

THE VULNERABILITY OF ALBANIAN POLITICS TO FOREIGN INTERFERENCE

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01

EXECUTIVE SUMMARY

CONTEXT: FOREIGN INTERFERENCE IN ALBANIA

Preventing foreign interference is essential for safeguarding principles of democracy, ensuring that the political process remains free, fair, and accountable to citizens. Albania's membership in NATO and its pursuit of EU membership have provided a degree of protection against foreign interference. However, the country is not immune to potential foreign meddling. Research gaps on the topic of foreign interference in Albanian politics result in an incomplete understanding of the scope, nature, and impact of foreign interference, thereby hindering the development of a comprehensive and informed response. Failure to address foreign interference in democratic and electoral processes can erode trust in democracy, undermine democratic values, weaken democratic institutions, and shake the foundation of democratic governance. This study takes a preventive approach by drawing on the experiences of other countries and mapping vulnerabilities that are currently being exploited, as well as those that may be targeted in the future. It also provides recommendations aimed at closing gaps that foreign powers with vested interests might employ to destabilize Albania's progress toward EU integration.

The Western Balkans, due to their strategic location and importance in European trade and security, have become a significant battleground in global power competition. These countries are increasingly sus-

ceptible to the influence of both China and Russia, particularly as their prospects for integration into European political and security institutions remain uncertain. Russia's strategic goals in the Western Balkans include disrupting Western-supported initiatives for regional peace and democratization, sustaining a pro-Russian alignment in Serbia, ensuring the region's energy dependence on Russian gas, and hindering further NATO expansion. China, on the other hand, aims to establish and safeguard trade infrastructure that facilitates the flow of Chinese goods into the European Union. Chinese capital investments also create significant economic interdependencies and relationships with local political elites, granting China leverage that can be employed for broader political purposes.

The rise of multipolarity and the relative decline of Western influence on the global stage have emboldened regional powers, such as Turkey, Hungary, and Middle East states like the United Arab Emirates, Saudi Arabia, and Iran. These regional actors have gained significant influence, enabling them to sway democratization efforts and establish a substantial presence in the Western Balkans, including Albania. Albania is one of the most pro-Western nations in the broader Balkan region, serving as a key hub for various U.S. and EU security initiatives designed to align the region more closely with the West. Its proactive and constructive role in shaping regional policies, in-

cluding initiatives related to peace, reconciliation, reducing energy dependencies on Russia, and safeguarding vital economic infrastructure from Chinese influence, has made it a target for foreign interference.

Albania exhibits various socio-political cleavages and weaknesses that render it susceptible to foreign interference. These include its rule of law deficiencies, social mistrust¹, political polarization and religious diversity. Albania's economy is currently grappling with several unmet investment needs² that hinder its overall development and growth. Financial gaps manifest in various critical areas such as infrastructure, healthcare, education, and social services, limiting the country's ability to provide essential services and improve the quality of life for its citizens. Given the uncertain prospects for EU membership, these gaps make Albania susceptible to financial influence from authoritarian regimes that seek to expand their geopolitical influence through economic means. Albania's strategic geographic location bordering the EU market, along with its domestic socio-economic vulnerabilities, has also established favorable conditions for transnational organized crime, which can be exploited as a channel for foreign interference.

This study employs a rigorous analytical process, drawing on extensive desk research and interviews with local and international experts. It examines foreign interference vulnerabilities through three primary pathways: financing of electoral campaigns; manipulation of the information environment, and corrosive capital flows. By comparing how such interference occurs in Albania and in other democracies and leveraging the experiences of other countries, the study aims to shed light on potential manifestations in the Albanian context.

PATHWAY 1: FINANCING OF POLITICAL PARTIES AND CAMPAIGNS

Foreign actors have exploited a specific avenue to interfere in domestic politics by funding "third parties"

(non-contestant campaigners), particularly through social media advertisements in elections. Albania's electoral legislation, similar to that of other Western Balkan countries, lacks regulation on "third-party" spending. This gap allows campaigners with questionable funding sources to influence electoral campaigns. The presence of unidentified and opaque sources behind social media ads during the 2021 and 2023 elections indicates a real vulnerability to foreign interference in future Albanian elections³. Legislative actions are necessary to address this issue, particularly in the context of the extensive use of digital advertising for election campaign purposes. Legislation regulating party and election finance requires additional safeguards for effective enforcement. These include refining legal definitions of funding entities, mandating more frequent and detailed financial reporting by political parties, and imposing stricter penalties, including the criminalization of unlawful foreign funding.

Foreign governments use specific tools to funnel resources to politicians and political parties including corporate entities (i.e., legal or judicial entities); "straw donor schemes"; and/or cryptocurrencies. There is little direct evidence to suggest that such channels have been used to influence elections in Albania. However, there is a possibility that such meddling is already occurring and could occur in the near future due to legal gaps and/or poor enforcement of election laws.

The current legislative framework on political party financing and electoral campaigns creates pathways for foreign entities to finance political parties through shell companies (legal entities). Even though donations from legal entities are reportedly rarely used in political campaigning, Albania could follow the example of many European countries in explicitly banning donations from legal entities.

Albania's legislation regulating cryptocurrencies is nascent and does not address transparency requirements

1 Primarily due to historical factors associated with Albania's communist regime.
2 https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_690%20Albania%20report.pdf
3 <https://balkaninsight.com/2021/06/01/untold-story-dark-money-israeli-advisers-and-an-albanian-election/>

for transactions. Laws regulating elections should consider banning cryptocurrency donations and expenditures before they emerge as a problem.

The proper enforcement of political finance laws will also require strengthened capacities, resources and legal mandate for the Central Elections Commission and its structured cooperation and coordination with a range of other state bodies with oversight functions. Some format of inter-institutional coordination should be established, for example, with bodies regulating issues of money laundering or media.

PATHWAY 2: MANIPULATION OF THE INFORMATION ENVIRONMENT

The symbiotic relation between media owners, business, and politics hampers professional journalism in the public interest in Albania. More specifically the high degree of informality in the media sector and low transparency/oversight of media financing and issues of conflict of interest in Albania creates space and avenues for foreign actor funding. Also, in the highly unregulated online media world, anonymous ownership creates space for impunity and no accountability for rampant disinformation.

Russia's disinformation operations have limited space to use soft power and promote the Kremlin's viewpoints in Albania due to the country's clear Western-focused geopolitical orientation. Yet, there is ample space to covertly pollute the information environment in such a way that it fuels domestic narratives in line with Russian tactical objectives; and empower actors and networks who could grow into political veto players. Although RT and Sputnik do not publish in Albanian, their disinformation campaigns and pro-Kremlin narratives still reach Albanian audiences through third-party sources, subtly advancing the Kremlin's foreign policy goals, albeit with little evidence regarding their impact.

In many democracies, Russian disinformation warfare efforts have been proven to support extremist actors and networks that promote narratives against women and LGBTQI+ rights as a gateway to push anti-Western conspiracies among social conservatives. These narratives have developed a certain resonance in Albania during the past few years due to a range of highly active actors and networks with access to mainstream media and an online media scene that is highly vulnerable to clickbait and fake news. However, there is no clear evidence that these narratives in Albania are directly supported by Russian disinformation campaigns. Instead, the local environment and existing societal tensions provide fertile ground for such narratives to take hold and spread.

Media narratives questioning the credibility of elections and the integrity of institutions, especially the Western-sponsored judiciary reform, have been prominent in Albania. While these narratives are largely the product of domestic political polarization, sponsored attacks by domestic interest groups, or authentic civic grievances with weak institutions, they have been fueled on occasion by suspected foreign interference through cyber-attacks⁴.

Chinese public diplomacy efforts in Albania, aiming to build a positive image of the country, are seemingly bearing fruit through structured cooperation with media platforms in Albania, relations with China-friendly journalists as well as cultural cooperation through the Confucius Institute. Rather than engaging in outright disinformation, China leverages its media presence (China International Radio) as a propaganda tool to project a favorable image and enhance its global influence. While the impact may not be significant at present, the potential for influence cannot be discounted.

Turkey is another regional actor with a media footprint whose disinformation efforts mainly center on targeting the leadership of the Islamic community in Albania, which it considers tied to the "Gülen network". In re-

cent years, various online media in Albania have shown increasing closeness and affiliation to Turkey. While these media outlets are not necessarily influential or highly popular, they present hate narratives or publish propaganda content that favors Turkey and denigrates its rivals or political opponents. A recent cooperation between the public broadcasters of Albania and Turkey has raised concerns about exacerbation of Turkish propaganda in Albania.

Iran's propaganda in Albania, primarily disseminated through state-sponsored media like Pars Today in Albanian language, focuses on promoting Iran's geopolitical interests and ideological narratives. This includes portraying the Mujahedin-e-Khalq (MEK) as a terrorist organization and criticizing Western countries. Despite these efforts, the overall impact of Iran's propaganda in Albania remains limited.

Decision makers, media organisations, journalistic community, civil society and other relevant stakeholders such as independent institutions need to work together to secure greater transparency and accountability on media ownership, funding, and conflict of interest. They must intensify efforts for self-regulation, supporting journalism in the public interest, and establishing formal and informal programs that foster media and information literacy. This should be done in a way that doesn't stifle freedom of expression and is in line with international standards. State bodies in Albania should make concrete efforts towards the approximation of legislation with the European Digital Service Act and Media Freedom Act as an appropriate approach when it comes to potential legal changes in addressing disinformation.

In Albania, it is essential to foster a resilient media landscape that supports free expression, media plurality and independence by improving the working conditions of journalists, combating self-censorship, and address-

ing media concentration ownership and limited access to public information. Strengthening the capacities of editors and journalists to identify and counter foreign malign narratives, along with supporting capacity development, including fact checking and cybersecurity resilience, are crucial steps in tackling disinformation in Albania.

PATHWAY 3: CORROSIVE CAPITAL FLOWS

While Albania has seen no significant foreign direct investments (FDI) from notorious sources of corrosive capital, it has not been free of the risk of local elites engaging in transactions with foreign individuals and entities with murky agendas. The scale of some investment projects – especially those in real estate as well as public private partnerships (PPPs), which often lack transparency - does create space for the funneling of corrosive capital, which may also be used to influence Albanian politics.

The footprint of Chinese FDI in Albania is relatively modest compared to its presence in some other countries within the Western Balkans. Most initiatives have not materialized, and some Chinese investors in strategic sectors have even withdrawn, reducing the potential of any political dependencies. Albania's leadership has been skeptical of the economic benefits of cooperation through the 16+1⁵ format but has remained in the group to maintain a dialogue with Beijing.

Albania maintains an open foreign investment regime designed to attract FDI but it lacks a formal vetting mechanism that could restrict or prohibit FDI that threatens national security or public order. Albania needs new legislation that establishes a robust Investment Screening Mechanism in line with international standards, which provides appropriate defenses for national security and public order and safeguards competitiveness.

⁴ <https://faktoje.al/shqiperia-pre-e-sulmeve-kibernetike/>
<https://www.reporter.al/2023/09/25/sulm-i-ri-kibernetik-mbi-institucionet-publike-dhe-private-ne-shqiperi/>

⁵ Cooperation between China and Central and Eastern European Countries (China-CEE, China-CEEC, also 14+1; formerly 17+1 from 2019 to 2021 and 16+1 from 2021 to 2022) is an initiative by the Chinese Ministry of Foreign Affairs to promote business and investment relations between China and 14 countries of Central and Eastern Europe (CEE, CEEC): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia.

Corrosive capital flows may benefit from abusing protections in International Investment Agreements (IIAs). The language of IIAs needs to be updated to clarify the sovereign right to protect public order, national security, and strategic and sensitive economic sectors. Government agencies and independent authorities must improve coordination and ensure regulatory compliance in the case of PPPs and concession contracts, assignment of the Strategic Investor status, implementation of the provisions on the Ultimate Beneficial Owner (UBO), and market competition.

02 CONTEXT: FOREIGN INTERFERENCE IN ALBANIA AND WESTERN BALKANS

1. Due to its geographic location and importance to European trade and security, the Western Balkans are a small but significant part of the geopolitical chessboard of great power competition. The countries of the Western Balkans have become more susceptible to the influence of China and Russia, as a result of the hazy outlook for their integration into European political and security institutions.

Over the past decade, foreign powers like China and Russia, have become more assertive and strategic in their approach towards the Western Balkans, viewing the region as one of the “weakest links” in Europe.⁶ This view persists because the EU has ef-

fectively frozen the accession process until recently, while at least three countries also remain outside of NATO. This state of “integration limbo” for the Western Balkans amplified the region’s many domestic vulnerabilities and created opportunities for foreign actors to exploit. The loss of credibility of EU accession conditionality has weakened the momentum and incentives for democratic reforms, encouraging the kind of authoritarian leadership. Since EU accession had also served as an important peace instrument. The severe scale-back of integration proceedings reopened questions of the region’s security architecture – thus opening opportunities for Russia to factor itself as a security partner and player. The slower pace of EU accession has also deprived the region of significant sources of development financing that were crucial for countries in earlier stages of accession, creating an opportunity for China to step in and fill the gap.

2. Russia’s main strategic goals in the Western Balkans are to undermine Western-sponsored regional peace and democratization processes; to sustain the pro-Russian orientation of Serbia; to preserve the region’s energy dependence on Russian gas and to prevent further NATO expansion. Albania’s proactive role on some of these regional issues makes it a target for Russian interference.

Russia has positioned itself as a protector of Serbian interests in the region. This perception is often reinforced by pro-government media outlets in Serbia, which can amplify the narrative of Russia as a reliable ally for Serbia. This projection serves as a significant source of leverage for Russia in its relationship with Serbia, especially among segments of the population that identify strongly with nationalist sentiments – and by extension, over the entire Western Balkans. Further, Russia has cultivated considerable energy dependencies in the region, particularly in Serbia, which relies considerably on Russian gas

for heating.⁷ The Kremlin does not use this leverage to draw the Balkans (even Serbia) formally into any of its geopolitical structures, but instead seeks to maintain the status-quo and cause security concerns for the West in its backyard.⁸ Russia then uses its influence in the Western Balkans as a bargaining chip with the West for its strategic interests in the nearby post-Soviet space by, for example, drawing frequent comparisons between the independence of Kosovo and Crimea or the Donbas. Through its structured cooperation with Serbia, Russia has effective veto power over NATO expansion (in Bosnia Herzegovina and Kosovo) and can slow down EU enlargement in almost all of the countries in the Western Balkans. Russian efforts to thwart NATO expansion were visible during its active role in 2018 to undermine the agreement between Greece and North Macedonia over the latter’s name⁹, or the 2016 coup attempt in Montenegro.¹⁰ A central element of Russia’s strategy is to maintain its influence over Serbia and prevent its Westward path. It aims to achieve this by keeping ethnic tensions in the region high – particularly Albanian and Serb relations -- as well as preventing any Western-led effort that would lead to the resolution of bilateral and ethnic disputes.¹¹ This allows it to sustain the threat of ethnic conflicts within and around NATO borders. It is for this reason that throughout the region, Russia continues to be the natural ally of reactionary nationalist forces promoting the status-quo and actively entices and amplifies their narratives. Because of its projected power, Russia is also often instrumentalized and used by regional leaders as a “boogeyman” to blackmail the West and relieve pressure on democratization reforms.

3. China’s strategic goal in the Western Balkans is to develop and secure access to trade infrastructure that would ease the access of Chinese goods into the European Union. The presence of Chinese capital also creates considerable economic dependencies and relations with political elites which give China leverage that may be used for other political ends.

China’s main objective in the Western Balkans is the development of the Land-Sea Express Route (LSER), which is a component of the Belt and Road Initiative (BRI) that would increase the capacity of the Chinese-owned port of Piraeus to serve as a hub to move Chinese goods into the EU through Central Europe.¹² China has also invested in logistics in countries bordering the Western Balkans such as Slovenia, Croatia and Hungary as part of efforts to turn the LSER into a consolidated transport network. The second key goal is to increase the footprint of Chinese economic investments and political ties, particularly with Serbia, which serves as a pivotal state and hub for the region. The economic strategy also includes the development of dependencies, including using development financing, which was an acute problem particularly for Montenegro.¹³ By enhancing mutual trust through economic dependency, the BRI seeks to ensure a favorable strategic space for China in the long term¹⁴ It also seeks to expand China’s diplomatic weight in international arena by adding the number of countries voting favorably on issues relevant to China. While Russia is often viewed as the more immediate security threat, China’s policy may be viewed more broadly as gradually setting up an ecosystem of influence – including through the sale of military or

6 “Russia and China are Penetrating Balkan’s at West’s Expense.” Balkan Insight.

7 “Serbia ‘in a hurry’ to reduce energy dependence on Russia.” Financial Times.

8 “Russia’s Strategic Interests and Tools of Influence in the Western Balkans” – NATO STRATCOM.

9 “Tensions Escalate Between Greece and Russia, with Macedonia in the Middle” – New York Times.

10 “Russian Malign Influence in Montenegro: The Weaponization and Exploitation of History, Religion and Economics”. Center for Strategic and International Studies (CSIS).

11 “In the Western Balkans, the West is trying to push Russia out”. Washington Post.

12 “China’s approach to the Western Balkans”. Clingendael Institute.

13 “How A Chinese-Built Highway Drove Montenegro Deep Into Debt”. NPR.

14 Ibid

surveillance technology, development of academic and cultural ties– that would make it an important actor in shaping the region’s future.¹⁵

4. Growing multipolarity and the relative decline of Western power at the global level has empowered regional powers - including Turkey, Hungary, and Middle East states like the United Arab Emirates, Saudi Arabia, and Iran - to also emerge as pivotal actors of influence; to undermine democratization reforms and to develop considerable weight and presence in the Western Balkans, including in Albania.

