Council of the European Union

Brussels, 27 February 2023
(OR. en)

6700/23

LIMITE

ELARG 12

PUBLIC

'I/A' ITEM NOTE

From:	Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA)
To:	Permanent Representatives Committee/Council
On:	27 February 2023
No. prev. doc.:	WK 1835/4/23 REV 4
Subject:	Twelfth meeting of the EU-Albania Stabilisation and Association Council (Tirana, 16 March 2023) – Position of the European Union

1. In view of the 12th meeting of the EU-Albania Stabilisation and Association Council, the Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA) has finalised the position of the European Union as it appears in the Annex hereafter.

2. Subject to confirmation by the Permanent Representatives' Committee, the Council is invited to approve the Union's position as set out in the Annex to this note.

TWELFTH MEETING OF THE EU-ALBANIA

STABILISATION AND ASSOCIATION COUNCIL

Tirana, 16 March 2023

Position of the European Union

PUBLIC

The European Union (EU) welcomes the holding of the twelfth meeting of the EU–Albania Stabilisation and Association (SA) Council. This meeting provides a timely opportunity to review Albania's progress in the preparations for membership, following the SA Sub-committees and the SA Committee held since the last SA Council on 1 March 2021.

1. Adoption of the Agenda

2. Approval of the Minutes of the eleventh meeting of the Stabilisation and Association Council on 1 March 2021

The Stabilisation and Association Council will approve the minutes of the eleventh meeting of the SA Council of 1 March 2021.

3. Relations under the Stabilisation and Association Process

3.1. Accession strategy

Recalling the Thessaloniki Agenda and the Sofia, Zagreb, Brdo and Tirana Declarations, the EU reiterates its full and unequivocal commitment to the EU membership perspective of Albania. The future of the country and its citizens lies within the European Union.

Recalling the Council conclusions of 18 July 2022, the EU welcomes the holding of the first intergovernmental conference with Albania on 19 July 2022: a clear recognition of the progress achieved by Albania on advancing the EU reform agenda and on delivering tangible and sustained reform results. The EU also welcomes that the Commission already has advanced its work to carry out the process of analytical examination of the EU *acquis* (**screening**). The EU looks forward to the completion of the process.

The EU welcomes that the **revised enlargement methodology** is now being applied to four negotiating countries, including Albania, making the accession process more focused on fundamental reforms, more predictable and based on objective criteria and rigorous positive and negative conditionality, as well as reversibility. It looks forward to exploring its full potential, in particular "phasing-in" to individual EU policies, the EU market and EU programmes, while ensuring a level playing field and being subject to progress on reform priorities.

The EU welcomes Albania's EU strategic direction and ambition to move forward in the accession negotiations based on continuing reform progress, and reaffirms its commitment to further support Albania in its endeavours towards EU membership. The EU underlines the importance of continued reform progress and further consolidating implementation, in the interest of the citizens of Albania.

The EU notes that the Commission is constantly assessing the state of play and taking stock, including through the regular **Enlargement Package**, of the progress in meeting the accession criteria. The EU notes that Albania reinforced its coordination structure for EU integration, but it needs to further advance the EU reform agenda. The authorities, political parties and all segments of societyneed to adequately communicate to the public on EU integration and on EU assistance.

The EU welcomes that Albania made progress in the area of the **fundamentals**, and in particular in the field of **rule of law**, specifically by implementing the comprehensive justice reform, which has advanced steadily, and by strengthening the fight against corruption and organised crime. The Specialised Structure for Anti-Corruption and Organised Crime Court delivered several important final decisions on high-ranking state officials. Efforts to establish a solid track record in the fight against corruption and organised crime need to intensify, including at high level. The Council calls on Albania to refrain from establishing any scheme or other measure such as tax and criminal amnesty legislation which could compromise or undermine alignment with the EU *acquis* and policies, including EU procedures and measures aimed at preventing money laundering and tax evasion, also with a view to fulfilling the necessary criteria for a de-listing by the Financial Action Task Force (FATF).

PUBLIC

Given the new geopolitical reality following **Russia's war of aggression** against Ukraine, the EU strongly underlines the importance of further deepening the cooperation on **foreign policy issues**. The EU therefore strongly commends Albania for its steadfast and full cooperation on foreign policy issues and in particular its continued 100% alignment with the EU **Common Foreign and Security Policy**, including on EU restrictive measures. This is a strong expression of Albania's strategic choice and place in a community of values. The EU commends Albania for its active engagement as a non-permanent member in the UN Security Council in promoting and defending the rules-based international order.

The EU is the largest provider of **financial assistance** to Albania. Following the adoption of the legal framework for the Instrument for Pre-accession Assistance (IPA) III, which is the main funding source, the EU invites Albania to accelerate the preparation of mature and sustainable projects. This applies in particular to projects for the **Economic and Investment Plan** for the Western Balkans. Maximising the potential impact of the Plan requires the Western Balkans partners to decisively undertake economic and social reforms as well as to strengthen the rule of law and capacity of the Public Administration.

