



REPUBLIKA E SHQIPËRIË
MINISTRY OF FINANCE AND ECONOMY

PUBLIC FINANCE MANAGEMENT REFORM 2014-2020

2018 Monitoring report

April 2019

PFM Strategy 2018 Monitoring Report

List of Acronyms

AEO	Authorised Economic Operator
ADISA	Agency for the Delivery of Integrated Services Albania
AFCOS	Anti-Fraud Coordination Service
AFMIS	Albanian Financial Management Information System
AGFIS	Albanian Government Financial Information System
ASPA	Albanian School of Public Administration
BIs	Budget Institutions
BoA	Bank of Albania
CEF	Centre of Excellence in Finance
CHU	Central Harmonization Unit
DDGG	Department of Development and Good Governance
DLDP	Decentralization and Local Development Programme
DMFAS	Debt Management and Financial Analysis System
DWH	Data Warehouse
EAMIS	External Assistance Management Information System
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDP	Excessive Deficit Procedure
ESA	European System of Accounts
EU	European Union
EUROSAI	European Organization of Supreme Audit Institutions
FDI	Foreign Direct Investment
FMC	Financial Management Control
FPT	Financial Planning Tool
FRS	Fiscal Risk Statement
FRU	Fiscal Risk Unit
GDC	General Directorate of Customs
GDP	Gross Domestic Product
GDT	General Directorate of Taxation
GoA	Government of Albania
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GFSY	Government Finance Statistics Yearbook
HRMIS	Human Resources Management Information System
HSC	High State Control
IA	Internal Audit
IFMIS	Integrated Financial Management System
IMF	International Monetary Fund
INSTAT	Institute of Statistics
INTOSAI	International Organization of Supreme Audit Institutions

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IPA	Instrument for Pre-Accession Assistance
IPMG	Integrated Policy Management Group
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
IPSIS	Integrated Planning System Management Information Systems
ISSAI	International Standards for State Audit Institutions
JVI	Joint Vienna Institution
LGUs	Local Government Units
LM	Line Ministries
MOF	Ministry of Finance and Economy
MTBP	Medium-Term Budget Program
NAIS	National Agency for Information Society
NDSI	National Strategy for Development and Integration
NIC	National Investment Council
NKP	National Knowledge Pipeline
NPEI	National Plan for European integration
NPI	New Policy Initiatives
NRC	National Registration Centre
NSDP	National Summary Data Page
NSPP	National Strategic Project Pipeline
OBL	Organic Budget Law
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFIC	Public Internal Financial Control
PFM	Public Financial Management
PFM SRC	Public Financial Management Sector Reform Contract
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PMO	Prime Minister Office
PPA	Public Procurement Agency
PPF	Project Preparation Facility
PPP	Public Private Partnership
RDF	Regional Development Fund
ReSPA	Regional School of Public Administration
RNAN	Regional NICs Advisory Network
SAI	Supreme Audit Institution
SBS	Sector Budget Support
SBPG	Standard Budget Preparation Guidelines
SECO	Swiss State Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency
SIGMA	Support for Improvement in Governance and Management
SOE	State Owned Enterprise
SPC	Strategic Planning Committee
TA	Technical Assistance

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TCATC Tax and Customs Administration Training Centre
USAID United States Agency for International Development
WB World Bank

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EXECUTIVE SUMMARY

This is the **fourth Public Finance Management Annual Monitoring Report** for Albania and covers the period 1 January 2018 to 31 December 2018. It provides detailed information on the implementation progress of the PFM Strategy.

The introductory **Section 1** provides an **overview of fiscal progress** and the economy has continued to grow in the first three quarters of 2018. An **overview of key performance indicators' results** is presented. 14 general PFM indicators were in place with ten met, three not met, and one without data available, presenting a general overall improvement compared to 2017 figures (respectively eight met, five not met and one without data available). Regarding overall specific performance indicators, 18 out of 36 indicators were met, seven not met and three partially met. Data was unavailable for eight of the indicators. A range of **PFM strategy instruments** in relation to legislative changes; capacity development activities; Integrated Financial Management System (IFMIS); and changes in process and management culture were put in place during 2018. The section includes a list of **key reform priorities**. A mid-term evaluation of the strategy resulting in a review of priorities and action was undertaken during 2018.

Section 2 of the monitoring report lays out **donor support to the PFM sector** which is dominated by loans, provided by World Bank (WB). Other donors in the sector include: International Monetary Fund (IMF), European Union (EU), Sweden, Switzerland, and USAID which provide their assistance through grants. There were 15 donor supported projects under implementation during 2018 with Eur. 8.104 million committed to new projects in 2018 (Annex 4). Under the Integrated Planning System Trust Fund II managed by the World Bank (WB) and currently financed by EU/IPA 2013, Sweden, and Switzerland are financing components to strengthen the finance systems, through External Assistance Management Information System (EAMIS), Albanian Financial Management Information System (AFMIS) and Integrated Planning System Information System (IPSIS), as well as to strengthen capacities of the Government for Macroeconomic forecasting and budget preparation.

Section 2 also presents the key findings of key PFM related assessments undertaken by development partners during 2018. **Support for Improvement in Governance and Management (SIGMA)'s Public Administration Reform (PAR)** undertook the Assessment for the year 2018. Several meetings were held with the respective coordinators of the principles of the PAR in order to explain the process of the collection of the data for the principles that are being assessed. During January 2019, the required data are being collected and the report is under preparation. The final report will be published during the upcoming months.

Section 3 comprises the main body of the report and presents progress of each of the six Pillars' objectives, outcome indicators and actions in some detail. Each sub-section commences with a summary of the Pillar's progress. **Pillar 1: Sustainable and prudent fiscal framework** comprises four objectives with supporting outcome indicators, with **satisfactory progress** having been made since four having been met. *Debt to Gross Domestic Product (GDP) ratio planned for 2018 is lower than 2017* and the *annual deficit was significantly lower than the planned capital expenditure*. Nominal GDP was 5.9 billion ALL – less than the IMF forecast. After **fiscal rules** were introduced in OBL, more efforts have been made to enforce and to minor these rules and principles. Since 2017, the annual consolidated budget implementation report published each year by the MOFE in June, includes a dedicated section for fiscal rules monitoring. The indicator that measures the compilation of **Government National Accounts according to European System of Accounts (ESA) 2010** has improved compared to 2017. In 2018, 80 per cent of risk categories were covered by the Statement **Fiscal Risk (SFR)**. At the activity level, five actions comprise this Pillar, with one having been completed and four in progress. During 2015-2018, the Macroeconomic Directorate has been receiving TA program through Switzerland's funding (SECO) to improve forecasting skills and strengthen evidence-based policymaking. The program was finalized in Q3 2018. An updated list with institutional unit (IU) classifications was published on the Institute of Statistics (INSTAT) Website in September 2018 to ensure transparency for users. For the first time, in 2018, INSTAT compiled and transmitted an experimental table 11 (Expenditure of Government by Function) for the year 2017. Up to December 2018, 4 of 8 Government Finance Statistics (GFS) tables were

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sent to EUROSTAT. During 2018, MOFE consolidated the analytical and narrative information regarding the major risks matrix, focusing especially on the risks related to macro indicators, SOE-s, Public Private Partnership (PPP-s), new arrears and court decisions. Fiscal Risks Statement (FRS) was finalized in a single report and it was approved by the Council of Minister.

Pillar 2: Well integrated and efficient planning and budgeting of public expenditure comprises five objectives, which show **mixed progress**, with two objective having been met; three partially with no data available. *The ratio between total funds estimated in the sectorial strategies and total funding identified for corresponding sectors within MTBP is not available, SIGMA Report is not published yet.* 64 per cent of investment projects included in the MTBP; and 80 per cent of projects proposed being based on strategic priorities. The indicator addressing *Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations* was met, having achieved 97 per cent. There continued to be deviation between total **planned expenditures** adopted for the first year of the MTBP against total planned expenditures adopted in 2018 Annual Budget. The indicator addressing *the amount committed on multi-year projects for each year exceeding the approved budgets for those projects is equal to zero*, was met since the gap decreased from 682 into 448 million LEK; and secondly *For all the on-line BI, all major projects are pre-committed in the system based on estimated disbursement schedules approved in the Budget process, before procurement action commences* was not available since the Albanian Government Financial Information System (AGFIS) and APP systems are not integrated as yet, to ensure that funds are pre-committed in the Treasury System before the procurement process starts; and outcome indicator 3 “*No payment arrears are recorded on multi-year capital investment project activities' after 3 years*” **could not be measured** as the effect of multi-year commitment control implementation into AGFIS will be visible in 2019. In relation to Local Government, there was improvement of *collection and administration of taxes from the municipalities* and an increase in the *share of investment expenditures in local budgets, compared with expenditures*.

At the activity level, 15 actions comprise this Pillar, with three having been completed and 12 in progress.

National Energy Strategy 2015 – 2030 has been adopted, increasing the number of adopted documents up to 27, versus total number of 30 as part of NSDI II. The Sector Wide Approach Mechanism, which aims to ensure coordination, programing and monitoring across the sectors, has been revised with the PM Order No. 157, date 22.10.2018 “On implementing the sector wide approach for the (cross) sectors and establishing and functioning of the integrated (cross) sectorial mechanism”. During 2018, twelve strategy monitoring reports have been prepared (seven monitoring reports were prepared in 2017). Fiscal Risk Unit (FRU) has quarterly monitoring main financial indicators of SOE-s and has prepared a consolidated SOE monitoring report, focusing on risks that come from energy sector. As well, a summary analysis was disclosed in the annual Fiscal Risk Statement. A New Standard Budget Preparation instruction was approved in February 2018. It was performed testing of output code implementation into AGFIS. Also, it was performed the migration data into MTBP production for the MTBP 2019-2021 in the new MTBP module in the AGFIS. MOFE revised the current arrangements and practices for appraisals and prepared guidelines and criteria to be used in the technical appraisal of large projects by MOFE. The decision ‘On Public Investment Management Procedures’ was approved by the Council of Ministers in March 2018 (CMD no.185).

The strategic projects, part of the NSPP, based on SPC/NIC decision, fiscal space and their prioritization, are introduced each year into the mid-term budgeting cycle based on procedure specified in CMD no 185. By the end of 2018, the National Investment Council (NIC) General Secretariat has finalised NSPP 2018. Regarding Local Government, the New Financial Planning Tool and the Manual on Financial Planning Tool, were approved. Financial Planning Tool (FPT) brought new formats for the preparation and reporting of the LG MTBP and all local units have used it for the preparation of the budget 2019. Furthermore two new guidelines for LGU budget monitoring and preparation of the MTBP were approved, with aim to ensure that the procedures and reports are unified for all LGUs in the medium term period.

Pillar 3: Efficient execution of the Budget Pillar 3 comprises ten objectives and is making **very good progress** despite being packaged within an unwieldy pillar framework.

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According to the outcome indicators, four objectives were met, two partially met, two not met and two could not be measured. There are two objectives covering taxation with one outcome indicator having been met, one indicator partially met and one not met. The *tax base increased* to 29 per cent employees and 16 per cent of businesses in 2018 and the *Tax efficiency ratio* increased more than expected. In terms of *reimbursement of VAT*, the cases reviewed versus total requests for reimbursement increased more than in 2017 achieving in the level 84%.

Customs revenue collection efficiency deteriorated as the deviation of actual custom revenue collection was (-) 3.8% for 2018.

Accumulated arrears for central government measured as a percentage of total accrued expenditure at the end of the fiscal year increased to 2.05 per cent. 74 per cent of Public Administration employees are now registered in the Human Resources Management Information System (HRMIS). A declining trend was achieved in the percentage of cases where the review body exceeds the legal maximum processing time. Debt management comprises two objectives: “Debt sustainability analysis, as well as debt management and debt sustainability strategies based on it are prepared annually”. The first outcome indicator was met as the ratio between domestic debt stock that re-fixes the interest rate within one year over the total domestic debt stock outstanding is reduced, regarding the second indicator, although the days to maturity for domestic debt increased from 780 days in 2017 to 783 days in 2018, the 2018 target value did not meet; The percent of cases reviewed by Public Procurement Commission within the legal deadline was decreased to 49 per cent. The **public assets** of six Budget Institutions (BIs) are recorded in AGFIS.