A NATO member, Turkey does not offer alternative geopolitical projects and is not perceived as wanting to disrupt the region’s or Albania’s transatlantic aspirations. Turkey primarily views the Western Balkans as an export market and investment destination. However, Turkey does seek to actively maintain influence over Muslim populations in the region through humanitarian and cultural investments including in crises like Covid-19 or recent Albanian earthquakes. Turkey also fuels disinformation which feeds the Erdogan cult and promotes Turkey’s power status and aspiration to be a global leader of Islamic countries (thus indirectly feeding anti-Western narratives), as well as Erdogan’s efforts to build strong personal ties with regional leaders.¹⁶ The influence over Muslim populations and personal ties with leaders are frequently harnessed for the transactional purposes of cooperating on issues of importance for Erdogan – one such issue that has emerged in Albania is for example the extrajudicial measures to purge institutions connected to the Gulen network, as stated by Turkey - or investments by businesses friendly to the Turkish regime (pres-

ent throughout the region).¹⁷ Turkey also views relations with Albania as important from the prism of its competition with Greece. Similarly, Hungary has also become an important actor which views the Western Balkans as important to its stability and seeks to influence developments. One among several goals of Victor Orban’s authoritarian government is to nurture close ties with like-minded regimes and parties in the region, which has been evident in his public support of Vucic, Dodik and the exiled former Prime Minister of North Macedonia, Nikola Gruevski.¹⁸ Iran has developed a particular antagonistic focus on Albania due to its hosting of the opposition MEK movement and has accused the Albanian government of supporting terrorism by allowing the MEK to operate from its territory. The United Arab Emirates on the other hand has over the past decade expanded its presence mostly through loans and private investments in real estate projects, primarily in Serbia¹⁹ but also in the largest real estate development in Albania²⁰.

5. Albania is arguably the most pro-Western country in the wider Balkans, serving as a hub and launchpad of many U.S and EU security initiatives seeking to anchor the region closer to the West. Albania’s active and constructive role in shaping regional policy – from issues of peace and reconciliation; to the reduction of energy dependencies on Russia; to protecting critical economic infrastructure from China – makes it a target of foreign interference.

Albania’s geopolitical position as an Adriatic/Ionian entry point into the Balkans, as well as the presence of ethnic Albanians in four other countries in the region²¹, makes it an important factor in the West-

15 “Beyond Economic Considerations: New Frontiers of Chinese Influence in the Western Balkans” – Sbunker and Kosovo Center for Security Studies.

16 “Transition to what? Western Balkans democracies in a state of illiberal equilibrium” – Sbunker ->

17 Ibid

18 “Balkan Csardas: Hungarian Foreign Policy Dance” – Belgrade Centre for Security Policy.

19 “Serbia: The UAE’s Best Friend in the Balkans” – Gulf International Forum.

20 “Albania, UAE-based Eagle Hills in 2 bln Euro deal for Durres port expansion” – SEE News.

21 The four countries are: Kosovo, North Macedonia, Montenegro and Serbia.

ern Balkans’ security architecture. A NATO member since 2009, Albania has over the past decade also started to move away from its traditionally more reactive role as a consumer of Western security, and towards becoming a more active security leader and pillar of NATO and EU expansion. Albania’s society and politics almost instinctively embrace pro-NATO and pro-EU positions on key issues and pursue a constructive agenda in the region that is mostly aligned with the West. In broader terms, Albania has in fact regularly framed itself as a bastion against Russia’s influence in the region²² and serves as a key anchor and launchpad of many Western security initiatives. This is evident especially from a military standpoint but also as part of broader U.S and EU efforts to wean the Western Balkans off from its dependency on Russian energy sources. Albania has also pursued a cautious policy of cooperation with China which has seen moves like removing the visa regime for Chinese citizens²³, but also political roadblocks that have shrunk the number of Chinese investments.

6. Albania has considerable socio-political cleavages and vulnerabilities which create space for foreign actor interference. This includes its religious diversity; weaknesses in the rule of law; as well as a high degree of social mistrust and political polarization.

Albanian society is religiously diverse, yet it is homogeneous in its pro-Western aspirations and secularist in orientation due to the unique historical trajectory in which Albanian identity was constructed. The primacy of ethnic identity over religious affiliation provides a strong source of resilience against foreign attempts to stir religious or ethnically motivated divisions, yet some vulnerabilities have been exploited by extremist groups. Another point of vulnerability are Albania’s judiciary and rule of law institutions, which have been the subject of ongoing

reform due to significant corruption, securing impunity for the political class and elements of organized crime. A Western-sponsored major overhaul of the judiciary has so far disrupted many vested interests while also not fully meeting public expectations. These grievances have created a favorable terrain for foreign actors to undermine democratic reforms and fuel anti-Western narratives. Albania’s society is also marked by a high level of political polarization and a high degree of interpersonal mistrust, with divisive narratives amplified by a clientelist media scene. These features of Albanian society undermine state and social institutions, reduce the social capacity for consensus, and create an environment very conducive for propaganda to flourish.

7. Albania’s economy has unmet investment needs which, in a context of sluggish EU membership prospects, create space for corrosive capital flows from authoritarian regimes. Albania’s geographic position bordering the EU market and its domestic socio-economic vulnerabilities have also created a favorable terrain for transnational organized crime, which can serve as a conduit for foreign interference.

Albania is a rapidly developing economy with considerable public infrastructure gaps, limited fiscal space and FDI needs. Yet the slow pace of EU accession has reduced the amount of EU financing that was available to countries in previous accession stages. In a context of lax legislation and weak rule of law, Albania’s reliance on Public-Private Partnerships for infrastructure investments and its booming of (and highly informal) construction sector creates a considerable opening for corrosive capital flows (see definition in Box 1) which may be used to influence its politics. Albania’s impressive economic growth rates over the past decades have not translated into better social outcomes for all. There is a geographic concentration of economic vulnerabili-

22 “Albania pitches itself as bastion against Russian influence”, B92.

23 “Albania Backs Scrapping Visas for Chinese in Snub to EU” – Balkan Insight. ->

ty and exclusion: social and economic outcomes are considerably worse in the rural north and the “urban peripheries” within the richest region between Tirana and Durrës. Albania’s strategic position as a gateway to the EU market (bordering two EU countries, Greece and Italy), combined with its weak institutions and social vulnerabilities, have offered opportunities for organized crime groups – many with transnational links – to embed themselves deeply within society, the economy, and politics.

Box 1:
Sh Definition of Corrosive Capital

The Centre for International Private Enterprise (CIPE) describes corrosive as “opaque capital flows lacking market orientation, with motives to exploit governance gaps to influence economic, political and social developments in recipient countries”. Investments stemming from authoritarian regimes that are inextricably linked to adverse governance outcomes in recipient countries can also be identified as corrosive capital. Vulnerable democracies are at risk of infiltration by corrosive capital that might increase debt dependencies and achieve underlying political motives, yielding negative impacts on local communities and private sectors. A previous study supported by CIPE investigated the effects of corrosive investments in North Macedonia, Serbia, Bosnia and Herzegovina, and Montenegro, reporting on the negative economic and environmental consequences of Chinese investment in the cases of highway from Bar to Boljare in Montenegro, Kichevo-Ohrid highway in Northern Macedonia Air pollution in the mining town of Bor in eastern Serbia. The study does not cover Albania.

03

ASSESSMENT SCOPE AND METHODOLOGY

8. The subject of foreign interference in Albania’s politics is generally new and comes with considerable research/evidence limitations. This study takes a preventative approach by identifying vulnerabilities that are currently being exploited and may be targeted in the future, drawing from the experiences of other countries. The study takes a broader view of foreign interference as not being limited to electoral processes, but as something that constantly shapes political outcomes.

The study of foreign interference in democratic processes around the world has been a subject of extensive research in recent years. However, in Albania it is a recent subject of limited study. The comparative lack of existing research presented a challenge in terms of defining the scope of issues to be incorporated as key vulnerabilities in this assessment. To that end, the expert team engaged in this assignment initiated internal deliberations and a series of preliminary consultations with key stakeholders, including political parties, civil society, experts, and election administration officials²⁴ with the aim of narrowing and focusing the scope of the study. Through these preliminary consultations, the research team reached two main conclusions. First, the lack of clear and prosecuted evidence on foreign interference made it somewhat futile to engage in a detailed mapping of cases in Albania. Instead, the emphasis should be on preventive measures, drawing on

how such interference has occurred in other countries. Secondly, focusing solely on foreign interference in election processes would overlook potentially more significant forms of foreign influence that shape Albania’s economy, media, and overall politics. These broader influences, in turn, affect election results more than the activities during a campaign. Given that much of Albanian politics, including campaign financing, operates through informal channels, it is essential to consider the broader role of foreign actors..

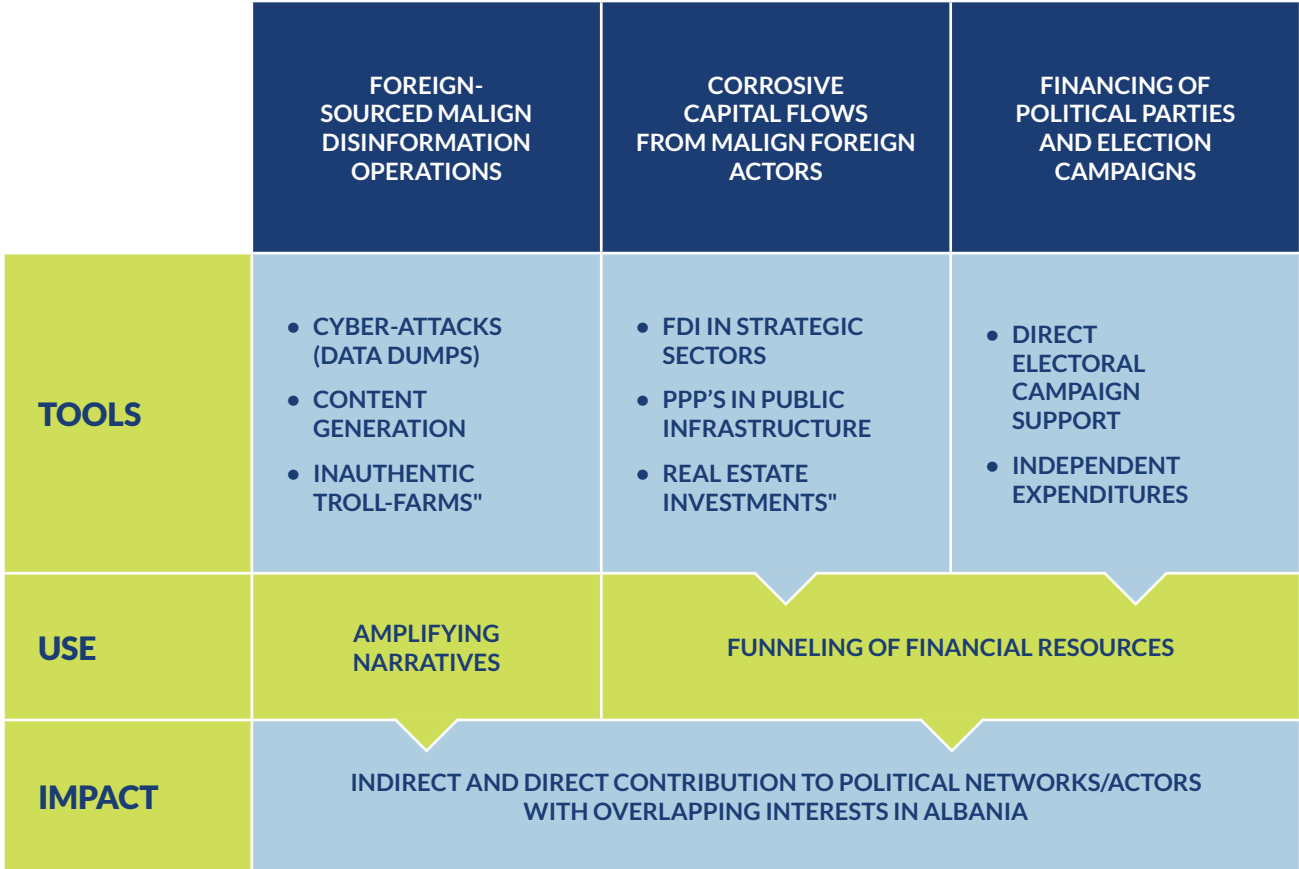
9. The study is based on a methodical analytical process and extensive desk research and interviews with local and international experts. It looks at foreign interference vulnerabilities through three of its main pathways: *financing of electoral campaigns; manipulation of the information environment and corrosive capital flows*. It showcases how such interference is currently manifested in Albania and in other democracies; it highlights Albania’s key institutional vulnerabilities, and it provides recommendations on how to address them.

“There is sufficient money domestically; Albanian politicians don’t need foreign money to finance campaigns” – was the overall sentiment from expert opinion to the question of foreign actor roles in Albanian politics. This often referred to the preponderance of domestic sources like those from big businesses or organized crime. However, because much of what happens in Albanian economy and politics is mired in informality – including for example media financing; campaign financing or major construction projects – and because organized crime may be transnational in nature – the lack of transparency also creates space for foreign elements to exploit vulnerabilities. Furthermore, much of foreign interference – for example in the media space – can occur in the form of “in-kind contributions” from foreign actors and media, such as fueling certain narratives. All these elements have been taken into account in elections in outlining the three main pathways of foreign interference (Graph 1). The study used a staged approach to understand these pathways (see Graph 2). The analysis relied extensively on desk

24 Consultations held in Tirana on April 30-31 2023.

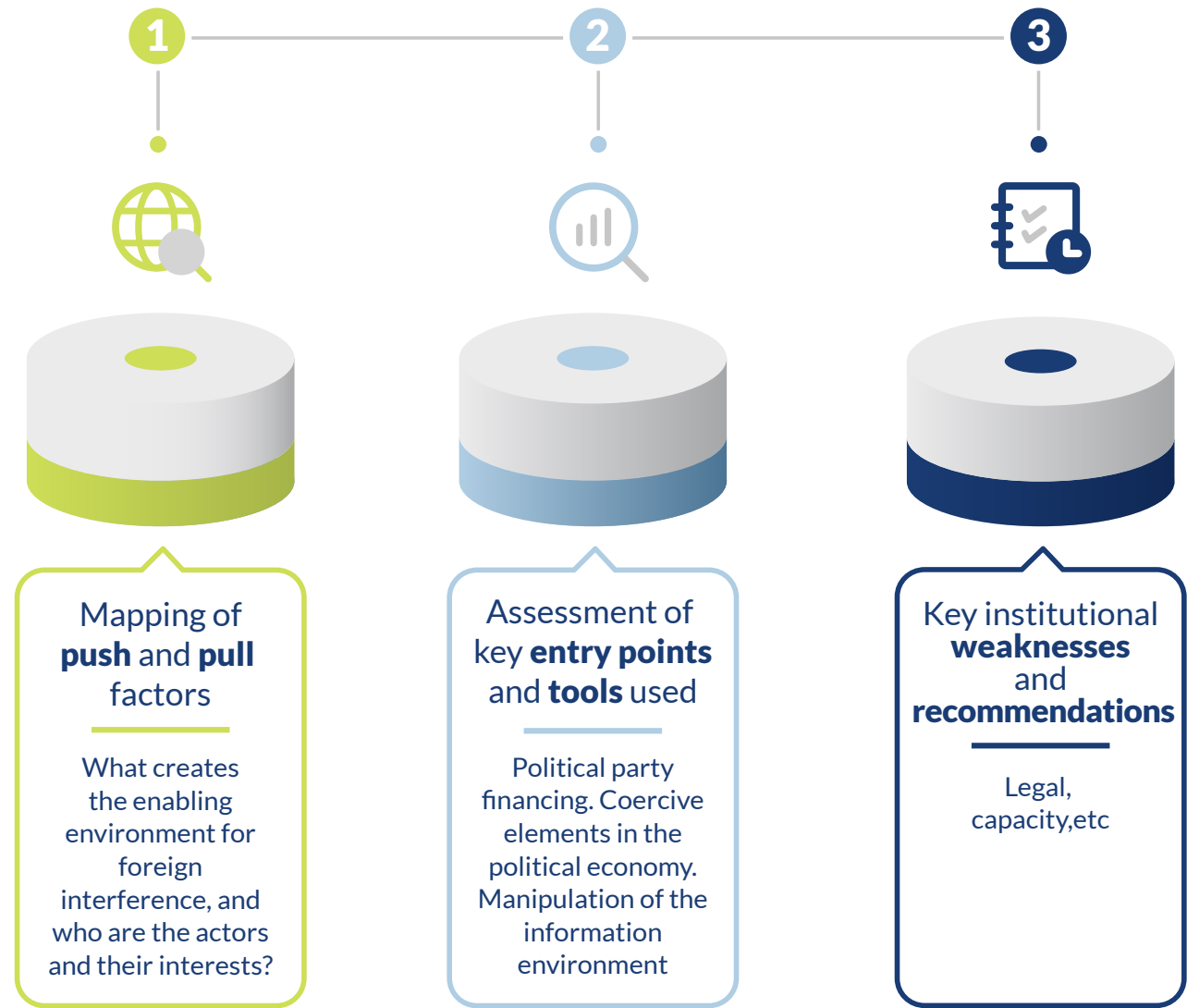
research as well as on a wide range of interviews with local experts (a total of 45 semi-structured interviews) held between May and June of 2023. Interviews were conducted with prominent experts from academia and civil society whose work focuses on electoral law, media, international affairs, security, investments trends, etc. NDI's team also interviewed key informants from relevant state institutions.

Pathways of foreign interference in Albanian politics



Graph 1: Pathways of foreign interference in Albanian politics

Analytical process (stages)



Graph 2: Pathways of foreign interference in Albanian politics

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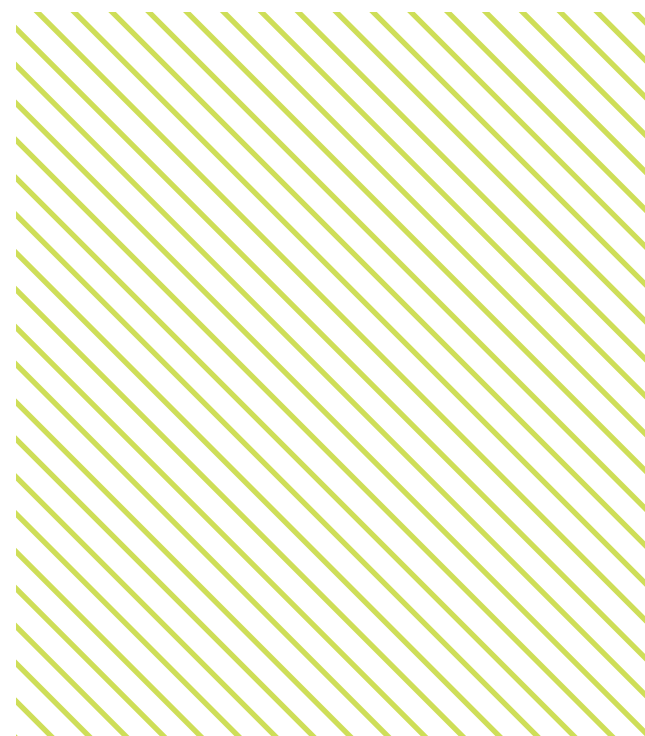
PATHWAY 1: FINANCING OF POLITICAL PARTIES AND ELECTION CAMPAIGNS

a. How is foreign interference manifested in campaign finance context?

