

6

State-owned enterprises

State-owned enterprises (SOEs) are important economic actors and can enhance economic activity and competitiveness if a level playing field with private companies is ensured. This chapter, along three sub-dimensions, explores the importance of implementing policy, institutional and legal frameworks that contribute to competitive neutrality between private firms and state-owned enterprises. The first sub-dimension, efficiency and performance through improved governance, assesses clarity of the ownership policy and the board nomination framework, including independent and professional boards, and privatisation practices. The second sub-dimension, transparency and accountability, focuses on the financial and non-financial reporting and audit practices, including anti-corruption integrity measures and protection of minority shareholders. The third sub-dimension, ensuring a level playing field, explores the discrepancies in the legal and regulatory treatment of SOEs compared to private businesses, and the financing conditions of SOEs.

Key findings

Albania performs broadly in line with the Western Balkans' regional average on overall state-owned enterprise (SOE) policy, although it underperforms the region with respect to SOE ownership and governance practices (Table 6.1). This largely reflects the absence of a state ownership policy to clarify the state's expectations of SOEs, together with Albania's mostly decentralised ownership arrangements and persistent weaknesses in SOE boards of directors.

Table 6.1. Albania's scores for state-owned enterprises

Dimension	Sub-dimension	2018 score	2021 score	2024 score	2024 WB6 average
State-owned enterprises	5.1: Efficiency and performance through improved governance			1.9	2.3
	5.2: Transparency and accountability			2.6	2.7
	5.3: Ensuring a level playing field			2.8	2.8
Albania's overall score		2.7	2.3	2.3	2.5

The **key findings** are:

- SOEs in Albania operate in a largely decentralised manner under several ownership ministries, without a whole-of-government ownership policy in place to professionalise and harmonise ownership practices or to clarify the state's objectives regarding SOEs. One SOE has been privatised in the decade since 2012 and no privatisations are currently under way or planned.
- Despite a new 2022 directive related to SOE board nominations in state-owned joint-stock companies, weaknesses persist in SOE board qualifications and independence, including the presence of politically affiliated individuals such as vice-ministers in some SOE boards. In certain SOEs, the state bypasses boards of directors to appoint Chief Executive Officers (CEOs), depriving boards of their good-practice role of supervising management with no political interference.
- Significant shortcomings in SOEs' ownership and board arrangements heighten SOEs' corruption-related risks, including the aforementioned presence of politically affiliated individuals on SOE boards as well as insufficient clarity on corporate objectives. The authorities have not elaborated specific expectations for SOEs regarding the establishment of anti-corruption and integrity measures in SOEs.
- SOEs are subject to sound basic financial reporting standards, while those of a certain size are subject to additional non-financial reporting requirements in line with related EU directives. The state does not gather centralised performance data on SOEs and does not publish an aggregate report on their activities and performance, signifying an accountability gap for the ministries, boards and managers responsible for SOEs.
- Concerning the level playing field with private companies, the majority of SOEs in Albania are incorporated under company law, in line with good practice. However, the extension of state subsidies to SOEs, coupled with the absence of rate-of-return expectations, distorts the level playing field when it comes to SOEs' financing conditions.

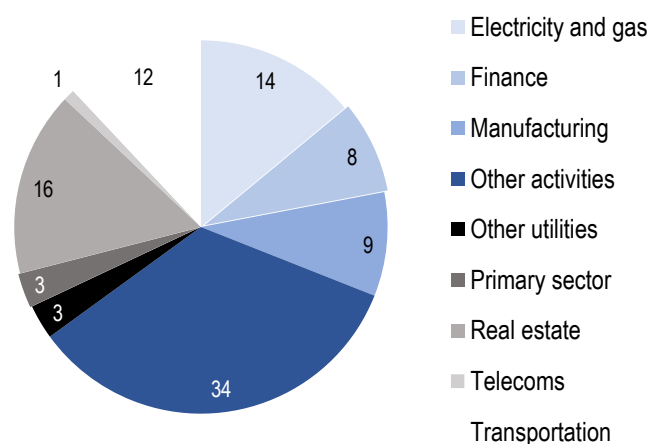
State of play and key developments

The central government of Albania is the majority or full owner of approximately 76 SOEs, which are present in several systemically important sectors.¹ Figure 6.1 provides an overview of the sectoral distribution of these SOEs by number of enterprises, according to which – outside of the “Other activities” sector – the majority of SOEs, as measured by the simple number of companies, operate in the real estate sector (16%), followed by electricity and gas (14%), transportation (12%), manufacturing (9%) and finance (8%). (A more meaningful measure of SOEs’ sectoral distribution would reflect each sector’s contribution to total SOE employment and/or corporate valuation, but the authorities do not collect such data.)²