At the activity level, 24 actions comprise this Pillar, with six having been completed and 18 in progress. A Tourist Season Plan, focused in public awareness, was approved and implemented for the monitoring of tourism activities and risk management compliance for 2018. A project from Swedish International Development Cooperation Agency (SIDA), is ongoing to establish fiscal cadastre system in all municipalities (61). A General Directory of the Property Tax was established and the legislative framework was revised and finalized regarding new property tax law. Two awareness campaigns were conducted during 2018: awareness campaign for Business entities that were included in the VAT scheme and awareness campaigns for the entities operating in the field of tourism. General Directorate of Taxation (GDT) has required legal changes in the framework of improving the work for debt management processes. Some of the proposals have been considered and entered into force with the new fiscal package on 01.01.2019. Debt Reports over time have been revised and changes are required from the system regarding the inaccuracies that have been identified. A two-year period Action Plan on Debt Management, following IMF Recommendations was implemented during 2017 and 2018.

In *Customs*, the container manifests, air cargo manifests, express mail manifests are coming electronically. Two requests for Authorised Economic Operator are under review. The evaluation of customs declarations is carrying out through a central system. This system applied during 2018 has directly impacted on the detachment of contacts of the assessment officers with the entities. During 2018, 7.27 % of the total number of declarations (SAD) has been selected in Blue Channel. Meanwhile, declarations in the Green Channel increased, extending the base of this category from 5.58% (2017) to 8.60% (2018) of the total. This re-configuration has brought the first results in reducing the processing time of customs declarations. According to statistical data, declarations processed within 30 minutes have increased from 26% in 2017 to 37% in 2018. The structures in charge for managing the communication with the end-users are all established for General Directorate and Custom Houses. Regarding the implementation in Albanian Customs Administration the Integrated Tariff Management System fully in line with the EU – ITMS project, during the 7th Steering Committee meeting, held in December 11th 2018, the opportunity to request a no cost extension of the project of three months was discussed and agreed among the Twinning Project partners and the EU, in order to undertake some additional activities requested by the General Directorate of Customs (GDC). Based in the public administration reform on 2017, in the financial cost for user licenses for accessing AGFIS and in the vacancies of AGFIS functional staff the roll out of BIs into **AGFIS** is asked to be postponed in 2020 and reducing the total number of BI's from 150 to 60, since the BI number is reduced and budget concentrated in less BI's. On October 2018 the Republic of Albania, represented by the Ministry of Finance and Economy, successfully issued a new 7 year, Euro 500 million **Eurobond** at a coupon of 3.5%, and also completed Euro

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200 million buyback of its existing Eurobond. The Eurobond transaction aims: a) to manage the liquidity needs; b) to reduce the refinancing risk; c) to keep under control costs that may materialize in the medium term as result of rising interest rates in international markets beyond expectations; as well as d) to reduce the pressure on the domestic market. The new bond was issued on a 144a/RegS format, enabling the participation of onshore U.S. investors to the issue and contributing to a broadening of Albania's investor base. The Republic of Albania choose three big banks as Joint Lead Managers: Citi Bank, IMI Bank and Societe General Bank and Rothchild & Co acted as independent financial adviser of the Republic of Albania. The Head and members of the **Public Procurement** Commission were elected. The new commission which is now independent has officially started functioning on 16 July 2018. In view of improving the procurement legislation and alignment with the new EU directives and in view of transposing the directive 2009/81 on defence and security procurements and drafting of a law for this purpose, Inter-institutional working groups have been established by Order of the Prime Minister no. 129, date 29.08.2018 and by Order of the Prime Minister no. 128, of 29.08.2018, respectively. During 2018 initiated the World Bank project for IPSAS implementation, part of which is the asset management component.

Pillar 4: Transparent government reporting has only one objective, to ensure accounting and reporting compliance with International Public Sector Accounting Standards (IPSAS) *through increase of professional capacities and the IT infrastructure*. Considering the broad scope of increasing transparency agenda, this objective is particularly narrowly focused. At the activity level, five actions comprise this Pillar, with four in progress and one not started yet. These actions draw on the progress being undertaken within other pillars, such as Pillar 1 in relation to GFS reports. In order to achieve this objective improvements are made regarding its two outcome indicators. In this context: **a)** The Swiss SECO financed project "Development of Public Sector Accounting" implemented by the WB has started in 17.05.2018; **b)** The Boost application is available on MoFE website since April 2018; **c)** The portal of local finances continues to publish the data on local finances and is updated with the data on expenditures and revenues up to 4th quarter 2018 for individual local government units individually and in particular; **d)** INSTAT in 2018, compiled and transmitted an experimental table 11 (Expenditure of Government by Function) for the year 2017 and up to December 2018, 4 of 8 GFS tables were sent to EUROSTAT; **e)** Considerable work has been done on the preparation and producing of guidelines and by-laws to improve and to unify the reporting formats for budget execution of LGUs and are approved by the Minister of Finance and Economy in 2018; **f)** The 2017 budget execution report, was prepared by MoFE since May 2018, and was approved from General Assembly in July 2018. The actual version of the report is an extension and improvement in comparison to former years; **g)** Some legal/sublegal acts in the field of accounting and financial reporting approved are: Law 25/2018 "On Accounting and Financial Statements"; Instruction no. 39, dated 24.12.2018 "On the procedure for closing the annual accounts of the budget of 2018"; Instruction no. 8, dated 09.03.2018 "*On the Procedures for the Preparation, Presentation and Reporting of Annual Financial Statements in General Government Units*".

Pillar 5: Effective internal control comprises two objectives with one having been not met and the other partially met due to information being unavailable up to the date of reporting. There is a decreasing trend of usage of Financial Management Control (FMC) instruments in the public sector. At the activity level, eight actions comprise this Pillar, with five having been completed and three in progress. Instructions and manuals were issued and the 2017 PIFC Annual Report was approved. For the first time, in 2018, a detailed analysis of performance indicators for independent institutions and sub-ordinated institutions of the Prime Minister's Office was conducted and an assessment of the internal control systems was carried out based on the performance of these institutions. Two instructions were produced: "On Standard Budget Execution Procedures" and "On Budget Execution Procedures for General Governance Units Using the Government's Financial Information System". FMC system was started to be implemented in four institutions: (Ministry of Interior, Ministry of Infrastructure and Energy, Municipality of Vlora and the Albanian Road Authority

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(ARA)). Several meetings / trainings were developed with the selected institutions in order to prepare the instruments needed for the implementation of FMC, such as internal regulations and procedures, risk registers, manuals of work processes, process maps and audit trail to realize more effective management of public funds. While, frequent structural changes and the lack of engagement of the management level have led to the discontinuation of the realization of activities in the Ministry of Interior and the Ministry of Infrastructure and Energy. Training and monitoring sessions, workshops and meetings were held with high level managers and heads of central and local institutions. Several training sessions for internal auditors were held. Certification of 47 staff as “Internal Auditors in the public sector” for the period 2017-2018, as well as the beginning of the new certification process of 48 internal auditors, for the period 2018-2019. 10 external quality assurance are carried out in collaboration with SIGMA experts for audit activity in several LMs and public entities. A dedicated sub-menu is added under the MOFE official website “*Denounce the corruption of the public funds*”. Several meetings were held with the external public financial inspectors, as well as with representatives from the General Prosecutor's Office in order to increase the awareness on the public financial inspection function. The existing list of inspectors is being reviewed and will be approved by the Minister of Finance and Economy.

Pillar 6: Effective external oversight of the public finances has one objective “*Strengthening the external oversight function by bringing it in line with International Organization of Supreme Audit Institutions (INTOSAI) standards*”. Its three outcome indicators were met. Compliance audits decreased to 56 per cent while financial and performance audits increased to 17 and 11 per cent respectively. The indicator on percentage of audit recommendations accepted versus those issued and the indicator on percentage of audit recommendations implemented versus issued were met. At the activity level, five actions comprise this Pillar, with three having been completed and two in progress. 171 Audits were undertaken: 94 Compliance Regularity Audits (out of which 42 Pilot Compliance Audits); 29 Financial Audits (Pilot Audits); 18 Performance Audits; six IT Audits; and 24 Thematic Audits. The number of Pilot Audits is increased, in line with recommendations of European Commission (EC) Progress Report and SIGMA. The objectives set up in the Annual Audit Plan for the year 2018 are achieved as for carrying out 42 Compliance Pilot Audits and 29 Financial Pilot Audits. For the 144 audits of the period 1 of July 2017 till 30 of June 2018, the ALSAI has conducted 84 audits of verification of following up recommendations. Both, the rate of accepted and implemented audit recommendations had a significant increase consisting at the rate of 96% accepted recommendations and the rate of implemented recommendations was 60%. Recommendations were related to the proposals for improvements of legal framework, proposals for corrective actions: organizational, administrative and disciplinary measures.

An average of 29 days training was received by all auditors and ALSAI staff members. In 2018, the Continuous Professional Development was delivered through three main sessions, of 10 -20 topics in June, August and November 2018 and organized as in home trainings, with the pool of ALSAI experts. Directorate of IT Audit was upgraded to IT Audit Department and number of IT auditors was increased to 10 IT auditors. Each IT auditor was trained for more than 25 training days throughout the year 2018. The methodology and IT audit guidelines were developed and updated consisting in increasing the IT audit capacities. IT Audit Department carried out a total of six IT audits including two pilot audits. In November 2018, a two days' workshop under European Organization of Supreme Audit Institutions (EUROSAI) Programme was organized in Tirana with the participation of the SAIs auditors of the region, as well as IT auditors of ALSAI. ALSAI continues to improve its relations with the Parliament, especially with Economy and Finance Committee. In this regard, the guideline “*The institutionalization of the relations between ALSAI and the Parliament*” is approved by the Chairman of ALSAI, dated 30 June 2018. The Action Plan “*On the Implementation of the Recommendations of Parliament Resolution of 19 July 2018*” is approved by the Chairman of ALSAI. ALSAI has sent to the Albanian Parliament 56 audit decisions/reports, related to very sensitive issues. The meeting “*On Developing Effective Working Relations between SAI and Parliament*” organized by ALSAI and SIGMA, in June 4, 2018 played a great role in the intensification of the cooperation between ALSAI and the Parliament. The National Conference “*For an all accepted national anti-corruption authority well established in the governmental system*” was organized by ALSAI in collaboration with the Institute for Democracy and

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Mediation on 14 December, 2018. Decision of the Chairman of ALSAI is issued by the end of 2018 “*On the Quality Assurance of Audit Files*” in order to perform an independent review of audit work performed during the previous year. A set of check lists and Special Guidelines for Quality Control (QC) and Quality Assurance (QA) are developed and are under piloting in ALSAI audit procedures. The Manual for Fraud and Corruption Audit developed in collaboration with SAI’s experts of Poland is approved by the Decision of the ALSAI Chairman No.70, dated 30 June 2018. Trainings based on this Manual are delivered during August and November for all auditors.

Annex 1 presents the Status of implementation of Pillar actions during 2018. A traffic light system is used for status of the activities according to the implementation timeline, where Red=delayed (not started/in progress and out of the timeline), Green = on track (is in progress and within timeline). Colourless = Completed. Annex 2 provides an overview of the Passport of general PFM Indicators using a traffic light system where Red = Not Met; and Green = Met; light blue = not available. Annex 3 provides an overview of Specific Outcome Indicators for each Pillar, broadly relating to each Objective using the same traffic light (plus Amber = Partially Met). This is the detail that is reported on under each pillar within Section 3 of the report.

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1. INTRODUCTION AND CONTEXT

1.1. Introduction

This is the fourth Public Finance Management (PFM) Annual Monitoring Report for Albania and covers the period 1 January 2018 to 31 December 2018. It encompasses one year of reform efforts and provides detailed information to the PFM Steering and Technical Committees on progress achieved and challenges in meeting the Strategy's objectives and actions.

During 2018 the Government of Albania (GoA) continued to strengthen its capacities to meet the objectives set out in the PFM Strategy. Several reforms have been pursued, with the main focus being to improve performance against the public finance management framework. Performance is measured in relation to two groups of performance indicators: 'general' and 'specific'. These indicators are defined in the "Passport of Indicators", approved in October 2016 and reported on against the baseline for the first time in the Annual Monitoring Report, 2016. Performance has been assessed as a comparison of the values of 2018 with the values of 2017, since no specific target has been defined for the 2018 in the Passport of Indicators and if improvements have been scored the indicator value for 2018 is considered met. Therefore this year's measurement presents an overview based on trend analyses.

1.2. Fiscal progress in 2018

There are numerous quantitative measures that demonstrate the continuous efforts for the reforms to date and the significant challenges that the Government faces. The following tables provide a summary assessment of the government's key fiscal performance over the past four-years.