10. Foreign actors have developed numerous ways to exploit legal loopholes and/or contravene political finance laws to meddle with elections in other countries. Whilst there are virtually no fully adjudicated cases on this issue internationally (and only allegations of such activity in Albania), foreign interference through political financing has been the subject of credible studies in other countries, which were used to shed light on Albania's campaign finance system's vulnerabilities.

The Alliance for Securing Democracy's seminal study ("Covert" Study)²⁵ on covert foreign money to fund political interference²⁵ provides an in-depth analysis of the pathways used for such interference based on an extensive review of open-source reporting. The scope of the problem is significant and ever increasing. Although

the 2016 U.S. presidential election and the 2016 UK referendum on EU membership are perhaps the most prominent examples, over 100 instances of such interference have been identified across more than 30 countries, with a steep rise in frequency over the past seven years.²⁶ OSCE-ODIHR election reports in recent years have included recommendations for countries to address ambiguities in campaign finance legislation,²⁷ for oversight bodies to provide guidelines to increase the reliability of in-kind donation reporting, third parties campaign regulation and for increasing the capacity and authority of oversight bodies. Although not targeted at foreign interference per se, it is easy to see how these types of weaknesses could be exploited by foreign states seeking to evade bans on foreign funding of political parties and elections. The key channels of interference relevant to the Albanian context are set out in the graph 3 below:



²⁵ "Covert Foreign Money" Alliance for Securing Democracy, German Marshall Fund. See also, "Legal Loopholes and the Risk of Foreign Interference", European Parliament ->

²⁶ Ibid at 1.

²⁷ For recommendations about addressing legislative ambiguities see the final reports of ODIHR Election Observation Mission for 3 April 2022 Serbian Early Presidential and Parliamentary Elections 3 April 2022 Hungarian Parliamentary elections and Referendum, and 17&31 October 2021 North Macedonian Local Elections. The final report of ODIHR Election Expert Team on the 5 March 2023 Estonian Parliamentary Election included the need to provide guidance on in-kind donations. For recommendations on increasing the capacity of the oversight body, see, for example, final reports of ODIHR on the 13&14 January 2023 Czech Presidential, the 2 October 2022 Presidential /Parliamentary elections in Bosnia and Herzegovina and the 2 April 2023 Early Presidential and Parliamentary Elections in Bulgaria. All reports are available on the ODIHR website at <https://www.osce.org/odihr/elections/121544>.

Pathways to in(direct) foreign financing of political parties and campaigns



Graph 3: Pathways to in(direct) foreign financing of political parties and campaigns

Throughout interviews conducted for this study, participants frequently claimed that political parties in Albania consistently omit certain donations and expenditures from their reports submitted to the CEC, which includes the failure to report and/or accurately assess in-kind donations. They also claimed that the CEC's scrutiny of the reports is inadequate and that under-reporting practices go undetected. The example often cited to illustrate how these practices shield disclosure of foreign-sourced funding involved alleged payments for lobbying of USA lawmakers. The allegations²⁸ focus on payments made to and reported by the lobbyist to

the USA authorities in 2017 for work undertaken on behalf of an Albanian opposition party. The source of funds used in these payments appears to have originated from a shell company registered in Scotland, owned by two offshore companies (in Belize) with Russian citizens in administrative positions. These payments were not included in the party's campaign finance reports. If the payments had been made to help defray the party's lobbying costs with the party's knowledge, they would be 'in-kind' donations that legally would need to be included in the party's election report as contributions to and expenditures by the party.²⁹

11. Another specific pathway that foreign actors have used to interfere in countries' politics is by financing expenditures of non-contestant campaigners (also known as 'third parties'), particularly for social media advertisements. Albania's legislation, much like that of other countries in the region of Western Balkans, does not regulate "third party" spending – which creates space for non-contestant campaigners with dubious sources of funding to engage and contribute to electoral campaigns. The phenomenon of social media advertisements by unidentified and opaque sources observed in the 2021 elections suggests it presents a realistic avenue for foreign interference in future Albanian elections. Legislative efforts are needed to address the issue of third-party spending, including digital advertising.

Electoral contests in a variety of countries over the past decade have seen increased campaign spending by those who are not contesting the election as political parties or candidates (e.g., as "non-contestant campaigners" or "third parties") and who operate independently of them. For example, spending by non-contestants nearly doubled in the UK from 2010 to 2019. Concurrently, there has been a dramatic increase in the use of social media in election campaigns. In Lat-

²⁸ <https://www.motherjones.com/politics/2023/11/lulzim-basha-albania-russia-biniatta-trade/>

²⁹ If the payments were made to assist the party in the election but without the party's knowledge, they could constitute third party expenditures, which are currently unregulated in Albania,

via's case, such spending increased from EUR 69,296 in 2010 to EUR 294,405 in 2018.³⁰ The US example from 2016 (see text in Box 2) may be one of the earliest and well-documented online political campaigns paid for by foreign actors. Despite some of the actions taken by social media platforms to address the issue, there have been numerous instances of online advertising campaigns undertaken by Russia, China, Iran and other nations since 2018 involving countries in Western Europe, Ukraine, the Western Balkans and more than a handful of African countries.³¹

Box 2:
2016 US elections case³²

The US 2016 elections are a well-documented example of foreign actors spending large sums of money on paid social media advertising to influence the outcome of electoral events.

The Internet Research Agency (IRA), a Russian based organization funded by Russian oligarch Yevgeniy Prigozhin and his associated companies, mounted an extensive operation to influence the US presidential election with a goal of favoring the campaign of Donald Trump. In addition to creating fake social media accounts and a variety of social media groups, IRA spent about \$100,000 on over 3,500 Facebook advertisements. Although paid advertisements represented only a small fraction of funds the IRA spent to influence the 2016 US presidential election, their outreach was substantial and used to increase the audience for its organic posts. It has been argued that this advertising "may have helped IRA content reach as many US viewers as actually voted in the election."

There is little official information related to the scope of third-party expenditures in Albania, as social media advertising is unregulated. However, the Balkan Inves-

tigative Reporting Network (BIRN) monitored social media advertising in the 2021 Albanian parliamentary elections, finding nearly \$40,000 spent on social media advertisements by unidentified sources.³³ This suggests that the third-party phenomenon already is part of the Albanian political landscape, and a readily available path for foreign interference. Without regulation, foreign states can covertly pay for misinformation campaigns designed to influence the electoral campaign, directly advocate for or against parties and candidates and/or support groups undertaking divisive electioneering activity.

In many jurisdictions, including Albania, third party spending is not regulated and in others, the scope of regulation is narrow.³⁴ Albania's Electoral Code definition of media is rather limited as it fails to define social media, focusing instead only on the traditional media. In the absence of regulation, there is no government oversight over the source or amount of funds spent by non-contestant campaigners.³⁵ The absence of regulation creates the opportunity to circumvent the rules imposed on political parties and candidates. In most jurisdictions there has been no or inadequate rules for identifying who authorizes or pays for ads, and the scope of distribution. Some platforms have taken steps to address this regulatory lacuna by requiring advertisers to register and creating advertising archives. However, not all platforms have adopted such measures and there has been criticism about the effectiveness of those that have been implemented. Countries are beginning to address the regulatory vacuum with recommendations pending in the EU, legislative proposals introduced but not enacted in the U.S and third party

30 See, International IDEA, "Regulating Online Campaign Finance: Case Study on Latvia" at <https://www.idea.int/sites/default/files/regulating-online-campaign-finance-latvia-en.pdf> (visited June 29, 2023).

31 Covert Study at pp. 40-43.

32 Report On the Investigation into Russian Interference in the 2016 Presidential Election Special Counsel Robert S. Mueller, <https://www.justice.gov/archives/sco/file/1373816/download> (visited June 30, 2023)

33 <https://balkaninsight.com/2021/06/01/untold-story-dark-money-israeli-advisers-and-an-albanian-election/>

34 Only six OSCE countries had 3rd party regulations in place in early 2022 and the legislation of those countries varied in scope.

35 The OSCE-ODIHR now includes recommendations to regulate third party spending in its election observation reports as it did in its report on the 2021 Albanian Parliamentary Elections. See <https://www.osce.org/files/f/documents/5/1/493687.pdf> at page 17. See also OSCE/ODIHR / Venice Commission Guidelines on Political Party Regulation, 2nd edition, CDL-AD(2020)032, paras 218 – 222 and 255-256.. Third-party financing in relation to election campaigns is defined as, "[c]ampaign expenditures made independently of a candidate or party with the aim of promoting or opposing a candidate or party, either directly or indirectly". See <https://www.osce.org/files/f/documents/8/1/538473.pdf>.

campaigning and paid social media advertising laws adopted in some countries, such as Latvia.³⁶ In March 2024, the EU introduced a new regulation on the transparency and targeting of political advertising, aimed at countering information manipulation and foreign interference in elections.³⁷ The regulation will enable citizens to easily identify political advertisements, understand their sponsors, and know if they have received targeted ads, thereby empowering them to make informed decisions. It will also ensure that political advertising respects privacy rights and upholds freedom of opinion and speech.

Recommendation

Regulation (laws and bylaws) should be introduced to address the issue of third party/non-contestant campaigning, including paid digital advertising. This regulation should be tailored to avoid unduly restricting legitimate freedom of expression.

12. Additional tools which foreign governments have been observed to use to funnel resources to politicians and political parties include corporate entities (i.e., legal or judicial entities); "straw donor schemes"³⁸, and/or cryptocurrencies.³⁹ There is little direct evidence to suggest that such channels have been used to influence elections in Albania. However, there is a possibility that such meddling is already occurring and could occur in the future due to poor enforcement of laws.

Foreign governments and their operatives are known to use *corporate entities (also known as legal or judicial entities)* as toeholds to establish a legal presence and thus the ability to donate within targeted countries where corporate donations are allowed. The requirements for setting up a legal entity depends on domestic law but in many market-based countries they are not very onerous. In fact, many countries including Albania do not foreclose 'shell' companies (companies without assets or active business operations) from being created. Some countries, Albania included, are now mandating greater transparency regarding ownership through beneficial ownership registers. However, these regulations may contain numerous exemptions, only necessitate disclosure of beneficial owners above a specific threshold, and may not always be adequately monitored and enforced. In addition, many domestic companies are subsidiaries of foreign legal entities, creating the potential for injections of money from the foreign parent company, which can then be used for election campaign purposes. The Covert study highlighted several instances where legal entities were used as vehicles not only for circumventing rules against foreign donations but for foreign interference (e.g., to weaken the targeted State).⁴⁰ Unlike other cases which involve layers of transactions amongst multiple entities, the case of *Lev Parnas and Igor Fruman* is a relatively straightforward example. (See Box 3)

36 Proposal for a Regulation of the European Parliament and of the Council on the transparency and targeting of political advertising, (COM(2021) 731 final); Proposal for a Regulation of the European Parliament and of the Council on the statute and funding of European political parties and European political foundations, 25 November 2021, (COM(2021) 734 final)

37 [EU new regulation on political advertisement](#)

38 A "straw donor" is person who donates someone else's money to a political party or candidate using his or her own name. Impermissible donors, whether foreign or domestic, are known in many countries to engage in straw donor schemes which can range from small to large scale operations.

39 Foreign funding of charitable and non-profit organizations has been identified as another potential loophole for foreign interference in election finance. Requiring non-profits to disclose funding from foreign funding sources has provoked concerns that some governments are using such laws to stifle democratic debate and freedom of association. See ECtHR 2022c, involving the Russian Foreign Agents Act, and European Court of Justice, Commission v. Hungary (Transparency of Associations), Judgment Case C78-18, 18 June 2020. See also, [https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/702577/EXPO_ATA\(2023\)702577_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2023/702577/EXPO_ATA(2023)702577_EN.pdf). In light of the concern for fundamental freedoms and the potential for abuse arising from such regulation, we do not recommend requiring disclosure of such funding for non-profits in Albania at this time.

40 Covert study at pp. 25-26 and pp.83-84.

Box 3:
Lev Parnas and Igor Fruman case

In the spring of 2018, Parnas, Igor Fruman, Andrey Kukushkin and Andrey Muraviev, a Russian oligarch, decided to launch a business aimed at acquiring retail cannabis licenses in the United States. As part of that plan, Muraviev agreed to wire \$1 million, through a series of bank accounts, to Fruman and PARNAS to fund hundreds of thousands of dollars in political contributions they had made or promised to make before the election in November 2018. The purpose of the donations was to curry favor with candidates that might be able to help PARNAS and his co-conspirators obtain cannabis and marijuana licenses. To obscure the fact that Muraviev was the true donor of the money, the funds were sent to a business bank account controlled by Fruman's brother, and then the donations were made in PARNAS's and Fruman's names. In addition, others have alleged that Mr Parnas and Mr Fruman then used their political access to try to get the then US Ambassador to Ukraine dismissed and that they were also "secretly working for Russian and Ukrainians trying to help Trump acquire harmful information on his leading political opponent, Joe Biden".

There is also evidence that foreign interests have disguised their funding by giving money to permissible donors who then contribute the funds to political parties and candidates (straw donors). These donations appear to come from legitimate donors, but the funds used do not actually come from the identified donor. This phenomenon is not limited to foreign sourced donations, it can be used by any illegal source of donations and is an easy pathway for foreign governments to use to inject money into another country's political campaigns (see Box 4).

Box 4:
George Nader case

George Nader, an American businessman with close ties to the Crown Prince of the United Arab Emirates, was indicted in the USA for funneling contributions through straw donors in connection with the 2016 presidential election. Nader pled guilty to funneling more than \$3.5 million in illicit campaign donations through a California businessman to buy access and influence in Washington. Donations were directed initially to political action committees associated with Hillary Clinton and later to committees associated with the successful candidate, Donald J. Trump. The indictment noted that he did this to gain "favour" and "potential financial support" from an unspecified foreign government, which many have concluded was the Crown Prince of the United Arab Emirates.

Likewise, cryptocurrency remains a largely unregulated industry in Albania, despite its expanded use in the past decade. Cryptocurrency transactions often do not identify those involved in the transaction in any sort of transparent or accessible record⁴¹. This discretion creates fertile ground for hiding the foreign origins of donations and election campaign expenditures, which undermines the keystone of political finance regulation, namely transparency. In addition, candidates, parties or non-contestant campaigners can use crypto currencies for campaign expenditures, obscuring the true source of funds used to finance the expenditure. The 2016 US election provides an example of how cryptocurrency transactions can be used to shield the foreign origins of fundings.

Box 5:
Cryptocurrency and Russian hacking of political party computers

Once again, the extensive scrutiny and criminal investigations into the 2016 US presidential election provides an evidence-based example. An indictment was brought against a group of Russian for the hacking of the Democratic National Party's computers. The indictment details how the defendants (on behalf of the Russian Military intelligence service, known as GRU), laundered money through a series of cryptocurrency transactions to buy what was needed for the hacking mission. This included payments for items such as servers, domain registrations, and other related expenses.

Based on interviews with local experts, domestic 'off

the books' political funding and lack of in-depth oversight of the current rules are currently of greater concern than foreign interference in political and election funding. Some evidence has emerged suggesting the use of corporate entities with unclear ownership in financing overseas lobbying services for Albanian political parties (see Box 6). In addition, Albania's political finance laws are riddled with loopholes that could easily be exploited by foreign actors seeking to exert influence (see discussion in next section on institutional vulnerabilities).

Box 6:
GeExample of potential foreign funding in Albanian political finance⁴²

In 2020 Tirana Court of Appeal dismissed charges against Democratic Party leader and two other high ranking party officials regarding lobbying in the US in 2017. The Appeal Court agreed with the decision of the Tirana District Court that found no evidence to suggest that Democratic Party had paid a sum of \$ 500,000 for lobbying, which led to both accusations, that of falsifying in wealth declaration forms, and of money laundering, could not be proven. Tirana prosecutors investigated a \$500 thousand payment for the American lobbyist Nick Muzin, which had declared in his FARA registration that the payment was made on behalf of the Democratic Party of Albania. The court found no credible evidence that a contract between DP and Muzin existed, and that the money was actually paid by the Democratic Party.

a. What are Albania's political finance system key institutional vulnerabilities?

13. The current legislative framework on political party financing creates pathways for foreign entities to finance political parties through shell companies (judicial persons). Albania could follow the example of many European countries in explicitly banning donations from judicial entities.

Article 21 of the Law "On political parties" states that "financial and material assistance from foreign or private entities or governments...shall be prohibited," and Article

92/1(1) of the Electoral Code (2021) only allows electoral subjects and their candidates to receive electoral campaign funding from domestic legal persons. There is no definition in either law about what constitutes a 'foreign entity' or 'foreign legal person'. In addition, as noted earlier, the law does not prohibit shell companies or foreign controlled domestic companies from spending money in connection with Albanian elections. As such, the current legal restrictions offer little value in deterring the use of judicial persons as a vehicle for exerting foreign interference.

Albania could follow in the footsteps of countries that have tried to impose restrictions against donations from shell companies and/or to limit the use of corporate economic power in the political marketplace. This approach has been of questionable success. For example, in the UK, only UK-registered companies incorporated and 'carrying on business' in the UK may provide law donations and loans. However, the term 'carrying on business' is broadly interpreted to include start-ups and shell companies. Alternatively, the law could be amended to allow entities whose beneficial owners are Albanian citizens to engage in political finance activity. This would require disclosure of all beneficial owners of the legal entity – not only at the time of registration, but also when the campaign spending occurs. The recent Albanian law creating a register of beneficial owners (those with a 25 per cent interest) could potentially prove helpful, but this approach would require confidence in the reliability of the register and its enforcement. The law could also require that any spending by judicial entities be funded from their trading activities in Albania. This approach, however, is not straight-forward. It would be hard for recipients to assess the legitimacy of donations when received and would present enforcement challenges.