The EU reiterates its commitment to continued cooperation and assistance, notably by enhancing Albania's resilience and involvement in EU measures in order to mitigate the negative impact of the Russia's war of aggression against Ukraine, in particular in crucial areas such as food and energy security and cyber threats. The EU's **energy support package** to the Western Balkans is of particular importance, helping to alleviate the immediate consequences of the energy crisis on the most vulnerable while advancing energy transition and diversification. Under the EU energy support package the EU is providing EUR 80 million for immediate needs and investments in the clean energies of the future.

- **Political criteria**

The EU has continued to closely follow political developments in Albania. The country continued its efforts to improve democracy and the rule of law, despite the challenges. The EU recalls that the proper functioning and independence of democratic institutions are essential elements of a well-functioning democracy, and a key condition for EU accession.

Noting that the political environment remained characterised by strong polarisation, the EU also recalls that inclusive and constructive **political dialogue** in the country remains crucial in order to further advance the reform momentum. In addition, the EU stresses the need to ensure transparency in policymaking, the inclusiveness of consultation processes and effective communication of the negotiation process.

The EU acknowledges that on 6 March 2022, Albania held by-elections in six municipalities and that no electoral subject contested the results. The EU encourages the Albanian authorities to further follow up on all the aspects covered by findings and recommendations of the OSCE/ODIHR and the Venice Commission, in particular with a view to upcoming elections, and to further enhance transparency of political party financing.

The EU welcomes that under the new legislature the Parliament has increased its efforts towards more transparency, by offering more statistical data on parliamentary activity. The EU encourages Albania to make the publication of parliamentary documentation more timely and user friendly. The EU acknowledges the Parliament's election of the new President of the Republic in June 2022, and the importance of Parliament's role in Albania's EU integration, not least by passing a time-limited constitutional extension of the vetting bodies mandate and laws aimed at alignment with the EU *acquis*. In addition, the EU strongly encourages Albania to increase parliamentary oversight on government performance.

The EU welcomes Albania's advancements in the area of the **fundamentals**, and in particular in the field of **rule of law**, and commends the good progress overall made through the continued **implementation of the thorough and comprehensive justice reform**, stressing the need to further progress. The EU recalls that this reform is crucial for the entrenchment of the rule of law, through the consolidation of a fully independent, impartial, accountable, efficient and professional judiciary. This is also essential to enhance the enforcement of fundamental rights in the country and to increase the trust of Albanian citizens in the judicial system. Judicial reform, including continued implementation of the vetting process, remains essential. Furthermore, the EU recalls that successful implementation of the justice reform is transformative to the wider society processes and is vital to attract the investments and resources necessary for the socio-economic development of the country.

PUBLIC

The EU welcomes the continued good functioning of the High Court and the **Constitutional Court**. The EU takes positive note that the most recent appointments to the Constitutional Court marked the filling of all vacancies in the Court, thus further enhancing the Court's ability to perform its mandate.

The EU also acknowledges with satisfaction that the **High Court** increased its efficiency with the recent appointments of additional judges, enabling it to reduce the case backlog for the first time in six years and to appoint judges to the Constitutional Court. The EU welcomes that a new judicial map has been adopted following consultations, in order to address the negative impact of long proceedings, low clearance rate and large case backlog, and encourages its swift and solid implementation in line with the principles of access to justice and transparency. The EU also strongly encourages Albania to continue its efforts to collect and report judicial statistical data and to set up of a new and integrated Case Management System which ensures interoperability between all justice sector components.

Concerning the **judiciary self-governance institutions**, the EU acknowledges that the High Judicial Council, High Prosecutorial Council, High Justice Inspector and the new Justice Appointment Council have continued to fully exercise their functions. These bodies are key to ensure the consolidation of an independent judiciary. The EU encourages the High Prosecutorial Council to ensure close cooperation with the General Prosecution, which is of particular importance when evaluating and promoting prosecutors. The EU recalls the need to continue to improve the quality of trainings at the School of Magistrates and its capacity to attract candidates filling in the vacant positions in the judiciary. The EU stresses the importance of making progress in the appointment and promotion of new magistrates to fill the positions made vacant by the vetting.

PUBLIC

The EU welcomes that the **vetting** process has continued to advance steadily and produced tangible results. The EU also welcomes the wide vote across parties on the time-limited extension of the constitutional mandate of the vetting bodies and encourages the authorities to ensure the orderly completion of the process in the shortest possible time. The EU reiterates its full support to the process, the continued and thorough implementation of which remains crucial, until its orderly completion. The EU recalls that the vetting process is closely monitored by the Commission, including through the observers deployed in the framework of the International Monitoring Operation (IMO), as provided for in the Constitution of Albania. The EU notes the continued very good cooperation between the vetting institutions, the IMO and other relevant Albanian auxiliary bodies and calls on all Albanian institutions and stakeholders to support this unprecedented effort. The EU commends the progress in the initiation of criminal proceedings in this context and recalls the need to systematically transfer vetting dossiers that present criminal elements to the prosecution.