A number of systemically important central SOEs merit mentioning, including: in the transportation sector, Albanian Railways and several port enterprises; in the other utilities sector, the Albanian Post; in the electricity and gas sector, the Albanian Power Corporation, which is the largest electricity producer in Albania, the electricity distribution company OSHEE, and the gas transmission company Albgaz. The state also owns several SOEs operating in the primary sectors, including the petroleum production company Albpetrol and two large mining companies. Finally, the state owns several real estate and manufacturing companies – seven companies operating in the financial sector, several universities, and two football clubs. The Ministry of Finance and Economy additionally holds minority shares in 28 companies not considered SOEs, including many manufacturing companies.

Figure 6.1 Sectoral distribution of centrally-owned SOEs in Albania (2021)

Number of enterprises



Source: OECD calculations based on INSTAT (2021_[11]).

Although available information allows for such general descriptions of SOEs’ presence in different sectors of the Albanian economy, the absence of a centralised national dataset shedding light on additional characteristics of SOEs – such as their employment, financial performance and corporate valuation – makes it difficult to paint a more complete picture of their economic footprint. In the context of this assessment, some detailed data were provided on the portfolio of the Ministry of Finance and Economy, which suggests some underlying performance issues in Albania’s SOEs: 7 of the Ministry of Finance and Economy’s 21 SOEs were loss-making in 2022 (with negative returns on equity). There is a need both to better understand SOEs’ performance in Albania through more thorough data collection – notably on the SOEs outside the portfolio of the Ministry of Finance and Economy – and to address persistent performance issues through improved ownership, governance and transparency practices.

Sub-dimension 5.1: Efficiency and performance through improved governance

Concerning the **clarification of ownership policy and rationales**, the Albanian authorities have not developed a state ownership policy that articulates the rationales for state ownership of enterprises or defines the overarching objectives of the state as a shareholder. The general rationales for state ownership in Albania can be implicitly deduced from a variety of sources, including sectoral policies, company and public administration law, and company-specific documents such as articles of association. The authorities reported, in the context of this assessment, that state enterprise ownership is undertaken primarily to 1) provide goods and services where there is no private supply and 2) support social objectives. Separately, the authorities report that individual ministries develop their own policies related to the SOEs under their purview, but these policies are not publicly available. The absence of a clear state ownership policy outlining the overarching rationales for state ownership can translate into unclear performance objectives for SOEs, as well as gaps in accountability for those responsible for overseeing SOEs. Without an ownership policy in place to steer shareholding ministries' decisions, the SOE objectives-setting process in Albania appears to be ad hoc and characterised by an unclear division of responsibilities between the state as owner, boards of directors and management. The authorities report that in practice, SOE administrators (CEOs) set the long-term objectives of SOEs, which are then submitted first to supervisory boards and then to the general assembly (the shareholding ministry) for approval.³ On a related point, given SOEs' large presence in the energy sector, there is scope to strengthen the state's expectations with respect to SOEs' contributions to environmental sustainability.

Efforts to **professionalise state ownership** practices in Albania are limited by the dispersed nature of the SOE portfolio and the aforementioned absence of a state ownership policy. The result is a lack of harmonised state ownership practices across the public administration. The Ministry of Finance and Economy exercises ownership rights in the largest single portfolio of SOEs (21 companies), while the remaining 55 companies are primarily overseen by other sectoral line ministries, including the Ministry of Energy and Infrastructure (overseeing the economy's large energy SOEs and railway infrastructure); the Ministry of Education and Sports; the Ministry of Culture; and the Ministry of Defence (which owns one SOE engaged in the import and export of military goods).