Given these concerns, it is perhaps unsurprising that an increasing number of countries have prohibited donations from judicial entities. This is now the case for 40 per cent of European countries and 27.2 per cent of countries worldwide.⁴³ The main reasons for banning

41 <https://www.monitor.al/e-ardhmja-e-pastrimit-te-parave-permes-kriptomonedhave/>

42 "Kontrata e fshehte e PD me lobistin amerikan, transfertat milioneshë përmes kompanisë offshore". Reporter.al. The Russian lobby file, two years of procrastination in the justice system and in the end Basha was forgotten - en.Faktoje.al.
43 <https://www.idea.int/data-tools/question-view/529> (visited 8 May 2023)

election spending by legal entities are: 1) the challenges encountered in distinguishing which ones are sufficiently domestic to participate in the electoral process; 2) the concern that the voices of the economic market place should not dominate in the political market place; and 3) the notion that only those with are eligible to vote should be donating or spending money to influence the outcome of elections.⁴⁴

In the 2021 Albanian parliamentary elections, financial reports submitted by the three main political parties revealed that only seven legal entities made donations for the campaign, and these contributions accounted for less than 5 percent of the total campaign funds. This suggests that legal entities are not currently a significant source of acknowledged funding. Consequently, closing this loophole by banning donations from such sources would not have a material effect on the financial well-being of political parties. Interviews conducted with a variety of interlocutors for this study garnered significant support for moving forward with a ban on donations from legal entities.

Recommendations

- Consideration should be given to preventing judicial entities from being conduits for foreign funding. The most direct way of reducing such potential for foreign interference would be to ban political donations and election expenditures by such entities. It may be worthwhile to consult with political finance regulators in European countries where such bans have been adopted to determine if they have resulted in any unintended consequences or problems.
- The law currently only addresses ‘foreign’ assistance/donations to parties and candidates. It does not prohibit foreign persons/entities from making expenditures in connection with elections. This omission should be remedied by legislative amendment and the law should include a definition of what constitutes a

"foreign entity." In addition, the law should define what constitutes a “gift” or “assistance.”

- To increase deterrence, the law should make it illegal to encourage/solicit foreign donations/campaign expenditures and it should be included as a criminal offense in the Penal Code.

14. Albania’s political finance regulatory regime is susceptible to “straw donor” schemes that could conceal foreign money. Extending the scope of details in donor statements and increasing the penal liability for false declarations through the Criminal Code could serve as a potential deterrent to any abuse of the law.

“Straw donor schemes” are challenging to detect due to their covert nature, but there are options to consider for guarding against and/or detecting ‘straw donors.’ Albanian legislation requires that donors submit a donor statement affirming that they meet the eligibility requirements for making the donation set out at Article 92/1 of the Electoral Code. Donors must declare they are not a legal person or the shareholder of a legal entity that:

- has received public funds or contracts;
- exercises media activity;
- been a partner in publicly funded projects;
- or owes money to the State.

There is scope to extend the donor declaration to require donors to affirm that donations come from their own funds and are not on behalf of anyone else. It may also be worth revisiting the sanction imposed on donors under Article 173(7) for making a false declaration. The sanction currently imposes a fine of up to 30 per cent of the donated amount. Increasing that amount and creating potential penal liability for both the actual and the straw donor could serve as deterrents against such schemes. Detecting straw donor schemes is challenging. In some countries, such as the U.S, donors must provide not only their name and address but also their employer’s name

and their occupation. This information is made public, and the oversight body and the public can assess the information for patterns that raise suspicions about the true source of funds. Although such reporting requirements provide a rich database of information, they can also deter citizens from donating money for fear of retaliation or reprisals. In other countries, the oversight body’s donor database links to the databases of other state institutions, which allows for red flags to be raised when the donor’s financial ability to make the reported donation is in doubt (e.g. no income reported to the tax authority or donor receives social assistance, etc.).

Albania should provide in the Criminal Code a new criminal offense related to donors submitting false declarations in the financing of political parties and electoral campaigns. The offense will make it more difficult for foreign states and actors to interfere by curbing criminal behavior and deterring third parties from supporting foreign actors in that behavior. It will demonstrate that false donor declarations in Albanian election and political parties financing is a criminal activity that should not be tolerated, and Albania’s commitment to tackling it.

Recommendations

- The CEC should consider amending the donor statement to require donors to affirm that they are making the donation from their own funds and not on behalf of anyone else.
- It is further recommended that the law be amended to increase the sanction for either funding or allowing one’s name to be used as a straw donor.
- It would be worth exploring options for linking the CEC’s donor database with databases of other relevant public databases to flag possible straw donor situations.

15. Albania’s legislation regulating cryptocurrencies is nascent and does not address transparency requirements for transactions. Law on political parties and Electoral Code should ban cryptocurrency donations before they emerge as a problem.

Albania has recently enacted a law to regulate cryptocurrency companies. It requires such entities to meet some general conditions and special criteria to become licensed cryptocurrency traders. To date, no companies have registered yet. However, the law does not address transparency requirements for individual cryptocurrency transactions. It thus is an area that could be used for malign foreign interference purposes. During our interviews, one interlocutor posited that cryptocurrency was not yet being used in Albania and that would be premature to address the issue now. Other interlocutors were more favorable about taking preventative measures now. The regulation of cryptocurrencies clearly extends beyond its use for political purposes and will need time to evolve. However, one solution could be to amend the Electoral Code and the Law on Political Parties to prohibit all cryptocurrency transactions when it comes to donations and political party/ election expenditures.

Recommendation

The Law on Political Parties and the Electoral Code should be amended to prohibit cryptocurrency transactions in relation to political donations and party/ electoral expenditures.

16. Legislation regulating party and election finance needs additional safeguards to enable enforcement, including refining certain legal definitions of funding entities; demanding more frequent and detailed reporting of finances by political parties which be published in a timely and user-friendly way, and imposing stricter penalties, including the criminalization of unlawful foreign funding.

Albania strengthened parts of the legislative framework for regulating party and election finance with the 2021 amendments to the Electoral Code. Nonetheless, further changes are needed to enhance the regulatory framework and to guard against foreign funding.

44 The United States Supreme Court rather controversially concluded, in a 5-4 decision, that the freedom of speech clause in the constitution prohibits government from restricting expenditures for political campaigns by corporations in Citizens United v. FEC 558 U.S. 310 (2010).

The initial roadmap of changes required has been highlighted by international reports. For example, the European Commission’s 2022 Albania Report states that the Albanian Parliament still needs to adopt a unified law on political party and campaign financing. And in its most recent report, OSCE/ODIHR again notes that Albania has yet to act on recommendations previously made, including the regulation of third-party expenditures.

Regarding foreign interference, there are four specific measures that should be addressed. First, there is the issue of legal definitions. The Law on Political Parties prohibits *financial and material assistance* to parties from foreign public or private entities or governments, as well as from Albanian public entities or those with the participation of state capital. However, the law permits *gifts and assistance* from a party or international union of parties, from Albanian or foreign political foundations and organizations, as well as from Albanian private, natural and legal persons. The law on Political Parties does not define “foreign public or private entities,” nor does it provide a legal definition of what constitutes a “gift” or “assistance.”

The second issue relates to sanctions. At present, the unlawful foreign funding of political parties and their election campaigns is treated as an administrative offense punishable by a fine under Albanian law. In cases where a political party or its candidate accepts and uses funding from foreign sources, the legislation does not deal with it in a clear and exhaustive way. For example, in other countries in the region, the acceptance and use of foreign funds is treated as a criminal offense. Such violations must be classified in the Criminal Code of the Republic, clearly and without leaving any room for interpretation, as serious criminal offenses.

The third issue is the frequency of reporting. Currently, political parties report on their finances on an annual basis and on their election financing after elections. It may be useful to have political parties report on a quarterly basis or semi-annual basis as it would provide more

timely transparency and potentially spread the supervision efforts of the CEC more evenly throughout the year. Some level of pre-election reporting of election income would also be in keeping with international good practice and OSCE-ODIHR’s prior recommendations.⁴⁵

The fourth issue relates to the publication of data reported to the CEC. The Albanian Constitution (Article 9) enshrines the fundamental principle of transparency by stipulating that “[t]he financial sources of parties as well as their expenses are always made public.” For transparency to be meaningful, the data must be presented in a way that allows for easy examination and cross-referencing, and it needs to be available promptly. This enables oversight bodies, investigative journalists, civil society organizations, political opponents and the public to scrutinize the information and flag possible instances of noncompliance with the authorities.

Recommendations

- Parliament must enact comprehensive and clear legislation that aligns with the goal of prohibiting foreign money entering the electoral process, informed by the experience and views of the oversight institution(s), civil society organizations and those who are to be regulated by the law.
- Oversight institution(s) need adequate resources (human, financial and technical) to undertake advisory, supervisory and enforcement actions to ensure the rules prohibiting foreign funding are understood and enforced.
- The rules must provide for transparency of money used in connection with elections to ensure that the publication of financial data is done in a way that is downloadable and machine readable and that information is made publicly available in a timely manner.
- All institutions involved in the oversight and enforcement of provisions preventing foreign funding (e.g. the Central Election Commission,

anti-money laundering institutions and the courts) must work together and demonstrate political will to enforce the law against foreign funding.

17. Effective enforcement of political finance and electoral campaign laws will also require strengthened capacities for the Central Election Commission and its structured cooperation and coordination with a range of other state bodies with adequate oversight functions. Some format of institutional coordination should be established, for example, with bodies regulating issues of money laundering or media.

In recent years, there have been significant changes to the structure, staffing and remit of the Central Election Commission’s political finance function. Some have noted improvements in the level of political finance transparency, while others have criticized the level of scrutiny given to financial and audit reports and questioned the accuracy of information reported. Many have opined that political parties spend far more on their election campaigns than what is listed in their reports. There needs to be a skilled examination and robust challenge brought to bear on the financial reports submitted to the CEC to ensure that they reflect all *currently regulated income and expenditure, and that everything is properly documented. Election expenditure needs to be monitored to ensure the reports are comprehensive and accurate and any gaps identified should be investigated.*

If the legislation is amended to cover election expenditures of non-contestant campaigners and social media advertisements, the workload of the CEC would increase significantly. It will need the resources necessary to produce good guidance materials, monitor third party spending and social media and to enforce the new rules. The resources needed will likely include additional, well-trained staff, IT programs and connectivity with other state databases. However, tackling foreign interference is not something the CEC can do entirely on its own. Monitoring assistance could be drawn from civil society groups and investi-

gative journalists provided financial data is publicly available in a timely fashion and in a user-friendly format.

In addition, the issues raised by foreign funding streams are cross-cutting and extend potentially to anti-money laundering, judicial/legal entity registration, media ownership and prosecution of domestic and/or foreign actors. Those who seek to exert foreign interference do not rely on a single pathway and their activities often have several strands, leading some to coin the term ‘multi-vector’ campaigns.⁴⁶ Based on discussions with a number of interlocutors, it appears that foreign interference in Albania’s political arena (and with its political finance system in particular) ranks fairly low on the agenda of relevant oversight bodies and is not being addressed in an active and coordinated manner. This issue needs to be a greater priority for all public institutions that oversee aspects of the election campaign process, and there needs to be a mechanism that brings these institutions together for purposes of preventing, monitoring, investigating, and sanctioning those who engage in foreign interference with Albanian political finance.⁴⁷

The organic laws of each relevant public institution should be reviewed to ensure it includes this issue as part of the institution’s remit and to mandate the senior executive within each institution to coordinate on an inter-institutional basis. The State Elections Commissioner could be invested with the coordinator role for this purpose and have the duty to convene meetings and report of the activities undertaken.

Recommendation

- Reassess the CEC’s human and technical resource requirements to encompass the challenges of regulating third party expenditures, social media advertisements and enhanced bans on foreign sources of funding.
- Consider establishing an inter-institutional working group targeting foreign funding of political parties and election expenditure.

45 European Commission’s Albania 2022 Report. OSCE/ ODIHR, Republic of Albania, Election Observation Mission Final Report, Local Elections, 14 May 2023

46 Supra note Covert Study at p. 59.

47 Without seeking to be overly prescriptive in terms of composition and format, we recommend that the organic laws of each relevant public institutions be reviewed to ensure it includes this issue as part of the institution’s remit and to mandate the senior executive within each institution to co-ordinate on an inter-institutional basis. The Commissioner for State Elections could be invested with the coordinator role for this purpose and have the duty to convene meetings and report of the activities undertaken.

05

PATHWAY 2: MANIPULATION OF THE INFORMATION ENVIRONMENT

a. How is this interference manifested?

18. Russia's disinformation⁴⁸ operations have limited space to use soft power and promote the Kremlin's viewpoints in Albania due to the country's clear geopolitical orientation. Yet, there is ample space to covertly pollute the information environment in such a way that it: 1) fuels domestic narratives in line with Russian tactical objectives; and: 2) empowers actors and networks who could grow into political veto players.

Public sentiments towards Russia are not positive in Albania – in fact, the attitude of most may be classified as hostile.⁴⁹ There is no linguistic or cultural affinity with Russia, nor any political option or mainstream network which supports greater ties with Russia. Discussions about Russian influence in the country are in fact most centered on the trading of allegations between political parties against one another for having ties with Russia. There are also no publicly known Russian-owned me-

dia outlets in Albania, openly promoting pro-Russian narratives. Yet the absence of these does not mean that Russian disinformation in Albania is not present in more covert and subtle ways. A recent study shows that even though state-sponsored Russian media outlets (RT and Sputnik) do not publish stories in Albanian language, pro-Kremlin narratives, particularly on the invasion of Ukraine, have circulated in Albanian language media outlets.⁵⁰

Lessons could be drawn from the Kremlin's playbook⁵¹ to identify avenues through which disinformation operations may be tailored to disrupt domestic political developments in a way that achieves Russian objectives. Russia has been known to use the Soviet information warfare concept of "reflexive control"⁵², which entails polluting the information environment in such a way that an opponent is "voluntarily making the predetermined decision desired by the initiator".⁵³ The strategy relies on active measures such as data dumps or fake news stories at opportune moments to provoke certain reactions and exploit social and psychological vulnerabilities. This strategy relies less on the goal of generating a positive image of Russia and more on fueling specific narratives as well as amplifying and empowering actors and political networks whose vested interests (wittingly or unwittingly) overlap with Russia's goals.

Since the 2016 U.S elections, which drew attention to the Kremlin's influence operations, the latter have become more sophisticated in their approach by "co-opting authentic domestic voices and institutions to promote their narratives, trying to launder pro-Russian narratives by concealing their origin, and adjusting bots' and trolls' behavior to make them appear more authen-

tic."⁵⁴ The terrain within which Russian disinformation operates may be entirely homegrown and reflect authentic dissatisfaction with Brussels or Washington by certain interest groups (i.e. organized crime elements), or authentic societal and identity cleavages (i.e. by far-right or religious extremists). Foreign-sourced disinformation may be hard to trade and identify, but it could be an important source fueling their narratives, nurturing anti-Western sentiments, and – most importantly – empowering domestic political networks Russia views as beneficial to its goals. In a deeply polarized society like Albania where elections have historically (albeit not recently) been close, these types of networks could become important veto players with the power to prevent changes to the status quo – and as an influential source of mobilizing voters. Over the long-term, they may bring currently marginal anti-Western narratives into the mainstream.

A key moment for Russian disinformation in Albanian information ecosystem is related with the war in Ukraine. A BIRN study⁵⁵ finds that false news on the war in Ukraine proliferated in Albanian language media outlets during the first eight months of 2022. Generated mainly abroad and distributed on social media, this false news has been translated and republished by local digital native media websites, television, radio, and newspapers, primarily for commercial reasons and with no clear ideological backdrop. The study argued that the spread of disinformation on the conflict is higher than previously reported, with mainstream media republishing most of the false news. Online news portals, have a higher number of false news republications compared to other media as they often lack resources to establish effective editorial structures and revert to

copy-pasting content from other media without verifying the veracity of such stories, photos, or videos.⁵⁶ The study also shows that social media users have higher interaction rates with false news and hoaxes but low interaction rates with articles debunking these stories. However, it is also important to notice that the study shows that the majority of false news circulating were with pro-Ukrainian messaging.⁵⁷

19. In many democracies, Russian information warfare efforts have been proven to support extremist actors and networks that promote narratives against women and LGBTQI+ rights as a gateway to push anti-Western conspiracies among social conservatives. These narratives have developed resonance in Albania during the past few years due to a range of highly active actors and networks with access to mainstream media and an online media scene that is highly vulnerable to clickbait and fake news.

One component of the Kremlin playbook in many parts of Europe has been the promotion of narratives which aim to portray the West as degenerate in terms of traditional values and to foment socially conservative reactions towards the West. One particular issue of focus is that of gender and LGBTQI+ rights, which is often portrayed as a Western agenda to destroy traditional families.⁵⁸ Russia has been known to fund ultra-conservative and extremist religious movements which use such discourse,⁵⁹ and is estimated to be "a major power center in global anti-gender mobilization."⁶⁰ Studies have traced this funding as being routed through oligarchs, dark money channeled to political actors through "laundromats" as well as state-funded agencies.⁶¹ While it was impossible to determine the amount of funding

48 Disinformation is defined as the deliberate spread of false or misleading information with the intention to deceive or manipulate an audience for political, financial, or social gain. This practice is distinct from misinformation, which refers to the unintentional sharing of false information. Disinformation aims to influence public opinion, disrupt social cohesion, or undermine trust in institutions.

49 A recent poll finds that 40 per cent of Albanians view Russia's influence in Albania as "extremely harmful", second only after Iran (43 percent). Source: "Public perceptions on influence of External Actors Towards Albania". Western Balkans Security Barometer, 2023

50 "Russian state-sponsored disinformation narratives in Albania" – BIRN Albania

51 "The Kremlin Playbook in Europe" – Center for the Study of Democracy.

52 "Disinformation and Reflexive Control: The New Cold War" – Annie Kowalevski – Georgetown Security Studies Review

53 Ibid.

54 "Influenced by Russia: The Targets and Intentions of Information Operations" Maria Snegovaya for Institut Montagne:

55 "False news of Russian invasion of Ukraine in Albanian media" – BIRN Albania.

56 Ibid.

57 Ibid.

58 "Disinformation campaigns about LGBTI+ people in the EU and foreign influence" Cecilia Strand and Jakob Svenson. Briefing to European Parliament INGE Committee:

59 "We know Russia funds Europe's far Right. But what does it get in return?" – Neil Datta – Open Democracy

60 "Tip of the Iceberg: Religious Extremist Funders against Human Rights for Sexuality and Reproductive Health in Europe 2009 -2018" European Parliamentary Forum for Sexual and Reproductive Rights.