Table no.1: Out-turn of Budgetary Central Government Operations

	2015		2016		2017		2018	
	<i>Lek million</i>	<i>% of GDP</i>						
Total revenues	379,206	26.6	407,021	27.6	430,396	27.7	449,465	27.3
Total expenditures	437,408	30.6	433,697	29.4	461,408	29.7	476,138	28.9
Overall balance	-58,202	4.1	-26,676	1.8	-31,012	2	-26,673	-1.6

Source: Ministry of Finance and Economy, Macroeconomic and Fiscal Framework 2020-2022(January 2019)

Economic activity in Albania has accelerated in recent years. GDP growth averaged 4.3% in the first three quarters of 2018, up from 3.8% in 2017 and 3.4% in 2016. The economy is supported by favourable financing conditions, inflow of Foreign Direct Investments (FDIs), high business confidence and improving external environment. Falling unemployment and increasing capacity utilization rates suggest that the economy is approaching its potential.

- Labour market indicators have been gradually improving. Employment increased respectively by 4.9%, 3.3% and 2.3% in the first three quarters of 2018 and the unemployment rate has declined continuously standing at 12.2% in the third quarter, referring to individuals 15 years and older. (Institute of Statistics- INSTAT).

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- Net foreign direct investments have increased by 1.2% on annual aggregate terms during the first nine months of 2018. The growth was mainly concentrated in the first quarter of the year. FDIs associated with the major projects in the energy sector.
- Average inflation rate for 2018 was 2.0%.
- Exports of goods for Jan- Dec 2018 grew by **13.7%** compared with Jan-Dec 2017. Imports of goods for Jan- Dec 2018 grew by **2.4%** compared with Jan-Dec 2017.

The Ministry of Finance and Economy (MOFE) has the following projections for the main economic indicators for 2018 – 2022:

Table no. 2: Projections for the main economic indicators for 2018 – 2022

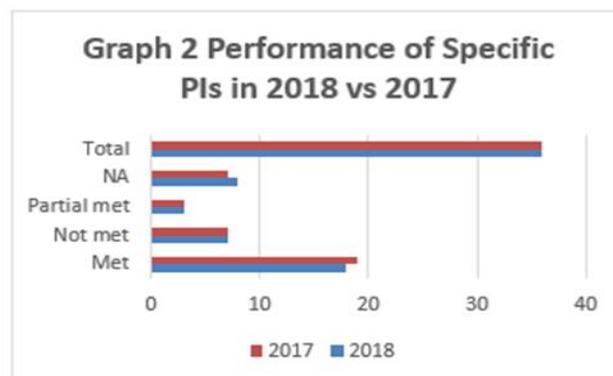
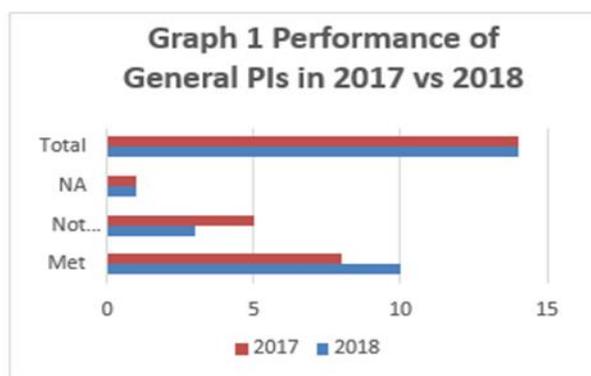
	2018	2019	2020	2021	2022
	Est	Proj	Proj	Proj	Proj
Real GDP Growth	4.2	4.3	4.4	4.5	4.5
Nominal GDP Growth	6.1	6.4	6.6	7.0	5.9
Inflation (<i>average</i>)	2.0	2.7	3.0	3.0	3.0
Exports (<i>% of GDP</i>)	7.5	7.7	7.9	8.1	8.3
Imports (<i>% of GDP</i>)	-30.1	-30.1	-30.0	-30.0	-29.9
Current account (<i>% of GDP</i>)	-6.7	-6.3	-6.1	-6.0	-5.9

Source: Ministry of Finance and Economy, Macroeconomic and Fiscal Framework 2020-2022(January 2019)

1.3. Overview of Key Performance Indicators' performance¹

14 general PFM indicators were in place during 2018: with ten met, three not met, and data was unavailable for one indicator. There was an improvement in performance of general indicators in 2018 compared with 2017. Regarding overall specific performance indicators, 18 out of 36 indicators were met, seven not met and three partially met. Data was unavailable for eight of the indicators.

Graphs 1 and 2 below present the performance of indicators during 2018 compared to 2017.



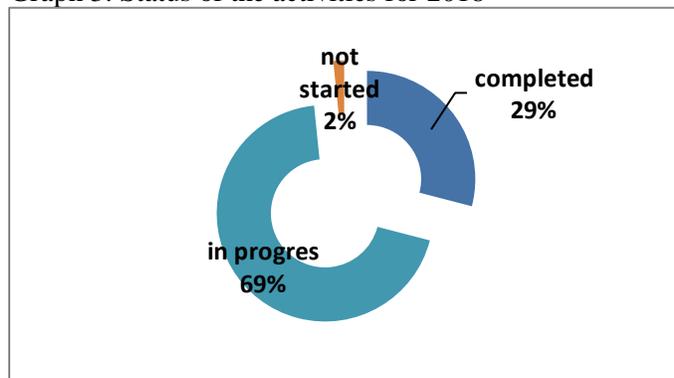
¹ No target values have been defined for the indicators in 2018, therefore the compliance of the indicators is analyzed considering their performance compared to 2017 and the trend targeted for 2020.

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This report provides an assessment of the Public Financial Management (PFM) eligibility criteria for the EU to provide budget support to Albania. The PFM eligibility criteria require that there is a credible and relevant programme to improve public financial management and there is a satisfactory progress in the implementation of the programme to improve public financial management. It is apparent that progress in PFM areas is satisfactorily with several reforms progressing and continuing to be implemented.

During 2018, as shown below (Graph no. 3), 29% of the activities have been completed, 69% are in progress and 2% has not started yet.

Graph 3: Status of the activities for 2018



No of activities	
Completed	18
In progress	43
Not started	1
	62

1.4. PFM Strategy instruments put in place

To achieve modern and efficient management of public finances Albania has adopted several instruments of reform: legislation, culture changes and process reengineering, capacity building and IT-development. A summary of adoption of these instruments during 2018 is given below (Table 1):

Table 1 PFM Strategy instruments

<p>Legislative changes</p> <ul style="list-style-type: none"> • Law 25/2018 "On Accounting and Financial Statements"; • Some legal changes in the framework of improving the GDT work processes entered into force with the new fiscal package on 01.01.2019. • 27 new decisions, guidelines, manuals, instructions were issued. <p>Capacity development activities:</p> <ul style="list-style-type: none"> • 3,225 staff are trained during 2018. • EU Technical Assistance primarily to support MOFE in strengthening the capacities for the implementation of the Public Financial Management Strategy has organized several workshops. • A technical assistance is provided to the MOFE and INSTAT by the State Secretariat for Economic Affairs. This project supports the implementation of both the Government Finance Statistics Manual (GFSM) 2014 and the ESA 2010. 	<p>Development of a full-fledged Integrated Financial Management System (IFMIS)</p> <ul style="list-style-type: none"> • The Boost application is available on MOFE website since April 2018. • Internal testing was performed regarding the integration of AFMIS with other systems (IPSIS, EAMIS, HRMIS, Customs, and PPA). It was performed testing of output code implementation into AGFIS. Also, it was performed the migration data into MTBP production for the MTBP 2019-2021 in the new MTBP module in the AGFIS. • The integration interfaces are developed in EAMIS system and tested successfully with dummy data (XML files). The EAMIS system is LIVE and can be accessed in the https://eamis.gov.al/mofe/ - public address. • EAMIS system will be integrated with the other Government systems, including IPSIS and AFMIS and ATRAKO • A dedicated sub-menu is added under the MOFE official website "Denounce the corruption of the public funds". <p>Changes in processes and management culture</p> <ul style="list-style-type: none"> • The World Bank project "Development of Public Sector Accounting" has started in 17.05.2018 • 56 participants has conducted 1-day training course on key
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concepts of public sector accounting, part of the 5-day training course of the internal financial control and implementation in practice of the main FMC elements.

- 122 Executing officers are trained on new FMC framework.
- 64 staff are trained on the “Managerial accountability” concept+

As secondary input in PFM reform are considered other financial reports, which are outputs from key PFM stakeholders. These reports are annually produced to present achievement of each institution and can be easily accessed in respective institution website:

- Annual GDT Report 2018².
- Annual Public Procurement Agency Report 2018³.
- Annual Public Internal Financial Control (PIFC) 2017⁴.
- ALSAI Performance Report 2017⁵.
- Summary Bulletin No. 4 for the Period January -December 2018⁶.
- ALSAI Annual Report 2017⁷.

The implementation of PFM Reform requires an inclusive approach in which coordination and cooperation are crucial elements for progress. The achievement of PFM reform objectives is conditioned by the challenges faced during 2018 such as:

- Many legislative changes to strengthen PFM Reform were made, but while the legal and operational framework is strong, implementation is still a challenge. At the activity level, access to resources and timely implementation of laws and regulations are key influences on the progress achievable. Beyond the implementation of laws, the knowledge possessed by people implementing the initiatives is crucial for effectively managing change.
- Integration of AFMIS with other systems (APP, HRMS, Debt Payment System, MTBP, and Customs) has not been finalized yet.
- As a result of the reorganizations of the MOFE, there have been a considerable number of vacancies. However, these vacancies will be filled out in cooperation with DoPA.

1.5. Mid - term evaluation

The MOFE during 2018, with the support of PFM TA undertook Mid Term Review (MTR) process of Albania PFM Strategy 2014-2020. The evaluation was based on a peer review approach involving all key stakeholders, covered the period from 2014 to 2018 and highlights the achievements and challenges of the strategy implementation in relation to the expected activities and objectives.

The MTR process began: **In the first stage**, a desk top stock-take of progress has been undertaken and a Draft Stock Take Report was produced by directorate of PFM (DR-PFM). An internal government launch of the “Mid Term Review (MTR) of Albania Public Finance Management Strategy 2014-2020” on 4 May, 2018. The MTR had already been communicated to the PFM Steering Committee, held on 21 March, 2018. The main purpose of the workshop was to launch the PFM Strategy Mid Term Review methodology.

In the second stage, during June 2018 the Draft Stock Take template was sent to all responsible units part of PFM strategy where they contributed with updating the information, and after elaboration of their contribution by DR-PFM, technical meetings were organised with each of them. During the technical meetings were

² <https://www.tatime.gov.al/c/8/42/49/strategjia-dhe-raporte>

³ <http://www.app.gov.al/GetData/DownloadDoc?documentId=44e86d14-e887-410d-bbc4-40749a49b77e>

⁴ https://financa.gov.al/wp-content/uploads/2018/07/Raporti_Vjetor_i_KBFP_2017.pdf

⁵ http://www.klsh.org.al/web/Raporti_Vjetor_i_Performances_KLSH_2017_3452_1.php

⁶ http://www.klsh.org.al/web/001_buletini_nr_4_2018_4763_4767.pdf

⁷ http://www.klsh.org.al/web/Analiza_Vjetore_2017_3447_1.php

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presented the findings and challenges faced, as well as it was discussed for the status of actions and the upcoming changes, the main focus was the `AS-IS` and `TO-BE` situation. The DR-PFM elaborated all information discussed and asked them for new information.

In the third stage, during September-October 2018 directorate of PFM organised high level meetings for each of six pillars of PFM strategy. In each pillar meeting took part all component leaders for that pillar, and the General Secretary Mrs. Gelardina Prodani, also the Deputy Minister Mr. Elton Haxhi and the Deputy Minister Mr. Erjon Luci have participated in the meetings of according to their responsibility area. In this stage the draft report of MTR was discussed focusing more on the main priorities and issues that each unit has under their responsibility, also was discussed how international report assessment recommendations are addressed by each of these responsible units and to clarify the reasons of changing Passport Indicator. Since the revised PFM Strategy will have new priorities and objectives, new Indicators are added in order to measure the achievements of indicators.