The EU welcomes the commitment shown by Albania in **fighting organised crime and corruption**. It stresses that efforts to establish a solid track record of investigation, prosecutions and convictions in the fight against corruption and organised crime need to intensify, including at high-level.

The EU acknowledges that the Specialised Structure for Anti-Corruption and Organised Crime (SPAK) comprising the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI), continued its operations. It notes the smooth appointment of a new SPAK Chief Special Prosecutor. It notes that the SPAK Court delivered several important final decisions on high-ranking state officials, including on investigations related to judges and prosecutors dismissed as a result of vetting, and underlines that the implementation of final court verdicts remains essential.

PUBLIC

The EU recalls that fighting **organised crime** remains a key priority for Albania. The EU takes positive note that, in the past year, efforts in fighting organised crime have continued, including in the framework of the European Multidisciplinary Platform Against Criminal Threats (EMPACT). The EU notes in particular that the number of police operations, including jointly with EU Member States, targeting organised crime groups has increased and that high-profile arrests and indictments have taken place. The EU also notes that the number of referrals, indictments and convictions increased and underlines the need to keep strengthening the fight against organised crime including continued efforts to ensure increased prosecutions and final convictions, including high-level ones. The EU encourages Albania to step up the use of special investigation techniques and proactive investigations.

The EU calls upon Albania to further increase efforts to counter the trafficking in human beings, in particular trafficking for sexual purposes, including further intensifying cross-border cooperation and cross-border referral of victims. The EU also encourages a more victim-centred approach to law enforcement and ensuring that victims receive the necessary protection and assistance.

The EU further takes note that Albania has continued to show commitment to take action in the field of drugs, including to counter the production and trafficking of drugs. The EU urges to fill the persisting legislative gap on drug precursors and encourages the adoption of a new strategy and action plan on drugs and the establishment of the national drug observatory and early warning system. The EU calls upon Albania to intensify the fight against drug trafficking.

The EU notes good progress on seizure, freezing and confiscation of assets under both the temporary measures to prevent crime and the anti-mafia law, and calls on Albania to continue efforts in this area. The EU calls on Albanian authorities to make sure that financial investigations systematically accompany criminal proceedings from the start, and to increase the capacity of police and prosecution in this respect. The EU encourages continued cooperation with EU Member States and Europol on serious and organised crime, notably within EMPACT.

PUBLIC

As regards **anti-money laundering**, the EU takes positive note of the adoption in Parliament of amendments to the law on anti-money laundering aimed at aligning with the EU's fourth and fifth anti-money laundering directives. The EU notes positively that Albania has largely implemented the Financial Action Task Force (FATF) action plan and calls on Albania to swiftly complete its implementation. The EU welcomes that Albania is the first jurisdiction in the Western Balkans to have implemented automatic exchange of bank account information under the Automatic Exchange of Information framework of the OECD/Global Forum. The EU stresses that despite some progress in 2021, the number of convictions for money laundering remains low. Further to the "Moneyval package", an Asset Recovery Office still needs to be established. The EU welcomes Albania's commitment to amend or abolish the Industry incentive regime in line with criteria applied by the Forum on Harmful Tax Practices and the Code of Conduct Group and looks forward to the timely implementation of this commitment.

On **countering terrorism and violent extremism**, the EU welcomes Albania's good progress in implementing the Joint Action Plan on Counter-Terrorism for the Western Balkans and its commitment to implement the bilateral arrangement it signed on 9 December 2022. The EU is committed to support the implementation of the new actions included in the arrangement, such as the creation of a fusion centre for national threat assessment, and stepping up Albania's capacity to protect critical infrastructures, while aligning to the EU legislative framework. The EU notes progress in regional cooperation and with international partners and acknowledges Albania's active participation in the implementation of the Western Balkan counter-terrorism initiative, under the Integrative Internal Security Governance. It calls on Albania to make more proactive use of the Europol European Counter-Terrorism Centre's communication platforms products, services and capabilities, and to continue collaboration with the Europol Internet Referral Unit.

The EU underlines that the return of foreign terrorist fighters and their families from Syria continues to be a challenge for all countries of origin. It invites Albania to strengthen the case management and referral mechanisms for returnees and individuals at risk of radicalisation and continue sharing all relevant information on returnees with Europol.

PUBLIC

As regards the **fight against corruption**, which remains a key priority for Albania, the EU welcomes improvement of the institutional framework. It takes note of the establishment of a new General Anti-Corruption Directorate in the Ministry of Justice that meant to improve coordination at the central level. The EU encourages Albania to further its efforts on the seizure and confiscation of assets in corruption cases, to address the GRECO recommendations against corruption and adopt integrity and anti-corruption plans within all line ministries and State authorities. The EU also encourages Albania to ensure the efficient functioning of the institutional framework and to conduct targeted risk assessments and dedicated actions in sectors most vulnerable to corruption.