61 Ibid.

from laundromats and state agencies, according to a large-scale study, Russian anti-gender financing from oligarchs between the years 2009 to 2018 was estimated at 188 million USD.⁶² A considerable amount of this money is spent on disinformation, particularly on social media where troll farms regularly harass and intimidate women and LGBTQI+ activists.⁶³

There is no evidence to suggest that Russian funding has been used in Albania to support these causes, largely because most of these resources arrive through informal channels and there is little transparency within religious organizations.⁶⁴ In fact, an even larger amount of funding on such causes globally arrives from evangelical Christian movements based in the U.S.⁶⁵ However, over the past few years, anti-gender rights discourse has grown in prominence in Albania.⁶⁶ For example, the “Alliance for the Protection of Families” has seen notable joint efforts by Protestant and Muslim clerics against same sex marriage⁶⁷ or parental rights for LGBTQI+ persons.⁶⁸ This is consistent with the finding of a global study on foreign influence that “religious networks play a formal and informal role in anti-gender mobilization.”⁶⁹ Many of the narratives promoted by these groups in Albania, especially on social media, overlap with the global disinformation efforts of foreign actors on gender.⁷⁰

There is a degree of overlap between the networks and actors pursuing anti-gender discourse with far right in-

dividuals promoting anti-Western conspiracies, for example those on Soros’s plans to depopulate Albania,⁷¹ or conspiracies about the Western origins of Covid-19⁷² – themes which Russian disinformation is also known to amplify.⁷³ These narratives and the usually foreign-sourced fake news items have not only penetrated the highly unregulated world of online portals, but several of their proponents have obtained prime time spots in mainstream media.⁷⁴ Some of these actors – such as for example in the case of an extremist Imam with wide public following – have been embraced by political elites.⁷⁵ The growing media space for such narratives and the growing political power of these networks could provide an avenue for foreign actors to increase their influence.

20. There are signs that Russian disinformation may be seeking to amplify nationalist and far-right sentiments among Albanians in the region as well as narratives questioning Albania’s regional policy and its EU accession path.

A prominent component of Russia’s disinformation strategy in Western Europe is the effort to amplify the narratives of far-right and far-left political parties, which embrace sovereignist discourse critical of the EU, U.S. and NATO, as a means of fomenting divisions within the West.⁷⁶ This is done either through content from traditional media like Sputnik and RT, or through

62 Ibid.
63 “Gendered Disinformation:” Tactics, Themes and Trends by Foreign Malign Actors”. U.S. Department of State, Global Engagement Center.
64 Author conclusion based on interviews with experts.
65 “Tip of the Iceberg: Religious Extremist Funders against Human Rights for Sexuality and Reproductive Health in Europe 2009 -2018” European Parliamentary Forum for Sexual and Reproductive Rights.
66 Conclusion based on interviews with media experts in Albania.
67 “Të mbrojmë familjen: Ahmet Kalaja i bashkohet pastorit Akil Pano” Vizion Plus.
68 “Fitore e madhe e familjes, pastori Akil Pano fiton gjyqin kunder agjendes se komunitetit LGBT”. NewsBomb
69 “Tip of the Iceberg: Religious Extremist Funders against Human Rights for Sexuality and Reproductive Health in Europe 2009 -2018” European Parliamentary Forum for Sexual and Reproductive Rights.
70 “Malign Creativity: How Gender, Sex and Lies are Weaponized Against Women Online” Wilson Center.
71 “Goxhaj: Soros ka ne agjende shpopullimin e Shqiperise.”
72 “Conspiracies and Covid-19 in the Balkans.” BIEPAG
73 “Study Shows How Russian, Chinese Disinformatino About Covid 19 Evolved During the Pandemic” Radio Free Europe.
74 “Albanian Broadcasters Happy to Host Antivaxxer Conspiracy Theorists” Balkan Insight
75 “Ahmet Kalaja kendon lutjet fetare ne iftarin e shtruar nga Edi Rama” – TV21.
76 “Divide and Rule: How Russia Wants to Win the Information Cold War” Visegrad Insight

troll farms on various social media platforms.⁷⁷ In the Western Balkans, Russia pursues a similar strategy with the aim of preventing regional countries from settling bilateral disputes and getting closer to achieving their EU full membership aspirations. A recent example of such engagement was observed in 2018 in North Macedonia while it was working towards an agreement on the name dispute with Greece, which would open the former’s path towards NATO membership. Russian disinformation amplified nationalist actors and parties seeking to undermine the agreement in both countries,⁷⁸ while a Russian oligarch was arrested in Greece for providing funding to far-right organizations for such a campaign.⁷⁹

Russian disinformation efforts targeting the far-right are most prominent in Serbia, where nationalist sentiments aim to prevent a normalization agreement with Kosovo, fueling secessionism in Bosnia and Herzegovina and sustaining Serbia’s pro-Russian course. One side effect of this effort is to amplify Albanian nationalism. A regular feature of Russian disinformation and of pro-Russian voices in Serbia over the past few years has been an emphasis on the threat of Greater Albania.⁸⁰ Sputnik Serbia, for example, regularly covers commemorations of the Albanian League of Prizren and echoes any statements by leaders of Albania and Kosovo as signs of an active project of Albanian unification.⁸¹ It presents a narrative of Serbs under siege from its neighboring “American clients” and projects Serbia’s enemies as its own. By stoking fears of Albanian nationalism, Russia capitalizes on existing tensions and cleavages between Western Balkan nations, in an attempt to prevent them from forming cohesive alliances that might oppose Russian

influence. This tactic also might undermine Albania’s image and its efforts towards European integration by associating it with aggressive nationalist projects. In the immediate period after the start of the aggression in Ukraine, the Kremlin singled out Albanians, Kosovars and Bosnians among the foreign fighters groups fighting for Ukraine.⁸² In a mirror image of Russia’s disinformation strategy for Ukraine, which it portrays as a Nazi state, Russian disinformation also presents the Greater Albania of 1939 to 1944 as a Nazi project and the West’s support for Kosovo’s independence today as a continuation of that project.⁸³ This strategy aims to exploit historical grievances and nationalistic sentiments to destabilize the region and maintain Serbia’s alignment with Russian interests. This manipulation of information might hinder the region’s progress towards European integration and democratic development.

It is within this framework of a broader Balkan strategy of fomenting nationalism that Russia has a primary strategic interest in nurturing and amplifying far right sentiments in Albania. Disinformation experts suggest that the most common theme of disinformation originating from Serbia is the narrative of an imminent war in Kosovo.⁸⁴ While there are no notable (not even marginal) far-right groups in Albania, there has been increased activity online by groups openly promoting fascist ideas.⁸⁵ There are also more than 500 unverified and anonymous nationalist Albanian accounts on Twitter, many of which seem inauthentic – bots promoting nationalist and often anti-Western narratives – and some of which interact or retweet pro-Russian bots.⁸⁶ Many of these accounts have also been observed calling for the unification of Kosovo with Albania, fueling hate speech against Serbs or sectari-

77 “The St. Petersburg Troll Factor Targets Elections from Germany to the United States” EUvsDisinfo.
78 “How Disinformation Harmed the Referendum in Macedonia” German Marshal Fund of the U.S.
79 “Russian Businessman Behind Unrest in Macedonia”. OCCRP
80 See as an illustrative example this piece by Sputnik: “Greater Albania Initiative Can Trigger Great Balkan War”
81 See as an illustrative example this piece by Sputnik: “Kurti Slavi Prizrensku Ligu, Velikoalbanski I protivsrpski pokret”
82 “Albania, Kosovo, Bosnia Deny Sending Mercenaries to Ukraine”. Balkan Insight
83 See as an example this piece by Sputnik: “Ko je symbol Kosova Dzafer Deva, Hitler ga odlikovao, CIA mu oprala biografiju”
84 Interview with the head of a fact checking organization.
85 “BIRN Launches Interactive map of far right and extremist groups.” Balkan Investigative Reporting Network
86 Author review of database and analysis of narratives.

an (religious) divisions among Albanians, or promoting anti-Western conspiracies.⁸⁷

Disinformation from Russia may also seek to exploit tensions between Albania and Greece by using as a launchpad far right elements in Greece. The recent arrest of an ethnic Greek mayoral candidate for the southern town of Himarë (on charges of vote buying) has for example led to a major political dispute between Albania and Greece. According to media articles, the mayoral candidate Fredi Beleri had at least some contacts as a 20-year-old with the paramilitary organization Northern Epirus Liberation Front (MAVI)⁸⁸ and has been suspected by some Albanian media outlets of participating in the killing of Albanian border control soldiers,⁸⁹ although he has never been officially charged for these accusations. During the pre-electoral phase for the local elections in 2023, Beleri was criticized for his anti-Albanian narrative, and for statements made during meetings in Athens during which he claimed that if elected he would push forward with the plan to “Hellenize Himara”.⁹⁰ During his visits in Athens, Beleri was seen meeting with Greek extreme right members such as, Thanos Plevris, Eleftherios Oikonomou, Babis Karathanos (non-grata in Albania), and members of the dissolved party “Golden Dawn.” Golden Dawn, together with other Western European extreme right parties have been accused of receiving Russian financial support.⁹¹ This connection suggests that Russian disinformation efforts could be leveraging these far-right networks to deepen existing ethnic and political tensions between Albania and Greece. However, it is important to recognize that many of these narratives, particularly those surrounding Beleri’s intentions and actions, are highly contested and have been fueled by certain actors for political confrontation and by certain media outlets.

21. Disinformation from foreign actors frequently seeks to fuel public mistrust in democratic institutions, reforms, and governments. Media narratives questioning the credibility of its elections and the integrity of institutions, especially the Western-sponsored judiciary reform, have been prominent in Albania. While these narratives are largely the product of domestic political polarization, sponsored attacks by domestic interest groups, or authentic civic grievances with weak institutions, they have been fueled on occasion by suspected foreign interference through cyber-attacks and data dumps.

Foreign actors like Russia and Iran are known to extensively use cyber-attacks to gain access to critical infrastructure of adversary countries and obtain sensitive information, some of which is then dumped into the media as part of influence operations. A well-known example is the hacking of the U.S Democratic Party email system and the leaks to Wikileaks in the run-up to the 2016 U.S elections.⁹² Russian cyber-attacks have also been prominent during points of political tension in European countries, including Montenegro and Georgia.⁹³ Cyber-attacks are on the rise: in the lead up to and after the start of the aggression against Ukraine, Russian cyber-attacks on NATO member countries quadrupled in 2022 compared to 2020.⁹⁴

In 2022, Albania experienced a major cyber-attack attributed to Iran by the FBI.⁹⁵ Hackers were able to penetrate deep into Albania’s internal government systems and harness data from across government networks, which caused many systems to shut down for weeks. This was followed by a series of data dumps on the Telegram channel from a group of hackers calling it-self ‘Homeland Justice.’ The leaks included state police

records and even the identities and personal details of 600 Albanian intelligence officers.⁹⁶ The incident undermined public trust in institutions and exposed the weaknesses in Albania’s cybersecurity infrastructure.

Cyber-attacks have not been the only source of data dumps – there were also two prominent internal in-person leaks resulting from corruption. In April 2021, two weeks before Albania’s Parliamentary elections, a data dump to an Albanian portal uncovered the private information and personal data of nearly 910,000 individuals.⁹⁷ The dataset, which contained private information of citizens that could have only been obtained through government systems, seemed to be an internal document of the governing party for voter mobilization. In December of the same year, another data breach from the Tax Administration provided the monthly salaries, job positions, names, and ID numbers for nearly 630,000 citizens.⁹⁸ This was followed by a similar leak of car license plates. These databases widely circulated via WhatsApp, and the media covered the salaries of public persons extensively. Four government officials were prosecuted for leaking the dataset in exchange for money. At least one person involved was reported to have business ties with a Russian fintech oligarch.⁹⁹

Reports have documented the usage of media for blackmailing or pursuing hidden agendas not necessarily in the public interest.¹⁰⁰ The phenomenon is primarily linked with sensationalist and anonymous website portals which very frequently lead targeted assaults against institutions and individuals with speculative and unverified reports that fail to meet any journalistic criteria. Several interlocutors from among the CSOs in-

terviewed believe that many out of the hundreds of unregulated portals are funded through corruption money and used by various interest groups to settle scores and engage in blackmail.^{101 102} The newly reformed judiciary, built with the assistance of the EU and U.S, is a frequent target of attacks questioning the integrity of judges¹⁰³ and prosecutors¹⁰⁴ and amplifying criticism of foreign diplomats like the U.S or EU Ambassadors. These online portals further exacerbate the issue by amplifying narratives crafted by prominent political actors and other powerful figures, often echoing and enhancing stories that originate in the mainstream media. This amplification not only magnifies the reach of these narratives but also lends them a semblance of legitimacy, thereby influencing public perception and discourse.

The phenomenon is not exclusive to online portals, there are credible reports that audiovisual media in Albania have also been involved in such practices.¹⁰⁵

The implications of these practices are profound. They undermine public trust in both the media and political institutions, contribute to a polarized and misinformed public, and stifle genuine journalistic efforts. The manipulation of media for personal and political gain poses a significant threat to democracy and the integrity of public discourse in Albania. Furthermore, such vulnerabilities can be exploited by malign influences to further destabilize the region. This exploitation exacerbates the challenges faced by genuine journalists and media outlets striving to maintain ethical standards and provide accurate information. It also complicates efforts to hold powerful actors accountable, as the lines between credible journalism and manipulated narratives be-

87 Ibid.
88 “Let him be sworn in, Greece tells Albania.” Ekathimerini.
89 “Masakra e Peshkepise/ Si u vranë dy ushtarakët shqiptarë, Fredi Beleri nën hetim.” Dosja.
90 “Petros Beleris: Politics and Money are Behind My Father’s Arrest”. Balkan Insight.
91 “Natural allies: the Kremlin connections of the Greek far-right” – Political Capital (Hungary).
92 “How the Russians hacked the DNC and passed its emails to Wikileaks.” Washington Post.
93 “Russia’s strategy in Cyberspace” NATO Stratcom
94 “Russian Cyberattacks on NATO spiked in 2022”. The Defence Post.
95 “FBI: Iranian Hackers Accessed Albanian Systems Over Year Ago” – BIRN
96 “Iran’s Balkan front: The roots and consequences of Iranian cyberattacks against Albania” – Gerta Zaimi – The Middle East Institute
97 “Personal data – chronicle of a “nonexistent” crime; Investigation of data leaks, too little too late” – Albanian Center for Quality Journalism.
98 Ibid
99 “Man arrested in Connection for wage leak scandal works for Russian billionaire.” EuroNews Albania
100 Indicators of the Media Freedom and Safety of Journalists in Albania – Safe Journalists Network in Western Balkans
101 Conclusion based on at least 4 interviews with experts.
102 State Department Report on Human Rights in Albania 2023 – US Department of State
103 Press Statement of High Judiciary Council
104 Example of attacks against Prosecutor Klodjan Braho – Read article [here](#) and example of defamation lawsuit against journalist Isa Myzyraj from former Prosecutor for exposing how online portals were attacking members of International Monitoring Operation [here](#).
105 Indicators of the Media Freedom and Safety of Journalists in Albania – Safe Journalists Network in Western Balkans

come increasingly blurred. As a result, the public's ability to make informed decisions is significantly impaired.

22. Chinese disinformation efforts in Albania that aim to build a positive and benign image of the country are seemingly bearing fruit through structured cooperation with media platforms in Albania, relations with China-friendly journalists as well as cultural cooperation through the Confucius Institute. Turkey, on the other hand, is another regional country with a media footprint whose disinformation efforts mainly center on targeting the leadership of the Islamic community in Albania, which it considers tied to the "Gulen network."

China-friendly content in Albanian media grew considerably over the years. A 2020 study assessed that out of a surveyed number of articles, 47 per cent portrayed China in a positive light.¹⁰⁶ Public perceptions about the role of influence of China somewhat degraded over the past few years, but still remain either positive (21.7 per cent) or neutral (47 per cent).¹⁰⁷ While there are no publicly known Chinese-owned media platforms, China Radio International publishes in Albanian¹⁰⁸ and even has an Albanian radio station accessible in Tirana and Durrës (Radio Ejani).¹⁰⁹ China is generally believed to be pursuing a strategy centered on collaborating with local analysts and opinion makers to build this image and, most importantly, to suppress critical content.¹¹⁰ Public media, such as the Albanian Telegraphic Agency (ATSH) and the Public Broadcaster (RTSH), engage in structured cooperation with China through agreements on content sharing and production with Chinese counterparts.¹¹¹ China's image-building efforts are also done through the Confucius Institute, which was established in the country in 2013. The Institute offers language courses to the general public and collabo-

rates with different academic institutions to promote research. In other jurisdictions, there have been significant concerns regarding the activities of the Institute, and some countries have decided to reduce their presence. So far, the Institute has limited appeal potential to influence decision-making in Albanian, despite some personal connections between the leadership of the institute and local members of parliament.

A study on the public diplomacy effort of China in Albania¹¹² through its state-owned media (China Radio International) in Albanian shows that China is portrayed as a fast-growing, innovative and resilient economy, often contrasting it favorably to the US, Japan and EU countries. This portrayal often contrasts China favorably against the US, Japan, and EU countries. The study highlights a clear bias in global news coverage, with critical attention focused on the US, Japan, and Europe, while African nations receive more positive coverage due to China's increasing influence there.

China's coverage of NATO is framed around themes of expansion and instability. In the Balkans, media portrayals emphasize positive and growing relationships with China. EU coverage is aimed at creating discord between the EU and the US. The analysis demonstrates that CRI's Albanian-language outlets serve as tools for China's public diplomacy, shaping public opinion in favor of China. It also underscores China's broader geopolitical, economic, and societal interests, and its strategy for extending global influence.¹¹³

Turkey also occupies considerable space in Albanian media in the form of information outlets in Albanian (Anadolu Agency and TRT Shqip). Turkey's disinformation efforts in Albania pertain particularly to attacks

against the Gulen network and feature frequent attacks against Albania's Islamic community¹¹⁴ which is seen by Turkey as under the influence of the Gulen network. Concerns were expressed during interviews regarding conditionalities related to the role played by Turkish investors in Albania in relation to this topic. In recent years, various online media in Albania have shown increasing closeness and affiliation to Turkey. While these media outlets are not necessarily influential or highly popular, they present hate narratives or publish propaganda content that favors Turkey and denigrates its rivals or political opponents.¹¹⁵ Concerns have been raised about the recent agreement between Albania's public service broadcaster, RTSH, and Turkey's public broadcaster, TRT, signed during Prime Minister Rama's official visit to Turkey in February 2024 and his meetings with President Recep Tayyip Erdogan.¹¹⁶ Critics point to a lack of transparency and due process in the agreement's formation and question the potential benefits for the Albanian public. There are also fears that the deal could be used as a conduit for disseminating Turkish propaganda in Albania, potentially exacerbating the influence of Turkish state narratives within the country.

The diplomatic relationship between Albania and Iran, established in 1999, has become increasingly tense, exacerbated by Albania's hosting of the Mujahedeen El-Khalq (MEK), an Iranian opposition group and the cyberattack on Albanian digital infrastructure in 2022 allegedly carried out by four Iran-affiliated groups, aimed to disrupt public services, steal data, and seize control of government communications. An analysis of Pars Today articles in Albanian from September 2021 to September 2022¹¹⁷ reveals several thematic biases in the news narratives. It is evident that Iran heavily leverages the media to shape public perceptions in line with its geopolitical interests and ideology. The cover-

age is notably favorable towards Russia, portraying it as a successful global actor, especially regarding the Ukraine conflict, while frequently depicting Western countries negatively.

a. What are Albania's key institutional vulnerabilities?

23. The symbiotic relation between media owners, business, and politics hampers professional journalism in the public interest in Albania. More specifically the high degree of informality in the media sector and low transparency/oversight of media financing and issues of conflict of interest in Albania creates space and avenues for foreign actor funding. Also, in the highly unregulated online media world, anonymous ownership creates space for impunity and no accountability for rampant disinformation. Decision makers, media organisations, journalistic community and civil society need to work together to secure greater transparency and accountability on media ownership, funding, and conflict of interest in a way that doesn't stifle freedom of expression and is in line with the international standards.

The advertising market for media companies in Albania remains very limited, especially considering the excessively high number of media platforms.¹¹⁸ The advertising market heavily influences media integrity in Albania due to a legal vacuum, market size, and media dependence on economic and political actors. These factors, combined with low transparency, suggest a direct correlation between advertisers and media content. Additionally, there is potential for the misuse of state advertisements and public funds to push the agenda of the ruling political party.¹¹⁹ In Albania, advertising in print and online media is largely unregulated beyond general tax obligations. The Audiovisual Media Author-

106 "Chinese influence in Albania." Center for European Policy Analysis (CEPA).
107 Baro Source: "Public perceptions on influence of External Actors Towards Albania". Western Balkans Security Barometer.
108 See for example: China Radio International in Albanian.
109 Radio Ejani.
110 "Chinese influence in Albania." Center for European Policy Analysis (CEPA).
111 "Kina rrit ndikimin mbi mediat publike shqiptare, veren raporti" – Reporter.al
112 Media Analysis – China's Public Diplomacy in Albania - SCiDEV and BIRN Albania
113 Media Analysis – China's Public Diplomacy in Albania - SCiDEV and BIRN Albania

114 "Dizinformim me lajmin se donacionet e komunitetit mysliman per termetin ne Turqi ndryshuan destinacion" – Faktoje.al
115 Hate speech, propaganda and disinformation in Albanian media – Albania Media Institute
116 "Turkey-Albania Media Deal Risks 'Exporting Erdogan's Propaganda' – Experts" – BalkanInsight
117 Media Analysis – Iran's Propaganda in Albania - SCiDEV and BIRN Albania
118 Media Pluralism Report Albania – Center for Media Pluralism and Media Freedom
119 Advertising Market in Albania – Albanian Media Institute

ity (AMA) monitors ad volumes but lacks transparency on market positions.¹²⁰ The European Union Annual Report on Albania stressed that “Albania still needs to introduce legislation to strengthen transparency in public advertising”.¹²¹ In light of the EU accession process, AMA is to develop an audience measurement mechanism and ensure that advertising is distributed according to the results of audience measurement, which Albania currently lacks.¹²² State funding for private media through advertisements and public events is done through intermediaries such as communication companies and thus lacks transparency, raising concerns about allocation criteria per each media and conflicts of interest.¹²³ Political advertising heavily influences media, with owners leveraging their platforms for political favors, leading to undue editorial influence and a close relationship between media, politics, and business interests.¹²⁴

The general impression of media experts in Albania is that most mainstream media rely on informal sources of funding to cover their expenses. These include sources originating from the owners’ other business activities, or from informal or illicit activities, creating an easy pathway for foreign actor financing as well. This is problematic considering the high concentration of media ownership in key mainstream media conglomerates and a heavy impact that the business interests of media owners have on editorial lines.¹²⁵ High concentration of audiences and media ownership is a structural threat to media freedom, as it stifles the plurality of voices needed for an informed society. Media Ownership Monitor for Albania shows that revenues and control are concentrated in the hands of a few family-owned media

groups, which dominate the media market, in broadcasting as well as print, and use the media to advance their political and economic interests, tied to lucrative businesses in heavily regulated markets.¹²⁶ The income that media owners generate from media activities is generally dwarfed by income generated from other business activities. These business interests are largely concentrated in sectors with a high degree of informality and dependent on state public funds through concessions or subsidies. Government subsidies and contracts are not only limited to media outlets but also extend to the non-media businesses of owners, further entwining economic interests with editorial decisions.¹²⁷

Albania’s Law on Audio Visual Media has no specific financial transparency requirements for media in terms of their business operations - there are no legal requirements for media companies to report about their finances beyond those that they are required to report to the tax authorities as registered private businesses. The Audiovisual Media Authority does not control the origin of the capital of licensed media and much like in other economic sectors with strong ties to politics there is tax oversight of the Tax Administration on media company operations.¹²⁸ The only exception is the public service broadcaster, RTSH, that has to submit to Parliament an annual report, including financial resources and expenditure.¹²⁹ There is no available data on the market share concentration of online advertising in Albania’s media ecosystem, including platforms, traditional media with an online presence, or digital-native media. Audience share data for key players in the digital market is also inaccessible.¹³⁰ Albania lacks a specific legal framework for the digital advertising mar-

120 [Indicators of the Media Freedom and Safety of Journalists in Albania](#) – Safe Journalists Network in Western Balkans
121 [EU Annual Report Albania 2023](#) – European Commission
122 [AMA organized second roundtable for audience measurement](#) – Audiovisual Media Authority
123 [Albania Vibrant Information Barometer 2023](#) – IREX and [Media Pluralism Report Albania](#) – Center for Media Pluralism and Media Freedom
124 [Indicators of the Media Freedom and Safety of Journalists in Albania](#) – Safe Journalists Network in Western Balkans
125 [“Albania: Media freedom in decline due to lack of pluralism and transparency”](#). Article 19.
126 [Media Ownership Monitor Albania](#) – BIRN Albania
127 Ibid.
128 Conclusion based on interviews
129 [RTSH Statute](#)
130 [Media Pluralism Report Albania](#) – Center for Media Pluralism and Media Freedom

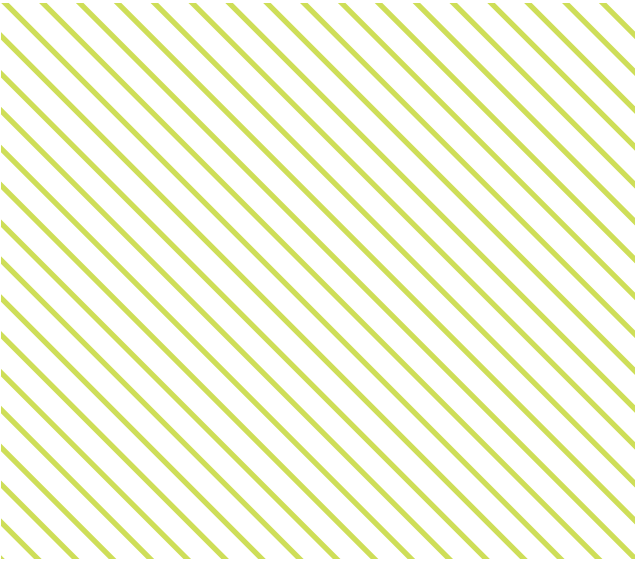
ket, has no measures for publisher remuneration by digital platforms, and has not introduced taxation of digital services. Digital platforms and intermediaries, such as search engines and social networks, remain unregulated and unregistered with tax authorities despite their significant share of the online advertising market.¹³¹ In February 2023, media freedom organisations raised concerns about selective inspections and fines by the Tax Directory targeting critical media of the government.¹³² Media freedom organisations urged the tax authority to clarify the methodology used to identify high-risk sectors and the criteria used to select media outlets for fines and to disclose the names of all media outlets that were fined, along with the amounts of their fines,¹³³ but to no avail. While concerns about fiscal evasion or double bookkeeping have legitimacy, media freedom organisations have argued that ensuring impartiality and non-discrimination when conducting inspection is of paramount importance.

In terms of media ownership transparency, the national business registry for mainstream media and recent modifications to the Law on Audio Visual Media have specifically added ultimate beneficial ownership requirements.¹³⁴ AMA is expected to revise again the law to increase proactive media ownership transparency and align with the EU standards.¹³⁵ On the other hand, online media outlets are not regulated in Albania and their only obligation is the registration of the domain, which can be done by any individual or a commercial/nonprofit entity.¹³⁶ If they are registered as a commercial or non for profit entity they have to abide by the legal framework on beneficial owners, financial statements and balance sheet and relevant regulations.¹³⁷

131 Ibid
132 [“Albanian Tax Inspectors Fine Critical Media Outlets”](#) – BalkanInsight
133 See statement by [Safe Journalists Network](#)
134 The chances of the law could be accessed here: <https://qbz.gov.al/eli/ligj/2023/04/13/30/f051e7ee-ef08-41f8-8b73-253e0947bae6>
135 [Roadmap for the Rule of Law](#) – Council of Ministers
136 [Media Pluralism Report Albania](#) – Center for Media Pluralism and Media Freedom
137 [Indicators of the Media Freedom and Safety of Journalists in Albania](#) – Safe Journalists Network in Western Balkans
138 [“Albania: Media pluralism and transparency concerns fuel deterioration in media freedom”](#) – European Center for Press and Media Freedom
139 [Ethical Media Alliance Establishment](#)
140 More on JTI

Notwithstanding, various reports¹³⁸ have raised concerns about those online portals whose ownership is anonymous, lacking an impressum, and not adhering to the journalistic professional standards, reverting to copy-pasty content without source verification and fact checking. There are efforts to strengthen self-regulation such as the establishment of the Ethical Media Alliance in Albania¹³⁹ or the implementation of the Journalism Trust Initiative,¹⁴⁰ which need to be strengthened further.

These vulnerabilities provide space for foreign actors to promote biased narratives and makes media outlets susceptible to disinformation and foreign influence. Enhancing transparency of ownership, funding, and conflict of interests, strengthening digital advertising regulatory frameworks, fostering self-regulation mechanisms and media and information literacy, and supporting independent journalism are crucial to mitigating these risks.



Recommendations

- Albania needs to align its legal framework with the European Media Freedom Act, Digital Service Act and the Council of Europe Standards on Media Freedom and Freedom of Expression and implement the recommendations of the Venice Commission. More specifically the legal and regulatory changes, that must be done in full transparency and genuine consultation process with media organisations, journalistic community, civil society organisations and interest groups, must include key aspects such as:
- Audiovisual media should disclose the identities of their beneficial owners, those who ultimately control or benefit from the company, to prevent hidden influence or conflicts of interest.
- Ownership information should be easily accessible to the public through centralized media databases or registries, ensuring transparency and accountability.
- Audiovisual media should disclose their funding sources, including any financial relationships with political parties, governments, or foreign entities, to ensure independence and prevent undue influence.
- Establish mechanisms for the regular audit and verification of ownership information by independent bodies to ensure compliance and accuracy.
- For online media, Albania must adhere to the recommendations of the Venice Commission in strengthening self-regulation and more specifically:
- Support the set up and strengthening of an effectively functioning and independent self-regulatory body capable of ensuring an effective and respected system of media accountability in the online media field.
- Support and incentivize initiatives like the Journalism Trust Initiative (JTI) that sets specific standards for transparency, including ownership disclosure, which online media organizations can adopt to enhance credibility and public trust.

24. Media organizations, journalistic community and civil society actors and other relevant stakeholders such as independent institutions must intensify efforts for self-regulation, supporting journalism in the public interest, and establishing formal and informal programs that foster media and information literacy. Strengthening the capacities of editors and journalists to identify and counter foreign malign narratives, along with supporting capacity development, including fact checking and cybersecurity resilience, are crucial steps in tackling disinformation in Albania.

Albanian legislation does not have a definition of disinformation nor any special provisions regulating it.¹⁴¹ Some aspects of disinformation are addressed through the Criminal Code (those related to public safety and order).¹⁴² The Broadcasting Code of the Audio-Visual Media Authority (AMA) also has provisions mandating true and accurate information and AMA has a mandate to regulate the content for the media under its supervision. However, one key loophole is created by the chaotic world of online portals, many of them anonymous.

In December 2019, the Government of Albania (GoA) approved two draft laws aimed at regulating the media. These laws included amendments to Law no. 97/2013, “On Audiovisual Media in the Republic of Albania,” and Law no. 9918, “On Electronic Communications in the Republic of Albania.” These amendments known as the “anti-defamation package” or “the online media law” faced widespread opposition from civil society, media organizations, and both regional and international media networks and associations.¹⁴³ Critics argued that the changes granted extensive regulatory powers to the Audiovisual Media Authority (AMA), whose independence and professionalism were questionable, potentially turning it into a tool for censorship.¹⁴⁴ The Venice Commission rejected the amendments, expressing concerns that they could restrict freedom of

expression and online media freedom.¹⁴⁵ By 2022, the Government had completely withdrawn the anti-defamation package, opting not to introduce any new legal changes during that year.¹⁴⁶ Although the Prime Minister has continued to express his intention to pursue the regulation of online media in his public discourse, there is no new proposal in this regard as of May 2024.

In terms of attempts to block or filter internet content, in 2019 and 2020 there were some cases of arbitrary restrictions of online media content on general grounds of public panic in cases of the earthquake and CoVID-19 pandemic.¹⁴⁷ On grounds of generating public panic in the emergency of the post-earthquake period, the regulatory Authority for Electronic and Postal Communications closed down several web portals broadly perceived as critical to the government.¹⁴⁸ In April 2020, for example, an AMA request to block a specific page hosted on the popular online journalism platform Medium.com – whose creator had uploaded and begun broadcasting a pirated copy of a film by Albanian comedian Ermal Mamaqi – led to the temporary block of the entire platform by some ISPs.¹⁴⁹ In response, the Albanian Media Council criticized the blocking of Medium.com as censorship. Since then, AMA has developed an internal procedure to avoid such problems and no such reports are made for 2022 and 2023.¹⁵⁰

In 2020, the Albanian Media Council established the Albanian Alliance for Ethical Media as a self-regulation mechanism to reinforce the media Code of Ethics in the country. The alliance comprises a voluntary group of Albanian media outlets committed to rigorously implementing the Code of Ethics for Journalists.¹⁵¹ To enforce a functioning self-regulation mechanism, the alliance reviews complaints from the public regarding ethical violations of online media and provides recommendations to media

outlets but they are not mandatory. The alliance also introduced the “Ethical Guidelines for online Journalism” to ensure ethical practices are adhered to by online media. However, the reinforcement is still weak and fragmented.

Recommendations

- Public bodies and civil society organisations should strengthen existing and develop new and sustained formal and informal programs that promote media and information literacy among the public, enabling citizens to critically evaluate the information they consume and reducing the impact of disinformation.
- The self-regulation mechanism needs to be strengthened by making its recommendations mandatory and ensuring rigorous enforcement of the Ethical Guidelines for online Journalism and Media Code of Ethics. This will enhance accountability and ethical standards within the media industry.
- Media organisations, donors, civil society organisations and relevant stakeholders should invest in training programs for editors and journalists to enhance their skills in fact-checking, identifying foreign malign narratives, and building cybersecurity resilience. This will empower media professionals to counter disinformation effectively.
- Media outlets in their digital presence (online and social media) should offer an option for users to submit complaints and adhere to principles of publishing corrections when necessary.
- Additionally, media in their digital presence (online and social media) should responsibly moderate comments to protect freedom of expression while respecting users’ privacy and dignity.
- Researchers and civil society as well as independent media should continue to monitor and analyze the content of foreign state-sponsored

141 National regulatory and self-regulatory framework against hate speech and disinformation in Albania – Albanian Media Institute
142 Articles 267 and 271.
143 Indicators on the Level of Media Freedom and Safety of Journalists in Albania 2020 – Safe Journalists Network
144 Reporters without Borders Statement

145 Venice Commission Opinion
146 Indicators on the Level of Media Freedom and Safety of Journalists in Albania 2022 – Safe Journalists Network
147 Indicators on the Level of Media Freedom and Safety of Journalists in Albania 2020 – Safe Journalists Network
148 Ibid.
149 Internet Governance in Albania
150 Indicators on the Level of Media Freedom and Safety of Journalists in Albania 2022 – Safe Journalists Network
151 Ibid.

media to understand their messaging strategies, themes, and potential influence on public opinion. This will help in identifying and countering foreign malign narratives.

- Existing initiatives for fact checking should be strengthened within media organisations and as separate fact checkers platforms to ensure the accuracy of the information being disseminated. This will enhance public trust in the media and contribute to the fight against disinformation.
- AMA and AKEP must establish clear and fair procedures for any necessary content restrictions based on legal framework, avoiding arbitrary actions that could be perceived as censorship and ensure that measures taken are justified and proportionate.
- Introduce legal changes to ensure the independence and professionalism of the Audiovisual Media Authority and other regulatory bodies.

25. Albania has set up an institutional architecture and legal framework for cyber security, yet its institutions face considerable constraints in terms of human capacity and staff integrity in key sensitive functions managing data. The expansion of international partnerships, new educational programs and better integrity screenings are deemed as critical to better results.