The stock-take identified progress, achievements, Development Partners (DP) support received and extent of completeness. The Pillar Coordinators and Component Coordinators were the key stakeholders to provide their views and on progress and challenges to date. They have provided vital inputs and views for the Stock Take Report. They helped on identifying areas where progress has been unsatisfactory, including missed deliverables and delays, with the reasons for under-achievements as well as on identifying areas of ambiguity where it was unclear what progress has been made due to different reasons. Furthermore, they have identified the key priorities for the period 2018-2022. The MTR was helpful in define a more precise action plan for the period of 2018-2022 in relation to reform priorities, both existing and new. The senior management of MOFE met with the TC including PCs and CCs to discuss each of six pillars of PFM strategy, focusing on the main priorities and issues and proposed changes to priorities, objectives and the Passport of Indicators. These lessons and proposed revised priorities are outlined as: 1) Application of fiscal rule and fiscal principles; 2) FRS finalization and publication; 3) Implementation of Integrated Planning System Information System (IPSIS) and integration with AFMIS and EAMIS; 4) Fully implementation of new PIM procedures; 5) Fully implementation of the new MTBP methodology; 6) Strengthen legal framework for a better management of PPP and Concessions; 7) Well integrated and efficient planning and budgeting in local government; 8) Revenue collection maximization; 9) Fiscal Cadaster established and operational; 10) Start using Asset Management module in AGFIS; 11) Implement IPSAS; 12) Transmission of GFS tables; 13) Use of FMC requirements to improve internal control systems and achieve objectives and results; 14) Strengthening Internal Audit (IA) function in the public sector; 15) Improving the efficiency of public financial inspection; 16) Strengthening the external oversight function by bringing it in line with INTOSAI standards; 17 Strengthen Parliamentary oversight and accountability for public spending.

In the fourth stage, a two-day External Peer Study Tour was organized in cooperation with the Department of Finance of Ireland during 28th February-1st March. The purpose of the External Peer Review Study Tour was to explore good practice in relation to the key PFM reform priorities going forward, within a revitalised context, aiming to increase the clarity and pace of reform.

In the fifth stage, the redrafted PFM Strategy and Action Plan 2019-2022, along with areas requiring DP support, was presented during a multi-stakeholder Workshop hosted by the SC, inviting DPs and CSOs by the TC for consultation. The workshop was organised by the DR-PFM supported by the TA team and was held on 13 March 2019.

2. PFM SECTOR DONOR SUPPORT

2.1. Donor funding

Public Finance falls under the National Strategy for Development and Integration (NSDI-II) 2015-2020, Pillar “*Growth through Macro Economic and Fiscal Stability*”. The sector is dominated by loans, provided by the World Bank. Other donors in the sector include: the EU, Sweden, Switzerland, and USAID which provide their assistance through grants, as well as International Monetary Fund (IMF). There were 15 donor supported

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projects under implementation during 2018 (See annex 4). Commitments for the new projects for each year are shown below; with Eur. 8.104 million committed to new projects in 2018.

2014	2015	2016	2017	2018
583,683,590	8,843,326	52,904,762	88,151,676	8,104,300

EU through Instrument for Pre-accession Assistance II (IPA II) 2014-2020, continued to provide financial assistance for Albania, the majority of which is through sector budget support for Public Financial Management (€42 million). The PFM Technical Assistance component, which has commenced in April 2017, aims to strengthen the capacity of the stakeholders to implement the PFM strategy, providing better coordination and management of the reform process, transparency and accountability processes through enhanced dialogue and availability of information through Parliament. The IPA I EU-funded projects on Modernisation of the Customs the EU continued to contribute to the modernisation of the Albanian Customs Administration through implementation of the New Computerised Transit System and the Integrated Tariff Management System. And a large number of equipment have been provided, including customs laboratory equipment, digital surveillance system, and specialised vehicles. In addition, the EU has supported a two-year initiative aiming to strengthen the Albanian audit system, including improvement of legislative framework for audits and strengthening of ALSAI institutional capacity and improving impact of ALSAI audit results.

World Bank has been providing substantial support to Albania in recent years, through several development policy operations. Through its Country Partnership Framework for Albania 2015-2019, the World-Bank has committed a package of a loan totalling \$ 1.2 billion. The Financial Sector Development Policy Loan (DPL) Project for Albania aims to support Albania's efforts to improve fiscal sustainability, strengthen public investment management, and improve financial stability. The objective of this operation is to enhance Albania's competitiveness through improving the investment regime, facilitating trade, and making it easier to do business, strengthen the resiliency of the banking sector and the regulation and supervision of nonbank financial institutions. The DPL is structured around three pillars: (a) adopting policy measures to reduce nonperforming loans (NPLs) and enhance the financial safety net, (b) strengthening regulation, supervision, and resolution regime of banks and Savings and Credit Associations (SCAs), and (c) strengthening the regulation and supervision of investment funds. This project directly contributes to the Country Partnership Framework (CPF) 2015-2019 objective to improve financial stability.

Sweden – In May 2018 the Government of Albania approved a grant of 36.3 million Swedish crowns (3.4 million euro) to support a project for creating a fiscal cadastre. The grant is being offered by Sweden's government through the country's international development cooperation agency, SIDA, and will be implemented during the 2018-2020 period. The main aim of the project to establish a cadastre designed for property tax purposes and to contribute to capacity building of local self-governments in Albania by increasing the efficiency of utilisation of budget revenues and introducing property tax based on market value.

Switzerland – has a large portfolio of projects supporting PFM, including: subnational PFM, macro forecasting, tax administration, government finance statistics, public accounting, and debt management. The funding agency is the State Secretariat for Economic Affairs (SECO) and most of these projects are implemented by WB or IMF. In 2018, Switzerland started the new project “Strengthening Public Financial Management at sub-national level in Albania”, aiming to contribute to the improvement of the subnational PFM in Albania to enable financial discipline, efficient use of public resources and improved service delivery. The project is supporting all 61 municipalities in Albania and the Ministry of Finance and Economy to develop

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and apply key PFM processes for more effective revenue collection, budget formulation, execution and monitoring, as well as internal control and audit.

Under the Integrated Planning System Trust Fund II managed by the World Bank and currently financed by EU/IPA 2013, Sweden, and Switzerland support continued to be provided in financing components to strengthen the finance systems, through Albanian Finance MIS (AFMIS), External Assistance Management Information System (EAMIS), and Integrated Planning System MIS (IPSIS), as well as to strengthen capacities of the Government for Macroeconomic forecasting and budget preparation. The main three are providing an automatized platform for the functioning of the Integration Planning System. Important progress in implementation of all 3 systems, IPSIS, AFMIS and EAMIS, has been made during 2018. AFMIS modules are being prepared and possible integrations with EAMIS and IPSIS system are in process. AFMIS at the local level would be an opportunity for further support by development partners.

USAID continues to support fiscal decentralisation.

The **IMF** has continued to provide technical advice to the Ministry of Finance and Economy especially in the areas of public financial management and revenue administration, upon successfully concluding its three year program on February 2017 aimed at restoring economic growth and controlling the rapidly rising public debt that had threatened the stability of economy. In the area of PFM, the IMF has carried out an assessment of the public investment management framework and provided subsequent TA in improving PIM framework including Public-Private Partnerships. Substantial TA has been provided to assist the authorities in establishing a Fiscal Risk Unit, produce a Fiscal Risk Statement and enhance capacities in identifying, quantifying and managing fiscal risks. TA has been provided also in the area of cash management and cash forecasting, although subsequent TA and a better integration with debt management is needed. In the area of Revenue Administration, the IMF has a long and sustained involvement in providing technical assistance to the Tax Administration with the aim to help the GDT (General Directorate of Taxes) in improving governance, closing the tax gap, adopting modern risk-based compliance and audit methods and addressing chronic deficiencies in clearing VAT refunds. Some of the TA activities provided in these areas is co-financed by the EU and SECO.

Participation in DG TAXUD Program Customs 2020 - Since 2014 the Government of Albania has signed an agreement with DG TAXUD for participation in Program "Customs 2020" from 1st of April 2014 to 31st of March 2020. The overall objective of the Program is to support the functioning and modernization of the Customs Union in order to strengthen the internal market through cooperation between the participating countries, their Customs Authorities and their officials. Participation in Program "Customs 2020" will continue to have an impact on the strengthening of cooperation with the other EU participating countries of this Program.

In addition, **capacity building in PFM** is being developed through workshops, study tours and conferences, provided by OECD/SIGMA, a regional EU-funded IMF implemented strengthening of PFM programme, Regional School of Public Administration (RESPA), Joint Vienna Institution (JVI), Centre of Excellence in Finance (CEF), and TAIEX.

2.2. Assessments related to PFM

2.1.1. EU funded PFM Technical Assistance

In support of the PFM SRC, the EU funded accompanying Technical Assistance (TA) commenced in April 2017. The overall objective of the TA is to strengthen the capacity of the Government and especially the MoFE and other stakeholders to implement the public finance reform strategy, strengthened transparency and

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accountability processes through enhanced dialogue and availability of information through Parliament, High State Control and strengthen the capacity of the MoFE for the better coordination and management of the reform process. It will also provide assessment, policy advice, capacity building etc. to the MoFE and other stakeholders involved in relation to the implementation of the reform process.

The project's key outputs for each component during 2018 are outlined below:

Component 1: EU Budget Support Management in MOFE

1. Two workshops aiming to integrate Budget Support programs within MTBP were delivered;
2. ToR for the establishment of a SBS cross-sectorial Working Group were drafted and agreed by Secretary Generals of all Line Ministries.

Component 2: Management of PFM Reform

1. Extensive review of key MOFE Functions and reports undertaken and a comprehensive Functional Review Report 'Decision Making Calendar: Reporting and Institutional Arrangements' report and presentation delivered to the MOFE;
2. Technical Committee launch workshop of the "Mid Term Review (MTR) of Albania Public Finance Management Strategy 2014-2020" with the relevant stakeholders of the PFM strategy was held where the approach to undertaking MTR paper was approved;
3. Supported DR-PFM to undertake the MTR of the PFM Strategy and to jointly prepare the report and present the findings.

Component 3: Annual and Medium Term Budget Planning

1. Preparation of the revised Standard Budget Preparation Guidelines (SBPG) that have been approved by the MOFE and replaced the previous outdated guidelines;
2. Preparation and organization of the MOFE "launch event" for the SBPG with participation of over than 80 participants from the Budget Institutions;
3. Design and delivery of six standard training courses of 1.5 - 2 days and four 2-day extended training for the four pilot ministries on the new SBPG;
4. Extensive comments to the MOFE Public Investment Management guidelines and COM Decree on Investment budgeting provided;
5. Support to preparation of MTBP document 2019 – 2021;
6. Assisted MOFE to draft the Budget instructions for the Technical phase;
7. Standard and extended training in MTBP methodology including designing Key Performance Indicators (C2) delivered to central and LMs Budget and Program Managers;
8. Drafting of Lessons Learned Report on review of progress of implementation of the revised MTBP methodology;
9. Preparation in progress of revised Sector Guides for selected ministries.

Component 4: Budget Transparency and Comprehensiveness

1. Design Methodological Framework for Citizens' Budget report;
2. Budget Transparency and Comprehensiveness Briefing Note prepared;
3. Training of CSOs (and the Media) for understanding OBL and identify optimal modalities for their involvement in the process organized;
4. Identifying the gaps between OBL implementation and CSOs' participation. Formal Budget Hearing consultation event on 20th June, in line with OBL requirements held with 52 participants and minutes of meeting delivered to the MOFE;
5. Assisted the MOFE to strengthen the current methodology for production of the citizen's budget including the preparation of the Citizen Budget 2019;

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6. Policy note on improvements to Annual Budget Execution Report prepared and recommendations discussed with MOFE;
7. Assistance in amending the instructions for periodic budget monitoring reports delivered;
8. Delivery of two 2-day training courses to all Line Ministries for improving budget monitoring report capacities at BI level to 140 civil servants.

Component 5: Public Internal Financial Control

1. Proposals for Improving the Annual PIFC report delivered;
2. Report “Root cause analysis of arrears of the Albanian government” discussed with key MOFE stakeholders and final report delivered. Implementation of Project recommendations monitored throughout the year;
3. Role and Responsibilities of the Secretariat established to improve the ratio of implementation of HSC recommendations were defined in some Terms of Reference and discussed with representatives of the HSC and the MOFE;
4. A report on the efficiency and effectiveness of the current PIFC monitoring system prepared and a workshop to validate it with key players was held.