In the context of these decentralised ownership arrangements, some elements are in place to co-ordinate ownership decisions with other parts of government, at least for those SOEs that are incorporated as joint-stock companies. In these SOEs, the Ministry of Finance and Economy is responsible for nominating two-thirds of SOE board members and the responsible line ministries the remaining one-third. The authorities have additionally implemented measures to introduce greater separation between ownership roles and other potentially conflicting roles such as sectoral regulation, in that each ownership ministry has established SOE monitoring units that are separate from sectoral policy-making units.

The fact that a large number of SOEs are under the purview of the Ministry of Finance and Economy – which does not undertake sectoral regulatory functions – also contributes to a greater separation of ownership and regulatory functions. As part of the state budgeting process and measures to mitigate the fiscal risks presented by SOEs, the Ministry of Finance and Economy undertakes quarterly and yearly monitoring of the performance of some of Albania's largest SOEs (including those outside of its immediate ownership portfolio), including notably those operating in the energy sector, municipal water utilities and several other large SOEs.⁴

Albania has implemented some measures to introduce a more **robust board nomination framework** for SOEs, but the authorities have not elaborated an SOE board nomination framework applicable to the state's entire portfolio of SOEs (state-owned limited liability companies are not within its scope of applicability). A directive by the Ministry of Finance and Economy concerning the composition and qualifications of the supervisory boards of state-owned joint-stock companies, adopted in April 2022, notably establishes that all state-owned joint-stock companies must have boards of directors and that responsibilities for nominating their members are shared between the Ministry of Finance and Economy

and the relevant sectoral ministries, in line with the process outlined above. The directive establishes certain minimum qualifications criteria, for example requiring that board candidates have at least five years of professional experience and barring individuals who have a conflict of interest as defined in a dedicated law on preventing conflicts of interest in the performance of public functions. Despite the presence of these minimum requirements, in practice the SOE board nomination process is not particularly transparent. For most SOEs, board vacancies are not competitive or open to the public.

Efforts to establish **independent and professional boards** in Albanian SOEs are limited. There are no requirements for SOE boards of directors to include a certain number, or percentage, of independent directors, limiting the potential for external scrutiny of management decisions. Most SOE boards are dominated by public officials and in some cases include politically affiliated individuals such as vice-ministers or advisors to ministers, introducing the risk of political interference in corporate decision making. Some stakeholders have suggested that the promise of SOE board seats is used by ministers as a means of rewarding their new recruits by offering them a source of additional financial compensation (Balkan Insight, 2023^[2]).

Another shortcoming is that in several SOEs (and in most of the SOEs overseen by the Ministry of Finance and Economy), the articles of association grant the general assembly (the shareholding ministry) – and not boards of directors – the authority to select and dismiss the CEO. This significantly reduces the board's power to monitor management decisions and shield the enterprise from political interference. Together, these elements contribute to a situation wherein SOEs are perceived to be run as extensions of their responsible line ministries, whose objectives may not always align with corporate performance objectives.

Concerning **privatisation practices**, a number of companies with partial state ownership (including also those with state shareholdings of less than 50%) were, at the time of writing, due to be restructured, liquidated or privatised (European Commission, 2022^[3]). However, related plans have not yet been carried out and no SOE privatisations have been completed in Albania in the past five years. There has been one SOE privatised in the decade since 2012: the insurance company Insig, which was privatised in 2016 for around ALL 2.2 billion (around EUR 16 million). The legislation and regulations bearing on privatisation do not specify the agreed rationales for privatising SOEs, but do include provisions requiring that the authorities publicly disclose information on privatisations prior to their completion. A Commission of Review and Transparency, an ad hoc commission established by the Minister of Finance and Economy, is tasked with verifying that established procedures on privatisation are respected during the process of selling public property and, based on its assessment, recommending to the Ministry of Finance and Economy the continuation or halting of initiated privatisation procedures. The Directorate of Privatisation and Sale at the Ministry of Finance and Economy is mandated to oversee privatisations.