Albania has set up an institutional architecture and legal framework on cybersecurity, including policy documents such as the National Strategy for Cybersecurity. However, the recent incidents highlighted in this report illustrated many vulnerabilities to foreign actor penetration that disrupt the information environment or use private data for elections operations. The two key institutional vulnerabilities relate to both capacity and institutional integrity issues. In terms of capacities, most public institutions exhibit gaps in handling data and critical infrastructure. The weaknesses first relate to the lack of tools to obtain cyber intelligence in law enforcement, or in human resources in key institutions, as noted in the Cyber Security Strategy.¹⁵² However, the key institution and critical node in terms of prevention is the National Authority for Electronic Certification and Cyber Security (AKCESCK), the national coordinating body for managing cybersecurity incidents and

operators of critical infrastructure. Capacity gaps also exist in the key law enforcement bodies responsible, including the prosecution's Cybercrime Investigation Units and the state police. Albania has over the past months signed cooperation agreements with several countries seeking to strengthen these capacities. Yet some of the major scandals in Albania did not necessarily result from hacking as much as from internal leaks by staff members. The leak of private citizen records (i.e. taxes) ultimately resulted from corrupt officials within these institutions motivated by financial gains (corruption) or political loyalty to political parties.¹⁵³ Therefore, there is a need for stronger institutional safeguards to ensure the integrity of human resources in positions handling sensitive data.

Recommendation

- Albania needs to fully align its data protection law to the General Data Protection Regulation of the European Union.
- Prioritize capacity development for IT departments in key institutions hosting sensitive data, particularly the AKCESCK, AKSHI, law enforcement agencies, National Business Registry and others.
- Conduct a mapping of civil service functions with access to sensitive data or critical infrastructure and develop a specific integrity plan for those positions, including specific capacity development programme and strengthening of procedures and infrastructures in place.
- Continue to seek support and reach partnership agreements with countries with strong cybersecurity capabilities, particularly to strengthen law enforcement capacities.
- Strengthen capacities of civil society and media editors in handling and reporting on personal data obtained through cyber-attacks.
- Prioritize cyber security educational programs and R&D in the sector through greater cooperation between education institutions and the private sector.
- Build cyber resilience of media, journalists, watchdogs, activists and other individuals holding those in power accountable.

152 "National Cybersecurity Strategy and Action Plan 2020-2025" Albanian Government.

153 "Pasiguria e të dhënave personale rrezikon 'qeverisjen digjitale' të Shqipërisë" – Reporter.

06

PATHWAY 3: CORROSIVE CAPITAL FLOWS

a. How is this interference manifested?

26. While Albania has seen no significant foreign direct investment (FDI) from notorious sources of corrosive capital, it has not been free of the risk of local elites engaging in transactions with foreign individuals and entities with murky agendas. The scale of some investment projects – especially those in real estate as well as PPPs, which are mired in lack of transparency – does create space for the funneling of corrosive capital, which may also be used to influence Albanian politics.

The structure of Albanian FDI flows (see Annex 2) reduces concerns about the most visible forms of corrosive capital, which is often connected to large infrastructural investments, Information and Communication Technology (ITC), or oil, gas, and mining, and originates from notorious sources such as Russia and Iran, or China. Recently, there have been concerns and some debate about the increased flow of FDI and acquisitions from Hungary and their potential role in serving as channels to convey Russian capital. However, these concerns have been downplayed by most interviewees. A greater area of concern is believed to be the overlapping interests between politicians, foreign investors and organized crime figures. Some interviewees expressed unspecified concerns regarding potential linkages of Albanian organized crime with other Russian criminal organizations without providing details.

154 "Shtatë biznesmenët shqiptarë të lidhur me oligarkët rusë", Gazeta Telegraf.

Several interviewees also suggested that there is a risk that local businessmen might be connected to Russian investors, which has also been a subject of discussion in the media.¹⁵⁴ A significant number of interviewees corroborated these concerns with notorious examples, including the activity of sanctioned Russian oligarch Oleg Deripaska in Albania (see Box 7).

Box 7 Deripaska in Albania

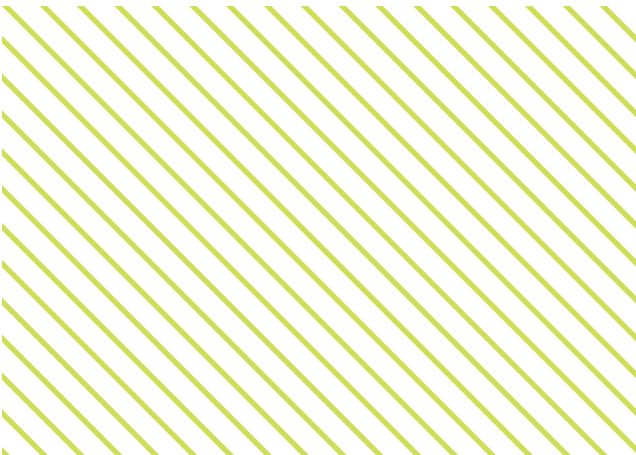
Russian oligarch Oleg Deripaska used to be an active investor in Russia, with multiple interests in well-regarded European, and Asian companies, including Austrian Strabag in which he owned a significant share of the company. On 8 April 2018, Oleg Deripaska was sanctioned by the US for having acted or purported to act for or on behalf of, directly or indirectly, a senior official of the Government of the Russian Federation, and for operating in the energy sector of the Russian Federation economy. Deripaska had significant investments in Albania. Using the corporate structure of different entities in which he was a shareholder, including Strabag, Trema Engineering 2, and joint venture agreements with local businesses, Deripaska obtained several contracts. During the period 2019-2021, after he was sanctioned by the US, the Albanian Development Fund supported some of the projects that were implemented by the companies in which Deripaska appeared among the shareholders.

Real estate investments in the hospitality sector have led to a significant increase in tourist locations, in the central and southern parts of the country and in the capital Tirana, becoming another major area of concern. Most investments are implemented by local investors or those from the United Arab Emirates that, in some cases, have obtained franchising agreements with international well-regarded hospitality brands. Importantly, some of the projects have also obtained the status of strategic investors under Law 55/2015. "Marina Residence Vlora" and "Durrës Marina & Yachts" are two strategic investments involving the construction of ports and tourist and residential accommodation units in two Albanian cities, which include the construction of residential and hospitality establishments (see Box 8 and 9 below). Several interviewees warned about po-

tential acquisitions from individuals linked to transnational crime, including Albanian groups and the Italian mafia, but currently, there is no evidence of direct involvement of individuals or entities from non-friendly countries in implementing these projects. Some interviewees also mentioned that Russian individuals may be involved in acquiring properties in the retail market.

Box 8
Durrës Marina & Yachts

The Durrës Marina & Yachts project is an ambitious project aiming to transform the city. One of its key objectives is to relocate the industrial port from its current location in the city center to an alternative site, in the northern part of the city. The development project, which commenced sales in December 2022, is a collaborative effort between the Government of Albania (holding a 33% stake through the Albanian Seaports Development Company) and two United Arab Emirates (UAE) companies, namely Eagle Hills Real Estate Development, sh.a., and Nshmi Development LLC (holding a combined stake of 67%). Despite being an investment that holds a strategic position and enjoys tax breaks for infrastructure and construction, the business plan has faced scrutiny from the media and interviewees due to its predominant focus on residential development. It is anticipated that a minority portion, specifically less than 5%, of the forthcoming construction will be designated for the purpose of accommodating hotels and retail establishments. Additionally, the concept incorporates a total of 280 lodging facilities specifically designed to accommodate yachts. The apartment financing plan facilitates prepayments and the selling of apartments in a manner that is equivalent to customary practices within the country. The projected initial investment amounts to 595 million euros.



Box 9
Vlora Marina

The Vlora Marina Residences is the entity responsible for residential construction in the Vlora Marina project, which was designated a strategic investment by the Council for Strategic Investments on March 29, 2021. Vlora Marina owns 72% of the shares in Marina Residences Vlore, Balfin owns 10% of the shares, and Brunos owns 18% of the shares. The Vlora Marina project, which has been designated a strategic investment, anticipates an investment of 105 million euros and the employment of 1,000 employees during construction and operation. This project's status emphasizes that it will develop lodging units, hotels, and standard services in the area bordering the port infrastructure. The project entails the complex development of the area adjacent to the Marina Vlore concession project via the construction of accommodation facilities, residential areas, and services in their respective capacities.

Many of the major Public-Private Partnerships (PPPs) in Albania have also been observed using entities established in jurisdictions that enable the existence of shell companies, such as the Netherlands, or other tax havens. The PPPs have caused significant debate regarding the quality of the projects, the process for selection of the project and the companies involved in their implementation, and alleged cases of corruption. The Special Anti-Corruption Structure is investigating many PPPs in different sectors, including waste processing and healthcare. Some cases have led to the arrest of high-ranking Albanian politicians and imprisonment. While these cases may most likely prove to be only corruption scandals involving local political elites, the transactions' murky and international nature creates the space and vulnerability for foreign actors to exploit.

27. The footprint of Chinese FDI in Albania is limited by Western Balkans standards. Most initiatives have not materialised, and some Chinese investors in strategic sectors have even withdrawn, reducing the potential of any political dependencies. Albania's leadership has been skeptical of the economic benefits of cooperation through the 16+1 format but has remained in the group to maintain a dialogue with Beijing.

Several government-to-government initiatives supported the rise of Chinese FDI in the Western Balkans. In April 2012, Chinese state representatives issued the "Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries" declaration in Warsaw, establishing the sixteen-plus-one format (16+1).¹⁵⁵ The 16+1 format was later used as a critical platform for promoting the Belt and Road Initiative in the Balkans and in other Eastern European countries, overlooking the role of the European Union and benefiting from existing fragmentations. Albania joined the 16+1 format and regularly participated in the meetings since its inception. To attract more Chinese investments, Albanian delegations have frequently visited China and Hong Kong SAR to promote Albania's resources and opportunities to potential investors from Hong Kong SAR and China.

Since the launch of the BRI, particularly from 2013 to 2023, many more investments were promised and discussed, than were implemented. China's presence in strategic sectors is limited (see Box 10). Several Chinese companies, including Everbright (which controlled the Rinas Airport) and Wenzhou Mining, have withdrawn their investments over the past decade.¹⁵⁶ Even before the formal launch of the BRI, China State Construction Engineering Corporation was interested in getting involved in constructing the "Arbër Highway," one of the main roads in Albania connecting Albania to North Macedonia. Prime Minister Berisha deemed the offer attractive in 2013.¹⁵⁷ The socialist government led by Edi Rama, which took power in September 2013, did not pursue the transaction. Several interviewees concurred that the reason the Albanian government decided to pursue the construction of the road with other investors was based on an assessment of the economic terms offered by the Chinese company. Interestingly, Albania remains the only Western Balkan country (Kosovo excluded) where Chinese companies had not won any tender for public works in infrastructure as of the end of 2018.¹⁵⁸

The only significant Chinese FDI still present in Albania

is Geo-Jade Petroleum Corporation after it acquired the Canada-based oil company Bankers Petroleum. Bankers Petroleum began exploration in Albania in 2004 and ensured a dominant position in oil extraction in Albania because its leaders were highly regarded in Albania. Geo-Jade Petroleum Corporation acquired Bankers Petroleum in 2016 for €393 million. The acquisition was followed by an additional investment of \$2 billion in oil production. Another Chinese company still present in Albania is Sinomine Resource Exploration, which has established a daughter company in Albania and works on constructing mines and geological tests in cooperation with the Albanian Geological Institute. The founder of Alibaba, Jack Ma, visited Albania during the summer of 2023. The visit triggered some media discussion regarding potential investments. Previously, when Jack Ma was covering positions within Alibaba, his trips in different countries would anticipate major acquisitions or investments in logistics, but now he doesn't have any managerial functions.

Box 10
Chinese presence in Albania's strategic sectors

Oil, Gas, and Mining. In April of 2016, the Chinese business Geo-Jade Petroleum paid \$575 million to purchase the Albanian oilfields of Patos-Marinze and Kucova from the Canadian oil company Bankers Petroleum. In addition, the Chinese business Sinomine Resource Exploration has formed a daughter company in Albania. This company collaborates with the Albanian Geological Institute to conduct geological tests and works on the development of mines. In the oil and gas sector in recent years, more Western companies have invested in Albania, including Shell and Eni. Shell has made some important discoveries in Shpirag but additional explorations to assess the economic viability of the extraction process.

Airports: In 2004, the Nano government signed a concession contract for the Rinas Airport, the sole airport in Albania, to an entity composed of three companies (the Albanian-American Enterprise Fund, DEG-Deutsche Investments, and AviAlliance GmbH).

155 The format was called 17+1
156 Albanian Chrome was owned by Balfin Group. See: <https://www.reuters.com/article/uk-albania-mine-chinese-idUKKBN15P1CK>
157 "Berisha: kompania kineze, ofertë të leverdisshme për Rrugën e Arbrit". Shqiptarja.com.
158 "The Pragmatic Engagement of China in the Western Balkans" – CDI Institute.

The contract included a monopoly clause which barred the Albanian government from the establishment of other airports.

The foreign concessionaire transferred the right to manage the airport to Real Fortress Private Limited, owned by Chinese financial services group China Everbright China Everbright, a Chinese SOE. China Everbright obtained a concession to Tirana International Airport until 2025 with the possibility of a two-year extension. Despite a long contract, a positive outlook and at a time when it was Albania's only airport, China Everbright decided to divest and transfer the rights to Kastrati Group, a local investor.

Telecommunications: 4iG Group acquired last year fix and mobile operators, ALBtelecom and ONE Telecommunications in Albania, which were later merged into one leading telecommunication operator, ensuring to the Hungarian operator a position of dominance in the Albanian market which can lead to market distortions. Huawei and other Chinese companies that provide ICT solutions and products collaborate with 4iG and other major telecom companies that are active in Albania. Some of these Chinese companies are considered to be a threat to the safety of telecommunications networks in some of the NATO countries that have decided to reduce the reliance on their products. The US has even sanctioned some of these companies. Hikvision, is another Chinese company that has been sanctioned by the US, which products are widely used in Albania.

b. What are Albania's critical institutional vulnerabilities?

28. Albania maintains an open foreign investment regime designed to attract FDI but it lacks a formal vetting mechanism that could restrict or prohibit FDI that threatens national security or public order. Albania needs new legislation that establishes a robust Investment Screening Mechanism in line with international standards, which provides appropriate defenses for national security and public order and safeguards competitiveness.

Albania maintains an open foreign investment regime designed to attract FDI, both at the treaty and national law levels. The Law on Foreign Investments outlines specific protections for foreign investors. It allows 100 percent foreign ownership of companies, except in domestic

and international air passenger transport and television broadcasting. In line with international obligations at the WTO and principles that shape international economic law. Albanian legislation does not discriminate between domestic and foreign investments. The law "On Foreign Investments" enables Albania to take any action it deems necessary to maintain public order, to meet its international commitments related to the maintenance or establishment of international peace and security, or to safeguard national security or defense interests. On grounds of national security and public order, Albania can restrict and even foreign investments. The law, however, does not elaborate on the situations that could put both national security and public order in jeopardy.

As a direct consequence, the Albanian government retains significant discretion in determining how public order and national security should be interpreted. Yet, there is no requirement for regulatory bodies to pre-approve or assess foreign investments. Foreign investors must comply with Albanian law when entering the Albanian market, depending on the type of activity to be conducted (financial, energy and mining, transportation, electronic communications infrastructure, etc.). Even though the applicable legislation controls and applies restrictions, these laws do not provide for control on the grounds of national security and public order. A new provision in the Petroleum Law, introduced in 2017, allows the government to reject a petroleum-sharing agreement or the sale of shares in a petroleum-sharing agreement to any prospective investor due to national security concerns.

Another instance is the telecommunications sector. Albania has followed the US-led "Clean Network Initiative" (CNI). CNI aims to secure digital trust standards across a coalition of democracies, and establish a comprehensive approach to safeguarding the nation's assets including citizens' privacy and companies' most sensitive information, from aggressive intrusions by malign actors, such as the Chinese Communist Party.¹⁵⁹ Notably, it highlights security risks for countries relying

on Chinese 5G technology,¹⁶⁰ and in particular Chinese telecom giants such as Huawei and ZTE, which were poised to lead in 5G technology. The Trump administration launched CNI, gained significant traction, and was embraced by more than 60 countries. However, the CNI does not create enforceable legal obligations but only policy expectations regarding investments in these sectors. For those policy indications to become meaningful domestic legislative tools, the Albanian authorities should introduce new norms to fill the regulatory void.

Albania needs a new law that establishes an Investment Screening Mechanism and has clear definitions of: a) national security; b) critical infrastructure (energy, transport, water, health, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructure, as well as sensitive facilities and investments in land and real estate crucial for the use of such infrastructures); c) critical technologies and dual-use items (including artificial intelligence, robotics, semiconductors, cybersecurity, quantum, aerospace, defense, energy storage, and nuclear technologies, nanotechnologies and biotechnologies); d) access to or the ability to control sensitive information (including personal data) and; e) freedom and pluralism of the media. The ISM law should also constrain the government's discretionary power in its implementation.

Recommendations

- There is a need to draft a new law that establishes an investment screening mechanism with clear definitions of: a) national security; b) critical infrastructure; c) critical technologies and dual-use items; d) access to or the ability to control sensitive information and; e) freedom and pluralism of the media.
- The ISM creates a significant discretionary power that is given to a specific authority. If the executive branch controls the ISM, there is the risk that a ruling party can have additional leverage and discretion.

- For this reason, in drafting the ISM legislation, it is suitable to balance the impact of the executive branch by including the authority of interest groups such as the business community, in the decision-making process.
- The law should also consider the impact of specific investments on market competitiveness. The assessment in some sectors will present significant hurdles due to the advanced technologies involved in some investment projects and the lack of transparency regarding the nature of investors participating in the project. To address these hurdles, the new law should enable comprehensive and effective collaboration between the Albanian ISM and the ISM in the region and the EU. In this perspective, the EU Regulation 2019/452 establishes a platform for cooperation¹⁶¹, which would extend to EU authorities and EU/NATO member states.
- The reform of the Albanian Law on Foreign Investment should also consider the necessity of coordination with the protection of national security. The law should prevent access to investor-state arbitration for decisions made to protect national security in compliance with the disposition of the ISM screening.

29. Corrosive capital flows may benefit from abusing protections in International Investment Agreements (IIAs). Rogue actors are trying to use protections in Investor-State Arbitration to challenge government punitive measures. The language of IIAs needs to be updated to clarify the sovereign right to protect public order, national security, and strategic and sensitive economic sectors. Government agencies and independent authorities must improve coordination and ensure regulatory compliance in the case of PPPs and concession contracts, assignment of the Strategic Investor status, implementation of the provisions on the Ultimate Beneficial Owner (UBO), and market competition.

Albania has concluded bilateral investment treaties with 45 countries. It has signed free trade agreements with the EU, CEFTA countries (North Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Kosovo, and

159 See description of the "Clean Network" at the State Department website: <https://2017-2021.state.gov/the-clean-network/>

160 "Albania steps up 5G aspirations with the new draft law." EURACTIV.

161 EU Regulation 2019/452, Article 13 International Cooperation. Member States and the Commission may cooperate with the responsible authorities of third countries on issues relating to the screening of foreign direct investments on grounds of security and public order.

Moldova), EFTA countries (Switzerland, Liechtenstein, Norway, and Iceland), and Turkey. The Albanian network of agreements also includes agreements with China and Russia. These agreements enable investors to bring investor-state arbitration cases against Albania if it is deemed that Albanian authorities have failed to comply with treaty obligations. There are serious concerns that investors related to organized crime investing in Albania are using the system to condition court and governmental decisions. This concern has significant practical implications. The US Treasury Department has sanctioned Mr Ndroqi, who is also under investigation in Albania. Following the investigation by Albanian law enforcement authorities, his assets have been frozen under Albania's anti-mafia law. His wife, Mimoza Ndroqi, brought a UNCITRAL claim under the Bulgaria-Albania bilateral investment treaty, as a Bulgarian investor. The investor is seeking from the Albanian state to pay €128 million in damage over the seizure of business assets in compliance with anti-mafia law. Facing these claims can represent a significant economic risk for the states, not only in the case of a negative dispute outcome. Even in those cases, when the state succeeds in defending its position, it might need to cover high legal fees to defend the application of public order decisions. International investment agreements usually recognize the rights of sovereign nations to take measures to protect their essential security interests and public order as part of the exceptions. The Albanian government should update the network of IIAs, using clear wording in provisions related to public order and essential security, and measures taken for economic and security reasons. Those measures would improve the understanding of the significance of the provisions and increase legal predictability and would likely dissuade actors from initiating long investor-state arbitrations as leverage to condition state's behavior. Decisions made to protect national security and public order, and under ISM authority can also collide with different IIAs provisions, including fair and equitable treatment, national treatment and most favored nation obligations. The language of exceptions in the IIAs is also relevant in relation to decisions taken under a future ISM.

With the primary objective to promote and attract domestic and foreign investment in sectors deemed strategic, the Parliament introduced Law no. 55/2015, "On Strategic Investments" ("Law 55/2015"), which entered into force on January 01, 2016. To increase domestic and foreign strategic investments in the strategic sectors, the law established special administrative procedures favoring, facilitating or accelerating the support and services to investors that obtain the qualification of strategic investor. The determination of the status of a strategic investor is conditioned by the economic value of the investment and the number of jobs created in the specific sectors. The decision-making body for accepting or rejecting the status of Strategic Investor is the Strategic Investments Committee, a collegial administrative body near the Council of Ministers, which the Prime Minister chairs and whose members include the Deputy Prime Minister, seven Ministers and the State Attorney. The most important institution for implementing this law is the Albanian Agency Investment Development (AIDA). AIDA serves as a "unique window" for providing services to investors who apply and seek to benefit from the status of Strategic Investor. Law 55/2015 has primarily supported domestic investors but foreign investors have shown limited interest in the incentives granted by the Law. Originally, Law 55/2015 was intended as a temporary and short-term regime but its efficacy has been repeatedly extended and is scheduled to remain in effect until the end of 2024. Although it was enacted with high hopes, in terms of foreign investments, the complete potential of Law 55/2015 has yet to be realized. It isn't clear why the Law did not meet the expectations in FDI terms. Conversely, the attainment of the status of strategic investor by local investors close to the structure of power of the leading party has triggered investigations on the procedures and public debate.

Albania has resorted to the widespread use of PPPs to finance massive infrastructure projects, which, according to the latest IMF estimate, are at about 40 percent of 2022 GDP. These investments not only constitute a form of hidden debt but raise questions over the origin of financing. The IMF has assessed the impact of existing projects and those in the pipeline and their impact on the bud-

get and public finances because of the fiscal risk. The IMF has also expressed concerns regarding the weaknesses of the PPPs' managing and coordinating framework. Another risk attached to the PPPs regards the origin or nature of the investors. In some of the PPPs, entities based in foreign jurisdictions have benefited from corporate veils, and other regulatory advantages to the origin of the investors defying local criminal and tax laws. Currently under investigation by Albanian law enforcement agencies. To address infrastructural needs, Albania should consider the establishment of state entities such as a sovereign wealth fund that should better manage state assets and implement long-term investments.

To address some regulatory gaps in the local legislation, on 27 January 2022, the Albanian Parliament adopted the Law no. 6/2022 on Amendments and supplements to Law no.112/2020, on Beneficial Owners Registry (the "UBO Law") effective from 2 March 2022. The amendments increase the number of the obliged entities that must be registered with the UBO register by extending the registration deadline, introducing the simultaneous registration of the UBO along with the establishment of the obliged entity, increase of certain penalties in case of failure to comply with the legal requirements. The Law no. 112/2020 "On the register of beneficial ownership" (milestone 1), fulfills one of the recommendations of MONEYVAL.¹⁶² The law partially incorporates EU Directive 2015/849 of the European Parliament and of the Council, on the prevention of the use of the financial system for money laundering or terrorist financing. Legal experts interviewed and asked regarding the UBO appreciated the progress in the field and expressed doubts regarding the need for further reforms in the area.

Recommendations

- Decisions made in compliance with the ISM law are likely to appear in conflict with IIAs provisions such as national treatment, most-favored nation treatment, and fair and equitable treatment. To reduce the risk of investor state arbitration in is advisable to update the language of Bilateral Investment Treaties in order to better consider and protect the sovereign right of the state to legislate and decide in sensitive areas such as national security, energy security, and the environment.
- In the case of public procurement contract and in particular PPPs, also the IMF has underlined the need to redouble efforts to strengthen the Ministry of Finance and Economy's capacity to play an effective gatekeeper role in project selection and to engage actively in evaluation and monitoring.¹⁶³
- In light of the major and multifaceted problems related to PPPs, it is advisable to assess the use of other models such as the use of state-owned enterprises and other sovereign investment vehicles, holdings or sovereign wealth funds.
- The new SOEs or SWFs should learn from the experiences of their peers in terms of corporate governance by relying on international principles and international intuitions such as the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the Santiago Principles and the International Forum of Sovereign Wealth Funds. A sovereign wealth funds could effectively engage other funds in co-investment projects. These types of investors have a longer investment horizon and are sometimes more inclined to act as responsible economic actors.

162 The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively. <https://www.coe.int/en/web/moneyval/moneyval-brief>.

163 2022 Article Iv Consultation—Press Release; Staff Report; and Statement by the Executive Director for Albania

07

ANNEXES

ANNEX 1: RECOMMENDATIONS

Political and Electoral Finance

- Regulation (laws and bylaws) should be introduced to address the issue of third party/non-contestant campaigning, including paid digital advertising. This regulation should be tailored to avoid unduly restricting legitimate freedom of expression.
- Consideration should be given to preventing judicial entities from being conduits for foreign funding. The most direct way of reducing such potential for foreign interference would be to ban political donations and election expenditures by such entities. It may be worthwhile to consult with political finance regulators in European countries where such bans have been adopted to determine if they have resulted in any unintended consequences or problems.
- The law currently only addresses 'foreign' assistance/donations to parties and candidates. It does not prohibit foreign persons/entities from making expenditures in connection with elections. This omission should be remedied by legislative amendment and the law should include a definition of what constitutes a 'foreign entity.' In addition, the law should define what constitutes a "gift" or "assistance."
- To increase deterrence, the law should make it illegal to encourage/solicit foreign donations/campaign expenditures and it should be included as a criminal offense in the Penal Code.
- The CEC should consider amending the donor statement to require donors to affirm that they are making the donation from their own funds and not on behalf of anyone else.
- It is further recommended that the law be amended to increase the sanction for either funding or allowing one's name to be used as a straw donor.
- It would be worth exploring options for linking the CEC's donor database with databases of other relevant public databases to flag possible straw donor situations.
- The Law on Political Parties and the Electoral Code should be amended to prohibit cryptocurrency transactions in relation to political donations and party/electoral expenditures.
- Parliament must enact comprehensive and clear legislation that aligns with the goal of prohibiting foreign money entering the electoral process, informed by the experience and views of the oversight institution(s), civil society organizations and those who are to be regulated by the law.
- Oversight institution(s) need adequate resources (human, financial and technical) to undertake advisory, supervisory and enforcement actions to ensure the rules prohibiting foreign funding are understood and enforced.
- The rules must provide for transparency of money used in connection with elections to ensure that the publication of financial data is done in a way that is downloadable and machine readable and that information is made publicly available in a timely manner.

- All institutions involved in the oversight and enforcement of provisions preventing foreign funding (e.g. the Central Election Commission, anti-money laundering institutions and the courts) must work together and demonstrate political will to enforce the law against foreign funding.
- Reassess the CEC's human and technical resource requirements to encompass the challenges of regulating third party expenditures, social media advertisements and enhanced bans on foreign sources of funding.
- Consider establishing an inter-institutional working group targeting foreign funding of political parties and election expenditure.

Manipulation of the Information Environment and Cybersecurity

- Albania needs to align its legal framework with the European Media Freedom Act, Digital Service Act and the Council of Europe Standards on Media Freedom and Freedom of Expression and implement the recommendations of the Venice Commission. More specifically the legal and regulatory changes, that must be done in full transparency and genuine consultation process with media organisations, journalistic community, civil society organisations and interest groups, must include key aspects such as:
 - Audiovisual media should disclose the identities of their beneficial owners, those who ultimately control or benefit from the company, to prevent hidden influence or conflicts of interest.
 - Ownership information should be easily accessible to the public through centralized media databases or registries, ensuring transparency and accountability.
 - Audiovisual media should disclose their funding sources, including any financial relationships with political parties, governments, or foreign entities, to ensure independence and prevent undue influence.
 - Establish mechanisms for the regular audit and verification of ownership information by independent bodies to ensure compliance and accuracy.
- For online media, Albania must adhere to the recommendations of the Venice Commission¹⁶⁴ in strengthening self-regulation and more specifically:
 - Support the set up and strengthening of an effectively functioning and independent self-regulatory body capable of ensuring an effective and respected system of media accountability in the online media field.
 - Support and incentivize initiatives like the Journalism Trust Initiative (JTI) that sets specific standards for transparency, including ownership disclosure, which online media organizations can adopt to enhance credibility and public trust.
- Support civil society actors' efforts in investigating and exposing the links between media owners and their other business interests and implement protections for whistle-blowers who expose hidden ownership or conflicts of interest within media organizations to encourage transparency and accountability.
- Decision makers in Albania should make concrete efforts towards the approximation of legislation with the European Digital Service Act and Media Freedom Act as an appropriate approach when it comes to potential legal changes in addressing disinformation.
- Public bodies and civil society organisations should strengthen existing and develop new and sustained formal and informal programs that promote media and information literacy among the public, enabling citizens to critically evaluate the information they consume and reducing the impact of disinformation.

164 Recommendations of the Venice Commission

- AMA and AKEP must establish clear and fair procedures for any necessary content restrictions based on legal framework, avoiding arbitrary actions that could be perceived as censorship and ensure that measures taken are justified and proportionate.
- Introduce legal changes to ensure the independence and professionalism of the Audiovisual Media Authority and other regulatory bodies.
- Albania needs to fully align its data protection law to the General Data Protection Regulation of the European Union.
- Prioritize capacity development for IT departments in key institutions hosting sensitive data, particularly the AKCESCK, AKSHI, law enforcement agencies, National Business Registry and others.
- Conduct a mapping of civil service functions with access to sensitive data or critical infrastructure and develop a specific integrity plan for those positions, including specific capacity development programme and strengthening of procedures and infrastructures in place.
- Continue to seek support and reach partnership agreements with countries with strong cyber-security capabilities, particularly to strengthen law enforcement capacities.
- Strengthen capacities of civil society and media editors in handling and reporting on personal data obtained through cyber-attacks.
- Prioritize cyber security educational programs and R&D in the sector through greater cooperation between education institutions and the private sector.
- Build cyber resilience of media, journalists, watchdogs, activists and other individuals holding those in power accountable.

Corrosive Capital Flows

- There is a need to draft a new law that establishes an investment screening mechanism with clear definitions of: a) national security; b) critical infrastructure; c) critical technologies and dual-use items; d) access to or the ability to control sensitive information and; e) freedom and pluralism of the media.
- The ISM creates a significant discretionary power that is given to a specific authority. If the executive branch controls the ISM, there is the risk that a ruling party can have additional leverage and discretion. For this reason, in drafting the ISM legislation, it is suitable to balance the impact of the executive branch by including the authority of interest groups such as the business community, in the decision-making process.
- The law should also consider the impact of specific investments on market competitiveness. The assessment in some sectors will present significant hurdles due to the advanced technologies involved in some investment projects and the lack of transparency regarding the nature of investors participating in the project. To address these hurdles, the new law should enable comprehensive and effective collaboration between the Albanian ISM and the ISM in the region and the EU. In this perspective, the EU Regulation 2019/452 establishes a platform for cooperation, which would extend to EU authorities and EU/NATO member states.
- The reform of the Albanian Law on Foreign Investment should also consider the necessity of coordination with the protection of national security. The law should prevent access to investor-state arbitration for decisions made to protect national security in compliance with the disposition of the ISM screening.
- Decisions made in compliance with the ISM law are likely to appear in conflict with IIAs provisions such as national treatment, most-favoured nation treatment, and fair and equitable treatment. To reduce the risk of investor state arbitration it is advisable to update the language of Bilateral Investment Treaties in order to better consider and protect the sovereign right of the state to legislate and decide in sensitive areas such as national security, energy security, and the environment.

- In the case of public procurement contracts and in particular PPPs, also the IMF has underlined the need to redouble efforts to strengthen the Ministry of Finance and Economy's capacity to play an effective gatekeeper role in project selection and to engage actively in evaluation and monitoring.
- In light of the major and multifaceted problems related to PPPs, it is advisable to assess the use of other models such as the use of state-owned enterprises and other sovereign investment vehicles, holdings or sovereign wealth funds.
- The new SOEs or SWFs should learn from the experiences of their peers in terms of corporate governance by relying on international principles and international institutions such as the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the Santiago Principles and the International Forum of Sovereign Wealth Funds. A sovereign wealth fund could effectively engage other funds in co-investment projects. These types of investors have a longer investment horizon and are sometimes more inclined to act as responsible economic actors.

ANNEX 2: STOCK OF FDI¹⁶⁵



	INDEX DESCRIPTION	Q I 2023 - MILLIONS OF EU-RO
	Total FDI-liabilities	11,725
1	Netherland	1,945
2	Switzerland	1,914
3	Canada	1,491
4	Italy	1,256
5	Turkey	877
6	Austria	738
7	Bulgaria	725
8	France	460
9	Germany	323
10	Hungary	300
11	Cyprus	241
12	United States of America	238
13	Other for confidential purposes	229
14	Kosovo	225
15	Greece	217
16	United Kingdom	120
17	Lebanon	92
18	North Macedonia	78
19	Serbia	45
20	Slovenia	42
21	Czech Republic	40
22	Poland	37
23	United Arab Emirates	30
24	International Organizations	28
25	Luxembourg	26
26	Panama	22
27	Belgium	19
28	Croatia	18
29	Bosnia and Herzegovina	11
30	Norway	10
31	Romania	7
32	China	6
33	Egypt	6
34	Spain	6
35	Israel	3
36	Montenegro	3
37	Japan	0
38	Kuwait	-11
39	Cayman Islands	-31
40	Virgin Islands (British)	-60

165 Author’s elaboration of Central Bank of Albania Data.

ANNEX 3: TRADE – IMPORTED GOODS¹⁶⁶



		2019	2020	2021	2022
1	Italy	164188132320	151977595145	194442667769	205878480181
2	Turkey	61798320418	57943017052	86104198961	114616505451
3	China	59727400785	54038084268	65201986390	77476282403
4	Greece	54335541139	54453545102	64024209022	74469117872
5	Germany	46481728211	46600998174	54952339719	58563057785
6	Saudi Arabia	581033644	440311926	11018530597	33693808881
7	Serbia	23053025350	22971334399	28030655762	32196575705
8	Switzerland	15337279666	10228063606	12743025809	21520005934
9	Poland	10558762769	10307407469	12387364677	16616614306
10	Kosova	7734718299	8305297218	15441315934	16604265837
11	Spain	11533678798	9787749017	11520524352	16340438856
12	Northern Mace-donia	8570961294	9074174364	13674706721	15483118251
13	France	13027095625	11837723800	12779883600	14094403100
14	United States	12337672756	9400846253	14570394628	13072680945
15	Romania	8231211350	5873907086	7262080116	12130001207
16	Slovenia	6837108154	4698130386	5362339228	12063411903
17	Bulgaria	8201890444	7616942824	10121117978	11169207723
18	Russia	11617088516	13513114488	15036667744	10925711725
19	Algeria	533584051	2358231593	7136970577	10735157291
20	Croatia	7219366355	6143394821	7899170395	10582784371
21	Czech	7413208164	6707902506	8400607428	9473676579
22	Netherland	6252337374	6418115222	7701349888	8736146033
23	India	4541442915	4675004531	6563188859	8376827467
24	South Korea	2666621808	3630688602	6094799709	7545389515
25	United Kingdom	5640534754	5124576521	6538085965	7405162849
26	Belgium	4321186166	4701758934	7364547516	6954766544
27	Azerbaijan	71088936	479588978	2566716711	6904624741
28	Austria	6830021219	5832051508	6971483487	6896245507
29	Hungary	4054166460	4215320608	5457664518	5974563354
30	Israel	6374286813	1948776840	4141207191	5820877029

166 Author’s elaboration, the Albanian Institute of Statistics.

THE VULNERABILITY OF ALBANIAN POLITICS TO FOREIGN INTERFERENCE



June 2024