The EU takes positive note of continued efforts made as regards the track record of investigations, prosecutions and final convictions in fighting corruption, but reiterates that increasing the number of final convictions of high-level officials remains an important priority. Albania needs to ensure that SPAK further addresses high-level corruption, enhances its staff and resources, as well as its coordination with law enforcement, prosecutorial and judicial entities in charge of corruption prevention. The EU stresses the need for further structured and consistent actions.

Regarding **judicial cooperation**, Albania continued to cooperate well on criminal matters, including with EU Member States and with Eurojust. Furthermore, the EU welcomes the good cooperation in addressing **common migratory and security challenges** and notes with satisfaction that Albania is the only third country having working arrangements with all EU justice and home affairs agencies.

PUBLIC

The EU notes the high level of alignment in Albania's legal framework on **migration** with the EU acquis but stresses that further update is needed. It notes that **irregular migration** continues to be a key challenge in the region, stressing the importance of combatting migrant smuggling and trafficking in human beings. The EU encourages Albania to pro-actively cooperate with the EU to implement the EU Action Plan on the Western Balkans adopted in December 2022. It further notes that Albania's migrant reception capacity increased, and its contingency plan in case of a spike of arrivals was updated. It calls on Albania to adopt the plan at Council of Minister level and include in it appropriate budget allocations and clear modalities for its triggering. The EU stresses the need to introduce an integrated case management of unaccompanied children, as required by the law on asylum. The EU notes Albania's commitment to strengthen border management, and to strengthen joint inspections with a view to crack down on narcotics trafficking, smuggling and other cross-border crimes.

The EU underlines the importance of continuing to address the issue of **unfounded asylum applications**. The EU notes that their number has increased in 2021 and 2022 which requires continuous and sustained efforts in close cooperation with Member States of destination, including in addressing the phenomenon of unaccompanied minors. The EU takes positive note that Albania has maintained efforts in tackling this phenomenon. The EU calls upon Albania to further step up measures to address effectively the issue, including through addressing its underlying reasons, improving border checks and organising further awareness-raising campaigns on the rights and obligations of visa-free travel. Cooperation, structured dialogue, and the implementation of action plans with the most affected EU Member States should continue. The EU will continue to monitor the issue, including in the context of the visa suspension mechanism. Albania's **visa policy** is still not fully aligned with the EU's, as regards the list of countries whose nationals require an entry visa. The EU encourages Albania to further align its visa policy with the EU's list of visa-required third countries.

PUBLIC

The EU welcomes Albania's efforts to strengthen the **protection of fundamental rights in several areas**, notably as regards improving the legislative framework. It calls for further efforts and encourages Albania to adopt and implement the pending legislative and policy measures, including financial support, particularly in the area of minority, freedom of expression and media freedom, property rights, as well as personal data protection.

Following the adoption of the **Population Census** Law, the EU notes that preparations for the population census have continued and the housing census will eventually be held in September-October 2023. The EU looks forward to the smooth conduct of the census in full transparency and in line with international standards. The EU welcomes the adoption of secondary legislation on **minorities**. It continues to encourage Albania to swiftly adopt and implement the pending by-laws relating to the 2017 framework law on the protection of national minorities, in line with European standards and with the involvement of all relevant stakeholders, in particular the provisions related to free self-identification and the use of minority languages. The EU reiterates the need for efficient implementation with a view to an effective enjoyment of rights in this area.

The EU welcomes that freedom of assembly and association, as well as freedom of thought, conscience and religion continue to be generally upheld in Albania. However, the EU continues to urge Albania to make tangible progress on **freedom of expression**. Freedom of expression, the independence, freedom and pluralism of media are crucial to respect, protect and fulfil fundamental rights. The EU regrets that no progress was made in this area in the past three years. A policy of zero tolerance remains needed against intimidation and attacks against journalists, as well as threats against the media, including in the political discourse and in the margins of demonstrations. The EU reiterates the importance of ensuring that any amendments to the media law are in line with the Venice Commission recommendations and international standards and be subject to proper consultations with media organisations, should the law be further considered by parliament. The EU also recalls that it remains important to ensure that the media have direct and transparent access to governmental institutions and their activities. The EU underlines the need to align the rules on transparency of media ownership and on media financing to international standards.

PUBLIC

The EU welcomes that Albania continued its efforts on **property rights**, as regards the registration, digitisation and compensation. However, it calls for enhanced efforts to implement a comprehensive land sector reform and to consolidate property rights in a transparent manner, including by holding consultations with all relevant stakeholders, including by addressing cases of falsification of documents and swiftly advancing the process for registration and compensation. The EU stresses the need to adopt the necessary by-laws and the importance of carrying out a transparent and comprehensive process, covering the whole territory.

The EU encourages intensification of efforts to align the legislation on personal data protection to the EU General Data Protection Regulation (GDPR) and to ensure their effective implementation and enforcement. The EU also stresses the need for Albania to ensure that the international standards governing the production of secure identification documents are respected, including regarding the protection of personal data.

The EU notes with satisfaction that the Albanian legal and policy framework on **non-discrimination** is generally aligned with EU standards. However, its implementation needs to be further strengthened including by providing specialised training to judges and prosecutors. The EU welcomes the progress made by Albania, notably with the adoption of a new and better-budgeted national action plan for LGBTI persons and a national action plan for equality, inclusion and participation of Roma and Egyptians in Albania. It invites Albania to further intensify efforts on equality, inclusion, participation, including through the effective implementation of the national Strategies and Action Plans. The EU acknowledges the importance of the law on social housing, including for the members of the Roma and Egyptian communities. The EU underlines in this area the importance of full implementation in secondary legislation and in practice.

PUBLIC

The EU welcomes that some progress was made, as the 2021-2030 national strategy on gender equality, and its Action Plan, were adopted. These are fully aligned to the EU **Gender** Action Plan III, welcomed through Presidency conclusions of 16 December 2020. The EU acknowledges that Albania is making efforts to ensure adequate state funding to implement the new strategy at central and local level. The EU encourages Albania to ensure that all national strategies implemented at central and local level are gender mainstreamed and apply gender-responsive budgeting. The EU remains committed to the promotion, protection and fulfilment of all human rights and to the full and effective implementation of the Beijing Platform for Action and the Programme of Action of the International Conference on Population and Development (ICPD) and the outcomes of their review conferences and remains committed to sexual and reproductive health and rights (SRHR), in this context. Having that in mind, the EU reaffirms its commitment to the promotion, protection and fulfilment of the right of every individual to have full control over, and decide freely and responsibly on matters related to their sexuality and sexual and reproductive health, free from discrimination, coercion and violence. The EU further stresses the need for universal access to quality and affordable comprehensive sexual and reproductive health information, education, including comprehensive sexuality education and health-care services. More efforts are needed to combat gender-based violence.

The EU notes that the legal framework governing the **rights of the child** is in place and that some progress was made in institutional capacity-building for its effective implementation.

The EU encourages Albania to further improve institutional mechanisms for protecting children, victims of domestic violence, promoting the rights of persons with disabilities, guaranteeing gender equality and providing minimum health and social services, especially at local level.

The EU recalls the crucial role of the **civil society**, including youth, in the accession process and encourages Albania to make further progress in the implementation of the roadmap on an enabling environment for civil society, which remains strongly dependent on donor support.

PUBLIC

As regards the **reform of the public administration**, the EU welcomes the strengthening of the capacities for public consultations and regulatory impact assessment and expanding the automated payroll system. The EU encourages Albania to increase the policy planning and monitoring capacities of line ministries. The EU reiterates that the policy planning and budgeting cycles need to be better integrated by making full use of the Integrated Planning Information System. The setting up of new agencies needs to be an inclusive process and should be subject to checks and balances.

The EU recommends to further professionalise the **civil service** through establishing a transparent and merit-based remuneration system at all levels, especially at senior level. The EU welcomes improvements so far in civil service recruitment at the central level, and encourages Albania to implement the regular procedures on pooled recruitments for senior ranks. Strengthened local administrative capacity is also necessary.

As regards the strengthening of **public finance management** (PFM), the EU encourages Albania to continue with the implementation of PFM reforms. The EU welcomes the adoption of the 2022-2024 medium-term budget programme and calls on Albania to adopt the new public financial management strategy.

The EU welcomes Albania's continued constructive engagement in **regional cooperation**. The EU also welcomes that Albania continued dialogue to ensure **good neighbourly relations**, which remain an essential element of the enlargement process, as well as of the Stabilisation and Association Process. The EU supports the Common Regional Market that was launched by the leaders of the Western Balkans at the Sofia Summit in November 2020 and recalls that fully inclusive regional cooperation as identified in the Common Regional Market action plan will remain crucial for taking full advantage of the potential of the region and of the Economic and Investment Plan. The EU commends Albania for successfully hosting the EU – Western Balkans summit in Tirana in December 2022. The EU welcomes the approval by Albania of the agreements signed at the November 2022 Berlin Process summit as part of the Common Regional Market. The EU looks forward to their effective implementation for the benefit of citizens and business in Albania and across the Western Balkans.

PUBLIC

The EU strongly commends Albania for its consistent cooperation on foreign policy issues and in particular its continued full alignment with the **EU Common Foreign and Security Policy**, including on EU restrictive measures, including those following Russia's unprovoked aggression against Ukraine. The EU also welcomes Albania's continued active participation in EU missions and operations under the **Common Security and Defence Policy**. The EU commends Albania for its active engagement as a non-permanent member in the UN Security Council in promoting and defending the rules-based international order. The EU encourages Albania to ensure that its positions expressed in multilateral fora are fully in line with those of the EU.

Given the current geopolitical situation and in line with EU priorities under the joint framework on countering hybrid threats, the Western Balkans strategy and the Tirana Declaration, the EU has increased policy dialogue and assistance to enlargement partners including Albania on countering hybrid threats, in particular on cyber resilience and cybersecurity, including the protection of critical infrastructure. The EU condemns the large scale cyber-attacks against Albania in the second half of 2022 and continues to provide support in response to these.

Albania maintains a bilateral immunity agreement with the United States, granting US citizens exemptions from the jurisdiction of the **International Criminal Court**. In doing so, it does not comply with the EU common positions on the integrity of the Rome Statute or with the related EU guiding principles on bilateral immunity agreements. Alignment with the EU position is therefore needed.

PUBLIC

- **Economic criteria**

The EU encourages Albania to continue efforts to further meet the requirements of the EU's internal market and to cope with competitive pressure and market forces within the Union. It notes that Albania has made good progress in its preparations for developing a functioning **market economy** and that, supported by a broadly appropriate policy mix, the Albanian economy showed resilience and rebounded faster than expected, making up for most economic losses caused by the COVID-19 pandemic. The EU notes that Russia's war of aggression against Ukraine has hit the Albanian economy indirectly through higher commodity prices and lower growth in its main EU trading partners, which in turn affected a slowed down but still positive economic growth in 2022. The budget deficit and the public debt ratio increased less than projected, but fiscal space remains limited, heightening the country's vulnerability to external shocks.

The EU welcomes Albania's progress on revenue-related reforms, but notes that weaknesses persist on investment expenditure planning and execution - the regular use of normative acts for frequent revisions to the budget and the budget law weakens fiscal credibility. The EU encourages Albania to step up efforts in relation to fiscal transparency. Inflation has increased to above the target, which prompted the central bank to raise the policy rate in several steps. The EU welcomes that the business environment benefitted from a higher level of digitalisation of the public services, which also contributes to the formalisation of the economy, along with the rising financial inclusion and successful activities to reduce underreported labour. Nevertheless, the EU notes a large part of the economy remained informal, and urges Albania to continue its coordinated efforts to make coordinated progress in addressing this. The EU encourages Albania to fully implement the policy guidance set out in the Joint Conclusions of the Economic and Financial Dialogue, as well as to restart the public consultation and subsequently adoption and implementation of the Mid Term Revenue Strategy in a comprehensive manner. The EU urges Albania to increase revenue in a growth-friendly way and strengthen fiscal governance. The EU commends the stability and continuing development of the financial sector and the positive development of the labour market including the increasing female employment. The EU welcomes progress with facilitating contract enforcement, and recalls that the development of a proper real-estate market continues to be held back by the lack of a functioning cadastre and the problem of property titles. This hinders investment in agriculture and tourism, infrastructure projects and access to finance.

PUBLIC

The EU emphasizes that Albania needs to increase public expenditure and attention on research and education, and on health and social protection, in order to increase Albania's **capacity to cope with competitive pressure** and market forces. The EU welcomes that energy and transport infrastructure, the digitalisation of the economy and education outcomes have improved, but notes that significant gaps to regional and European levels remain. The EU urges Albania to address the issue that its competitiveness is hindered by a lack of entrepreneurial and technological know-how, significant levels of informality, unmet investment needs in human and physical capital, and persistently low spending on research and development. The EU notes that efforts to improve vocational training and to address the skills mismatch continued and institutional preparations for the Youth Guarantee Plan progressed. The EU stresses the importance of ensuring that the Youth Guarantee plan and implementation is aligned with the EU model and integrates the guidelines of the EU-ILO Technical Assistance Facility. It also notes that regional integration and exports increased but remained below potential, and urges Albania to further address its lack of product and geographical diversification of exports, which add to Albania's vulnerability to external shocks.

The EU underlines the constructive participation of Albania in the Economic Reform Programme process (ERP) and encourages Albania to strengthen the use of the ERP as an economic policy planning tool. Albania needs to step up its efforts to implement the joint policy guidance adopted in 2021 and 2022, which were only partly implemented, and to advance on structural reforms. Sufficient capacity for the drafting and the inter-institutional coordination of the ERP needs to be ensured, and a higher participation from relevant stakeholders both in drafting and in implementing the structural measures is necessary.

- **EU *acquis***

Albania has continued approximating its legislation and capacity to European standards. The EU welcomes the progress made in a number of areas. Nonetheless, substantial efforts are still necessary as regards the overall preparations for adopting and implementing the EU ***acquis***. The EU encourages Albania to continue improving its administrative capacity to effectively implement and enforce legislation, in particular on **free movement of goods**, and underlines the importance of safeguarding the independence of regulatory bodies.

PUBLIC

On **public procurement**, the EU welcomes the progress made in particular by adopting further implementing legislation to the new law on public procurement and launching an electronic appeals and complaints system. The EU encourages Albania to further align its legal framework with the EU *acquis*, including in the area of concessions and public-private partnerships. The EU will continue to monitor whether the rules set under agreements concluded between Albania and third countries comply with SAA requirements and the EU *acquis*, notably in the area of public procurement.

In the area of **intellectual property law**, the EU welcomes the progress in the legislative alignment with the EU *acquis* in the areas of copyright and other related rights as well as industrial property rights. The EU recalls the importance of implementation and enforcement of these rights.

In the area of **competition**, the EU stresses the need of ensuring the operational independence of the State Aid Commission, in line with the requirement of the SAA. This body also needs to build a more robust enforcement record, which is currently very low. The prerequisite for that is strengthening its administrative capacities.

As regards **free movement of capital**, the EU urges Albania to address the outstanding commitment to guarantee that EU nationals enjoy a treatment not less favourable than Albanian nationals as regards the acquisition of real estate, in line with its obligations under the SAA.

The EU encourages Albania to continue approximating its legislation on direct and indirect taxation to the EU. The EU also stresses that timely VAT refunds remain essential in the current crisis conditions in order to ensure sufficient liquidity.

The EU welcomes that Albania has continued coordinating its **trade-related policies** and positions towards third countries and international organisations with the EU and encourages the country to continue with this approach. The Trade Facilitation Committee should ensure inter-institutional cooperation on trade-related legislative developments and ensure compliance with the SAA.

PUBLIC

On **enterprise and industrial policy**, the EU welcomes the adoption of the Law on micro, small and medium enterprises, the adoption of the Law on start-ups and establishment of the Start-Up Council, and some progress to provide business support services and access to finance, though more work is needed in these areas. The EU urges Albania to continue to reduce the regulatory burden and increase business support services, and to accelerate the full alignment of national legislation with the EU *acquis* on late payments and implement the Law on start-ups.

On **employment and social policies**, the EU reiterates the importance of dialogue between social partners and thus encourages the proper functioning of the National Labour Council in order to ensure meaningful social dialogue. The EU encourages Albania to ensure sufficient budget allocation for the Social Fund to finance social care services, improve operational modalities for distribution, and implement the legal framework on procurement of social care services. The EU welcomes the development of the new 2023-2030 strategy for employment and skills.

Regarding **education**, the EU encourages Albania to continue its efforts in improving access to and participation in quality education at all levels. It welcomes the adoption and implementation of the 2021-2026 National Strategy for Education and its Action plan. The EU encourages Albania to secure the optimisation of the VET system to develop services and competences in line with the needs of the labour market.

Regarding **research and innovation**, the EU urges Albania to complete the Smart Specialisation Strategy and to adopt the law on scientific research. It welcomes the results of Albania's participation in the Horizon Europe programme in 2022, which has been the best since Albania joined the EU's Framework Programmes for Research and Innovation.

On **culture**, the EU welcomes the adoption of the National Youth Strategy 2022-2029 and the country's participation to the new EU Creative Europe programme 2021-2027.

PUBLIC

On **information society and media**, the EU welcomes the adoption of the 2022–2026 Digital Agenda and the National Strategy for Cyber Security 2020-2025 and its Action Plan. The EU recalls the importance of fostering cybersecurity and calls Albania to further align with EU Directive on measures for a high common level of cybersecurity across the Union (NIS 2 Directive). The EU calls Albania to adopt necessary amendments to the Law on Electronic Communications, in alignment with the European Electronic Communications Code still in 2023. The EU also encourages Albania to adopt the draft Law on Audio-Visual Media, as shared with the Commission departments in December 2022, to meet the conditions set out in Directive 2010/13/EU for Albania's participation in the MEDIA and cross-sectoral strands of the Creative Europe Programme.

On **agriculture and rural development**, the EU welcomes measures taken to strengthen administrative capacities for the implementation of new measures under the instrument for pre-accession assistance for rural development programme (IPARD III). The EU strongly encourages continuous capacity building of IPARD national authorities to ensure entrustment of the new measures available under IPARD III. The EU welcomes on the establishment of the farm register. It also encourages Albania to step up efforts on establishing a land parcel identification system and for the swift preparation of an implementation plan with a concrete timeline for setting up the farm accountancy data network (FADN).

As regards **food safety, veterinary and phytosanitary standards**, the EU urges Albania to adopt a consolidated national food safety policy and to align relevant laws on official controls, animal and plant health. It also urges Albania to further the reform of the veterinary sector, and in general to allocate adequate human resources to implement sector strategies. The EU also calls upon Albania to step up efforts to ensure sustainable resources for animal disease control measures and to maintain the control measures in the long run.

PUBLIC

The EU encourages Albania to further strengthen the administrative capacity in the **fishery sector**. The EU welcomes progress on maintaining operational the vessel monitoring system, and stresses the importance of allocating human resources to monitor and report on the activity of fishing vessels. The EU also underlines the importance of taking necessary steps for implementation of the Fisheries Law regarding small-scale fisheries. The EU encourages Albania to continue active participation in the General Fisheries Commission for the Mediterranean inspection scheme in the Adriatic Sea, and looks forward to the continuation of the current fruitful cooperation with Albania on this matter.

As regards **environment and climate change**, the EU notes progress achieved by Albania so far, and encourages the country to ensure coherence with the priorities of the European Green Deal as specified by the Green Agenda for the Western Balkans. The EU recalls Albania's significant challenges related to the implementation and enforcement of legislation in areas such as air quality, waste and water management, chemicals and environmental crime, and biodiversity and nature protection. It underlines also that infrastructure investments in protected areas need to go through thorough environmental assessments and public consultations before implementation.

As regards **transport**, the EU welcomes Albania's participation in the activities of the Transport Community and the endorsement of the Action Plans with detailed steps to improve the implementation of the relevant legislation concerning road, road safety, rail, transport facilitation, waterborne and multimodal transport. The EU encourages Albania to improve the coverage and quality of its road safety data and further align with the legislation on periodic roadworthiness tests for motor vehicles. The EU welcomes that Albania adopted new railway legislation, including on setting up the rail agency, separating railway operations from railway infrastructure management, and licensed new operators for the rail sector with the aim of ensuring full operability of the network. On maritime transport, the EU urges Albania to continue legislative alignment and to step up efforts to improve the quality of vessels under Albanian flag. There is a need to strengthen administrative capacities in all sectors in compliance with the EU *acquis*.

PUBLIC

Regarding **Trans-European Networks**(TENs), the EU underlines that core transport and energy networks need to continue development in line with the Economic and Investment Plan for the Western Balkans and its agreed list of flagship investments and preparation of a single project pipeline will be key in this regard.

In the context of the **Economic and Investment Plan for the Western Balkans**, the EU recalls that substantial infrastructure investments in Albania are envisaged in the coming years with dedicated flagship investments. Albania needs to improve its investment planning and implementation capacity to fully benefit from these investments.

As regards **energy**, the EU urges Albania to accelerate the reforms in its electricity market and connectivity measures in renewables, gas and regional interconnections as well as diversification from hydropower to other renewable energy sources such as wind farms and floating photovoltaic solar power. The EU welcomes the adoption of the integrated National Energy and Climate Plan 2030 and stresses that further integration of local electricity market into regional electricity market requires more effort.

The EU welcomes the participation of Albania in the EU **Civil Protection** Mechanism which was signed in November 2022 and ratified by Albania in February 2023.

On **regional development and cohesion policies**, the EU notes that Albania is continuing to prepare regional development reforms. It urges the authorities to strengthen the political dialogue by making it more inclusive and improving coordination among ministries and with local self-governments. Capacities to manage public funds at local level have to be strengthened.

PUBLIC

- **Pre-accession Assistance (IPA)**

The EU underlines the unprecedented financial assistance mobilised by the EU in the wake of the 2019 earthquake, for COVID-19 related urgent needs and recovery, and Russia's war of aggression against Ukraine.

The EU encourages Albania to increase its engagement in programming processes. The EU welcomes Albania's recent ratification of the Financial Framework Partnership Agreement for IPA III as well as its publication in the Gazette of Financing Agreement for the year 2021. The EU also notes that IPA annual action programmes for 2022 and 2023 are underway. Annual Action Programme for 2022 will have particular focus on the rule of law, EU integration support, and water quality. Annual Action Programme for 2023 consists of a State and Resilience Building Contract aiming at providing Budget Support to Albania in order to face the energy crisis following Russia's war against Ukraine. This will be based on a plan recently adopted by the Albanian Authorities that will favour the vulnerable population and will promote diversification of renewable energies. The EU notes with satisfaction the adoption of this energy plan at short notice.

The EU recalls that IPA follows a performance-based approach and reminds the Albanian authorities that future IPA assistance should support main political priorities, such as implementation of the Stabilisation and Association Agreement, the European Reform Agenda and the Economic Reform Programme. The EU underlines that conditions governing IPA III are to relate to progress in implementing reforms, particularly in the areas of rule of law and fundamental rights, the strengthening of democratic institutions and public administration reform, as well as economic development and competitiveness.

PUBLIC

Given that IPA III is to continue applying the sector approach, the EU underlines the importance of strengthening strategic planning, sector coordination systems, links between strategic planning and budgeting, and monitoring and reporting systems.

The EU notes the satisfactory cooperation in the implementation of most assistance projects. The EU also welcomes the measures undertaken by Albania to improve the functioning of the management and control system for indirect management of IPA assistance. Albania is encouraged to continue improving the functioning of the system and scale up its capacity, in order to prepare for the roll out of indirect management to IPA III, assume responsibility for multi-annual programmes with ex post controls and increase efficiency of cross-border co-operation.

The EU finally highlights the benefits of the technical assistance to strengthen the administrative capacity to adopt and implement EU legislation, in particular the benefits of cooperation with EU Member States, including through Twinning.

3.2 Bilateral relations under the Stabilisation and Association Agreement

Overall, the Stabilisation and Association Agreement (SAA) is being implemented well. Nonetheless, the EU recalls that compliance with the SAA remains an important element in the EU integration process, and will continue to monitor compliance as highlighted earlier. The EU also emphasises the need for further efforts to ensure that adequate administrative capacity is in place.

4. Exchange of views on developments in the Western Balkans

The European Union and Albania will proceed to an exchange of views regarding developments in the Western Balkans.

PUBLIC