Report on the strategy paper on progress in the enlargement process

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PURPOSE : to present the 2005 Progress Report on **Albania**

CONTENT : This report provides a balance sheet of the progress made by Albania with regard to the Copenhagen fundamental criteria:

1) Political criteria: Albania has made progress in reinforcing its democratic, judicial and public administration institutions, but needs to implement strategies and laws with more vigour to further improve their functioning.

The July 2005 parliamentary elections were fundamentally sound and resulted in a smooth transfer of power, but showed shortcomings which demonstrated a need for further electoral reform. Progress has been made in improving the functioning of Albania's judicial system. Measures to increase judicial transparency and co-ordination have been taken, but more are needed. Although more judgements are now executed, the level of execution remains relatively low. New legal tools and regional agreements should now be used to achieve better concrete results in fighting organised crime and terrorism. Some efforts have been made to fight corruption: work has continued in international fora, new conflict of interest legislation has been adopted, more public officials have been prosecuted for corruption, and strong action has been taken against police corruption. Nonetheless tangible results remain limited.

In the field of human rights, Albania has made some efforts to improve conditions for prisoners, with a new code of conduct and internal control law for prisons, but inadequate infrastructure means physical conditions remain poor. Knowledge and enforcement of domestic law and international conventions on treatment of prisoners should be improved. Little concrete progress has been made in improving media freedom. Legislative progress has been made in reinforcing property rights, but implementation must be greatly accelerated. Albania is an example of religious tolerance, but requires further progress to reach international standards in human and minority rights. Albania has continued to play a positive role in the region, maintaining a constructive policy towards Kosovo.

2) Economic criteria: The economy of Albania operates to some degree within the framework of functioning market principles. Further vigorous reform efforts are necessary to address the shortcomings in competitiveness of the economy.

Growth remained strong while inflationary pressure remained subdued. The current account deficit has narrowed. Fiscal consolidation continued and the budget deficit has declined. Progress in public administration reform has continued and the administrative capacity of the tax administration has improved. In the field of public financial control and internal audit, some progress has been made. Privatisation of small- and medium-sized enterprises has been completed. The sale of the Savings Bank was completed in 2004 and the privatisation of Albtelecom has started in early 2005. Prudential supervision has been strengthened through the implementation of a risk-based supervision process. The labour market is considered as relatively flexible.

However, public sector governance remains to be strengthened and the privatisation of large enterprises has suffered delays. The performance of the financial sector in channelling savings towards productive investment has recently been improving, but still remains weak. The establishment and enforcement of property rights remain difficult, damaging the potential for investment and economic activity. Enterprise

creation continued to face obstacles such as weak infrastructure, poor legislation and weak implementation of tax legislation. Unfair competition by businesses operating in the grey economy remains a problem. Educational attainment remains relatively low and the supply of skilled labour is limited.

3) implementation of the acquis: Progress has mainly consisted of adoption of new legislation and the establishment of new institutions. Some efforts regarding the strengthening of administrative capacity have also been made, but in a number of cases more commitment and resources are needed for further progress. The main areas identified as requiring improvement are as follows:

- internal market: more attention should be paid to implementing the New, Global and Old Approach directives, considerable progress is required for proper market surveillance and consumer protection.
- Free movement of persons: Albania continues to face a problem of emigration (mainly to EU).
- Corruption, especially in the customs service and in public procurement needs to be addressed.
- Much needs to be done to improve the quality of agricultural and fisheries produce, in particular regarding food safety.
- Albania must continue to strictly implement the energy action plan in order to reduce the still-frequent power cuts and illegal connections.
- Information society and ICT: The privatisation of Albtelecom remains to be successfully concluded and telecommunications legislation should be developed to attract further investment. Further work is needed to align electronic communications, information technology and audiovisual legislation and to ensure its non-discriminatory implementation.
- National strategies adopted on migration and asylum now need to be funded and implemented.
- Need to further improve the equipment and the management of the police, in particular as regards human resources, transparency, autonomy and police records, and efforts to reach an agreement with Europol should be accelerated.
- Need to accelerate implementation of international conventions and further improve security at Tirana airport.