Sub-dimension 5.2: Transparency and accountability

No SOE-specific **financial and non-financial reporting** requirements have been elaborated in Albania, but SOEs are subject to the related requirements applicable to all companies. They are notably required to submit annual financial statements to the National Registration Centre, which subsequently publishes them. Large SOEs must prepare financial statements in accordance with international financial reporting standards, while smaller SOEs can report using national accounting standards. Large public-interest entities with over 500 employees are required to prepare non-financial reporting on environmental protection, social responsibility, treatment of employees, respect for human rights, anti-corruption and bribery, as well as board diversity (in line with EU Directive 2014/95/EU). As an EU candidate economy, Albania will also be expected to comply with future EU directives on sustainability reporting. In the context of this assessment, the authorities reported that less than 20% of SOEs report on sustainability practices and that among the 21 SOEs in the portfolio of the Ministry of Finance and Economy, 3 SOEs published sustainability reports in 2022.⁵ There is also scope to improve SOEs' reporting on their achievement of public policy objectives, for those SOEs that are tasked with such objectives.

The state does not produce an annual aggregate report on the activities or performance of its SOE portfolio as a whole. Albania's national Institute of Statistics (INSTAT) does publish an annual list of public sector institutions, which includes all centrally-owned SOEs⁶ and contributes to the state's transparency regarding the enterprises that it owns. However, the list does not provide corporate valuation, employment or performance data on individual enterprises and so cannot be considered to constitute an aggregate report on SOE portfolio performance (INSTAT, 2021^[1]). At the time of writing, the Albanian authorities were reportedly in the process of developing a new SOE financial monitoring system with the support of the World Bank, but it is not yet operational.

Regarding **auditing practices**, SOEs fall under the scope of provisions in the company law requiring that all joint-stock companies, as well as limited liability companies fulfilling certain criteria, have their financial statements audited by an external auditor. (All SOEs in Albania are incorporated as joint-stock or limited liability companies.) The external auditor is appointed by the state shareholder, in line with standard corporate practices. The audits of SOEs' financial statements are usually undertaken by external firms, while the State Audit Office undertakes ad hoc audits of SOEs, which can consist of financial audits, compliance audits, or both.

In practice, a significant proportion of SOEs do not have their financial statements audited by an external auditor. External audits are a crucial tool to ensure that SOEs' financial statements accurately reflect the financial health of the company and provide a credible basis for shareholder and board decisions related, among others, to investments and spending. According to information provided on the 21 SOEs in the portfolio of the Ministry of Finance and Economy, only 8 of those SOEs underwent a financial statement audit in 2022. SOEs whose financial statements were not audited include some economically or systemically important enterprises, such as Albanian Post, a joint-stock company employing 2 500 people; and AgroKredit which, although employing a relatively small number of people (130), is active nationwide and plays an important public policy function of providing targeted financing to individuals and companies, with a focus on rural and touristic development.

Concerning **anti-corruption and integrity measures**, there are important shortcomings in SOEs' ownership arrangements and board responsibilities and independence that increase the risk of political interference in SOE management decisions and operations. The fact that the CEOs of some SOEs, including most SOEs in the Ministry of Finance and Economy's portfolio, are directly appointed by state shareholders exacerbates the risk that those CEOs will make corporate decisions in the interest of the politician(s) that hired them, rather than in the interest of the enterprise. In the worst of cases this can lead to SOEs becoming vehicles for political patronage or corruption. That being said, some safeguards are in place within applicable legislation: the companies law establishes that board members and CEOs must adequately take into account the interests of the company and its shareholders and shall be held liable for company commitments, to the extent of their own assets, if their actions, or failure to perform certain actions, involve abusing the company for illegal purposes or treating the company assets as their own. CEOs must avoid actual and potential conflicts of interest between personal interests and those of the company. However, the authorities have not elaborated specific expectations for SOEs regarding the establishment of anti-corruption and integrity measures, and SOEs are not required to carry out corruption risk assessments.

External non-governmental assessments have pointed to SOEs' use as vehicles for political patronage in Albania and have highlighted the often significant disconnect between staffing decisions and corporate performance. For example, a 2023 investigative report⁷ found instances of hiring decisions in SOEs being directly influenced by political party representatives and reported data showing that SOEs increase employment levels by an average of 5% every electoral year (Balkan Insight, 2023^[2]). In some large individual SOEs, such staffing increases occurred even during periods of significant corporate losses.

Concerning the **protection of minority shareholders**, there are three SOEs in Albania that are majority-owned by the central government but include small non-state minority shareholdings. Out of these three enterprises, two are currently in the process of being liquidated.⁸ The Albanian law on companies grants all shareholders, unless otherwise established in company statutes, equal rights and responsibilities, in line with good practice. All shareholders are explicitly granted the right to be informed about company performance and to access company-specific information upon request, with the exception of business secrets whose disclosure could be damaging to the company. Similar to the legislation in many neighbouring Western Balkan economies, the Albanian law on companies also grants shareholders with at least 5% of shares the right to call a shareholders' meeting or propose agenda items, providing a channel through which minority shareholders can have greater influence over corporate decisions. In case such a request is not granted, these minority shareholders are further granted the right to 1) request a court order declaring breach of the CEO's fiduciary duties or 2) require that the company purchase their shares. There have been no recent cases reported in the media of alleged abuse of minority shareholder rights in Albanian SOEs.

Sub-dimension 5.3: Ensuring a level playing field

All SOEs in Albania are incorporated as joint-stock or limited liability companies and thus face broadly the same **legal and regulatory treatment** as private companies. The Law on Corporatisation of State Enterprises, which was adopted in 1995, sets out additional requirements applicable to SOEs, but these do not appear to distort the level playing field with private companies. Also related to the level playing field, earlier assessments by the European Commission found that competition in energy markets was hindered in Albania by a preferential access contract between the state-owned energy producer KESH and state-owned electricity supply companies. This situation was expected to end with the establishment of ALPEX, the Albanian Power Exchange, and the eventual entry of Albania into the EU single electricity market (European Commission, 2022^[3]). ALPEX is a joint venture between the transmission system operators of Albania and Kosovo and is operational since April 2023.

Concerning **SOE financing conditions**, most SOEs in Albania obtain debt financing from the commercial marketplace, with the likelihood (as in many OECD economies) that they benefit from favourable terms owing to their state ownership and the assumption of implicit guarantees – in other words, that the state will step in if the enterprises are unable to service their debts. Many SOEs also benefit from direct subsidies from their line ministries, with limited transparency regarding the activities these subsidies are expected to finance. In many cases, subsidies appear to be provided just to keep the SOEs afloat, indicating significant structural problems that would need to be addressed to level the playing field with private companies and ensure an efficient allocation of resources. In the context of the recent energy crisis, the Albanian state extended a sovereign guarantee of ALL 8 billion (around EUR 77 million) for loans of the three energy-sector SOEs⁹ and granted ALL 20 billion (around EUR 192 million) in direct budget support to those SOEs (Republic of Albania Council of Ministers, 2023^[4]).

Overview of implementation of Competitiveness Outlook 2021 recommendations

Albania's progress in implementing the CO 2021 Recommendations has been limited overall, with no major reforms undertaken related to ownership arrangements, structural reforms or monitoring of SOEs' financial performance (Table 6.2). The main SOE-related reform undertaken since the last assessment was the April 2022 adoption by the Ministry of Finance and Economy of an SOE board nomination directive, which has not significantly affected Albania's scores since it is only applicable to a subset of SOEs and does not entail requirements for competitive and open SOE board nomination procedures.

Table 6.2. Albania's progress on past recommendations for state-owned enterprises

Competitiveness Outlook 2021 recommendations	Progress status	Level of progress
Strengthen the institutional arrangements for state ownership	The Albanian authorities have not taken any measures to adjust the institutional arrangements for state ownership.	None
Increase the independence and operational autonomy of SOE boards of directors	The Ministry of Finance and Economy updated its directive on the appointment, functioning and remuneration of SOE supervisory boards, applicable to all state-owned joint-stock companies in Albania. Although this has clarified board nominations and responsibilities for these SOEs, it is only applicable to a subset of companies. SOE boards still frequently include politically affiliated individuals.	Moderate
Improve SOEs' efficiency so that they create economic value alongside private companies	The Albanian authorities have not provided evidence of structural reforms in any individual SOEs to improve their efficiency. However, earlier concerns related to competition in the energy market have been partly addressed through the establishment of the Albanian Power Exchange ALPEX (operational since April 2023). ¹	Limited
Gather and publish financial performance data on SOEs	The Albanian authorities have not developed a central overview of the state's portfolio of SOEs, with information on their size, employment or financial returns.	None

1. Previously, the development of a competitive market in the electricity sector was reportedly hindered by preferential access contracts granted to state-owned electricity suppliers, a situation that was expected to change through the establishment of the ALPEX power exchange to facilitate electricity purchase and sale on a competitive market. More information on earlier impediments to competition in the energy sector is available in two European Commission staff documents, dated 12 October 2022 (European Commission, 2022_[3]) and 29 May 2019 (European Commission, 2019_[5]).

The way forward for ownership and governance of state-owned enterprises

Given the slow pace of state ownership reform in Albania, the Recommendations set forth in CO 2021 remain largely relevant today. These recommendations, with some elements added to fine-tune them, are as follows:

- **Strengthen the institutional arrangements for state ownership.** The authorities should move forward with establishing a central state ownership agency – or, if this is not possible, a co-ordination entity – to further harmonise state ownership practices and fully separate ownership and regulatory roles. The state ownership or co-ordination entity could be charged with, among other things, developing an overarching ownership policy (see the following recommendation), gathering performance and other data on Albanian SOEs, and establishing clearly defined performance indicators for SOEs.
- **Elaborate a state ownership policy** that takes into account the state's expectations with respect to environmental sustainability. In line with good practice, the ownership policy should clearly define the rationales for state ownership and the roles and responsibilities of state actors responsible for implementing it. The content of the ownership policy should also take into account the emerging international consensus regarding the important role of SOEs in supporting the green transition, given their heightened presence in sectors with a high carbon footprint (OECD, 2022_[6]). Where the authorities have established commitments related to environmental sustainability, these should form an integral part of the state ownership policy. Any SOE-specific objectives related to sustainability should be ambitious and subject to adequate monitoring and disclosure.
- **Increase the independence and operational autonomy of SOE boards of directors.** There remains scope to strengthen the board nomination process so as to ensure that SOE boards are staffed with a sufficient number of qualified professionals who focus on corporate efficiency rather than political objectives. Elements of the SOE board nomination processes in place in two OECD economies, Latvia and New Zealand, could offer some useful inspiration for implementing more

transparent SOE board nominations in Albania (Box 6.1). The authorities should also ensure that qualified and independent SOE boards are granted their good-practice role of appointing, dismissing and monitoring top management in the long-term interest of the enterprise.

- **Improve SOEs' efficiency so that they create economic value alongside private companies.** The Albanian authorities should consider structural reforms within the most economically important SOEs to improve their productivity. Staffing and other organisational decisions should be based on the achievement of clearly defined corporate performance objectives and should not be linked to political goals.
- **Gather and publish financial performance data on SOEs.** To inform the development of effective ownership reforms, the authorities should develop a clear central overview of how many companies the government owns, including an indication of which companies are "active" and which are insolvent and/or undergoing bankruptcy proceedings. Such a central overview of SOEs could be enriched with employment figures, as well as financial performance data, e.g. provided by the National Registration Centre that oversees SOEs' financial statements. Information and consistent reporting on SOEs can provide the authorities with an up-to-date understanding of how the SOE portfolio is performing and, ultimately, could assist in the development of performance indicators (e.g. rate-of-return expectations).

Box 6.1. State-owned enterprises board nominations in Latvia and New Zealand

Latvia. The nomination process of supervisory board members is initiated by shareholders, who indicate to the Cross-Sectoral Coordination Centre (CSCC) a need to elect new supervisory board members if there are plans to replace some or all of the incumbent members, or if some members have stepped down or were dismissed by shareholders. CSCC delegates its power to the nomination committee, and shareholders invite independent experts and observers to become members of the nomination committee. Shareholders approve the composition of the nomination committee by separate decision. The nomination committee is to be led by the shareholders' delegated representative (or by the supervisory board's delegated representative, if a supervisory board is established) in case of nomination of the executive board, or by the CSCC's representative in case of nomination of the supervisory board. After approval of the nomination committee, it meets to discuss and to approve detailed rules regarding the nomination procedure, and a text of job advertisement to be published on the webpages of the shareholder, the SOE and the CSCC, as well as in other relevant public sources of information, to ensure a sufficient number of applicants. Recruitment companies should be used, for example, to help with the search for potential candidates to be invited to submit their applications, but they could also be assigned other tasks such as competence assessment, feedback on candidates, etc. The nomination committee also has to receive relevant information on the enterprise, including the overview of the enterprise's strategy, excluding only commercially confidential information (i.e. information whose publication might prejudice the commercial interests of the SOE).

New Zealand. The treasury runs a transparent process to identify and recommend candidates for appointment to SOE boards, and shareholding ministers can also identify suitable candidates to be shortlisted. This process includes public advertisements, targeted searches for candidates that may meet the identified criteria of particular board vacancies, and interviews by a panel (comprising the company chair, a director and representatives from the treasury). Recommendations of preferred candidates are then passed to shareholding ministers and they make final decisions on appointments. The treasury also plays an advisory role on board, remuneration, evaluation, and skills development activities.

Source: Selected unedited country excerpts from OECD (2021^[7]).

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Notes

¹ Figures on the number and sectoral distribution of SOEs are derived from the Albanian Institute of Statistics (INSTAT)’s annual list of public sector institutions for 2021, which includes basic information on main activities but excludes information on employment levels and corporate valuation. Entities included in the identified list of 76 SOEs are those identified in the 2021 INSTAT list as extra-budgetary central government institutions, public non-financial corporations and public financial corporations. The INSTAT list also includes some central government budgetary institutions that might be considered SOEs owing to their potential engagement in commercial activities (e.g. two forestry directorates that reportedly engage in logging), but determining the extent of their commercial activity goes beyond the scope of this assessment.

² The non-governmental Albanian Institute of Sciences does, however, maintain a public database of companies, which notably provides detailed company-specific information on SOEs held by both the central and municipal levels of government. According to this database, there are 285 enterprises held by all levels of government in Albania (Albanian Institute of Science, 2024^[8]).

³ The SOE objectives-setting process is further informed by a 2018 Directive (approved on 2 May 2018), “On the economic development programmes of trading companies with state capital”, according to which SOE management is expected to prepare development programmes for the upcoming year and the next 2-3 years. SOE supervisory boards are responsible for approving the content of these development programmes and monitoring their implementation. For strategic SOEs, shareholding ministries must also approve the content of the development programmes.

⁴ Albania’s latest Economic Reform Programme mentions the following additional SOEs as being subject to close monitoring by the Ministry of Finance and Economy: Albanian Railways Sh.a, Albcontrol Sh.a, Albanian Post Sh.a, Albgaz Sh.a, APD Sh.a (Durrës Port Authority) and RTSH Sh.a (National Albanian Radio and Television media).

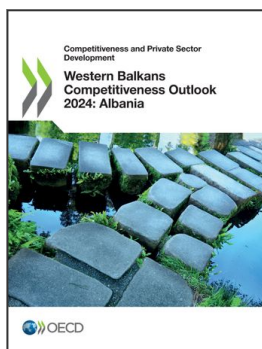
⁵ The three SOEs that according to the authorities published sustainability reports, or included environment, social and governance (ESG) reporting in their annual reports, are the General Directorate of Railways Sh.a, and two SOEs that operate in the accommodation and food services sector (Treatments Student Enterprise JSC Korçë and Treatments Student Enterprise JSC Vlorë).

⁶ Entities categorised either as public corporations or extra-budgetary institutions.

⁷ The investigative report was published on the news website Balkan Insight, run by the Balkan Investigative Reporting Network (BIRN).

⁸ The three SOEs in Albania that are majority-owned by the central government but include small non-state minority shareholdings are: the tobacco and cigarette manufacturing company Tobacco Producer of Albania, Shkodër (89.65%); Alb Control Durrës, which undertakes quality control for import-export goods (97% state-owned); and the Share Registration Centre of Albania (SRC) Tiranë, which maintains national shareholder account data (84.94%). The latter two enterprises are reportedly in the process of being liquidated.

⁹ These three SOEs are the electricity generation company KESH, the electricity distribution company OSHEE Group, and the transmission system operator OST. These SOEs are under the purview of the Ministry of Infrastructure and Energy.



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