Component 6: Communication and Public Awareness

1. Communications Strategy and Plan redrafted and currently being finalized;
2. Assistance to strengthen MOFE’s external communications through an external survey commissioned and designed in conjunction with PAR;
3. EU May Campaign designed and delivered.
4. Range of PFM branded materials (MOFE & EU) produced including: CSO Budget Brochure produced (animated video); new workshop banners; project signage; and USBs.

2.2.1. The Principles of Public Administration SIGMA - Monitoring Report

Support for Improvement in Governance and Management (SIGMA)’s Public Administration Reform (PAR) undertook the Assessment for the year 2018. Several meetings were held with the respective coordinators of the principles of the PAR in order to explain the process of the collection of the data for the principles that are being assessed. During January 2019, the required data are being collected and the report is under preparation. The final report will be published during the upcoming months.

2.2.2. Compliance Review mission

In the context of EU Budget Support Program, during 2018, the EU Delegation commissioned two Compliance Reviews of support to PFM reform Albania⁸, respectively the third and the fourth Compliance Review missions. Compliance Review team at their third mission from 5th to 15th of March 2018, held in Tirana, made a final assessment in order to verify the 3rd variable tranche objectives compilation under the PFM's Sector Reform Contract (SRC). During this mission the responsible units for each of eight indicators in collaboration with Compliance Review team revised the indicators and finalised that two of them being postponed for the next year. Compared to our self-assessment, in which we assessed four out of six specific conditions as Met, one Not Met and one Partially Met, Compliance Review team reported that from six specific indicators four conditions were fully compliant, one partially met and one condition not Met.

Indicator no. 7 “*Fight against corruption, fraud, conflict of interest*” with the target “Annual increase of final convictions and sanctions as per article 257 and 257/a, of the Criminal Code as from 2016” was not Met as the

⁸ To assess the fulfilment of the general and specific conditions of the Instrument for Pre-Accession Assistance 2014 (IPA 2014) Public Financial Management Sector Reform Contract (PFM SRC)

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number of final convictions and sanctions as per article 257 and 257/a, of the Criminal Code for 2017 is 13, lower than 2016 figures (20 cases).

Table: Compliance and disbursement for the specific conditions of 3rd tranche

	Weight	3 rd tranche Amount €	Status	Disbursed €
Variable tranches		10,000,000		
1 Improved legal and fiscal framework	12.5%	1,250,000	Met	1,250,000
2 Improved planning and budgeting of public expenditures	12.5%	1,250,000	Met	1,250,000
3 Enhanced expenditure control	12.5%	1,250,000	Partially Met	625,000
4 Improved tax administration	12.5%	1,250,000	Postponed *	
5 Strengthened public procurement review	12.5%		Postponed*	
6 Improved transparency	12.5%	1,250,000	Met	1,250,000
7 Fight against corruption, fraud and conflict of interest	12.5%	1,250,000	Not Met	0
8 Strengthened external audit	12.5%	1,250,000	Met	1,250,000
3rd variable tranche Disbursed				5,625,000

* The assessment of these two indicators was postponed and the disbursement request will be sent for approval in the first trimester of 2019, with the 2018 PFM Progress Monitoring Report.

The fourth of five compliance review missions for the assignment was undertaken in Tirana from 10th to 21st September 2018, focused on the assessment of the general conditions. Given the interim nature of the assignment, the Assessors focused their mission mostly on: a) To drill down the analysis of the PFM SRC general conditions on selected thematic areas; b) Provide suggestions to the Government on how to reach full compliance for the release of funds for specific conditions 4.3 and 5.3, following their formal postponement to 2019.

2.3. Visibility of the PFM strategy

The PFM Reform Strategy also serves as a policy dialogue framework for all donors and civil society actors active in the sector. Meetings of the both the PFM Steering Committee (SC) and the Technical Committee were held during 2018 where the progress of the implementation of the PFM Strategy was reported. The SC was attended by key PFM stakeholders for GoA as well as donors/development partners.

In 2018 the following visibility and information activities were carried out:

- MoFE, supported by EU Technical Assistance for Public Finance Management, in cooperation with the Open Society Foundation for Albania and the World Bank organized a Consultation Roundtable on April 16, 2018 focusing on increasing transparency of public finances. This roundtable was attended by the EU Ambassador in Albania, representatives from Ministry of Finance and Economy, the Open Society Foundation for Albania, and the civil society. In order to increase transparency, the awareness of actors, especially civil society and non-governmental organizations, was highlighted, to cooperate with public institutions to make public finances more understandable and responsive, as well as the government's commitment ensuring an open and meaningful process of stakeholder consultation and involvement, regarding the need to institutionalize consultation processes; providing access to stakeholders and accountability of institutions, to develop an essential dialogue with citizens and civil society on priorities; challenges and eventually budget constraints. In this meeting was introduced the interactive Boost online

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budgeting platform, created in cooperation with the World Bank. The Boost Platform allows full access to budget data and its visualization according to citizens' preferences.

- In accordance with the 2018 budget calendar, with the support of the Open Society Foundation for Albania, on 28 and 29 April, consultations with civil society organizations on the sectors of education, health, social protection and culture were organized.
- On 20 June 2018, MOFE and the line ministries organized a Consultation Workshop Policy Priorities in MTBP 2019-2021. The workshop was attended by civil society organizations, universities, representatives from MFE, the Prime Minister, key program managers from the line ministries and the EU Technical Assistance Team for Public Finance Management. In this meeting was discussed with civil society organizations on the priorities for funding in the next budget cycle.
- On the 2017 Annual Consolidated Budget Implementation Report that was published by the MoFE in June 2018, for the first time is included the implementation of the fiscal principles and rules established in the OBL.
- The Mid-Year Budget Execution Report for 2018 was published. It has extensive information for the period January – May 2018 on the macro fiscal situation and the expectations for the remaining period June - December 2018.
- The General Directorate of Taxation has conducted two awareness campaigns: for business entities that are involved in the VAT scheme, and for entities operating in the field of tourism.
- The structures in charge for managing the communication with the end-users (*Citizens / Business Information Points*) are all established for General Directorate of Customs and Custom Houses.
- FRS was finalized and was included as a separate Chapter (Ch.8: Fiscal Risks and Prevention Measures”) in the draft-Law for 2019’s Annual Budget. On October 26th it was approved by the CoM and officially submitted to the Assembly, as well as published on the MoFE’s website.
- The portal of local finances continues to publish the data on local finances and is updated with the data on expenditures and revenues for individual local government units.

In order to improve the management of SBS supported Sector Strategies, MoFE in collaboration with PFM TA organized several meetings, in which MOFE, ME&FA, PMO including DOPA, MoIE, MoJ; and EUD have participated:

- On 7 - 8 February 2018, was organized the first Multi – Stakeholder Workshop. The key objectives were: i) to understand the benefits Sector Budget Support and improve its management, coordination and collaboration across government; and ii) to provide an overview of current SBS supported Sector Strategies and present good practice approaches for costing them, to inform the new MTBP.
- The second workshop was held on 25 - 26 June, 2018. The key objectives were: i) to introduce SBS funding modality and instrument; ii) To provide an overview of the SBS cycle requirements, eligibility criteria and indicators’ monitoring; iii) To brief sectors on how to prepare their EUD disbursement package request; iv) to inform sectors of the EUD Compliance Review methodology and how to prepare for EUD-contracted Compliance Review missions; and v) to consider institutional arrangements for SBS Knowledge Management.
- Finally the third workshop was held on 19 – 20 December 2018. The overall workshop objective was to determine roles and responsibilities of stakeholders and practical support needed to fulfil requirements of Sector Budget Support.

3. PROGRESS ON PFM REFORMS FOR 2018

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3.1. Pillar 1- Sustainable and prudent fiscal framework

3.1.1. Summary of Pillar 1 progress

This Pillar demonstrates satisfactory progress with four objectives and four outcome indicators having been met. The **first objective** of the Pillar is “*Fiscal responsibility framework for fiscal management established in the legal framework*”. The outcome indicator is “*Debt to GDP ratio planned for each budgetary year is lower than the ratio for the previous year, until the ratio of debt reaches and remains below 45% of GDP*”. The indicator value of 67.2% per cent for 2018 is in compliance with indicator trend for the upcoming years. Therefore target for declining trend is **met**. The annual deficit is *significantly lower than the planned capital expenditure*.

The **second Pillar objective** is “*Sustainable and prudent fiscal frameworks, based on clearly stated fiscal objectives, underpin the budget*”. The outcome indicator “*Forecasted nominal GDP used in each budgetary planning phase should not be higher than the respective forecasted nominal GDP in the World Economic Outlook, published by the IMF*” was **met** since nominal GDP was 5.9 billion ALL – less than the IMF forecast.

After fiscal rules were introduced in OBL, more efforts have been made to enforce these rules and principles. In the 2019 budget, as well in fiscal framework 2019-2021, special sections have been included explaining the full compatibility of these two Acts.

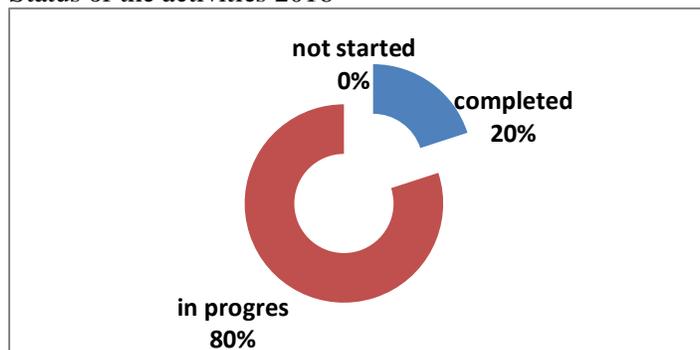
In terms of National Accounts, the **third Pillar objective** is “*Independent statistical agency produces reliable and timely National Accounts*”. The outcome indicator was **met** “*Compilation of Government National Accounts according to ESA 2010*” having been achieved in 50 per cent in 2018. During 2018, INSTAT, MOFE and Bank of Albania (BOA) continued working for transmitting GFS statistics respectively: four out of eight ESA required tables: Table 2 Main Aggregate of General Government; Table 9 Taxes and other Social Contribution accounts; National Tax List and Table 11 Expenditure by Function. MoFE transmitted all (four) tables part of the Government Finance Statistics Yearbook (GFSY). BoA did not transmitted related to GFS. In 2019 it is planned to send three new tables for Financial Accounts.

Fiscal Risk Management is the **fourth objective**, is “*Adequate capabilities to detect, monitor and propose measures to mitigate fiscal risks faced by the government*”. For the year 2018, the indicator value 80 per cent of categories covered by the Statement of Fiscal Risk (SFR) relating to the outcome indicator “*Accuracy of identification of risks and their likely impact, taking account of mitigation measures applied*” shows that target was **met**.

At the activity level, **five actions comprise this Pillar, with one having been completed** and four in progress (Graph 4).

Graph 4: Pillar 1- Sustainable and prudent fiscal framework

Status of the activities 2018



No of activities	
Completed	1
In progres	4
Not started	0
	5

Notable **outputs and challenges** against actions are as follows:

Improve forecasting methodologies (completed): During 2015-2018, the Macroeconomic Directorate has been receiving TA program through Switzerland’s funding (SECO) to improve forecasting skills and strengthen evidence-based policymaking. The program will be finalized in Q1 2019. An international consultant has developed a financial programming tool, jointly with the participants from MOFE, Bank of Albania and INSTAT, which has established a stable and coherent group of participants in regular training sessions. Two workshop missions were held respectively in April and September 2018.

“Strengthen INSTAT’s capacity in the area of Government accounts” (in progress/on track), supported by SECO through IMF: INSTAT continued efforts to strengthen capacity in the area of Government accounts. An updated list with institutional unit (IU) classifications was published on the INSTAT Website in September 2018 and will be regularly published to ensure transparency for users. For the first time, in 2018, INSTAT compiled and transmitted an experimental table 11 (Expenditure of Government by Function) for the year 2017. Up to December 2018, 4 of 8 GFS tables were sent to EUROSTAT.

Strengthen fiscal risk management and reporting within the MOFE (in progress/ delayed): During 2018, MOFE consolidated the analytical and narrative information regarding the major risks matrix, focusing especially on the risks related to macro indicators, SOE-s, PPP-s, new arrears and court decisions. FRS was finalized in a single report. On 26 October 2018 it was approved by the Council of Minister and officially submitted to the Assembly, as well as published on the MoFE’s website.

3.1.2. Fiscal rules, forecasting and fiscal responsibility framework

Objective		
Fiscal responsibility framework for fiscal management established in the legal framework		
Outcome indicator		
The Debt to GDP ratio planned for each budgetary year is lower than the ratio for the previous year, until the ratio of debt reaches and remains below 45% of GDP”		
Indicator value		
The indicator value for 2018 was met since the declining trend is present compared to 2017.		
Baseline (2013)	2018	Target for 2020
70%	67.2% ⁹	Declining trend

⁹ (Note: Referring to the Analytical Fiscal Statistics for December 2018, published on February 2019. GDP estimation for 2018 are subject to change since the INSTAT publishes the data for GDP Q4-2018 by the end of March 2019.)

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This component was completed in 2016 when fiscal rules were introduced in Organic Budget Law (OBL). However, works and efforts continue to enforce these rules and principles. In the 2019 budget, as well in fiscal framework 2020-2022, special sections have been included explaining the full compatibility of these two Acts with principles and the respective fiscal rules defined in OBL no. 57/2016.

The fiscal consolidation aims to achieve a debt to GDP ratio that continues its downward trajectory, which commenced in 2016.

In full compliance with the obligations deriving from the Organic Budget Law (OBL) No. 57/2016, the fiscal framework 2020-2022 materializes the following fiscal principles and rules:

1. *In each annual budget law, original or revised, and in the medium-term budget planning, the ratio of public debt to GDP shall be planned lower than the estimated level of the previous year, until the debt level reaches and stays under the threshold of 45% of GDP.*

In accordance with this provision (fiscal rule) of the OBL, the fiscal framework 2020-2022 targets an annual a level of total public debt in percentage of GDP lower than the level of the previous year.

2. *Nominal value of GDP in ALL which is used to calculate the ratio of public debt to GDP for projected years and for previous year, cannot be higher than the one forecasted or estimated in the IMF's World Economic Outlook report, the latest published in the time when annual budget proposal is submitted for approval to the Assembly. This fact is clearly documented in the explanatory note of the annual budget proposal.*

In accordance with this provision (fiscal rule) of the OBL, the 2020-2022 framework is based on the following nominal GDP projections, which are not higher than the projections of the World Economic Outlook report of International Monetary Fund, most recently published on October 2018.

	Forecasted nominal GDP of the IMF and MFE					
	(in billion ALL)					
	2016	2017	2018	2019	2020	2021
			Fore.	Fore.	Fore.	Fore.
IMF – World Economic Outlook	1,475.3	1,553.0	1,653.5	1,754.4	1,869.3	2001.5
MFE	1,475.3	1,552.9	1,647.6	1,752.7	1,869.2	2000.3
Difference IMF - MFE	0	0.1	5.9	1.7	0.1	1.2
<i>(Difference should not be less than zero)</i>						

3. *Each planned budget year includes a specific contingency of no less than 0.7% of total budget expenditure, to compensate potential risks from fluctuation of exchange rates or interest rates, affecting the debt level.*

In accordance with this provision (fiscal rule) of the OBL, the 2020-2022 framework includes each year in a separate item, labeled "Contingency on interest rate fluctuations, etc. "a contingency of at least 0.7 percent of total expenditures.

4. *Revenues from privatization are not part of the budget planning. In case of their collection, they are used not less than 50% for the public debt reduction, and the remaining part for investments.*

In accordance with this provision (fiscal rule) of the OBL, the 2020-2022 framework does not include revenues from potential privatizations.

5. *The annual amount of the budget deficit cannot exceed the annual amount of capital expenditure, approved each year in the budget law.*

In accordance with this provision - "golden rule" - the OBL, the annual deficit targets in the 2020-2022 framework are lower than the planned capital expenditure. Consequently, the targeted current balance is positive at an average of 3.5 percent of GDP in each programmed year.

Action 1: Improve forecasting methodologies (completed)

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The Macroeconomic Analysis and Statistics Directorate has been receiving TA since 2015, to improve forecasting skills and strengthen evidence-based policymaking. Through Switzerland’s funding (SECO), an international consultant has developed a financial programming tool, jointly with the participants from MOFE, Bank of Albania and INSTAT, which has established a stable and coherent group of participants in regular training sessions. The program had finished its technical phase involving the construction of the model since in 2017, while in 2018, all the sectors of the economy: *Real sector, Fiscal sector, Monetary and external sector* were elaborated in details. During 2018, two workshop missions were held respectively in April and September. There were 5 participants from the Ministry of Finance and Economy (four of them are part of the Macroeconomic Analysis and Statistics Directorate). Other participants were from the Bank of Albania and INSTAT. By the end of the last module in September, all the participants were provided with certificates. The project will be finalized in Q1 2019, with the production and printing of a Manual for the use of the model for MoFE staff.

The methodology used for forecasting the revenues by the Macroeconomic Analysis and Statistics Directorate has been improved due to this Financial Programming training. By the end of 2018, the percentage change between revenues estimated in the Macroeconomic and Fiscal Framework 2019-2021 and the actual total revenues from the Analytical Fiscal Statistics of December 2018, went down to -3 % from -10.2% that was in 2013.

<i>Objective</i>		
Sustainable and prudent fiscal frameworks, based on clearly stated fiscal objectives, underpin the budget		
<i>Outcome indicator</i>		
Forecasted nominal GDP used in each budgetary planning phase should not be higher than the respective forecasted nominal GDP in the World Economic Outlook, published by the IMF		
<i>Indicator value</i>		
The indicator value for 2018 was met , as the forecasted nominal GDP of the MoFE \leq the forecasted nominal GDP of the IMF, therefore this difference for 2018 is ≤ 0 .		
Baseline (2013)	2018	Target 2020
+14.3	-5.9 billion ALL	≤ 0

3.1.3. Government National Accounts

<i>Objective</i>		
Independent statistical agency produces reliable and timely National Accounts		
<i>Outcome indicator</i>		
Compilation of Government National Accounts according to ESA 2010		
<i>Indicator value</i>		
The indicator value was improved compared to 2017 (25 %). The indicator was met since it was increased compared to 2017 and the trend is in compliance with the target 2020.		
Baseline (2016)	2018	Target 2020
0%	50%	75%

INSTAT continued the effort to strengthen capacity in the area of Government accounts finalizing the main objectives, supported by the SECO funded IMF assistance:

- An updated *list with institutional unit (IU) classifications* was published in September 2018. This list included all the Institutional Units classified inside the Public Administration for 2017. An addition to this list was the publication of the main changes from the previous publication, where new or old units were displayed.

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- Work continues for creating a sustainable statistical system of public administration following the requirements of the ESA 2010 transmission table. INSTAT has been working towards improving the quality and quantity of data necessary for GFS and ESA 2010 requirements.
- For the first time, in 2018, *INSTAT compiled and transmitted an experimental table 11* (Expenditure of Government by Function) for the year 2017. Up to December, 4 of 8 GFS tables were sent to EUROSTAT and work is in process to prepare and send the fourth table. In 2019 new table on Financial Accounts will be sent to EUROSTAT on experimental basis. INSTAT continues to send Excessive Deficit Procedure (EDP) table twice a year, following the requirements of EUROSTAT. The latest transmission was made in November of 2019 with data on 2014-2017. INSTAT has developed EDP tables on an experimental basis since October 2014.

Action 1. Complete classification of all public entities (*completed*)

Even though, this activity was completed in 2017, INSTAT continues to work with the classification list. The list is being checked every year and updated, if needed. The new list was published in September 2018 with the latest improvement. Also the list published included the changes from previous publication, where new or old units were displayed.

Action 2. Creation of a sustainable statistical system of public administration (*in progress/on track*)

During 2018 INSTAT, MoFE and BoA have met regularly to discuss the creation of a system of exchange of information to suit all the need of the three statistical producers. During the second half of the year, an IMF mission was conducted to take notes on the data sources available and possible output of the system that is being built for GFS. Still work is in progress to create an integrated system.

Action 3. Ensure collection of information (*in progress/on track*)

INSTAT has collected information on Extra-Budgetary units, aiming to cover the General Government Institutional Sector. With the IMF mission, INSTAT has been working to integrate the available information in a standard system and started working on the consolidation of the Accounts. Still work is in progress.

Action 4. Prepare Review/Transparency policies (*in progress/on track*)

No new development under this activity.

3.1.4. Fiscal risk management

Objective

Adequate capabilities to detect, monitor and propose measures to mitigate fiscal risks faced by the government

Outcome indicator

Accuracy of identification of risks and their likely impact, taking account of mitigation measures applied

Indicator value

The indicator value **was met**, since it was improved compared to 2017 (50%).

Baseline (2016)

2018

Target 2020

0%

80%

100% of categories are covered in the SFR

Action 1: Strengthen fiscal risk management and reporting within the MOFE (*in progress/ delayed*)

During September-October 2018, MoFE has consolidated the analytical and narrative information regarding the major risks matrix, focusing especially on the risks related to macro indicators, SOE-s, PPP-s, new arrears and court decisions. The fiscal risks analysis, in terms of the FRS was finalized in a single report, which was

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consequently included as a separate Chapter (Ch.8: “Fiscal Risks and Prevention Measures”) in the draft-Law for 2019’s Annual Budget. On 26 October 2018 it was approved by the Council of Minister and officially submitted to the Assembly, as well as published on the MoFE’s website. **In conclusion, shall emphasize that for year 2018, the Fiscal Risks Statement is considered as completed and disclosed.** Its level of details was subject to MoFE's top leadership discussion, which decided the current format as such. In this regard, the further breakdown of the FRS's information is not excluded, regarding its preparation and disclosure for the year 2019, within the frame of the 2020's Budget Proposal. FRS publication shows that a credible risk management infrastructure is in place in order to cope with challenges facing country’s development path. FRS presents different and major fiscal risks:

- Fiscal risks related to macroeconomic assumptions and developments
- Fiscal risks related to government revenues
- Fiscal risks related to government spending
- Government debt and guarantees fiscal risks
- Public-private partnerships fiscal risks
- State-owned enterprises fiscal risks and
- Other fiscal risks

In order to pursue the performance of the state budget implementation, MoFE with the support of IMF and WB since 2017 is monitoring the risks associated with its implementation. This process aims, on the basis of in-depth analysis, to recommend the timely mitigation and / or prevention of fiscal risks, followed by a coherent decision-making. Fiscal risks are factors that can cause deviations from fiscal and budget projections over the budget cycle as a result of some unforeseen events. Risks may arise as a result of macroeconomic assumptions and developments, ad-hoc fiscal policy decisions and / or materialization of contingent liabilities.

The assessment of the probability and impact of fiscal risks is carried out on the basis of in-depth analysis and forecasts within the Medium Term Budget. Respectively, two categories of risk are assessed:

- *"Explicit"*, or risks related to macroeconomic assumptions and developments, government revenues, spending and debt management, etc.
- *"Implicit"* or contingent liabilities, PPPs, those of local self-government, state-owned public enterprises, other risks such as court decisions, natural disasters and the financial sector or long-term risks.

As a main task, during year 2018, FRU has been monitoring main financial indicators of SOE-s, focusing on risks that comes from energy sector. Every three months FRU prepares a consolidated SOE monitoring report. One of the FRU priorities for year 2019 is improving the SOE financial reporting process. Following the above there have been some improvements on the reporting process, such as information flow, deadlines and reporting formats. With the 2019 Budget Implementation Guideline, SOE-s have to report to the unit responsible for monitoring the fiscal risks (MFE), periodically on a quarterly basis and whenever required by MFE over certain periods or eventual specifications. This information is sent in writing and electronically as follows:

- SOE-s on energy sector (KESH, OSHEE and OST) send financial statements (balance sheet, income statement, statement on cash flows).
- Other SOE-s (not energy sector), send main financial data, (consolidated in an Annex).

Furthermore, a World Bank technical assistance is scheduled on February 2019, aiming to improve the consolidated SOE monitoring report. In this regard by the end of 2019 the status of this sub-activity will be completed.

3.2. Pillar 2- Well integrated and efficient planning and budgeting of public expenditure

3.2.1. Summary of Pillar 2 progress

Pillar 2 comprises five objectives, which show mixed progress, with two objectives having been met; and three without available data. The first objective of Pillar 2 for strategic policy development and review is

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“Prudent and stringent procedural framework for the preparation of the MTBP. MTBP framework that encapsulates the NSDI, government and sector strategic priorities for the medium term delivers desired results within sustainable financial resources for the three future years”. It comprises two outcome indicators. The outcome indicator 1 “Ratio between total funds estimated in the sectorial strategies and total funding identified for corresponding sectors within MTBP is 90%” is not available.

The outcome indicator 2: “Total planned expenditures (and revenues) for the MTBF adopted in year n /Total planned expenditures (and revenues) in year n in annual budget is 0%” which was **not met** since there should have been no deviation between total planned expenditures adopted for the first year of the MTBP against total planned expenditures adopted in 2018 Annual Budget.

In terms of capital investment planning, appraisal and inclusion in budget, the **second objective** is “A robust process is in place to technically and financially appraise all large public investment project proposals prior to their consideration by the Budget Committee of Cabinet for their inclusion in the budget. The outcome indicator - growing trend target is **met**: “share of public investment projects are proposed based on the strategic priorities of the government”, with 64 per cent of investment projects included in the MTBP; and 80 per cent of projects proposed being based on strategic priorities.

The **third Pillar objective** is “Strengthened processes and institutional capacity for initiating, appraising, prioritizing and approving capital investment projects”. The other outcome indicator is “Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations, which was **met**, achieving the 97 per cent target.

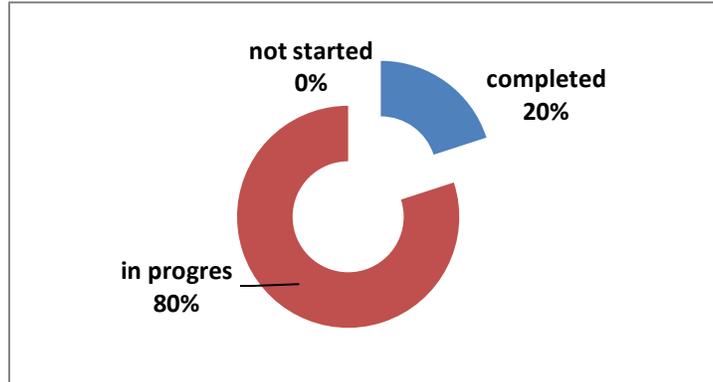
Objective 4 of Pillar 2 relates to Multi-year commitment controls: “Medium term commitments are comprehensively controlled within limits set by Government and Parliament through the Budget and related laws, regulations and instructions”. It comprises three current outcome indicators, outcome indicator 1 “The amount committed on multi-year projects for each year exceeding the approved budgets for those projects is equal to zero” which was **met** since the gap showed a declining trend from 682 million LEK in 2017 in 448 million LEK in 2018; and outcome indicator 2 “For all the on-line BI, all major projects are pre-committed in the system based on estimated disbursement schedules approved in the Budget process, before procurement action commences” was **not available** as the AGFIS and PPA systems are not integrated as yet, to ensure that funds are pre-committed in the Treasury System before the procurement process starts; and outcome indicator 3 “No payment arrears are recorded on multi-year capital investment project activities' after 3 years” **could not be measured** as the effect of multi-year commitment control implementation into AGFIS will be visible in 2019.

The **fifth and final objective of Pillar 2** is: “Prudent, effective, and efficient financial management of the local governments”, underpinned by three outcome indicators: outcome indicator 1 “Improve collection and administration of taxes from the municipalities after the new administrative territorial reform” which was **met**. This indicator measures the performance of revenues at the local level through: (1) the ratio of total outturn annual local government revenues versus the total revenues of the government, and (2) The growth ratio from the previous year. Outcome indicator 2 “Increasing the share of investment expenditures in local budgets, compared with expenditures” was **met**. Outcome indicator 3 “Each report of external audit on the functioning of local self-government units should be available to the public, according to the legislation (the new law on local government)” **could not be measured**.

At the activity level, **15 actions comprise this Pillar, with three having been completed** and 12 in progress (Graph 5).

Graph 5: Pillar 2- Well integrated and efficient planning and budgeting of public expenditure

Status of the activities for 2018



No of activities	
Completed	3
In progress	12
Not started	0
	15

Notable **outputs and challenges** against actions are as follows:

Develop the sector strategies of the NSDI as well as the MTBP on the basis of a prudent growth path for total expenditure (status-in progress/delayed): National Energy Strategy 2018 – 2030 has been adopted with DCM No. 480, dated 31.07.2018, increasing the number of adopted documents up to 27, versus total number of 30 documents part of NSDI II. The Sector Wide Approach Mechanism **has been revised with the PM Order No. 157, date 22.10.2018 “On implementing the sector wide approach for the (cross) sectors and establishing and functioning of the integrated (cross) sectorial mechanism”**. The order enable the streamlining and implementation of the sector approach in all sectors (in comparison with the Order of 2015 applied in pilot sectors) in order to manage and coordinate sector policies in line with Integrated and Planning System (IPS) and good governance principles through sectorial management and coordination groups. During 2018, 12 strategy monitoring reports have been prepared.

Create the capacity to carry out in - depth sector reviews as needed (in progress/ delayed): Several training packages have been prepared by Albanian School of Public Administration (ASPA) with regard to design and monitoring of the strategic framework. 152 Civil servants have been trained during 2018 with regards to the functioning and implementation of the Integrated Planning System (14 at middle management category, 49 at low-management category and 89 at executive level). Department of Development and Good Governance (DDGG) has organized the process for identifying Knowledge Need Assessment for central government institutions.

“Maintain a “Single Strategic Project Pipeline” & ensure alignment on the strategic policy priorities which will enhance the identification, preparation and selection of infrastructure projects” (in progress/on track): Regarding consolidation of the Single Project Pipeline facility, and strengthened capacities of the General Secretariat for the National Investment Committee & line ministries, during 2018 National Development Projects Unit coordinated all the process of Project Preparation Facility (PPF) IPA 2015: - Preparation of TOR of this assistance (January-May 2018); - First evaluation of the companies which was part of the tender (September 2018); - Lancing the second phase of the tender (December 2018).

Strengthen the oversight of SOE which are loss making, carry large fiscal risks, and require direct or indirect budget support. (Completed): FRU is quarterly monitoring main financial indicators of SOE-s and preparing a consolidated SOE monitoring report, focusing on risks that comes from energy sector. As well, a summary analysis was disclosed in the annual Fiscal Risk Statement.

Develop routines for and IT- support for the tracking and monitoring large investment projects. (In progress/delayed): It was performed testing of output code implementation into AGFIS. Also, it was

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performed the migration data into MTBP production for the MTBP 2019-2021 in the new MTBP module in the AGFIS.

Prepare and submit to Parliament proposals for amendments to OBL with the objective of tightening the MTBP process (completed): A New Standard Budget Preparation instruction was approved in February 2018. This has proven to be a good management decision as it has produced manageable incremental improvement with the distinction and identification between existing and new policies and the respective source of financing. Budget planning instructions were produced and launched, along with intensive training of MOFE, line ministries and coaching of selected pilot line ministries.

Strengthen the MOFE's oversight and fiscal gatekeeper function regarding project appraisals (in progress/delayed): MOFE revised the current arrangements and practices for appraisals and prepared guidelines and criteria to be used in the technical appraisal of large projects by MOFE (PPP projects are not included). The decision 'On Public Investment Management Procedures' was approved by the Council of Ministers in March 2018. (CMD no.185).

Prioritization and selection of large investment projects is done in a systematic manner (in progress/delayed): The strategic projects, part of the NSPP, based on SPC/NIC decision, fiscal space and their prioritization, are introduced each year into the mid-term budgeting cycle based on procedure specified in the Council of Ministers Decision no.185. By the end of 2018, the NIC General Secretariat in collaboration with the line ministries, Budget Management Group, MOFE and with the assistance of IFICO/WBIF has finalised NSPP 2018.

Strengthen implementation of the local government financing law and PFM practices (in progress/delayed): two new guidelines for LGU budget monitoring and preparation of the Medium Term Budget Program, have been approved, with aim to ensure that the procedures and reports are unified for all LGUs in the medium term period.

Establish a medium-term financial planning database for local governments (in progress/delayed): MOFE in close collaboration with Decentralization and Local Development Programme (DLDP), in 2018 has prepared and approved the new Financial Planning Tool for the preparation of MTBP for local units and the Manual on Financial Planning Tool.

Clearance of hidden arrears and prevention of new arrears (completed): The stock of arrears at the end of September 2018, based on the repayment plan sent by all municipalities to the Ministry of Finance and Economy is about 7.1 billion ALL. The net value of the Arrears stock decreased by about ALL 0.3 billion compared to the amount of Arrears reported in the second quarter of 2018, and compared with the end of 2017 the net value of the Arrears decreased by about 2.1 billion ALL.

3.2.2. Strategic policy development and review

Objective 1

Prudent and stringent procedural framework for the preparation of the MTBP. MTBP framework that encapsulates the NSDI, government and sector strategic priorities for the medium term delivers desired results within sustainable financial resources for the three future years

Outcome indicator

Ratio between total funds estimated in the sectorial strategies and total funding identified for corresponding sectors within MTBP is 90%

Indicator value

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The indicator value **is not available**. The SIGMA Report is not published yet.

Baseline (2015) ¹⁰	2018	Target 2020
42%	NA	Growing trend

Action 1: Develop the sector strategies of the NSDI as well as the MTBP on the basis of a prudent growth path for total expenditure (*in progress/ delayed*)

National Energy Strategy 2018 – 2030 has been adopted with DCM No. 480, dated 31.07.2018, increasing the number of adopted documents up to 27, versus total number of 30 documents part of NSDI II. Two documents are advanced drafts and one is drafted as internal document, but not consolidated. The DDGG has been working intensively to provide guidance and advice for the preparation of the strategic documents in the area of good governance, as well as submitting comments and reviews to finalize the draft document as required by responsible institution.

The Albanian Government has approved the Sector Wide Approach Mechanism in 2015, in order to ensure coordination, programming and monitoring across the sectors. **This mechanism has been revised with the PM Order No. 157, date 22.10.2018 “On implementing the sector wide approach for the (cross) sectors and establishing and functioning of the integrated (cross) sectorial mechanism”**. The order enable the streamlining and implementation of the sector approach in all sectors (in comparison with the Order of 2015 applied in pilot sectors) in order to manage and coordinate sector policies in line with Integrated and Planning System (IPS) and good governance principles through sectoral management and coordination groups.

The sectoral coordination and management mechanisms of Integrated Policy Management Groups (IPMGs) and SSCs will provide a high-level management structure to: a) Ensuring high level political and managerial coordination and decision-making on the planning and monitoring of sectoral reforms, policies and strategic framework; b) Playing a supporting role in coordinating the planning, programming and monitoring of development assistance for the sectors involved, through the organization of regular dialogue with the development partners; c) Playing the role of the IPA-Sector Monitoring Committees, ensuring IPA sector monitoring by sectors, in compliance with article no. 53 of the framework agreement with the EU and in accordance with the relevant methodologies; d) Providing support in the framework of the European Union membership process through supporting to fulfill commitments under the policy documents for European integration; e) Providing guidance on monitoring implementation through reporting and monitoring of measures related to European integration processes and national policies in their respective sectors/subsectors, including periodic progress reports, National Economic Reform Program, etc.; f) Providing governmental dialogue on (cross) sector policies with development partners, local government, civil society, and the private sector, to implement measures within the respective area and sectors, and promote and support coordinated initiatives in this context; and g) Guiding the coordinated preparation of relevant sectoral inputs to the Strategic Planning Committee (SPC) and other committees with a decision-making function.

The mechanism of the Sectoral Management and Sector Co-ordination Groups foresees the establishing of the General Technical Secretariat, composed by PMO, MoFE, MoEFA. It will coordinate at central level inter alia and the interaction of this mechanism with other processes related to policy planning, budgeting and European integration, as well as the harmonization of related processes with the implementation of information management systems, for the Integrated Planning System. Also, in each line ministry there shall be established a technical working group that will ensure technical coordination for running the IPMGs, SSCs and Thematic Groups.

This Integrated Sectorial Management Mechanism for the Implementation of the Sectorial wide Approach shall use Policy and Public Finance Management Instruments, European Integration Process, and Co-ordination of Foreign Assistance, which are established within the Integrated Planning (IPS) and relevant information management systems under IPS (IPSIS, AFMIS, EAMIS).

¹⁰ Assessment of SIGMA 2015 for the strategies in 2014

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Two meetings of the General Secretariat have been organized within 2018. Legal actions have also been initiated for setting up the Technical Secretariats for each GMIP. Three workshops have been conducted with MoFE regarding the integrated sector management mechanism and public financial management.

Action 2: Introduce rolling reviews and updates of the overarching NSDI and sector strategies in the MTBP process (*in progress/ delayed*)

MOFE in close cooperation with Prime Minister Office (PMO) and the Ministry for Europe and Foreign Affairs **organised several hearing sessions during May - June 2018 in which LMs and other budgetary institutions participated.**

The objectives were to: promote a prudent and stringent procedural framework for MTBP 2019-2021 preparation process; consider the financial requirements of as defined in sector and cross-cutting strategies and good governance principles. Also as part of the hearing sessions it was focused on the presentation of IPSIS System functionalities, data elaboration and integration with the MTBP through AFMIS and future benefits from the online monitoring process of the strategic documents. The three MIS¹¹ are expected over the next years to consolidate the IPS as a process and raise its effectiveness in terms of public spending efficiency (operational efficiency) as well as strategic, policy-based allocation of resources, etc. The full functioning of the 3 systems (IPSIS & AFMIS & EAMIS) is foreseen to improve substantially the quality of strategies prepared, as well as the efficiency in terms of preparation, follow up of implementation, and reporting. In longer term this will impact the quality of the strategic planning in Albania, which again is evaluated by EU/SIGMA yearly.

During 2018 monitoring reports have been drafted for 12 strategic documents (according to strategies' list, part of NSDI).

Action 3: Create the capacity to carry out in - depth sector reviews as needed (*in progress/ delayed*)

In pursuit of the aim (inter-alia) to *create the capacity to carry out in - depth sector reviews as needed*; PMO has already established a dedicated structure (Directory on Good Governance Policies and System) for IPSIS, since December 2017, while Ministry of Finance has established a dedicated unit on AFMIS and external assistance management/EAMIS with the Decision of CoM of June 2018. Also, in longer term, the beneficiaries (MFE and PMO) are consolidating the units, which will guarantee the well-functioning of the systems even after the IPS II project completion.

During 2018, several training packages have been prepared by ASPA with regard to design and monitoring of the strategic framework. 152 Civil servants have been trained during 2018 with regards to the functioning and implementation of the Integrated Planning System (14 at middle management category, 49 at low-management category and 89 at executive level)

In the framework of capacity building programming for 2018, the DDGG, in its role as the Technical Secretariat of the Integrated Policy Management Group for Good Governance and Public Administration, has organized the process for identifying Knowledge Need Assessment for central government institutions.

In this regard, the National Knowledge Pipeline (NKP) on Good Governance Capacity Development Platform is been drafted in line with the methodological guideline, defining the key priority areas and prioritization needs.

During 2018, the DDGG was engaged to develop a comprehensive capacity development platform in order to transform public institutions into responsible, effective and efficient ones, in accordance with the Good Governance principles, for a sustainable performance and service-oriented towards citizens. A network for coordinating the process has been set up, several formats has been also designed and 12 workshops have been conducted with line ministries in order to facilitate the data entry, prioritization process in line with strategic priorities, as well as training assessment from government institutions. Around 100 civil servants at all levels have been trained during 2018 in priority areas.

¹¹ IPSIS, AFMIS, EAMIS

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Action 4: Maintain a “Single Strategic Project Pipeline” & ensure alignment on the strategic policy priorities which will enhance the identification, preparation and selection of infrastructure projects (*in progress/on track*)

Regarding consolidation of the Single Project Pipeline facility, and strengthened capacities of the General Secretariat for the National Investment Committee & line ministries, during 2018 National Development Projects Unit coordinated all the process of Project Preparation Facility (PPF) IPA 2015:

- Preparation of TOR of this assistance (January-May 2018).
- First evaluation of the companies which were part of the tender (September 2018)
- Lancing the second phase of the tender (December 2018)

The contract is expected to be concluded / signed within the first quarter of 2019. The main outputs of the TA (PPF-IPA 2015) will be:

- A standard methodology for establishing/updating/maintain the national single projects pipeline based on best practices and in full consideration of sector priority project pipelines, available fiscal space and budget projections
- Support in the form of advice, development of tools and training/coaching to the staff for enhancing the coordination to ensure a better coherence and synergies between of the key institutions involved in the update and manages the national single projects pipeline (actually NIC Secretariat, the Ministry of Finance and Economy and other line ministries for the concerned sectors).
- A user manual guideline for applying the consolidated standard methodology for prioritization of national investment projects
- Assist, train/coach the staff to use and provide analytical and planning tools for the identification, prioritization and preparation of infrastructure projects in the relevant sectors
- Methodology to develop feasibility studies of infrastructure projects, Cost Benefit Analysis, Environmental and Social Impact Assessments, project prioritization tools such as Multi-Criteria Analysis, needs assessment techniques, monitoring tools and other practices.
- Support in the form of advice, coaching and on job training to the line ministries to maintain, update and manage the sectorial priority project pipeline and the related portfolio of investment projects
- Provide technical assistance to the line ministries, regional and local institutions to enhance the process of identification, preparation and selection of infrastructure projects, in particular in the transport, energy, water, environment, housing, health care, education, tourism and urban and regional development, but also in other sectors.
- Elaborate and disseminate regular reports related with the management of the sectorial portfolio of investment projects.

3.2.3. Capital investment planning, appraisal and inclusion in budget

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Objective 2

A robust process is in place to technically and financially appraise all large public investment project proposals prior to their consideration by the Budget Committee of Cabinet for their inclusion in the budget. All public investment spending is routinely monitored and reported as part of the planning and budgeting process

Outcome indicator 1

Share of public investment projects are proposed based on the strategic priorities of the government

Indicator value

I_{SPP} is measured as a ratio of the investment projects included in the MTBP that reflect the strategic priorities (I_{SPP}) of the government presented in the NSDI and sector/cross sector strategies against total investment projects included in the MTBP. For the purpose of calculation of this indicator 9 key MTBP programmes, ¹² will be assessed

V_{SPP} is the ratio between the total amounts of the projects proposed based on strategic priorities, against total capital investment budget.

The indicator values for 2018 **were met** being that indicator increased compared to 2017.

Baseline	2018	Target for 2020
I _{SPP} 55%	I _{SPP} = 64%	Growing trend
V _{SPP} 68%	V _{SPP} =80%	

Outcome indicator 2

Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations

Indicator value

The ratio measures the performance of the public investment projects and it is measured as the ratio between the total annual disbursements for investment projects above the 700 million ALL, versus the total amount of budget allocated in a given year for implementation of respective projects.

The indicator value for 2018 **was met** being that indicator is increased compared to 2017.

Baseline (2015)	2018	Target for 2020
95%	97%	98%

Actions 1: Develop routines for and IT- support for the tracking and monitoring large investment projects. (in progress/ delayed)

The improvement on tracking and monitoring large investment projects is related with AFMIS implementation. In this regard, during 2018, all IT equipment are delivered by the AFMIS Project implementation JV Company and accepted by MoFE staff. It was performed testing of output code implementation into AGFIS. Also, it was performed the migration data into MTBP production for the MTBP 2019-2021 in the new MTBP module in the AGFIS. This activity aims to provide the budget detailed in output level for each spending unit.

Internal testing was performed regarding the integration of AFMIS with other systems (IPSIS, EAMIS, HRMIS, Customs, and PPA). As well, work is being done to prepare the relevant guidelines for the AFMIS

¹² The 9 MTBPs include: (i) Ministry Transport and Infrastructures: (1) Road Transport; (2) Water and Sanitation; (ii) Ministry of Health: (3) Primary Health Care Services; (4) Hospital Care Services ; (iii) Ministry of Education and Sports: (5) Basic Education (including preschool); (6) General Pre-University Education ; 4.Ministry of Agriculture: (7) Irrigation and Drainage Management; (8) Rural Development (including Agriculture Production, Agro-industry and Market etc.) 5. Ministry of Environment; (9) Environmental Protection Programme

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system to be formalized for each module. AFMIS is expected to go live during 2019 and substantial improvements in the pursuit of major investment projects are expected from its implementation.

Action 2: Strengthen the oversight of SOE which are loss making, carry large fiscal risks, and require direct or indirect budget support. (Completed)

According to the article 4/2 of the OBL (57/2016), amended, SOE-s submit to the MoFE annual financial plans and quarterly financial statements.

FRU is quarterly monitoring main financial indicators of SOE-s, focusing on risks that come from energy sector. Every three months FRU prepares a consolidated SOE monitoring report. Focusing on risks that come from energy sector (as a risky sector) is in line with MoFE's top leadership decision. Based on these quarterly and annual reports, FRU discloses a summary analysis in the annual Fiscal Risk Statement.

Action 3: Have a clear Project classification to avoid unnecessary multiplication of projects. (in progress/delayed)

Lot of progress is scored toward this action and this is based on the new system, AFMIS, which has given and continues to contribute step by step in meeting and fulfilling the respective objectives, in order to carry out the monitoring and reporting of public investments as part of the planning and budgeting process.

The new classification will reduce the overall number of projects and foster better alignment of public investment objectives with those of the MTBP, sector strategies and national strategy.

Action 4: Strengthen the MOFE's oversight and fiscal gatekeeper function regarding project appraisals. (in progress/delayed)

PIM Department continues to strengthen its oversight and fiscal gatekeeper role regarding project appraisals. PIMD revised the current arrangements and practices for appraisals and prepared guidelines and criteria to be used in the technical appraisal of large projects by MOFE (PPP projects are not included). The decision on public investment management procedures was approved by the Council of Ministers on March 29th. It is published in the official journal¹³. With the approval of this CDM no. 185, dated 29.3.2018, its implementation has been followed by line ministries. The follow-up of this procedure started in May 2018 with the first phase of the MTBP 2019-2021 and continued with the reflection of line ministries during the second phase of the MTBP in September 2018. This CMD also defines the way of appraising and selecting public investments, which is the same for all projects, irrespective of the source of funding.

The appointment of PIMD Director by the end of 2017 has strengthened the fulfilment of the increased demands in 2018 upon this department.

Action 5: Prioritization and selection of large investment projects is done in a systematic manner (in progress/delayed)

The National Single Project Pipeline (NSPP) is an important step forward for Albania in establishing a credible multi-annual medium-long term planning tool for policy driven of public investments in Albania. NSPP is now the basis for all IPA funding of investment projects via the WBIF and national IPA envelopes.

In 22 May 2018 Albania started the process of revising the excising NSPP 2016/2017 and preparation of new NSPP 2018. The NSPP 2018 includes the new government priorities but it does not substantially change NSPP 2016/2017, because the government of Albania aims to have sustainability in government policies and public investments. NSPP 2018 is focused in improving the overall process of preparation of Sectorial Strategic

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<http://www.qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%2044/VKM%20nr.%20185,%20date%2029.3.2018.pdf>

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Projects Pipeline (SSPP) and NSPP, the quality of all the document packet of NSPP (PIFs and Strategic Relevance Assessments (SRA)) and harmonization of the National Single Project Pipeline (NSPP) methodology with that of public investments. The first draft of SSPP was prepared by line ministries during June-November 2018, (through the Strategic Management Groups from the line ministries) and the Budget Management Group, under the methodological guidance and coordination of the General Secretariat of Strategic Planning Committee/National Investment Council (SPC/NIC). This process included; Transport (road, railway, maritime, air); Energy (transmission, energy efficiency, gas, oil); Environment (water and sewerage, flood protection, air pollution); Social infrastructure (education & sports, health, art-culture, justice, social housing, vocational education); Business infrastructure (marinas, tourism) and Broadband infrastructure. During November-December 2018 the NIC General Secretariat in collaboration with the line ministries, Budget Management Group, Ministry of Finance and Economy and with the assistance of IFICo/WBIF has finalised NSPP 2018. The funding sources of NSPP 2018 are:

- a) From external sources (WBIF, International Financial Institutions (World Bank, European Bank for Reconstruction and Development (EBRD), EIB, CEB etc.), bilateral agreements with donors etc.).
- b) From internal sources (funds from the state budget).
- c) Public and Private Partnership (PPP).

The sectorial prioritization of strategic projects and national prioritization of NSPP 2018 was made based on the clear criteria.

- All line ministries submit to the Technical Secretariat of the National Planning / National Investment Planning Committee (SPC/NIC) the list of strategic projects according to the functional areas covered by each institution (Sectorial Single Projects Pipeline (SSPP)). Methodology for SSPP was prepared in collaboration with EU/WBIF and is the same for all WB6 countries. The methodology is based on PIFs and SRA for each project part of SSPP. