



**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

ILLICIT FINANCIAL FLOWS IN ALBANIA

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MARCH 2024



FROM VISION TO ACTION: A DECADE OF ANALYSIS, DISRUPTION AND RESILIENCE

The Global Initiative Against Transnational Organized Crime was founded in 2013. Its vision was to mobilize a global strategic approach to tackling organized crime by strengthening political commitment to address the challenge, building the analytical evidence base on organized crime, disrupting criminal economies and developing networks of resilience in affected communities. Ten years on, the threat of organized crime is greater than ever before and it is critical that we continue to take action by building a coordinated global response to meet the challenge.

ACKNOWLEDGEMENTS

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The report's content is based on qualitative data and analysis collected through interviews with key experts from public institutions, non-profit organizations, the private sector and other stakeholders. We would like to thank our interview partners for their valuable insights and contributions. We wish to acknowledge the significant contribution made by Sokol Toska in preparing the baseline assessment for Albania. Special thanks to Fatjona Mejdini, Vanja Petrovic, Tuesday Reitano, Kristina Amerhauser and Merxhan Daci for their feedback in preparing the country profile of Albania.

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Acronyms and abbreviations

AML	Anti-money laundering
BoA	Bank of Albania
CFT	Countering the financing of terrorism
FATF	Financial Action Task Force
FIA	Financial intelligence agency
GI-TOC	Global Initiative Against Transnational Organized Crime
IFFs	Illicit financial flows
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NPO	Non-profit organization
NRA	National risk assessment
SAR	Suspicious activity report
UNSC	UN Security Council



INTRODUCTION

In Albania, illicit outflows for the period 2020 to 2022 stood at 2.16% of GDP, while illicit inflows at 0.84% of GDP.¹ A 2020 report by the Global Initiative Against Transnational Organized Crime (GI-TOC) examining illicit financial flows (IFFs) noted that drug trafficking has been the most significant generator of profit for criminal groups in Albania over the past 30 years, while corruption is the second biggest source of IFFs in the country.² Corporate crime and tax evasion are also significant. Large parts of these illicit proceeds are transferred by cash in and out of Albania.

In the GI-TOC's Global Organized Crime Index 2023, Albania's level of criminality fell by 0.46 points to 5.17; it is the second best performing of the Western Balkan countries rated on this metric (scores are out of 10, and the lower the number, the better the performance).³ However, Albania still has several high scoring criminal markets, notably cocaine, heroin and cannabis trade, financial crime, cybercrime and human smuggling.

According to the 2021 Global Financial Integrity report, the mis-invoicing gap for Albanian exports and imports over the period 2009–2018 was on average US\$904 million per year, equating to about 6% of nominal GDP.⁴ The informal economy is estimated to equate to almost 32% of GDP.⁵ In Transparency International's Corruption Perceptions Index, Albania ranked 98 out of 180 countries and scored 37 out of 100 in 2023.⁶

Albania is a member of the Council of Europe, which mandates a monitoring body, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), to monitor countering money laundering and terrorist financing among member states.⁷ In turn, MONEYVAL is an associate member of the Financial Action Task Force (FATF), the coordinating body that sets global standards in tackling money laundering and terrorist financing.

This report draws on findings reported by mutual evaluation reports issued by MONEYVAL,⁸ as well as the 2020 GI-TOC report on IFFs in Albania, Kosovo and North Macedonia.⁹ The report also draws on more than a dozen field interviews with public officials and private sector sources, including sources within the banking sector. Most sources requested anonymity. Public information was generally available through the online publication of annual reports by relevant authorities. However, Albania's national risk assessment (NRA) documents are not made public, but instead kept as classified documents by the country's financial intelligence agency (FIA).

We also provide an overview of Albania's compliance with the FATF's immediate outcomes 1–8, 10 and 11, using as a baseline for our own analysis the last full MONEYVAL assessment (2018) and the latest MONEYVAL follow-up report, published in 2023. The 2018 assessment saw Albania rated as having a substantial level of effectiveness in terms of preventative measures and financial intelligence capabilities. However, the FATF placed Albania on its grey list in February 2021 and put the country under increased monitoring.¹⁰ In October 2023, the FATF removed this designation due to progress made by Albanian authorities in addressing strategic deficiencies, including their understanding of risk and institutional coordination and cooperation, mutual legal assistance, records of beneficial ownership, and the detection and prevention of criminal infiltration of the economy, as well as an improved record on prosecution, confiscation and targeted financial sanctions.¹¹

Understanding and estimating IFFs in Albania is a challenging undertaking, as there is no universally accepted definition or a single indicator that can comprehensively capture the phenomenon. Being illicit, these flows are difficult to track. In the absence of sufficient investment in capacity, both in terms of equipment and attracting personnel with the requisite skill sets, authorities and officials at law enforcement agencies find it quite abstract and challenging to identify and document autonomous IFFs in practice.

Nevertheless, despite improved efforts by the authorities, every reliable indicator suggests that the scale of IFFs is significant and growing. Corruption,¹² organized crime and tax-related activities create large volumes of IFFs, undermining the economy and Albanian society.

Key challenges

- IFFs are not defined in Albania, and while the authorities have a reasonably good understanding of money laundering risks in the formal economy, less attention is being paid to the role of the informal economy and trade.
- Corruption poses major risks for IFFs in Albania. Often linked to organized crime activities, corruption generates substantial criminal proceeds.
- Tax fraud is prevalent and forms a relevant part of the informal economy and money laundering activities.
- Cash-based transactions and cross-border cash movements heavily undermine the formal economy.
- Criminal control of legal entities poses high IFF risks for the private sector.
- Money laundering investigations are generally initiated as a complementary measure of the main criminal offence,¹³ and law enforcement agencies are not aware of money laundering as an autonomous activity or of IFFs moving through informal channels. Very few convictions have been secured for money laundering offences.¹⁴
- In 2023, there was an increase in confiscation of criminal proceeds,¹⁵ but there is still no strategic or systematic approach for identifying and confiscating criminal assets that are located abroad or are otherwise unreachable.

The role of civil society

Civil society has a vital role in tackling IFFs. This necessitates high-level political commitment to strengthen the effectiveness of measures to prevent and combat IFFs, but also to provide more space for civil society involvement in policy drafting and monitoring of measures related to IFFs.

In general, there is active civil society representation in Albania, but it is sometimes limited due to funding constraints. This also limits civil society's capacity to raise awareness of the impact of IFFs, advocate for policy changes and hold government and the private sector accountable for their actions. The Albanian government and donors should provide more funding opportunities and capacity building support to civil society to increase their expertise on IFFs.

Civil society, engaged citizens, non-profit organizations (NPOs), journalists and academia all feed into efforts in combating IFFs. More specifically, civil society organizations can play a vital role in:

- raising awareness about the negative impacts of IFFs on Albania's development, governance and social welfare;
- drafting risk assessments and policies, proposing solutions and contributing to evidence-based decision-making; and
- advocating for the adoption and inclusion of IFFs in the education curriculum, including through textbooks.



NATIONAL RESPONSE

Understanding the risk

Albania has a solid understanding of IFFs related to the formal economy, including commonly identified predicate offences. It has an increasingly developed anti-money laundering (AML) and countering the financing of terrorism (CFT) framework and continues to take steps to improve it. The Law on the Prevention of Money Laundering and Financing of Terrorism (AML/CFT Law) was tabled in 2008 and notable amendments were adopted in 2012, 2017 and December 2021, strengthening the legislative framework to fight money laundering and terrorist financing.

Albania undertook its first money laundering and terrorist financing NRA in October 2012, a second one in 2015 and a third in 2019. The fourth and most recent NRA was undertaken in 2023, according to the FIA, which directed and coordinated the process, with input from various public sector representatives including state intelligence, law enforcement agencies and supervisory authorities. However, none of the NRAs have been published. An abridged version of the 2019 NRA was placed on a specific FIA platform and can be accessed by reporting entities (such as banks, notaries and money transfer companies). In addition, in response to requests by civil society, an abridged version of the 2019 NRA has been made available to those who have requested it.¹⁶ Figure 1 shows the level of risk of money laundering stemming from predicate criminal offences, according to data in the 2023 NRA obtained by the GI-TOC. Below it, Figure 2 shows the level of risk of money laundering of reporting entities as indicated in the 2023 NRA.

PREDICATE CRIMINAL OFFENCE	THREAT LEVEL	
Drug trafficking	High	
Organized crime	High	
Fraud	High	
Criminal offences related to taxation/fiscal evasion	High	
Corruption and bribery	High	
Customs crimes/smuggling	High	
Forgery	Medium	
Trafficking in people	Medium	
Robbery and theft	Medium	

FIGURE 1 Level of risk of money laundering from predicate criminal offences, as indicated in the 2023 national risk assessment.

Source: Albania's financial intelligence agency



























































TYPE OF REPORTING ENTITY	THREAT LEVEL				
Banks	High				
Insurance companies	Low				
Securities	Low				
Money transfer companies	Medium				
Currency exchange offices	Medium				
Leasing service providers	Low				
Savings and loans companies and their unions	Low				
Electronic payments sector	Low				
Notaries	High				
Accountants and auditors	Medium				
Casinos	Medium				
Real-estate agents	Medium				
Precious metal and stone traders	Low				
Attorneys	Low				

FIGURE 2 Level of risk of money laundering of reporting entities, as indicated in the 2023 national risk assessment. Source: Albania's financial intelligence agency

The key authorities for risk, policy, coordination and implementation are as follows:

- FIA
- Bank of Albania (BoA)
- General directorate of state police
- Intelligence service
- Special prosecutor's office



- General prosecutor's office
- Financial supervisory authority
- High Inspectorate of Declaration and Audit of Assets and Conflict of Interest
- National Bureau of Investigation

Supervisory authorities ensure that financial institutions and designated non-financial businesses and professions continue to comply with relevant laws, including by addressing threats and vulnerabilities in high-risk areas.

There are mechanisms in place for separate institutions to coordinate policy, including a high-level Coordination Committee for the Fight against Money Laundering. Operational cooperation and information exchange between the various authorities is enabled through formal and informal mechanisms, and intra-institutional agreements are also in place.¹⁷

Although the authorities generally acknowledge the substantial threats posed by the sizeable informal economy, tax evasion and extensive corruption (including its nexus with organized crime), they have not made discernible efforts to assess the true impact of these phenomena on money laundering and terrorist financing risks and their understanding remains limited.

Corruption remains a very serious concern in the country and feeds into a substantial money laundering risk. It is one of the most significant channels through which criminal proceeds are generated in Albania.¹⁸ The large size of the informal economy, combined with the still widespread use of cash, constitutes a significant money laundering vulnerability.

Segments of the media play an important role in investigating and identifying IFFs, focusing in large part on activities in the construction and real-estate sector. The physical transportation of cash across borders and inflated or fake invoicing are further means through which money laundering takes place in Albania.

A major judicial reform programme is ongoing. These reforms are designed to improve public administration on multiple levels, providing a better framework for the fight against corruption and money laundering in the years to come. However, the reforms include an enhanced vetting process that has, in weeding out corrupt officials, reduced the number of prosecutors and magistrates, leaving a capacity gap that has reduced institutions' ability to function. An additional reform in 2022 reduced the number of tribunals and prosecutorial offices.¹⁹

Additionally, there are areas where the policies and activities of authorities are not yet aligned with the risks. In order to mitigate money laundering and terrorist financing risks, further efforts (notably better coordination and deeper investigation) are needed to address more complex, holistic issues. This will be helped by:

- increasing the number and quality of prosecutions of corruption-related money laundering cases;
- stronger controls of cross-border cash movements;
- finalizing the regularization of immovable properties; and
- risk-based supervision for all sectors.

International cooperation

The legal mechanism for sending and receiving mutual legal assistance requests is complex and involves too many authorities, with their competing deadlines causing delays in managing incoming requests. In addition, there seems to be no systemic prioritization of incoming mutual legal assistance requests and most authorities involved in the process do not have a case management system in place. Delays in sending and receiving mutual legal assistance requests also stem from capacity constraints in law enforcement agencies, including personnel and other resources.²⁰



Unlike the other law enforcement agencies, Albania's special prosecution office seems much more efficient in terms of the time devoted to each case, as it is more specialized, deals with fewer (but higher profile) cases, and is a high-level institution with greater national and international support.

Law enforcement agencies actively exchange information with their foreign counterparts on money laundering. Albania's 2018 MONEYVAL report noted that no requests have been logged in relation to terrorist financing,²¹ although available data since then is lacking.

However, the report highlighted that a high incidence of Albanian criminal proceeds located overseas has resulted in a 'remarkable number' of mutual legal assistance requests being sent abroad, while insufficient attention is paid to alternatives, such as using domestic circumstantial evidence.²² However, Albania has made progress in improving the timely handling of mutual legal assistance requests, as noted by the FATF in October 2023.²³

During 2022, the FIA sent 101 requests and instances of spontaneous information to other financial intelligence units and in turn received 108 requests and instances of spontaneous information. In 2021, it sent 82 requests and received 107, while in 2020 it sent 91 and received 113.²⁴

International cooperation on beneficial ownership data has been stepped up lately, since from June 2021 information on beneficial ownership information and legal persons/arrangements is made publicly available and can be obtained from the National Business Centre.

Supervision

The key supervisory authorities are as follows:

- BoA
- Financial supervisory authority (FSA)
- Public Oversight Board (accountants and auditors)
- National Chamber of Advocates (attorneys)
- Justice ministry (notaries)

The BoA and FSA require relevant information during the licensing process to prevent convicted criminals and persons under criminal investigation from being a beneficial owner, having a controlling interest, or holding a management function in a bank or non-banking financial institution. The process for denying and revoking licences due to integrity concerns varies from sector to sector. Notaries are licensed by the justice ministry, and the Law on Notaries does not allow individuals convicted of a criminal offence to obtain or maintain a notary licence; this requirement is strictly implemented.

The BoA is understood by multiple sources to maintain a good understanding of money laundering and terrorist financing risks in the banking and non-banking sectors under its supervision, and coordinates with the FIA.

In the principal non-financial businesses and professions, supervisors have a basic understanding of risks, according to the 2018 MONEYVAL assessment. However, the Public Oversight Board, which supervises accountants and auditors, has improved its understanding of risks and has issued a written risk measurement methodology.²⁵

The BoA, Public Oversight Board and FIA have adopted written regulations on a risk-based approach to supervision and have promoted capacity building in various prudential supervisors.²⁶ The BoA's resources are too limited to conduct adequate inspection of all the non-banking financial institutions under its supervision. While some of these entities may be deemed low risk, money and value transfer services and currency exchange

companies present substantial risks. The AML and CFT inspections carried out on banks and non-banking financial institutions by the BoA during 2020 reported a medium risk level in 75% of cases and a high risk level for the remainder.²⁷

Although the BoA and FSA share supervisory responsibilities for banks that carry out securities activity, coordination efforts for AML and CFT inspections could be improved.

The FSA and the BoA have since 2005 worked on the basis of a memorandum of understanding to cooperate by exchanging information, conducting joint inspections and undertaking joint analysis in order to strengthen supervisory efforts. Every year, the FSA conducts a risk assessment of the AML/CFT risk exposure of entities required to submit self-assessment forms. The FSA exchanges information with the BoA for those entities that are licensed and supervised by both the FSA and the BoA.

The FIA has the power to supervise compliance with the AML and CFT laws of all reporting entities and it has taken up an active supervisory role. At least 25% of the inspections conducted by the FIA have been coordinated with the BoA, FSA and justice ministry.²⁸ The FIA has been effective in applying a risk-based approach to supervision for banks and other financial entities. It has also started to prioritize its supervision of designated non-financial businesses and professions based on its understanding of money laundering and terrorist financing risks. However, its limited resources constrain it from fully overseeing designated non-financial businesses and professions.²⁹

Most remedial actions taken by the BoA and FSA pursuant to breaches of AML and CFT obligations by reporting entities are limited to the application of recommendations.³⁰ The FIA has been active in imposing fines on banks, money or value transfer services and some designated non-financial businesses and professions (mainly notaries). Until recently, the FIA did not have the power to impose sanctions other than fines. However, amendments were adopted in 2023 enabling it to impose proportionate sanctions for repeat violations. For repeat offenders, the FIA can request that primary supervisors – i.e. licensing authorities – revoke licences. In practice, such requests have been limited to foreign exchange offices.

The FIA and BoA have coordinated money laundering and terrorist financing trainings with banks and non-banking financial institutions. This has helped to raise their awareness of risks and to implement mitigating measures. The notary sector has also clearly benefited from outreach by the FIA and justice ministry in terms of raising money laundering and terrorist financing risk awareness and compliance. The FIA and Public Oversight Board have coordinated money laundering and terrorist financing trainings with auditors and accountants. All other designated non-financial businesses and professions have individually received at least some training and guidance regarding money laundering and terrorist financing risks and AML/CFT obligations.

In 2022, public notaries logged an increasing number of suspicious activity reports (SARs). However, the number of cases submitted to the prosecution and the police decreased compared to previous years (2018–2021).³¹

The 2023 MONEYVAL follow-up report emphasizes that the FIA and sectoral supervisors have made efforts to apply a risk-based approach to supervision of designated non-financial businesses. However, AML/CFT internal controls, policies and procedures are taken into account in the context of risk-based supervision only in relation to notaries and real-estate agents.³²



Prevention

The spectrum of obliged entities responsible for AML/CFT includes banks or other entities licensed or supervised by the BoA, non-banking financial institutions, exchange offices, companies engaged in life insurance or reinsurance, attorneys, public notaries, accountants, independent auditors and real-estate agents. The legislative changes to the AML/CFT law in December 2021 extended the scope of reporting to include individuals engaged in transactions exceeding 1 million lek (around €9 500).

Banks have a good understanding of money laundering and terrorist financing risks, and AML/CFT obligations, and apply mitigating measures in a manner that is mostly commensurate to the assessed level of risk. Banks conduct proactive assessments, including risk assessments on introducing new products or branch locations, and screening of walk-in customers against sanctions and politically exposed persons lists before initiating transactions.³³ From 2022, electronic fiscal reporting has been applied, which enables for real-time declaration of business transactions.

The banking sector has a constructive relationship with both the BoA and the FIA, characterized by strong communication and education, including through the Banking Association.

Most reporting entities comply with customer due diligence and record-keeping requirements, although compliance is stronger among banking and financial institutions than among non-banking financial institutions. Banks largely identify and verify beneficial ownership in line with key standards. Outside the banking sector, other financial institutions and the majority of designated non-financial businesses or professions rely on the National Business Centre for beneficial ownership information.

Notaries recognize their important gatekeeping role in real-estate transactions and showed awareness of money laundering risks. Amendments to the law on notaries and a new law for the supervision of real-estate agents were adopted in January 2022, as well as the necessary by-laws. These laws require that the sale of real estate take place through a bank transfer using a dedicated notary's bank account. The notary concludes the bank transaction upon confirmation by the property registrar.

The implementation of AML and CFT obligations, including beneficial ownership identification and filings of suspicious transaction reports, has significantly improved in recent years. In July 2021, the General Prosecution introduced a dedicated electronic register, named PRESTO, to ensure all money laundering cases are tracked with a view to increasing the seizure and confiscation of criminal proceeds.

With the exception of notaries, however, designated non-financial businesses and professions have demonstrated only a low level of understanding of reporting requirements and have filed very limited numbers of suspicious transaction reports.³⁴

The 2023 MONEYVAL follow-up report emphasizes that the FIA and sectoral supervisors have made efforts to apply a risk-based approach to supervision of designated non-financial businesses. The data in the FIA's 2022 annual report indicates that the agency covers a wide range of financial institutions and designated non-financial businesses and professions.

Private sector

Information on legal persons and arrangements in the country is available publicly and can be promptly obtained from the National Business Centre (since June 2021) and the district court of Tirana. However, there are concerns about the accuracy of the information maintained by both institutions.



Beneficial ownership information is obtained and maintained also individually by financial institutions and designated non-financial businesses or professions in the course of their customer due diligence obligations.

Aside from an evaluation of NPOs, Albania has not conducted a full assessment of the money laundering and terrorist financing risks in relation to legal entities. Even the NPO assessment, which was conducted in 2012, is outdated. Authorities' understanding of the risks posed by legal entities is weak.

There is no formal legal definition of the requirements for the registration of legal arrangements in Albania. However, legal entities are registered and do operate in Albania with a legal arrangement (trusts or other similar arrangements) in the ownership structure.

In 2020, the Albanian authorities conducted a partial risk assessment on the misuse for money laundering of legal entities registered in the country. This assessment was shared with stakeholders involved in the process and abridged versions were placed on a special FIA platform, which can be accessed by reporting entities. In addition, during 2023, the Albanian authorities participated in a regional project conducting a risk analysis on the cross-border risk of money laundering and terrorist financing of legal persons in Balkan countries.

Legal arrangements (e.g. trusts) are treated as high risk and require enhanced due diligence. The understanding of money laundering and terrorist financing risks posed by legal entities was rated as weak by the 2018 MONEYVAL assessment.³⁵ The authorities have limited capacity to monitor compliance and conduct inspections. Albanian authorities take the position that legal arrangements have a negligible financial footprint in the country and therefore a specific fully fledged risk analysis is not warranted.³⁶

Although the law has several requirements and customer due diligence obligations, the capacity of authorities to monitor compliance and conduct inspections is limited. About 5% of the inspections carried out by FIA are on construction companies and the fines imposed on them are negligible.³⁷

According to general public perception and media investigations, the construction sector, tourism investments and grocery and food retail chains are vulnerable to misuse of money and are associated with a high risk of facilitating IFFs. This includes money originating from criminal activities and organized crime, embezzlement of public funds, kickbacks and other forms of corruption related to tenders and tax fraud. Despite arrests and trials, sentences have been limited and control over the establishment of legal entities by convicted individuals remains problematic.

Recently, a high-level politician and several lower-level officials were accused of tax fraud and trade mis-invoicing in an affair involving a chain of private legal entities relating to a public concession contract. Politically exposed persons have been arrested and a trial is in progress.³⁸

In another case, several private legal entities were involved in a complex scheme of tax fraud and trade mis-invoicing involving construction entities.³⁹ Such schemes are repeatedly established because the authorities fail to impose proper controls that would prevent convicted criminals from establishing legal entities.

A continued increase in real-estate prices in a context of oversupply – and local currency strength⁴⁰ that is not entirely explained by macroeconomic fundamentals – testify to the extent of illicit inflows of criminal proceeds into Albania's economy. In effect, these flows represent the repatriation of illicit profits 'earned' by Albanian criminals abroad. Moreover, over the last five years, the volume of cash going through the informal economy has increased by around 50%, from €2.17 billion in 2018 to €3.15 billion in 2022; the volume of foreign currency processed by foreign exchange offices has likewise risen by around 50%.⁴¹



Financial intelligence

Competent authorities have direct and indirect access to a wide range of information held by state authorities and the private sector.

The FIA is the central authority responsible for addressing potential money laundering and terrorist financing cases. It operates under the authority of the finance minister, and has direct and indirect access to a wide range of information from state authorities and the private sector. The FIA receives SARs, cash transaction reports and information requests from law enforcement and intelligence institutions to develop financial intelligence.

During 2022, the FIA:

- received 1 790 SARs compared to 1 581 in 2021 and 1 409 in 2020;
- forwarded 201 cases to the state police in 2022 (208 in 2021 and 227 in 2020);
- forwarded 23 cases to the general prosecutor in 2022 (50 in 2021 and 41 in 2020);
- forwarded 95 cases to the secret services in 2022; and
- received 204 requests for information from the state police concerning 1 074 individuals and received 554 requests for information from the general prosecutor concerning 3 471 individuals.⁴²

The FIA collects information and forwards it to the requesting authority. While the FIA received an increased number of SARs and requests in 2022 compared to previous years, the number of cases submitted to prosecuting authorities and police has decreased. It is therefore important to improve the quality rather than the number of SARs.

The FIA disseminated cases to various institutions, including the police, the prosecutor's office (including the Special Prosecution Office Against Corruption and Organized Crime) and the secret service. The FIA cooperates with other law enforcement agencies and uses its authority to access databases, such as the registries for driving licences, vehicles, immovable property, notaries, civil status and other public registries; the border police database; the register of convicted persons; cross-border declarations; tax data on legal entities; and a database listing the assets and interest declarations of Albanian public officials.

The agency produces high-quality operational and strategic analysis to support the authorities in the investigation of money laundering, related predicate offences and preliminary investigations into terrorist financing. In general, all key stakeholders assessed the output of the FIA as being of a high quality.⁴³

The FIA conducts evaluations according to internal written procedures and based primarily on suspicious transaction reports and cash transaction reports from reporting entities. In addition, they make good use of sector evaluations and information from foreign counterparts, announcements, notifications from authorities, information contained in the requests submitted by the authorities and open source data.

The analytical staff of the FIA is experienced and well-trained. The information technology tools, the range of search criteria and access to a wide range of information also contribute to the quality of its analysis.

The results of the FIA's operational and strategic analysis support law enforcement agencies' operational needs. The directorate and other domestic competent authorities maintain a good level of cooperation. Financial intelligence disseminated by the FIA triggers and facilitates investigation of money laundering and associated predicate offences. Data provided by the directorate based on the requests supports investigations initiated by relevant authorities.

While cooperation between authorities is generally strong, improved feedback mechanisms between the FIA and reporting entities would enhance suspicious activity reporting. Similarly, regular feedback from law enforcement agencies to the FIA would help the agency to better support its operational functions.

Investigations

Law enforcement agencies responsible for conducting financial investigations include the following:

- General directorate of state police
- Special prosecutor's office
- General prosecutor's office
- High Inspectorate of Declaration and Audit of Assets and Conflict of Interest
- National Bureau of Investigation

Money laundering investigations are initiated generally on the basis of information provided by the FIA and foreign financial intelligence units, media and other open data sources.

The Coordination Committee for the Fight against Money Laundering is responsible for planning and organizing AML/CFT efforts. The committee convened in December 2022 and focused on increasing the efficacy of FIA activity.

The general prosecutor, interior minister, finance minister, and the heads of the state police, FIA, customs authority, tax authority, and seized and confiscated assets authority in 2020 signed a memorandum of understanding aimed at increasing the effectiveness of AML/CFT investigations.⁴⁴ However, the memorandum does not represent a proper national strategy and does not define operating procedures for conducting financial investigations. Instead, it establishes channels for exchanging information between institutions.

Money laundering investigations rarely translate into indictments.⁴⁵ Money laundering cases involving offences that generate significant proceeds are often suspended and/or dismissed by the prosecution. While the range of predicate offences is consistent with the country's risk profile, the number and type of money laundering cases do not reflect the level of underlying criminality.

In money laundering cases where the predicate crime has been committed outside Albania, the prosecution appears to be over-reliant on evidence requested from foreign counterparts instead of pursuing domestic money laundering cases based on circumstantial evidence.⁴⁶ The extent to which the money laundering offence and its relation to the predicate crime needs to be proven is not always clear to the prosecution.

Law enforcement agencies almost never initiate an autonomous investigation of a money laundering case, but rather investigate money laundering as a complement to an existing criminal case. Prosecutors find it very hard to construct a prosecution case for money laundering if there is no evidence for a predicate offence. They have no legal basis to 'follow the money' in their investigation, unless the criminal offence has been proved and the offenders convicted.⁴⁷ This is due to the absence of legal provisions, but also the judicial system's weakness and lack of independence, in part stemming from political pressure imposed by ongoing reform.

The FIA has stated it has enough trained staff, but this is not the case for the general prosecutor's office, which lacks both sufficient trained staff and appropriate capacity including IT equipment.

According to a 2022 progress report by the European Commission, improvements are still required in the fight against money laundering in Albania. Efforts should focus on increasing both the number of prosecutions and final convictions, especially in terms of high-level cases. On citizenship, Albania should refrain from developing an investors' citizenship scheme (golden passport scheme), as such schemes pose risks in terms of security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organized crime, and would be incompatible with the EU acquis.⁴⁸

The European Commission report further noted that the adoption of a proposed tax and criminal amnesty could jeopardize progress in the fight against money laundering. The track record on money laundering and high-level

corruption investigation cases remains insufficient, financial investigations need to be further developed, and the FATF action plan is yet to be completed. Alongside emphasizing the need for financial investigations to run parallel to criminal proceedings from the outset, the European Commission also noted that the financial investigation techniques employed by police and prosecutors need to be refined.

Asset seizures related to organized crime (inclusive of the FIA and all other institutions) were sizeable in 2021, as €28 million was seized across the year, although only €12 000 was confiscated. However confiscations picked up in the first half of 2022, reaching more than €1.7 million.⁴⁹

Confiscation

Albania makes provisions within its legal framework for the confiscation of criminal proceeds. However, the statistics available on the number and values of seized and confiscated assets do not seem commensurate with the level of criminality in the country. In practice, a non-conviction based confiscation regime based on the Anti-Mafia Law is more widely used than a criminal confiscation regime.

Albania has legislation that allows for the social reuse of confiscated assets, and authorities have established a dedicated fund for crime prevention, which uses funds from confiscated assets for state and community crime prevention initiatives, as well as legal education projects.

The FIA stated in its 2022 annual report that it has seized €16 million of assets over the last five years, including €2.4 million in 2022. No information is provided on confiscations in that report.⁵⁰

According to the General Customs Directorate, 36 cases of illicit physical cash transportation were discovered in 2021, with a total value of roughly €1.8 million.⁵¹ There is no information on further procedures or confiscation of these amounts. Land border entries account for the majority of discoveries. The total amount of cash seized by customs posts for the period 2019–2022 was reported to be roughly €6 million.

Albania's currency, the lek, has been strengthening since 2014, including a near 20% increase in value during 2022.⁵² The BoA states that lek strength is justified by macroeconomic fundamentals, but media and civil society dispute this, citing illicit financial inflows as a key factor.

Non-profit organizations in the prevention of IFFs

Albania first implemented legislation on countering terrorist financing in 2013 and amended it in 2019 to comply with requirements for the implementation of targeted financial sanctions issued by the UN Security Council (UNSC).⁵³

The amendments introduce explicit procedures at the national level in relation to designations by UNSC committees and procedures for requesting foreign countries to give effect to the actions initiated under freezing mechanisms, and the provision of identifying information. Since the reforms, targeted financial sanctions have been implemented without delay, according to the 2019 MONEYVAL follow-up report.

Albania has in place a system for domestic designations in line with UNSC Resolution 1373; this system also takes account of foreign requests.

The terrorist financing risk assessments in Albania's NRA are very limited. Intelligence and law enforcement agencies appear vigilant to terrorist risks, act actively and apply enhanced diligence. Albania assesses its risk of terrorist financing to be low, due to minimal terrorist threats.

In 2019, in cooperation with the FIA, the general directorate of taxes, as a supervisory body of NPOs, developed a methodology for identifying NPOs at risk of terrorist financing. This methodology identified specific criteria that can serve as a basis for a risk-based approach to supervision.

A terrorist financing risk assessment methodology for NPOs was formulated in 2022 by Partners Albania for Change and Development,⁵⁴ an independent non-governmental organization supported by international donors.⁵⁵ According to the Global Terrorism Index 2022, Albania is characterized as suffering no impact from terrorism.⁵⁶

Albania has an institutional and legal framework in place for the application of risk-based supervision that extends to targeted monitoring of its NPO sector. However, supervision is still focused on tax-related considerations.⁵⁷ Regarding the proliferation of weapons of mass destruction, Albania partially complies with UNSC resolutions.⁵⁸

RECOMMENDATIONS FOR POLICYMAKERS

- Review the reasons behind the poor performance in terms of the prosecution of money laundering cases and address in the next NRA shortcomings identified in investigative processes.
- Enhance the analysis of money laundering and terrorist financing risks to implement appropriate mitigation measures, most notably by way of understanding the impact of the informal economy and of corruption (including its nexus with organized crime) on money laundering and terrorist financing risks.
- Pursue more indictments in money laundering cases involving foreign proceeds, partly by making better use of circumstantial evidence concerning the predicate crimes committed.
- Ensure that adequate efforts are made to identify criminal proceeds located abroad and take appropriate actions for their confiscation.
- Ensure adequate measures are in place to initiate financial investigations in a systematic manner in all proceedings involving assets derived from organized and other sorts of serious crimes within the scope of the Anti-Mafia Law.
- Ensure the implementation of high standards by supervisory authorities in licensing or other controls to prevent criminal infiltration of financial institutions and designated non-financial businesses or professions. This should include a comprehensive framework of screening applicants, indirect shareholders and beneficial owners; assessing criminal records beyond criminal convictions and current proceedings, and potential links to criminal associates; obtaining international cooperation whenever appropriate; and implementation of ongoing mechanisms to check the integrity of existing licences.
- The FIA's resources for supervising private entities should be further strengthened.
- The FIA should provide more regular feedback to reporting entities on specific SAR filings to further improve the quality of such filings.



Notes

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