of the banking system, while contributing to low inflation and exchange rate stability. On the fiscal side however, while budget planning improved, significant budget imbalances remained an element of vulnerability.

Interplay of market forces

The private sector employed about 83% of the workforce in 2008, reflecting a slight increase versus 2007. State participation in the economy diminished further as Albania made good progress with the implementation of its privatisation agenda. In December 2008, the oil refinery company ARMO was sold for €128 million. The remaining state-owned shares in the mobile telecommunication company AMC were sold for €40 million in February 2009. 76% of the shares in the distribution arm of energy company KESH were sold for €102 million in April partly implementing a key European Partnership priority. A fourth mobile communication company was licensed in April 2009 for €7.2 million. In May 2009, the World Bank approved a Partial Risk Guarantee of €60 million for the privatisation of KESH's distribution arm. *Overall*, the government made good progress in reducing the level of state ownership in the economy.

Market entry and exit

The National Registration Centre became fully operational and registered close to 18,000 new businesses in 2008, an increase of 29% over 2007. The one-stop-shop national centre for licensing took up its operations in June 2009, and substantial progress was made on reform and simplification of licensing. In February 2009 the Urban Planning Law was amended reducing the time for issuing construction permits from 60 to 45 days. The documentation for issuing property titles for several thousands of applicants was prepared, but unresolved legal issues with regard to the compensation of former owners continued to hamper this process. No cases of implementation of the Bankruptcy Law were reported. *Overall*, good progress was made to further facilitate market entry. However, bankruptcy procedures are still not used, which hampers the efficiency of market mechanisms.

Legal system

The role of courts in the enforcement of contracts remains limited and the legal system at large lacks authority and public acceptance, partly due to perceived levels of corruption and weak administrative capacity. Informal methods of contract enforcement, by-passing the legal system, continued to be widespread. In January 2009, the government introduced the obligation to use online public procurement procedures, but the Law on Administrative Courts has not yet been approved by parliament. Administrative procedures have impaired the implementation of the Tax Amnesty Law. By the end of 2008, a State Commission was established to verify all property titles distributed according to the Law on Land and regional commissions were established at the 'prefecture' level to verify the cases, further slowing down land ownership transactions. *Overall*, the legal system did not contribute as required to the enforceability of contracts and to the strengthening of the rule of law. Limited progress was made towards the establishment of clear, well defined land property rights.

Financial sector development

After the privatisation of the remaining 40% of state-owned shares in United Bank of Albania, the banking sector is totally private-owned. External borrowing by the banking sector stood at 8.6% by the end of 2008 and increased further during the first half of 2009. Bank lending to the private sector increased in 2008 to 34.4% of GDP, which still leaves financial intermediation at a low level. The interest rates charged by commercial banks for business and consumer loans continued to be driven by interest paid on government securities. The average yield of 12-month Treasury bills stood at 8.8% at the end of 2008, up from 8.4% a year

before, and continued to increase to 9.24% by end of June 2009. As a consequence, public financing needs effectively continued to crowd out private investment. *Overall*, banks continued to provide the full range of business loans. However, the share of other financial intermediaries remained low.

The Bank of Albania stepped up its supervision of the banking sector in areas related to credit risk management, capital adequacy, risk management by subsidiaries of foreign banks, and risk management in the context of large exposure. To support liquidity in the banking system it limited amounts that foreign-owned bank subsidiaries can deposit with their parent institutions. As the international economic crisis started showing effects on the export sector, the share of non-performing loans increased from 4% in March 2008 to 7.5% in the first quarter of 2009. Business loans were on average more problematic than consumer loans, with a non-performing loans ratio of 7.6% by the end of 2008, up from 3.6% by the end of 2007. Also profitability indicators, having remained solid throughout 2008, came down markedly during the first quarter of 2009. Finally, in April, the banking sector, taken as a whole, recorded its first net financial loss in several years. *Overall*, the banking sector remained well-capitalised and liquid. However, in the first half of 2009, as the international economic crisis started showing effects, profitability suffered as non-performing loans increased, and banks started to tighten criteria for awarding credit thus dampening credit growth.

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

Existence of a functioning market economy

Macroeconomic stability was maintained in a very challenging economic environment. There were improvements in the organisation and accessibility of the national land registry, which includes the registration of property; the reliability of the credit registry was further improved, and no severe energy supply shortages were observed over the last year. *Overall*, there has been good progress towards establishing a functioning market economy. However, uncertainty about property rights, poor contract enforcement and outstanding shortcomings in the rule of law remained main obstacles.

Human and physical capital

The government continued its strategy to improve the quality of human capital, the so-called 'brain gain' initiative. Persons holding university degrees at either masters or PhD level were offered premiums on top of public salaries, with degrees earned at universities abroad allowing for higher premiums. 8,000 young people were trained in the vocational training schools and new vocational training posts were opened during the year 2008. However, impact assessments of measures to improve the functioning of the labour market are impaired by the absence of reliable labour statistics.

Gross fixed capital investment stood at 39.1% of GDP, with private sector investment taking a slightly smaller share of 29.8% of GDP, down from 30.5% in 2007. Net FDI increased by about 42%, reaching the level of 7% of GDP, up from 5.9% in 2007, with an increasing share of greenfield investment. Public investments focused on road infrastructure. The Vlora thermal power plant is not yet operational, whilst a series of concession agreements for the construction of hydro-power electricity generation plants were approved. *Overall*, there has been substantial investment in infrastructures, notably in the transport sector, although shortcomings remain.

Sectoral and enterprise structure

The changes in relative shares of agriculture, industry and services were similar to previous years. Roughly half of Albanian GDP is produced in the service sector. Agriculture continued to downsize but still represented a 16.3% share of GDP and remained the largest employer with 58% of the working population. The secondary sector expanded on the back of large infrastructure works. The large informal sector is fuelled by weaknesses in tax and expenditure policies, as well as in law enforcement, including the fight against corruption and organised crime. Reducing its size remained an important challenge and government efforts to address high levels of informality continued by reducing taxes for businesses and employers' social contributions. The energy supply was more reliable during the reporting period. However, Albania is still mainly dependent on hydro-electric power and security of supply remains uncertain. The energy sector continued to exhibit high rates of technical and non-technical losses. The energy market became also more competitive with the privatisation of ARMO. A number of concessions were awarded for new hydro-power plants as well as to build wind farms. *Overall*, restructuring of the energy sector progressed. However, security of electricity supply remains uncertain.

State influence on competitiveness

Direct subsidies in the form of transfers from the budget remained negligible (0.2% of GDP in 2008 and 2009). With regards to indirect subsidies, electricity tariffs are not yet at cost recovery levels and the debt of the privatised Distribution Systems Operator was transferred to publicly owned KESH. *Overall*, state interventions were kept within bounds.

Economic integration with the EU

The openness of the Albanian economy continued to increase. The sum of imports and exports (conventionally defining openness) stood at more than 82% of GDP in 2008. Total foreign trade increased by 16% compared to 2007. Both imports (+15.3%) and exports (+16.5%) of goods and services grew during 2008, albeit at lower rates than in 2007. Albania's main trade partners continued to be Italy and Greece. *Overall*, the EU remained the main trading partner of Albania in 2008, and trade with CEFTA countries increased. However, the poor sectoral diversification of trade leaves the economy vulnerable to sector-specific shocks.

4. EUROPEAN STANDARDS

This section examines Albania's capacity gradually to approximate its legislation and policies to the *acquis* related to the internal market, sectoral policies and justice, freedom and security, in line with the Stabilisation and Association Agreement and the European Partnership priorities. It also analyses Albania's administrative capacity. In each sector, the Commission's assessment covers progress achieved during the reporting period and summarises the country's overall level of preparations.

4.1. Internal market

4.1.1. Free movement of goods

Progress has continued in the field of **standardisation**. By the end of August 2009 Albania had adopted 15,029 European Standards (ENs), corresponding to 88% of all the ENs adopted

by the European Committee for Standardisation (CEN) and the European Committee for Electrotechnical Standardisation (CENELEC). This is in line with the target of 90% set for 2009. The Directorate-General for Standardisation (DGS) provided information to the business community on the Law on Consumer Protection and the Law on General Product Safety Essential Requirements for Products and Conformity Assessment, and has continued raising awareness on the benefits of standardisation. Sales of standards grew during 2008, and continued growing in the first half of 2009. The DGS continued to participate in CEN and CENELEC activities as an affiliate member. Preparations for the fulfilment of the conditions for full membership in CEN and CENELEC are in progress. However, the supervisory board provided for in the February 2008 Law on Standardisation to monitor the work of the DGS has not yet been established.

There has been some progress on **conformity assessment**. Six new conformity assessment bodies were accredited up to June 2009, bringing the total number of accredited bodies to 16. However, amendments drafted to further approximate the Law on General Product Safety, Essential Requirements for Products and Conformity Assessment to the new horizontal *acquis* of July 2008 have not yet been adopted.

There has been good progress in the area of **accreditation**. The decision on the internal functioning of the Directorate-General for Accreditation (DGA) adopted in October 2008 provides for further approximation to the European standards and establishes the legal basis for the new Accreditation Board. However, the Board has not yet been set up. The DGA's application for a bilateral agreement with the European Cooperation for Accreditation (EA) in the field of testing laboratories, under the conditions applicable to EA multilateral agreement signatories, was approved in August 2009.

There has been good progress in the field of **metrology**. New technical regulations were approved on the requirements for measuring instruments. The Directorate-General for Metrology (DGM) adopted a human resource development programme and continued providing training to its staff. The DGM became a member of the European Association of National Metrology Institutes (EURAMET) focus group on facilitating national metrology infrastructure development in November 2008. In May 2009 Albania became an associated member of WELMEC, the organisation for European cooperation in legal metrology. Two calibration laboratories are accredited according to EN ISO/IEC 17025 by the Albanian accreditation body. The DGM is working on the implementation of the investment plan for the new areas of measurements, including buildings and equipment, as part of the 2008-2012 national strategy on Metrology.

There has been some progress on **market surveillance**. The government took some measures to implement the strategy on market surveillance for industrial products. However, further efforts are required to step up the market surveillance activities of the Central Technical Inspectorate and to extend the scope of its functions. Current administrative capacity, the actual enforcement of technical regulations and cooperation among market surveillance bodies remain poor. Further efforts are required to increase the human resources of the Market Surveillance Directorate in the Ministry of Economy, Trade and Energy.

There has been some progress in alignment with European standards. The government adopted decisions on legislative approximation of technical regulations relating to machinery, lifts and to equipment and protective systems in potentially explosive atmospheres. There was also some progress as regards legislative alignment in the pharmaceutical sector.

There has been good progress on **consumer protection**. Implementing legislation on distance selling, contracts negotiated away from business premises and package travel was adopted. The regulatory framework was improved and the Consumer Protection Commission (CPC), a decision-making body, was established in April 2009 and has started to address the first dispute between consumers and service providers. The CPC's five members include representatives of the government and of civil society. They received training on unfair commercial practices issues in July 2009. The Consumer Protection Coordination Council was also established as a consultative body. However, the consumer protection unit in the Ministry of Economy, Trade and Energy is understaffed, with only two civil servants, and its capacity remains poor.

Overall, preparations in the area of free movement of goods are on track. Albania has made progress in approximating its legislation to European standards. However, considerable efforts are still required to further align the body of legislation to European standards, as well as to strengthen administrative capacity for the implementation and enforcement of legislation.

4.1.2. *Movement of persons, services and right of establishment*

There has been little progress on **movement of persons**. The Law on Foreigners entered into force in December 2008 but regulations required for its implementation are still pending. No progress can be reported on the *coordination of social security* and the conclusion of bilateral agreements with EU Member States.

Little progress can be reported on **provision of services**. Preparations have not started on the distinction between the regimes applicable to the cross-border provision of services by EU operators in Albania and the regime applicable to service providers established in Albania. No progress can be reported as regards the recognition of professional qualifications and its differentiation from the recognition of academic qualifications. The Law on Telecommunications and the Postal Service was amended in May 2009 to separate regulatory functions from policy making and from activities relating to the exercise of ownership in the postal sector. Regulatory powers are vested in the Electronic and Postal Communications Authority. However, full liberalisation of the postal market has not yet been achieved.

There has been some progress on financial services. In February and March 2009 the Bank of Albania (BoA) approved regulations on the licensing and activities of non-banking financial institutions and of foreign banks and branches of foreign banks. The BoA increased its supervisory role by approving regulations on credit risk management, capital adequacy, and large exposure rules. The level of coverage of bank deposits by the deposit guarantee fund was increased as a response to the financial crisis. The BoA increased its cooperation with supervisory authorities of foreign banks having subsidiaries or branches in Albania. However, further efforts are required to formalise cooperation with all foreign authorities concerned and to continue strengthening the supervisory capacity of the BoA. Further approximation of the banking legislation to the EU standards, in particular to the Capital Requirements Directive and to the Basel II framework, is still required.

Little progress can be reported as regards insurance services and occupational pension funds. Obligatory insurance schemes continue to dominate the market. Two private pension funds operate in Albania.

In January 2009 the government approved implementing legislation relating to the technical and mathematical provisions of insurance undertakings. The Financial Supervisory Authority (FSA) approved *inter alia*, regulations on the bookkeeping of transactions, on the licensing and supervision of the securities exchange and on the licensing of brokerage intermediary companies and investment advisers. The Law on Motor Third-Party Liability (MTPL) was approved in February 2009. However, its provisions on the approval of tariffs by the FSA are not in line with EU standards. Further efforts in legislative approximation are required.

The FSA became a full member of the International Organisation of Securities Commission (IOSCO). It also signed a Memorandum of Understanding on securities' supervision with the Austrian Financial Market Authority. The supervisory capacity of the FSA is being strengthened by establishing an electronic reporting platform for insurance and pension markets. However, further efforts are required to ensure that the FSA has adequate capacity to cope with a growing market. Its approved organisation chart still has provision for additional posts. The new office premises allocated to the FSA are not yet available.

There has been good progress on the **right of establishment**. Company registration and licensing reform has continued. New legislation adopted in February and May 2009 and the establishment of the National Licensing Centre in June reduced administrative barriers and made it faster, simpler and cheaper to set up companies. (*See section 4.2.1 for further details*). On-line company registration is possible, although technical difficulties remain as regards e-signature. Uncertainties about property ownership continue to discourage establishment.

There has been progress in the area of **company law**. Model statutes for commercial companies and a commentary have been prepared to facilitate implementation of the April 2008 Law on Entrepreneurs and Companies. Training on this law and on its implementation was organised, in cooperation with the Chambers of Commerce and Industry, for judges and the business community. However, further efforts towards legislative approximation are required on cross-border mergers and takeover bids.

There has been progress on accounting and auditing. A new Law on the Accountancy and Auditing Profession was adopted in March 2009. It defines the companies that have to audit their annual accounts and requires that the audit profession be made subject to a system of public oversight. The law includes provisions for the certification of accountants and registration of auditors and accountants. However, the relevant implementing regulation is not yet adopted. The public oversight body for the audit profession has not yet been established. Further efforts are required to approximate Albanian legislation to EU standards, in particular as regards the provisions of the 4th and 7th Company Law Directives.

Overall, preparations in the field of right of establishment and freedom to provide services are advancing slowly.

4.1.3. Free movement of capital

There has been some progress on free **movement of capital**. The revision of the Regulation on Foreign Exchange Activity adopted by the Bank of Albania in September 2009 simplifies procedures related to the movement of capital. The revised regulation addresses the liberalisation of credits and loans granted by natural and legal residents to non-residents. However, certain restrictions remain to the liberalisation of capital movements required under the SAA, in particular as regards the acquisition of real estate by foreigners.

Some progress has been made in the field of **payment systems**. The number of credit and debit cards in circulation continued to increase in 2008. The use of electronic cards increased and efforts were made to facilitate the use of credit/debit cards and electronic payments. However, approximately 96% of banking transactions through electronic cards consist of cash withdrawals. Albania remains a predominantly cash-based economy.

Overall, preparations in the area of free movement of capital are advancing slowly.

4.1.4. *Customs and taxation*

There has been some progress in the area of **customs**. Albania continued to take measures to ensure timely implementation of the SAA tariff reductions. The Combined Nomenclature 2009 for the classification of goods in trade with the EU was applied as from January 2009.

Computerisation continued to progress. The migration to ASYCUDA World was completed in June 2009. Risk assessment criteria and profiles are being revised continuously and new profiles were prepared specifically for scanners. The physical inspections rate was reduced to approximately 20%, but it is still high by EU standards. However, further developments are required to make the risk analysis system more effective and manageable and to enhance the use of the transaction value. The use of reference prices is not in line with EU standards. The drafting of the Business and IT strategy has not yet been finalised.

In August 2009 Albania became a member of the Istanbul Convention on Temporary Admission. However, the subsequent agreement with a Guarantor National Association has not yet been signed and the implementation of ATA Carnet Procedures is still pending. The number of authorised customs warehouses reached 40 at the end of August 2009. The government issued the decision to establish a free economic zone in the area of Vlora. An anti-trafficking directorate and a section for the protection of patents and trademarks became operational in the Directorate-General for Customs (DGC). A Memorandum of Understanding between the DGC and the Directorate for the Prevention of Money Laundering entered into force in July 2009. However, lack of operating instructions and poor performance controls hinder proper implementation of customs legislation. Effective implementation of controls on intellectual property rights and dual-use goods at customs remains poor.

As regards infrastructure, a joint border crossing point with Montenegro became operational in June 2009. Work on improving the infrastructure at 10 border crossing points started in January 2009. New scanning detectors for radioactive materials have been put into operation. However, no developments can be reported as regards the improvement of the Tirana Customs House.

The staff of the customs administration received training on rules of origin and on the use of scanning equipment. However, there is no comprehensive training strategy. The GDC operates on the basis of the 2009 annual action plan for training. Efforts are required to enhance transparency of personnel policy and procedures. Customs officials still do not have civil servant status.

Overall, preparations in the field of customs are advancing, but further efforts are needed on approximation to EU standards and practices and to strengthen operational and administrative capacity, including on internal audit.

Some progress can be reported on **taxation**. Tax collection increased in 2008 and the trend continued in the first half of 2009. However, the overall collection rate is still low, particularly at local government level.

The reform of the tax **administration** improved its performance, in particular at central level. The new structure of the Directorate-General for Taxation (DGT) is based on tax management functions rather than on specific tax control and collection. The staff of the DGT received training on tax legislation and procedures, including training for trainers on services to taxpayers. An Internal Audit manual was finalised and a guide for taxpayers, the Taxpayer Card, has been compiled. The DGT approved strategic plans on tax inspection and collection with the aim of enhancing the fight against tax evasion and fraud. However, further improvements in the legal framework and strengthening of operational capacity are required to reduce the large size of the informal economy.

Excise and VAT legislation was amended and VAT reimbursement was speeded up, mainly for export-oriented companies. However, the taxation of imported used cars and the VAT regime applied to imported printed materials are not in line with the SAA. Further efforts are required to bring the excise and tax systems closer to EU standards and to achieve overall improvements in the reimbursement of VAT. No developments can be reported as regards the assessment of the compliance of Albanian tax legislation with the Code of Conduct on Business Taxation. Increasing consultations with the business community and civil society organisations is important to avoid uncertainties resulting from frequent changes to the legislative framework.

Computerisation of tax offices continued to progress with only four regional tax offices pending to be incorporated into the integrated tax system. A business and IT strategy was developed, the IT sector was reorganised and a risk analysis module was developed. The implementation of electronic tax procedures was extended and the number of taxpayers filing tax returns electronically increased. However, limited facilities offered by commercial banks hold back the development of electronic payment of taxes.

Overall, preparations in the area of taxation are advancing. The performance of the tax administration is improving. However, efforts are required to enhance enforcement of legislation, to improve tax collection, and to bring the taxation of imports of used cars and printed materials into line with the SAA.

4.1.5. Competition

Good progress was made in the area of **antitrust**. The system of public hearings in antitrust proceedings has improved and a unit for fines has been established. Investigations and public hearings were held on anticompetitive agreements in the field of wheat imports and flour production, as well as in the fuel and insurance markets. The Albanian Competition Authority (ACA) continued analysing cases of mergers and acquisitions. It carried out an enquiry into the energy and banking sectors and in November 2008 issued recommendations on the energy market. The ACA lodged an appeal with the High Court as a consequence of diverging decisions of the courts of first and second instance on the fines imposed on two mobile telephony companies for abuse of dominant position.

ACA staff received training on issues related to economic markets, energy sector, vertical restraints and competition law. The ACA was also active in competition advocacy in cooperation with the chambers of commerce and industry. Seven complaints were registered

in the first four months of 2009 in the fields of telecommunications, pharmaceuticals and procurement.

The Law on Competition is being revised to further approximate it to EU standards. The ACA is drafting the regulatory framework on issues relating to fines and leniency, *de minimis* agreements, horizontal and vertical agreements and mergers, as well as on its internal investigation procedures. However, no new legislation has yet been adopted.

There has been further progress towards meeting the SAA **state aid** obligations. The State Aid legislation was amended in June 2009, introducing rules on state aid for risk capital and for environmental protection. The State Aid Department (SAD) and the State Aid Commission (SAC) continued reviewing and assessing new and existing aid schemes. This has resulted in the alignment of legislation related to tourism concessions, free zones and aid to employment. The process of reviewing existing aid schemes and their compliance with state aid legislation is reaching completion. The government approved the 2008 state aid report in June 2009. A regional state aid map has been drafted. Albania confirmed its intention not to provide any state aid for the restructuring of the iron and steel industry. The SAD staff received training on state aid issues.

Overall, preparations in the area of competition are advanced. However, further efforts are required to strengthen the institutional capacities for the enforcement of competition rules.

4.1.6. *Public procurement*

There has been some progress in the area of public procurement. Legislation was approved in January 2009 introducing the obligation for contracting authorities to use electronic procurement. Contracting authorities have also to publish all procurement notices and tender dossiers on the website of the Public Procurement Agency (PPA). This has improved access to information and reduced procedural costs. The PPA provided advice and support to overcome the initial technical problems encountered. However, there are still some exceptions to the use of electronic procedures. Efforts need to continue to extend them to all types of public procurement. Electronic procedures aim at reducing the scope for corruption although further efforts are still required in all phases of the procurement process.

The legislative framework has not changed substantially. Further approximation to the *acquis* is still required as regards utilities and concessions. Procedures for handling complaints still do not meet internationally recognised standards. An independent review body has not yet been established. Decisions on appeals continue to be taken by the PPA, which is responsible for interpreting the law and giving advice to contracting authorities.

The capacity of the PPA was strengthened through relevant training activities, including participation in seminars organised by international organisations. However, the role of the PPA as the central coordinating and advisory body needs strengthening. The PPA provided training and information to contracting authorities and to the business community on public procurement legislation and procedures. However, further guidance needs to be made available to contracting authorities and suppliers. Efforts are required to improve judges' knowledge of public procurement legislation as well as its implementation.

Overall, preparations in the area of public procurement are advancing moderately. Further legislative approximation is required and implementation of legislation needs to be enhanced.

4.1.7. *Intellectual property law*

There has been some progress on **intellectual property rights**. Parliament adopted the Law on accession to the European Convention on Cinematographic Co-production in December 2008. However, the 2005 Law on Copyright is not yet compliant with European standards and the draft national strategy on intellectual and industrial property is still pending adoption.

The number of inspectors of the Albanian Copyright Office (ACO) increased from one to three. Preparations are underway for opening the first two regional copyright offices. Training for ACO staff was organised in cooperation with the World Intellectual Property Organisation (WIPO). However, the capacity of ACO remains weak. The planned network of 11 regional copyright offices has not yet been established.

The Copyright Office continued its cooperation with the Directorate-General for Taxation and a new Memorandum of Understanding was signed in April 2009. However, compliance with Memoranda of Understanding between ACO and other institutions is overall poor and hampers practical implementation of intellectual property rights. The number of complaints registered for copyright violation increased from 45 in 2008 to 100 during the first half of 2009, but few cases are brought to court and the level of fines remains low. The number of collective management societies rose from two to four as AKDIE, which protects the rights of artists and performers, and AMI, which protects the rights of phonogram and video producers, became operational. However, the overall administrative and operational capacity of these societies is weak. Training was provided to the judiciary on intellectual property rights but further efforts are still required to enhance the qualifications and experience of the courts in this field. General awareness of the protection of intellectual property rights and their benefits remains low.

There has been progress on **industrial property rights**. In December 2008 the government approved implementing legislation for registration of trademarks, registration of patents for inventions and utility models, and registration of the geographical indication. Electronic registration procedures have been put in place. Work for the ratification of the European Patent Convention and of the Patent Law Treaty (PLT-WIPO) is well advanced. However, the ratification decisions are pending adoption by parliament.

The Directorate for Patents and Trademarks (DPT) organised training for its staff in cooperation with WIPO and the European Patent Office. It organised awareness-raising activities in cooperation with the chambers of commerce and strengthened its cooperation with the Directorate-General for Customs. However, its staff has not been increased. Enforcement of industrial property rights remains poor. The number of infringement cases brought to court increased slightly but it is still low.

Overall, preparations in the field of intellectual property law are moderately advanced with regard to both legislation and enforcement. The capacity of ACO and the DPT remains weak. Insufficient inspection capacity, the low level of fines and the lack of appropriate experience and qualifications among the judiciary still hamper enforcement. Considerable further efforts are required to fulfil the SAA obligations on intellectual and industrial property rights. Inter-institutional cooperation will be of key importance in this regard.

4.1.8. *Social policies, employment and public health policy*

There has been little progress in the field of **social policies**. A task force to review the existing *labour law* was established in February 2009 with representatives from the government and

civil society, including trade unions and employers' organisations. However, a draft revised law has not yet been finalised.

There has been progress in the area of *health and safety at work*. In May 2009 the government adopted the National Strategy for Occupational Health and Safety 2009-2013 and its accompanying action plan. The Occupational Health and Safety section of the Ministry of Labour, Social Affairs and Equal Opportunities (MLSAE) was upgraded and entrusted with the implementation of the strategy and action plan. An internal audit department was established in the State Labour Inspectorate (SLI) in April 2009. The first of the 24 local inspectorates planned to strengthen the SLI was established in April 2009. However, the draft Law on Health and Safety at Work has not yet been adopted. Enforcement of occupational health and safety remains poor and the number of accidents at the workplace is high, particularly in the construction, mining and mineral processing sectors. The agricultural sector is not covered by the labour inspection system. Further efforts are required to increase the human, physical and financial resources of the SLI and to improve the transparency of its personnel policy. Moreover, very little progress can be reported regarding the shortcomings in health and safety standards which came to light after the explosion in 2008 of the ammunition depot at Cërdec. (See also section 2.1)

Social dialogue is still at a developing stage. Collective agreements were signed in the public health and education sectors. However, effective collective bargaining remains difficult and individual contracts prevail over collective employment agreements. The lack of employers' associations limits collective bargaining to the enterprise level in the private sector. The involvement of trade unions and employers' organisations in the policy-making process remains weak. (See also section 2.2)

Implementation of the social protection and *social inclusion* strategy for 2008-2013 is in progress and a plan for monitoring its implementation is being prepared. The last Iving standards measurement survey shows that the population under the absolute poverty threshold fell from 18.5% in 2005 to 12.4% in 2008. The government has developed mechanisms to monitor poverty and social inclusion at national level but the first annual report 2008-2009 has not yet been delivered. (For anti-discrimination see section 2.2)

There has been some progress in the field of *social protection*. The Social Insurance Institute is refurbishing its archives and has started to register data electronically. Work is in progress for establishing a national social security electronic database, providing individual accounts of contributions, calculation of benefits and administration of payments. The Social Security Institute has also started a database for the self-employed in the agricultural sector. The budget allocated to social protection in the 2009 budget increased and reached 7.7% of GDP. However, further efforts are required to ensure sustainability of social protection policies, including the pension reform currently being drafted.

There was some progress as regards **employment policy**. Unemployment decreased, although at 12.7% on the first quarter of 2009 it still remains high. A new computerised information system became operational in the head office of the National Employment Service and in two regional offices. However, further efforts are required to extend it nation-wide and to strengthen overall the capacity of the employment service. Monitoring and assessment of the impact of the existing employment promotion schemes are still lacking. Further efforts are

required to improve labour market data. (See sections 3.1, 3.2 and 4.1.9 for further details on vocational education and training programmes)

There has been some progress on **public health policy**. Parliament adopted the Law on Public Health Care in May 2009. However, the relevant implementing regulations are pending and the national health sector strategy has not been adopted. New legislation was adopted approximating the standards in the field of blood transfusion to those of the EU. Albania ratified the WHO Framework on Tobacco Control. However, further efforts are required to develop legislation on tobacco advertising and products and to enforce the ban on smoking in public places. In the field of communicable diseases the government carried out preparations to tackle the A(H1N1) pandemic. The first alcohol rehabilitation centre was opened in the Tirana University hospital.

There has been limited progress in the field of mental health, but much more is needed. New homes for the mentally ill were opened in Elbasan and Shkodra and a new forensic psychiatric hospital was completed in Durrës. However, adequate psychiatric facilities for the mentally ill are still required. Implementation of the existing mental health legislation and policies is weak. The budget for mental health remains low and resources available to mental health hospitals are generally poor. The legal status and the social reintegration of psychiatric patients require attention. Further efforts are required to develop community-based services as an alternative to institutionalised care and to address specific needs of children and juveniles with mental health problems.

Administrative capacity in the field of public health remains weak. Substantial efforts are required to upgrade the quality of services and to guarantee overall access to health care. Data collection and performance monitoring mechanisms require strengthening. Community-based services need to be further developed.

Overall, preparations in the field of social policies, employment and public health policy are advancing moderately. Efforts are required to promote social cohesion.

4.1.9. Education and research

There has been progress in the field of **education**. The education budget for 2009 increased although it remained at the 2008 level as a percentage of GDP. Teachers benefited more than other groups from the May 2009 14 % average increase in public-sector salaries. Local government competencies in education planning and fund allocation have increased. The school infrastructure improved with some schools and teaching laboratories being renovated. Preparations have started for the construction of four new VET centres and rehabilitation of another four is underway. Computerisation of schools is progressing although long-term funding for on-line access still needs to be determined.

The extension of compulsory education to nine years became effective during the academic year 2008-2009. The government approved the 2009-2013 national strategy for pre-university education. It also approved legislation on the implementation of the reform of the final secondary education and university entry exams ('State Matura'), and on recognition of secondary education diplomas. Implementation of the Law on Higher Education progressed and the universities' main steering bodies were elected in line with its provisions. The Agency for Higher Education (AHE) carried out performance evaluations as part of the overall evaluation of universities for state budget allocations. Albania made progress in reforming its

higher education system according to Bologna action lines, in particular as regards the degree system and the level of student participation in quality assurance. Universities were given more flexibility in administering their budget. However, further development of teachers' professional qualifications and skills is still required. Further efforts are required in the areas of institutional autonomy and good governance of higher education institutions efforts, international participation in quality assurance, and recognition of prior learning.

New vocational education and training (VET) curricula have been prepared for specialisations in social services and information and communication technology. A new VET structure directly linked to the draft Albanian Qualifications Framework (AQF) is scheduled to start with the 2009-2010 academic year. However, the Law on the AQF has not yet been adopted. Synergies between VET and the labour market remain weak. Assessment and monitoring of the impact of training programmes require strengthening.

The National Tempus Office (NTO) organised information activities and provided assistance to improve the quality of projects submitted by Albanian universities for participation in the Tempus programme. It screened and monitored 7 projects.

The Memorandum of Understanding for Albania's participation in the Europe for Citizens programme entered into force in April 2009.

There has been some progress in the area of **research**. The National Strategy for Science and Innovation 2009-2015 was adopted and the Agency for Research, Technology and Innovation was established. The budget dedicated to research increased but its share of the total budget (0.22%) is still very low. There were improvements on indicators and criteria to fund national research programmes as well as on mobility of researchers. The government allocated a fund of excellence in 2008 to stimulate the research studies of PhD candidate students. In March 2009, 61 Albanian nationals studying and/or working abroad were recruited to work in universities as part of the Brain Gain Programme. As an associated country to the 7th EC Research Framework Programme, Albania increased its participation and was successful, among others, in research projects with European partners in the areas of transport, infrastructures, health and international co-operation.

However, administrative and research capacity remains weak. Poor definition of responsibilities and of funds allocation hinders implementation of the Law on Scientific Research that merged most scientific institutions with universities.

Overall, preparations in the area of education and research are moderately advanced.

4.1.10. WTO issues

Albania continued implementing its commitments under the WTO. Albania carried out the needs assessment under the WTO trade facilitation negotiations and maintains close cooperation with the European Community in this regard, including on co-sponsoring EC proposals. The secretariat for WTO issues continued its activities to enhance inter-ministerial cooperation on policy making.

4.2. Sectoral Policies

4.2.1. Industry and SMEs

Progress has been good in the field of **industry and SMEs**. Albania's implementation of the European Charter for Small Enterprises has improved overall and in particular on company registration, regulatory reform, access to finance and export promotion. However, further efforts are required as regards human capital development, and competitiveness and technological capacity of SMEs.

The National Business Registration Centre (NRC) strengthened its capacity and extended its network of service desks. By the end of August 2009 there were 31 business registration desks throughout Albania. The staff of these service desks received training on registration procedures and on public administration issues. The number of new enterprises registered at the NRC in 2008 reached 17,773 or 29% more than in 2007.

The government continued simplifying licensing procedures. The application of self-declaration and of the "silence is consent principle" was broadened. The Law on Licences, Authorisations and Permissions was adopted in February 2009. It provides for a new division of licenses into 12 broad fields and 49 categories. The National Licensing Centre, intended to function as a one-stop-shop, became operational in June 2009. 104 of the 170 licences identified have been abolished. Tax reforms continued to provide incentives for entrepreneurs. The amended Law on Social Insurance which entered into force in May 2009 reduced the employer's social insurance contribution from 20% to 15%. However, the reference salary scheme and reference number of employees for each business category continued to be used for tax purposes due to the large size of the informal economy.

The Law on SMEs was amended in December 2008, bringing definitions of SMEs closer to EU standards. The use of electronic tax and public procurement procedures continued to progress. The Law on Electronic Commerce entered into force in June 2009. However, there has been no progress in the implementation of the Bankruptcy Law, and administrative procedures have impaired implementation of the September 2008 Law on Tax Amnesty. The draft laws on administrative courts and on takeover bids are still pending adoption. Efforts are required to further involve the business community in the legislative and policy-making processes.

A €30 million credit facility was launched in January 2009 to facilitate access to bank loans for SMEs. By the end of 2008 the government had approved the establishment of seven industrial parks. However, concession contracts have been signed for the development of three parks only.

Preparations in the field of industry and SMEs are advancing. Albania has continued improving the business-related regulatory framework. However, technological and innovation capacities remain weak.

4.2.2. Agriculture and fisheries

Some progress was achieved in the area of **agriculture and rural development policy**. The Agency for Agriculture and Rural Development was set up as the paying agency to manage direct support to agriculture and rural areas. The Agency has 86 staff and operates in all 12 regions of the country. It provides a good starting point towards the establishment of an IPARD Agency. Preparations for IPARD advanced with the appointment of the prospective

Managing Authority in June 2009. However, the Rural Development Strategy will require substantial improvements to serve as a basis for the IPARD programme.

The 2009 budget for the direct support scheme remains stable at €7 million. Direct support to farmers resulted in an increase in plantations of permanent crops such as fruit, olive and citrus trees and vineyards. Other direct support measures covered, among other things, drip irrigation, bio certification, mushroom culture and snail breeding. There have been efforts to improve quality and marketing overall. The dairy industry is modernising and consolidating, including several initiatives to improve processing facilities. The Agriculture Information Centres received additional material resources and organised promotion activities.

However, land fragmentation continues to hamper efficient farming and results in low productivity and incomes. Uncertainties about property rights hinder the development of a functioning land market. Structural weaknesses such as poor infrastructure and marketing systems, lack of cooperation between producers and business sectors and insufficient knowledge about food quality and safety standards hold back the development of the agricultural sector. The share of the total budget allocated to agriculture remains small. The trade deficit in agricultural products continued to increase.

Overall, the agricultural sector remains weak. It lacks competitiveness and has difficulties facing competition from imported goods.

There has been limited progress in the area of **food safety and veterinary and phytosanitary policy**. The National Food Authority was established, but it is not yet operational due to staffing problems. In the food sector implementing legislation has been adopted mainly in the areas of import requirements for animal products (certificates), flavourings and food for particular nutritional uses. Some progress can be reported on laboratory capacity, particularly as regards histamine and residues. However, legal limits for microbiological contamination of raw milk are still significantly less stringent than EU standards.

A very limited amount of legislation was adopted in the veterinary sector. The identification of bovines is not yet finalised and deficiencies in the registration of their movements jeopardise the utility of the current database. The current registration of small ruminants is not used for epidemiological purposes. No progress can be reported in the animal welfare sector. The legislative framework remained substantially unchanged in the phytosanitary sector. Only a few legislative acts were adopted, mainly in the area of plant protection products. Overall, there has been little progress in the areas of food safety and veterinary and phytosanitary policy. The legal framework improved, but compliance with EU standards remains poor.

There has been some progress in the area of **fisheries**. The government approved regulations on fishing devices and on the determination of the size of fishing nets. Inter-institutional cooperation improved with the signature in November 2008 of an agreement between the Directorate for Fisheries Policies and the Coast Guard Command. The fisheries inspectorate was reinforced with two inspectors and with mesh-size measurement equipment. Its staff received additional training. Conservation measures were introduced in the Ohrid and Shkodra lakes during the reproductive period of the Ohrid trout species.

Albania continued to participate in the General Fisheries Commission for the Mediterranean (GFCM) and the International Commission for the Conservation of Atlantic Tunas (ICCAT). Albania submitted to the GFCM Secretariat the list of authorised vessels that can operate in the GFCM area. The government passed legislation on the log book and log books were

issued to fishing vessels over 10 metres long. Two tuna fishing vessels were equipped with Vessel Monitoring Systems (VMS). However, further efforts are required to establish a catch and landing data collection and processing system and to extend the VMS.

Overall, there has been progress in the area of fisheries as regards inspection, control and international cooperation. Preparations are advancing moderately.

4.2.3. *Environment*

There has been limited progress in the area of **horizontal legislation**. Albania adopted legislation in January 2009 to ratify the Protocol on Control of Emissions of Nitrogen Oxides or their Transboundary Fluxes to the 1979 Geneva Convention on Long-Range Transboundary Air Pollution. Two public hearings were held with regard to the project for the construction of a thermal power plant in the Durrës area. Notifications of public hearings were published on the website of the Ministry of the Environment, Forest and Water Administration (MEFWA), the website of the Aarhus Centre and local newspapers. However, the new draft Law on Environmental Protection, which incorporates a number of important Directives such as IPPC, LCP, Seveso II, public participation and the Water Framework Directive, has not yet been adopted. The new draft law on Environmental Impact Assessment is also pending adoption.

No progress can be reported as regards **air quality**. Monitoring of air quality continued in main cities but it is hindered by poor monitoring equipment and methodology. The government has taken measures to reduce the market share of high sulphur content diesel. However, air pollution levels remain high, in particular as regards PM10 particulate matter, and there are no specific long-term policies to abate air pollution and reduce emissions from the vehicle fleet and industry.

There has been some progress in the area of **waste management**. The rehabilitation of toxic hot spots progressed and 35 new untreated hot spots have been identified. The construction of new landfills is underway. However, legislative development is lagging behind. A strategy for waste management has not yet been established. Uncontrolled dumping and burning of waste still persists and is particularly acute in rural areas. Substantial efforts are required to reduce waste generation and promote recycling.

There has been some progress as regards **water quality**. Two waste water treatment plants became operational, work on another one was completed and three more are under construction. However, surface waters are still affected by uncontrolled discharges of solid waste. The national strategy for water supply and sewerage has not been adopted. Implementing legislation and action plans for legislative approximation to the Water Framework Directive and the Nitrates and Urban Waste Water Directives are pending adoption.

There was some progress on **nature protection**. The total coverage of protected areas increased to 12.58% of the territory with the designation of the 'Bredhi Hotoves-Dangelli' ecosystem as a national park. In January 2009 the government approved a decree on the criteria for the establishment of the biodiversity inventory and monitoring network. The Law on the Protection of Wild Fauna adopted in October 2008 improved the approximation of the legislative framework to the Wild Birds Directive. A new Law on Hunting was adopted in May 2009. However, efforts are still required to meet the environmental commitments of the Energy Community Treaty. Preparations in this field are advancing moderately.

There was no progress as regards **industrial pollution control and risk management**.

No developments can be reported in the area of **chemicals** and **genetically modified organisms**. Efforts are required to enhance inter-ministerial coordination to monitor the use of chemicals present on the market. There is no central register of chemicals and genetically modified organisms.

No progress can be reported as regards environmental **noise** policies.

Efforts continue to be required to strengthen the **administrative capacity** of all institutions involved in environmental policy making and to implement the 2008 cross-cutting strategy for the environment. Inter-institutional cooperation and coordination remain poor. Additional monitoring and inspection capacity continue to be required at regional level.

Overall, there have been some positive legislative developments but implementation and enforcement remain weak. Preparations in the field of environment are advancing slowly but remain at an early stage for a number of sectors.

4.2.4. *Transport policy*

Progress can be reported in the area of **trans-European transport networks**. Albania has continued to actively participate in the implementation of the 2004 Memorandum of Understanding for the development of the South East Europe Core Regional Transport Network and in the South-East Europe Transport Observatory (SEETO), particularly by updating and implementing the multi-annual plan for 2009-2013. The construction works for the Durrës-Kukës motorway, which will link Kosovo to the Adriatic Sea, are well advanced. Road work continued on corridor VIII and in the North-South axis. However, there has been no progress as regards rail infrastructure.

The revised Action Plan for the implementation of the Transport Sector Strategy was adopted in March 2009. The Institute for Transport was restructured to allow centralisation of transport data and updating of the National Transport Plan, including investment programmes and policies. It started the establishment and maintenance of a central transport database. However, overall institutional capacities still require strengthening.

Albania continued granting unrestricted access through its territory to Community transit traffic in line with the SAA.

There was some progress as regards **road transport**. In October 2008 the government approved a decision on the Highway Code introducing an audit of the safety system on roads. In June 2009 it adopted implementing regulations bringing driving licence regulations closer to the EU standards. Electronic testing for the issuance of driving licences was assessed in a pilot centre and became the norm. There were fewer road accidents in 2008 than in 2007 and the number of accidents resulting in fatal casualties decreased. These trends continued in the first half of 2009. The government approved legislation in May 2009 for the establishment of the Albanian Road Authority, which is in charge of the development, management and maintenance of the state-owned road network. The Road Asset Management System (RAMS) is being established, including country-wide safety surveys and routine maintenance inspections. New maintenance guidelines have been developed. However, only 40% of total road assets have been mapped. Performance-based contracts for road maintenance have been generalised and the share of the maintenance budget allocated to such contracts grew in 2009. However, sustained efforts continue to be needed to improve road maintenance. Road

signalling requires further improving. Illegal constructions along the roads and poor driver discipline continue to pose problems for road safety. Preparations in the field of road transport are advancing moderately.

There has been little progress in the **rail transport** sector. The new Regulation for the Albanian Railway Authority was approved in January 2009, establishing business units for passengers, freight, infrastructure management and maintenance. Service units were also established for rolling stock, administration and internal support. However, the rail action plan required by the 2007 addendum to the Memorandum of Understanding on the Core Regional Transport Network has not yet been adopted. Funds allocated for capital expenditures continued to decline. Preparations in the area of rail transport are lagging behind.

There has been some progress in the area of **maritime transport**. Parliament approved the Maritime Administration Law in April 2009. However, implementing legislation still needs to be adopted on flag and port state control, the register of shipping and the register of seafarers.

The rehabilitation of the Durrës port progressed, but preparations for the rehabilitation of the Vlora port are lagging behind. The government has taken several measures to improve the technical condition of the maritime fleet. Ships older than 15 and 30 years will not be certified for transport of passengers and goods respectively. Pre-certification control procedures were improved and tax incentives were introduced to encourage renewal of the fleet. The staff of the maritime administration received training on flag and port state control and on port security. However, substantial efforts are still required in order to improve maritime safety and security. Rates of detention pursuant to the Paris Memorandum of Understanding on Port State Control have improved slightly but remain very high by EU standards and the Albanian flag is still listed as very high risk. Preparations on maritime transport are not very advanced.

There has been no progress on **combined transport**.

There has been progress in the field of **air transport**, including in the area of air traffic management. Parliament approved the new Air Code in December 2008 and the implementation of the first transitional phase of the European Common Aviation Area Agreement (ECAA) continued. A working arrangement with the European Aviation Safety Agency was signed in July 2009. However, further efforts, including on the adoption of the *acquis* as per the ECAA commitments and the amendment of the new Air Code, are still needed. Albania's participation in the Single European Sky Committee and in the Implementation of the Single European Sky in South Eastern Europe (ISIS) Programme will be beneficial in this regard. There have been delays in implementing the August 2007 action plan to improve the Civil Aviation Authority's (CAA) safety oversight of Albania's airlines. Legislation drafted on the status of the CAA as well as on its structure and organisation has not yet been adopted. Preparations in the field of air transport are advancing moderately.

4.2.5. *Energy*

The government continued its efforts to improve **security of supply**. The construction of the Vlora thermal power plant is nearing completion. The parliament ratified a concession contract for the construction of three hydroelectric plants in the Devolli river with a total installed capacity of 320 MW. The process of approval of 27 concession agreements for the construction of small hydro power plants with a total installed capacity of about 290 MW is ongoing with four concessions already approved. Work is in progress on the 400 kV Elbasan–Podgorica interconnection line. However, no progress can be reported regarding the

rehabilitation of the Fier thermal power plant. The establishment of a National Dispatch Centre is at an early stage. Albania continues to be an overall net importer of electricity and still relies too much on hydro-electric power. Its interconnection capacity remains limited. No developments can be reported as regards **oil stocks**. They continue to cover 60 days' average consumption.

There has been some progress in the field of the **internal energy market**. The government privatised the distribution arm (DSO) of the electricity company KESH, partly implementing a key European partnership priority. New legislation was adopted to support the fight against illegal connections. However, overall technical and non-technical losses increased. Bill collection rates increased although efforts are still required in this regard including equipping all consumers with electricity meters. The electricity price is not yet at cost recovery levels.

The Energy Regulatory Entity (ERE) continued to monitor the market and new legislation was adopted extending ERE's regulatory powers to the gas sector. However ERE's decision-making capacities and independence require further strengthening.

Work on a draft plan for the development of the gas sector and gas market in Albania is under way. However, no progress can be reported on the revision and implementation of the National Energy Strategy.

Some progress can be reported in the area of **energy efficiency and renewable energy**. The government took measures towards the development of the sector by issuing licences for the construction of seven wind farms with a total installed capacity of about 1360 MW and one 140 MW biomass thermal power station. Parliament adopted a new Law in April 2009 on labelling and product information on the consumption of energy by household appliances. However, no further progress can be reported on the implementation of the 2005 Energy Efficiency Law.

There has been little progress in the field of **nuclear safety and radiation protection**. Legislative amendments were made putting the National Agency for Natural Resources in charge of drafting legislation on nuclear power in consultation with the International Atomic Energy Agency. However, Albania has not yet signed the Convention on Nuclear Safety and the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. Efforts are still required as regards compliance with the *acquis* in the field of radiation protection. Proper attention regarding the prevention of illicit trafficking of nuclear and other radioactive materials is of key importance. The nuclear regulatory authority remains weak in terms of both technical capacity and staff. Further efforts are required to guarantee its independence.

Overall, there has been progress in the field of energy. However, the sector remains weak and the security of electricity supply is still uncertain. Preparations in the area of energy are moderately advanced.

4.2.6. *Information society and media*

There was little progress in the area of **electronic communications and information technologies**. The Regulatory Authority for Postal and Electronic Communications (AKEP) harmonised in December 2008 all existing licences with the authorisation scheme of the June 2008 Law on Electronic Communications. The reference interconnection offers were approved and published in February 2009. A fourth mobile telephony operator was licensed through a special decision procedure in April 2009. However, an electronic communications

strategy and policy paper has not yet been approved and implementing regulations for the law on electronic communications are still pending adoption. Market liberalisation is still at an early stage and is held back by lack of implementation of competition safeguards such as carrier selection and pre-selection, number portability and unbundled access to the local loop. Tariff re-balancing has not been completed. The mobile retail tariff regulation is still in place.

The administrative capacity of AKEP was increased with additional staff and specific training. However, internal conflicts within its Governing Council have hindered its decision-making process bringing regulatory development to a standstill. There is still insufficient capacity at the Ministry of Transport, Public Works and Telecommunications.

Overall, preparations in the area of electronic communications are advancing moderately.

There has been progress on **information society services**. In January 2009, the government approved the inter-sector strategy for the information society. Amendments to the Criminal Code and the Criminal Procedure Code were adopted in November and December 2008 following the requirements of the Convention on Cybercrime. The Law on Electronic Commerce was adopted in May 2009. Implementing regulations were also adopted for the Electronic Signature Law. The National Agency for the Information Society (NAIS) has started setting up a single government electronic network covering 65 institutions. The NAIS has actively promoted public awareness on the information society and has provided training to IT staff of the public administration. However, there has been no progress as regards legislation on conditional access. Preparations in the field of information society services are advancing (*See section 4.3.6 for additional details on data protection*).

There has been very limited progress as regards **audiovisual policy**. In November 2008 the National Council for Radio and Television (NCRT) finalised the draft strategy for the switchover from analogue to digital broadcasting and launched a consultation process with state institutions and broadcasting operators. The draft Broadcasting Law was finalised in April 2009 but implementation of the Action Plan on media reform agreed with the European Commission and the Council of Europe needs to be stepped up. Measures are required to ensure sustainable funding for the public service broadcaster. The collection of licence fees remains low (*See also section 2.2*).

4.2.7. *Financial control*

There has been some progress in the area of **public internal financial control** (PIFC). A new PIFC policy paper for 2009-2014 was adopted in June 2009. However, the legal framework remains incomplete, as the Law on Financial Management and Control (FMC) and the Inspection Law have not yet been adopted by parliament. The amendment of the 2007 Internal Audit Law to make it consistent with the overall PIFC framework is still outstanding.

With regard to the institutional framework, the Central Harmonisation Unit for FMC has been operational since November 2008. The Central Harmonisation Unit for Internal Audit is also fully operational, but its internal structure needs revision. Managerial accountability and subsequent development of FMC systems are still at an early stage. Efforts need to continue to increase managers' awareness of PIFC. Decentralised internal audit units have been established and are staffed in all ministries as well as in some government agencies. However, many of them continue to perform mainly inspection and control tasks rather than internal audit in line with international standards.

There has been some progress on **external audit**. The State Audit Institution (SAI) adopted the Strategic Development Plan for 2009-2013 at the beginning of 2009. However, the SAI Law still requires amending to bring it into line with the INTOSAI standards, especially concerning the criteria for dismissal of the chairman and the remit and scope of audit. Further efforts are required to shift the SAI's attention towards financial and systems-based audits.

Overall, preparations in the area of financial control are advancing moderately.

4.2.8. *Statistics*

There has been progress in the development of **statistical infrastructure**. The budget of the Institute of Statistics (INSTAT) for 2009 increased by about 21% compared with 2008 and 16 additional staff were hired in 2009. A new and more efficient organisational structure of INSTAT has been implemented. New Memoranda of Understanding on the exchange of statistical data have been signed between INSTAT and the Ministry of Agriculture and the High Inspectorate of Declaration and Audit of Assets (HIDAA). Progress has been made in establishing a metadata system. However, the necessary IT infrastructure between INSTAT headquarters and its regional offices has not yet been set up.

Some progress can be reported in the field of **classifications and registers**. Preparatory work for the introduction of NACE Rev. 2 (Statistical Classification of Economic Activities in the European Community) has started. However, a classification of statistical regions equivalent to the NUTS classification has still not been developed. The business register requires further regular updating in terms of content and coverage.

Progress has been made in preparing the ground for censuses. The preliminary work has been carried out for the agricultural and business censuses. The preparations for the population census are on track. A donor coordination meeting was held and a census unit was set up at INSTAT. The government established the national census commission. However, the 2001 Law on the Population Census has not yet been revised and a census coordinator has not yet been appointed. Further efforts to facilitate the exchange of information between INSTAT and the civil registration offices will be of key importance for an efficient census.

Some progress was made with regard to **sectoral statistics**. Some major surveys have been carried out in line with the multiannual statistical programme. INSTAT conducted the living standards measurement survey, the new labour force survey, the demographic and health survey, the structural business survey and the household budget survey. The exchange of information between the Ministry of Agriculture and INSTAT has improved but efforts are still required to bring agriculture statistics closer to EU standards. Data on GDP are now compiled by a recently established national accounts department. Quarterly GDP was published for the first time in December 2008. However, further methodological and source data improvements are required for the alignment of the national accounts with ESA 95.

Overall, there has been progress towards meeting the short-term priorities of the European Partnership in the area of statistics. Preparations are advancing but further improvements are necessary in key areas such as macroeconomic and business statistics.

4.3. Justice, freedom and security

4.3.1. Visa, border management, asylum and migration

Some progress has been made in the area of **visa policy** and in the wider framework of the visa liberalisation dialogue.

Progress has been made as regards the document security. The process of distributing ID cards and biometric passports is well underway. The security features of these documents are in line with the relevant ICAO and EU standards. In January 2009 ID cards distribution started based on the data of the civil registry electronic database. However, proper control is needed to ensure that data from other sources is no longer used, and that adequate human and financial resources are allocated for functioning and security. As of 26 June, over 1 million ID cards were distributed to people without passports so they could vote. For the June 2009 elections, special measures were introduced to facilitate the distribution of ID cards to vulnerable groups. However, further efforts are required to guarantee the integrity and security of personalisation and distribution procedures of biometric passports.

Adequate connection between the civil registry system and the Total Information Management System (TIMS) needs to be ensured. In June, issuance of the old, non-biometric passports has stopped. By mid September 2009, 118 772 biometric passports were distributed. Training programmes for officials dealing with passports and visas are insufficient, including on anti-corruption.

The Law on Foreigners entered into force in December 2008 and the government adopted the implementing legislation in May 2009, but further harmonisation is required. The new law limits the issuance of visas at the border to very specific cases only. Albania operates a visa-free regime for all EU Member States. Currently, the positive and negative lists are not fully harmonised with the EU visa list. In March 2009, an agreement was signed with Bosnia and Herzegovina on visa liberalisation. Security features need to be in place to allow the development of an e-visa system in line with EU standards. Also, necessary infrastructure, financial and human resources are required for the establishment of an e-visa centre.

Overall, progress in the area of visa policy has continued. However, further efforts are required for alignment with European standards. Albania has started to address its priorities in this area, but further work is required.

There has been some progress in the field of **border management**. TIMS is available at 18 of the 26 border crossing points, at all eight regional Border and Migration Police Directorates and at two surveillance stations. However, there is insufficient sharing and analysis of the data collected via TIMS and further efforts are needed to install the system at all BCPs and at border and migration police stations. Direct access to the MEMEX information system on criminal intelligence at border crossing points is missing. Moreover, direct access to the Interpol database for police stations and border crossing points on lost and stolen passports is not yet available.

Further efforts are required to effectively implement the Law on State Border together with the integrated border management strategy and its updated action plan. Staffing levels in the border police force remain insufficient and the distribution of human resources along borders

does not adequately target high-risk areas. Efforts have been made to improve training for border police officers, but a long-term training policy, providing for continuous training as well as additional specialised training focusing on border management skills, has yet to be developed.

Substantial investment has been made in border infrastructure and equipment in recent years and continues at present. Further investment in these areas is still needed. The management of existing resources requires improvement. An Inter-Ministerial Committee on Integrated Border Management has been established, assisted by a Technical Secretariat.

A clear division of competences between the Border and Migration Police (BMP) and the Coast Guard with regard to law enforcement at sea and blue border surveillance is needed. The BMP has the lead role in blue border management. The establishment of the Inter-Institutional Maritime Operations Centre, which should ensure the principle of civilian command and control of blue border management in line with the Ohrid commitments, is still pending. Inter-agency cooperation between authorities involved in border surveillance, including between the border police and customs authorities, has to be further improved.

Further efforts are required to strengthen risk analysis and situational awareness of the border police. The Risk Analysis Unit of the BMP gathers relevant statistical data but does not draw operational conclusions for implementation at regional and local level. The management of data flows from the central level to the local levels needs to be improved.

The construction of the Murriqan–Sukobine joint border crossing point with Montenegro has been completed and was inaugurated in June 2009. The construction of a joint border crossing point at Xhepisht Trebishtit with the former Yugoslav Republic of Macedonia is ongoing. Agreements on cross-border cooperation in the area of border management have been finalised with all neighbouring countries and a sufficient legal basis for cross-border cooperation activities exists. A technical working arrangement with FRONTEX was signed in February 2009.

Overall, Albania continues to partially meet its objectives in the field of border management. However, further efforts are required to ensure improved inter-agency coordination and to provide adequate training, human resources and equipment at border posts.

Good progress can be reported with regard to **asylum**. The Law on Asylum was revised in January 2009 in order to incorporate European and international standards. However, a range of implementing measures still needs to be adopted to complete the legal framework, particularly regarding access for asylum seekers to health care, family reunion, social protection, education and housing.

The new law ensures that appeals against decisions of the Department for Citizenship and Refugees (DCR) can be lodged directly before a court. Further efforts are needed to continue shortening appeal procedures and to provide training to DCR staff and judges on asylum and international protection, including the provisions of the new law.

The DCR is responsible for managing the asylum procedure and entitled to take decisions of first instance on asylum claims. Its staff has received extensive training from international

experts. However, regular training of the border police and coordination with the DCR is needed in order to ensure the effectiveness of the pre-screening procedure. During 2008, 13 people applied for asylum, eight of whom received refugee status. In August 2009, there were 99 refugees in Albania. The facilities of the national reception centre for asylum seekers in Babrru have been upgraded and are in good condition.

Overall, Albania continues to meet its objectives partially in the asylum area. The new Law on Asylum is not fully implemented. The integration of families or persons who were granted an international protection status remains an issue.

Progress can be reported in the area of **migration**. Albania is proceeding with the implementation of the national migration strategy and its action plan. An inter-ministerial coordination mechanism to monitor their implementation has been established. The new Law on Foreigners entered into force in December 2008. It introduces distinctions among residence permits depending on the length of stay and includes provisions on carrier's liability. However, a sufficient budget is necessary to maintain progress in the area.

Progress has been made regarding the monitoring of migration flows, as migration statistics are now recorded in TIMS. However, data distinguishing the different types of returnees is not available. All relevant line ministries and border crossing points are supposed to work with the system, but in practice they do not, because of the lack of access to TIMS. Implementation of the sub-modules on visas and residence permits needs to start in order to improve monitoring and risk analysis. Illegal migration from Albania continues to be a significant problem, in particular on the border between Albania and Greece.

The detection of illegal migrants by the border police continued to improve: in 2008, 14,362 people were apprehended at the borders. However, the number of officials assigned to the Regional Directorates for Borders and Migration is not sufficient to tackle illegal migration. Border surveillance and efforts to detect falsified travel documents requires strengthening. Cooperation with neighbouring countries requires further enhancing. In November 2008 Albania, Bosnia and Herzegovina, Croatia, Montenegro, the former Yugoslav Republic of Macedonia and Serbia signed a memorandum of understanding on sharing data on illegal migration and on the regional system of advance notification.

The expulsion of illegally resident third-country nationals is regulated by the Law on Foreigners, which is broadly in line with European standards. There is a possibility to appeal against removal orders. The number of refusals of entry was relatively low in 2008. A detention centre for illegally residing third-country nationals is still under construction.

Regarding integration policy, a more proactive approach is required towards both legally residing immigrants and returnees. Immigrants do not benefit from an integrated system of financial and social support, and no specific measures on integration of foreigners are put into practice.

Implementation of the readmission agreement between the European Community and Albania continued. A protocol implementing the readmission agreement was signed with Italy in October 2008. With regard to non-EU countries, an implementing protocol for the readmission agreement with Croatia was signed in February 2009 and a readmission agreement and its implementing protocol with Bosnia and Herzegovina in March 2009.

Overall, progress in the area of migration has continued. Nevertheless, further efforts are needed to implement legislation and enhance administrative capacity and institutional cooperation. Efforts to combat illegal migration need to be stepped up.

4.3.2. *Money laundering*

Moderate progress can be reported in the fight against money laundering, which continues to be a major problem.

The Law on Money Laundering and Financing of Terrorism entered into force in September 2008 and implementing legislation has been adopted. Further efforts are needed to incorporate international standards (FATF recommendations, UN and Council of Europe Conventions) into national law. A strategy and an action plan on the prevention of money laundering have not yet been adopted.

The technical and administrative capacity of the General Directorate for the Prevention of Money Laundering (Financial Intelligence Unit — FIU) has been improved through the provision of additional staff, training and IT equipment. The number of suspicious transaction reports received by the FIU has changed significantly between the years, and no upward trend can be detected. However, the number still remains low. Reporting is uneven because except for commercial banks nearly no other financial or non-financial institution sends suspicious transaction reports to the FIU.

A Memorandum of Understanding between the FIU and the Directorate General of Customs entered into force in July 2009. The number and quality of the FIU inspections has increased. However, the overall capacity of the FIU remains limited, especially with regard to high-level criminal groups and high-value suspicious transactions. Continuous high staff turnover hampers its efficiency and coordination with the Prosecutor General's Office remains problematic, although some progress can be reported in terms of the number of cases submitted by the FIU to the latter, particularly since lowering the reporting threshold for cash transactions. However, there is scope for more efforts to raise the reporting entities' awareness of their obligations.

Cooperation between different law enforcement agencies has improved. A new unit dealing with cybercrime was established in June 2009. The Joint Investigation Unit (JIU) for the fight against economic crime and corruption under the Tirana General Prosecutor's Office has improved investigative capacity in this area and preparations are under way to replicate this structure in six regional prosecutor's offices. However, the administrative capacity of the JIU remains to be enhanced and its role as a permanent investigative structure clarified. The lack of adequate coordination among the judiciary, the police and other security authorities continues to result in unprocessed intelligence. Salaries for employees of law enforcement agencies remain low. Specialized training for the staff of relevant institutions needs to be continued.

A memorandum on cooperation was signed in March 2009 between the High Inspectorate of Declaration and Audit of Assets (HIDAA) and the FIU.

Regarding the seizure and confiscation of criminal assets, the scope of application of the legislation in this field is limited by a decision of the Supreme Court of 2007. The capacity of

the Agency for the Administration of Sequestered and Confiscated Assets requires further reinforcement. The effectiveness of national structures responsible for the confiscation of assets needs to be enhanced and a robust track record on confiscation and recovery of criminal assets established. The procedures concerning the seizure and confiscation of proceeds of crime need to be further clarified.

There has been a significant decrease in the number of reported illicit currency exchange cases, due to increased police operations and preventive activities in this area and the increased number of licensed operators.

Overall, Albania continues to be at an early stage to address its objectives in this area. It is making only moderate progress in the fight against money laundering. The legislative framework still needs to be completed with the adoption of relevant bylaws and cooperation between police and judiciary needs to be enhanced.

4.3.3. *Drugs*

There has been limited progress in the fight against drugs. Cannabis continues to be produced domestically for markets in Europe, and Albania remains a transit country for narcotics traffickers moving from Central Asia to destinations in Western Europe.

Albania is making efforts to curb the production of drugs more effectively. An action plan for the prevention of cannabis cultivation was adopted in April 2009 and is currently under implementation, in cooperation with local governments. However, certain cultivation areas such as the village of Lazarat remain inaccessible to the police.

The police are taking an increasingly active role in counter-narcotics operations. During the reporting period, nine international operations were carried out. Progress has continued in the use of special investigative means and covert evidence-gathering methods. The amount of drugs seized increased. However, the implementation of the national strategy against drugs, covering the period 2004-2010, is proceeding slowly due to insufficient financial resources and a shortage of qualified staff.

The exchange of information on drugs-related investigations between the central and regional police units and with other law enforcement agencies is hindered by the lack of direct access to the MEMEX information system by the regional police units and other law enforcement authorities. Further improvement in inter-agency coordination as well as cooperation with foreign law enforcement authorities is required.

Deficiencies remain in the area of drug disposal, due to legal and practical constraints. Consequently, there is a significant backlog of drugs in police storage overdue for disposal. Drug demand reduction strategies are implemented in the framework of the national strategy against drugs. However, services for drug addicts are mainly available in Tirana through programmes run by NGOs.

Overall, Albania is starting to address its priorities in the fight against drugs. Drug trafficking remains an issue of serious concern, which requires further efforts.

4.3.4. *Police*

Some progress can be reported in the area of police reform.

The implementation of the State Police Law has shown positive effects on law enforcement. The rules of procedure of the State Police were adopted in December 2008. However, staff transfers and dismissals continue to take place in breach of the State Police law.

Strengthening of the complaints and discipline process and better integration with the work of the Office of Internal Control is required. Disciplinary sanctions are not consistently applied. There has been some improvement in police organisation and staffing, although the overall management of police human resources is still unsatisfactory. An operational action plan for the implementation of the strategy on community policing was adopted in November 2008 to cover the period 2008-2010.

Further efforts are required as regards the recruitment, retention and training of police officers. High turnover of previously trained and competent staff has continued. Despite the number of training courses provided, regular training activities — especially for the first management level of the State Police and for police officers involved in the use of special investigative measures — are required.

The overall investigative capacity of the police remains weak. There is limited awareness of using an intelligence-led approach on a national scale and limited use of criminal intelligence tools. The regional police offices now have electronic access to the MEMEX information system. Crime statistics continue to be inadequate.

Cooperation between the State Police and other law enforcement agencies and with the prosecution services and the judiciary remains insufficient and ineffective. Problems remain in cooperation at the operational level among the Police, the General Prosecutor and Customs. The Judicial Police Law is not yet fully implemented. Implementation of the South-East Europe Police Cooperation Convention has continued. Following the entry into force of the strategic cooperation agreement with Europol, the signature of an operational cooperation agreement is pending.

Following the explosion in 2008 at Gërdec, the government has started to address the question of stockpiles of old ammunitions. However, management and disposal of small arms, explosives and the remnants of war remains a serious problem in Albania. The current legislation covering control and access to weapons and explosives is not in compliance with the European standards. A thorough revision and approximation is needed especially in terms of clear definitions of arms, markings and traceability or deactivation.

Overall, Albania is only starting to address some of its priorities in this area. However, further efforts are needed to increase investigative capacity, enhance cooperation with the prosecution and the judiciary in particular, and improve human resources management.

4.3.5. *Fighting organised crime and terrorism*

Limited progress has been made in the fight against **organised crime**. It remains a key European Partnership priority to be addressed. A specific action plan to implement the national strategy against organised crime, trafficking and terrorism remains to be adopted. Organised crime remains an issue of serious concern in Albania.

The fight against organised crime continues to be hampered by the lack of effective cooperation at operational level between law enforcement bodies, the judiciary and the prosecution. Case reporting and investigations coordination between Prosecutor and Police, continue to be issues of concern. The investigative capacity of the police and prosecution remains weak. The establishment of joint investigation units to target organised crime groups and their assets, can help to improve cooperation between the relevant authorities.

Regarding the implementation of the Stolen Vehicles Action Plan, the large amount of registrations in Albania of vehicles stolen in other countries and registration of vehicles without declaring their real value remain issues of concern.

International cooperation to combat organised crime has continued both at bilateral level and via Interpol. A new Law on Mutual Legal Assistance is pending. The number of wanted citizens who have been traced and returned to Albania has increased. In 2008, 87 extraditions to Albania took place. Efforts have been made to trace wanted Albanian citizens abroad. From October 2008 to June 2009, 37 people were returned to Albania and six people were extradited from Albania. Cooperation agreements against organised crime were signed with Bosnia and Herzegovina, France, Kosovo, Denmark, Norway and Iceland. Cooperation with Eurojust remains informal as no cooperation agreement is yet in place.

Some progress can be reported regarding measures to guarantee witness protection. Work is ongoing on a draft law on the protection of justice witnesses and collaborators. However, the lack of adequate witness protection remains problematic and hinders investigations.

Overall, Albania continues to be at an early stage in the fight against organised crime. A number of considerable weaknesses remain – inadequate witness protection and cooperation of relevant agencies in particular. Sustained efforts including on making law enforcement officials resistant to corruption and other forms of pressure from crime syndicates are needed in the fight against organised crime, which remains a matter of serious concern and affects the rule of law and the business environment.

There has been some progress in combating **trafficking of human beings**. Albania has continued to implement the national strategy for the fight against trafficking in human beings 2008-2010 and the associated strategy for the fight against child trafficking and the protection of child victims of trafficking. The Office of the National Anti-trafficking Coordinator (ONCAT) has carried out extensive work on prevention and public awareness-raising to combat trafficking. Specialised training has been provided to relevant institutions at local and national level. The administrative capacity at the ONCAT has improved. However, given the extent of the challenges faced, the effective implementation of both strategies requires additional human and financial resources.

Albania remains a country of origin of women and children trafficked for the purposes of sexual exploitation and forced labour, including forced begging, although there has been a decline in the number of persons trafficked. Albania is no longer considered a major country of transit. Sex trafficking mainly involves women and girls, whereas forced begging particularly affects Roma children.

Considerable efforts have been made to improve the identification of victims of trafficking as well as the functioning of the national victim referral mechanism. The database on victims of trafficking has been operational since September 2008. It allows on-line access to a common database to several agencies and is an important step towards providing better support to

victims. As a result, the number of identified victims rose five-fold to 108 persons in 2008. The number of convictions for human trafficking offences increased from 7 in 2007 to 26 in 2008.

Government funding for the provision of shelter, housing and other assistance has increased. Coordination between central, regional and local levels and with NGOs has improved, although further efforts are required. However, divisions of tasks and responsibilities of relevant bodies are not clearly defined. Further training is required for all levels of the police and for the social services in order to properly identify victims of trafficking.

Cooperation protocols in the fight against trafficking in human beings have been signed with the former Yugoslav Republic of Macedonia. Internal trafficking is on the rise. Additional technical and human resources at the borders, including female social workers and border guards, are needed. Human and financial resources remain insufficient for the protection and reintegration of victims of trafficking.

Overall, Albania is moderately advanced in its efforts to fight trafficking of human beings.

With regard to the **fight against terrorism**, no progress can be reported. The national counter-terrorism strategy has not been adopted yet.

Overall, counter-terrorism efforts remain at early stages.

4.3.6. *Protection of personal data*

Some progress in the area of protection of personal data can be noted. In pursuance of the Personal Data Protection Law, the Office of the Commissioner for Data Protection has been established and the Commissioner has been appointed. The government adopted in February 2009 a decision granting its premises and equipment. The internal regulation and code of ethics of the Commissioner's Office have been adopted, and the review of personal data complaints has already started.

However, the implementation of the Data Protection Law is slow. Implementation measures concerning notification procedures and exemptions are still pending. Adequate resources, including training, need to be ensured for the Commissioner for Data Protection office to work effectively. A communication strategy on the law's provisions is pending.

Overall, Albania meets only partially its targets regarding data protection.

STATISTICAL ANNEX

STATISTICAL DATA (as of 14 September 2009)

Albania

Basic data

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population (thousand)		3 373	3 058b	3 063	3 084	3 103	3 120	3 135	3 149	3 153	3 170
Total area of the country (km ²)		28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750	28 750

National accounts

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross domestic product (GDP) (million national currency)		471 578	523 043	583 369	622 711	694 098	750 785	814 797	882 209	971 222	:
GDP (million euro)		3 209	3 945	4 541	4 705	5 048	5 881	6 561	7 168	7 858	:
GDP (euro per capita)		1 051	1 289	1 477	1 521	1 622	1 881	2 088	2 275	2 491	:
GDP (in Purchasing Power Standards (PPS) per capita)		:	:	:	:	:	:	:	:	:	:
SI: GDP (in PPS per capita, EU-27=100)		:	:	:	:	:	:	:	:	:	:
SI: Growth rate of GDP (national currency, at constant prices, % change on previous year)		13.5	6.7	7.9	4.2	5.8	5.7	5.7	5.4	6.0	:
SI: Employment growth (national accounts, % change on previous year)		:	:	:	:	:	:	:	:	:	:
Labour productivity growth: GDP growth per person employed (% change on previous year)		:	:	:	:	:	:	:	:	:	:
SI: Unit labour cost growth (national accounts, % change on previous year)		:	:	:	:	:	:	:	:	:	:
SI: Labour productivity (GDP in PPS per person employed, EU-27=100)		:	:	:	:	:	:	:	:	:	:
Gross value added by main sectors (%)											
Agriculture		25.8	25.5	23.6	23.4	23.5	22.3	20.6	19.4	18.9	:
Industry		7.3	7.8	7.3	6.9	8.7	10.0	10.6	11.1	9.3	:
Construction		6.0	8.3	10.4	12.0	13.7	13.9	13.8	14.3	14.6	:
Services		60.9	58.5	58.6	57.6	54.0	53.8	55.0	55.2	57.2	:
Final consumption expenditure, as a share of GDP (%)		92.7	86.0	80.9	86.0	86.1	89.0	88.9	87.4	90.1	:
Gross fixed capital formation, as a share of GDP (%)		23.0	31.7	38.4	37.9	40.5	37.2	37.0	39.0	38.6	:
Changes in inventories, as a share of GDP (%)		0.7	2.4	1.3	0.8	-1.8	-3.8	-1.2	-2.8	-2.1	:
Exports of goods and services, relative to GDP (%)		15.8	17.9	18.4	19.6	20.4	22.0	22.8	24.9	28.0	:
Imports of goods and services, relative to GDP (%)		32.2	38.1	39.0	44.3	45.1	44.4	47.5	48.5	54.6	:

Industry

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Industrial production volume index (2000=100)		:	:	:	:	:	:	:	:	:	:

Inflation rate

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SI: Consumer price index (CPI), (total, % change on previous year)		-1.0	4.2	3.5	1.7	3.3	2.2	2.0	2.5	3.1	2.2

Balance of payments

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Balance of payments: current account total (million euro)		-129	-185	-316	-444	-350	-340	-589	-471	-832	:
Balance of payments current account: trade balance (million euro)		-626	-897	-1 149	-1 218	-1 177	-1 277	-1 477	-1 658	-2 104	:
Balance of payments current account: net services (million euro)		96	12	100	-8	-72	-41	-140	-32	13	:
Balance of payments current account: net income (million euro)		71	115	150	116	132	138	131	209	217	:
Balance of payments current account: net current transfers (million euro)		330	586	583	667	767	839	897	1 011	1 043	:
of which government transfers (million euro)		156	105	31	41	53	61	61	43	60	:
Net foreign direct investment (FDI) (million euro)		39	157	231	141	157	267	209	250	:	:

Foreign direct investment (FDI) abroad (million euro)		0	0	0	0	0	0	0	0	0	:
of which FDI of the reporting economy in EU-27 countries (million euro)		:	:	:	:	:	:	:	:	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)		39	157	231	141	157	267	209	250	466	:
of which FDI of EU-27 countries in the reporting economy (million euro)		:	:	:	:	:	:	:	:	:	:

Public finance	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government deficit/surplus, relative to GDP (%)		-9.0	-7.6	-6.9	-6.1	-4.9	-5.1	-3.4	-3.3	:	:
SI: General government debt, relative to GDP (%)		53.7	60.2	58.5	63.9	61.5	58.3	55.3	59.7	:	:

Financial indicators	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross foreign debt of the whole economy, relative to GDP (%)		16.1	17.0	17.2	22.1	21.1	19.0	16.6	16.9	:	:
Gross foreign debt of the whole economy, relative to total exports (%)	1)	101.6	94.9	93.1	112.5	103.5	86.5	73.0	:	:	:
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		701	936	1 113	1 154	1 053	1 354	1 833	2 011	1 994	:
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		1 631	1 995	2 376	2 453	2 542	3 066	3 431	3 882	4 068	:
Money supply: M3 (M2 plus marketable instruments, million euro)		1 993	2 475	3 069	3 148	3 261	3 973	4 654	5 478	6 157	:
Total credit by monetary financial institutions to residents (consolidated) (million euro)		135	175	217	292	369	548	982	1 554	2 326	:
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	2)	25.8	24.0	11.9	16.0	10.5	13.7	12.2	11.2	13.6	:
Deposit interest rate (one year), per annum (%)	3)	9.1	8.0	7.8	9.3	7.6	6.0	5.6	5.5	6.3	:
euro exchange rates: average of period - 1 euro = ... national currency		146.960	132.580	128.470	132.360	137.510	127.670	124.190	123.080	123.630	:
Effective exchange rate index (2000=100)		:	:	:	:	:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		488	697	853	902	908	1 103	1 144	1 429	1 564	:

External trade	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Value of imports: all goods, all partners (million euro)		1 083	1 179	1 486	1 590	1 648	1 823	2 118	:	:	:
Value of exports: all goods, all partners (million euro)		329	283	340	331	395	479	906	:	:	:
Trade balance: all goods, all partners (million euro)		-754	-896	-1 145	-1 259	-1 252	-1 344	-1 212	:	:	:
Terms of trade (export price index / import price index, 1998=100)		106.8	100.2	101.5	99.9	98.2	99.0	80.3	100.6	98.1	96.0
Share of exports to EU-27 countries in value of total exports (%)		95.6	93.2	91.3	92.6	93.8	90.9	93.2	:	:	:
Share of imports from EU-27 countries in value of total imports (%)		82.8	80.7	80.3	77.0	74.3	70.5	67.2	:	:	:

Demography	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Natural growth rate: natural change (births minus deaths) (per 1000 inhabitants)		12.8	11.4	12.5	9.5	9.3	8.1	7.2	5.5	5.9	:
Infant mortality rate: deaths of children under one year of age per 1000 live births		12.2	11.9	10.8	10.2	8.4	7.8	7.6	7.4	5.6	:
Life expectancy at birth: male (years)		71.7	72.1	72.1	72.1	72.1	72.1	72.1	73.9	:	:
Life expectancy at birth: female (years)		76.4	78.6u	77.5	77.9	78.6	78.6	78.6	78.0	:	:

Labour market	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Economic activity rate (15-64): share of population aged 15-64 that is economically active (%)		68.3	66.2	62.3	61.8	60.1	58.8b	57.8	53.7	67.4b	:
SI: Employment rate (15-64): share of population aged 15-64 that is in employment (%)		55.7	55.0	52.1	52.1	51.1	50.3b	49.7	48.7	56.4b	:
Share of male population aged 15-64 that is in employment (%)		69.0	66.0	64.0	63.9	62.6	61.2b	60.0	58.8	63.6b	:
Share of female population aged 15-64 that is in employment (%)		42.3	44.1	39.6	39.7	39.1	38.9b	38.8	38.1	49.3	:
SI: Employment rate of older workers (55-64): share of population aged 55-64 that is in employment (%)		:	:	:	:	:	:	:	:	46.6	:

Employment by main sectors (%)											
Agriculture		72.1	71.8	58.7b	57.7	58.2	58.5	58.5	58.0	51.0	:
Industry		7.7	5.4	6.1b	7.6	7.2	8.1	7.9	8.0	9.7	:
Construction		1.0	1.2	6.2b	6.1	6.0	5.5	5.5	5.7	8.6	:
Services		19.2	21.5	29.0b	28.6	28.5	27.9	28.1	28.3	30.6	:
SI: Unemployment rate: share of labour force that is unemployed (%)	4)	18.4	16.8	16.4	15.8	15.0	14.4	14.1	13.8	13.4	:
Share of male labour force that is unemployed (%)	4)	16.4	14.9	14.2	13.6	12.9	12.4	12.1	11.8	14.3	:
Share of female labour force that is unemployed (%)	4)	21.4	19.3	19.9	19.1	18.2	17.5	17.2	16.8	12.2	:
Unemployment rate of persons < 25 years: share of labour force aged <25 that is unemployed (%)		:	:	:	26.8	:	:	:	:	20.1	:
SI: Long-term unemployment rate: share of labour force that is long-term unemployed (%)		:	:	:	:	:	:	:	:	9.4	:

Social cohesion											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Average nominal monthly wages and salaries (national currency)		:	:	:	:	:	:	:	:	:	:
Index of real wages and salaries (index of nominal wages and salaries divided by the CPI) (2000=100)		:	:	:	:	:	:	:	:	:	:
SI: Early school-leavers: share of population aged 18-24 having not completed upper secondary education and not currently in education or training (%)		:	:	:	:	:	:	:	:	:	:

Standard of living											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of passenger cars per 1000 population		27.3	37.4	43.6	48.2	56.4	60.9	62.2	71.4	89.1	91.4
Number of subscriptions to cellular mobile telephone services per 1000 population		:	:	120.8	259.4	370.6	403.6	488.0	561.7	:	:

Infrastructure											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Density of railway network (lines in operation, per 1000 km ²)		:	13.9	14.3	15.0	15.0	15.1	15.0	13.9	13.9	13.9
Length of motorways (thousand km)		:	:	:	:	0.0	0.0	0.0	0.0	0.0	0.0

Innovation and research											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SI: Spending on human resources (public expenditure on education) relative to GDP (%)		3.3	3.1	3.3	3.0	3.1	3.2	3.2	3.1	3.2	:
SI: Gross domestic expenditure on research & development, relative to GDP (%)		:	:	:	:	:	:	:	:	:	:
SI: Percentage of households who have Internet access at home (%)		:	:	:	:	:	:	:	:	:	:

Environment											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SI: Total greenhouse gases emissions, CO2 equivalent (tons, 1990=100)		:	:	:	:	:	:	:	:	:	:
SI: Energy intensity of the economy (kg of oil equivalent per 1000 euro GDP 2004)		435.9	400.5	386.5	356.3	370.6	384.0	366.5	328.9	306.6	:
SI: Share of renewable energy in electricity consumption (%)		:	:	:	:	:	:	:	:	:	:
SI: Road freight transport as a share of total inland freight transport (modal split of freight transport) (%)		:	:	:	:	:	:	:	:	:	:

Energy											
	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Primary production of all energy products (thousand TOE)		1 113	987	933	896	1 012	1 178	1 149	1 237	1 080	:
Primary production of crude oil (thousand TOE)		323	314	335	308	359	443	418	500	564	:
Primary production of hard coal and lignite (thousand TOE)		33	20	15	5	19	19	15	15	15	:
Primary production of natural gas (thousand TOE)		14	12	8	8	12	9	10	10	16	:
Net imports of all energy products (thousand TOE)		761	858	1 001	965	1 043	1 080	1 130	826	1 020	:
Gross inland energy consumption (thousand TOE)		1 874	1 845	1 934	1 861	2 055	2 258	2 279	2 156	2 130	:
Electricity generation (thousand GWh)		5.4	4.7	3.7	3.2	4.9	5.5	5.5	5.6	3.0	3.9

Agriculture

	Note	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agricultural production volume index of goods and services (producer prices, previous year=100)		:	:	:	:	102.9	105.1	101.2	:	:	:
Total utilised agricultural area (thousand hectare)		1 144	1 144	1 139	1 140	1 121	1 122	1 077	1 120	1 121	1 122
Livestock: cattle (thousand heads, end of period)		720	728	708	690	684	654	655	634	577	541
Livestock: pigs (thousand heads, end of period)		99	103	106	114	132	143	147	152	147	161
Livestock: sheep and goats (thousand heads, end of period)		3 061	3 045	2 933	2 773	2 919	2 739	2 701	2 770	2 729	2 620
Production and utilisation of milk on the farm (total whole milk, thousand tonnes)		907	948	984	1 010	1 060	1 064	1 076	1 102	1 016	1 040
Crop production: cereals (including rice) (thousand tonnes, harvested production)		498	566	503	519	489	499	511	508	494	609
Crop production: sugar beet (thousand tonnes, harvested production)		40	42	39	39	50	40	40	:	:	:
Crop production: vegetables (thousand tonnes, harvested production)		610	620	677	669	675	678	685	688	672	715

SI = Structural Indicator

: = not available

p = provisional

e = estimate value

b = break in series

- 1) Debt outstanding disbursed (DOD), cumulative stock covering external public debt and external publicly guaranteed debt, but excluding IMF credits. Total exports are calculated according to the national accounts concepts.
- 2) Average weighted rate applied on new 12-month loans over the respective month, on 12-month maturity.
- 3) Deposit interest rate represents the average weighted rate for newly accepted deposits over the respective month, on 12-month maturity.
- 4) Administrative data; unemployment refers to registered unemployment.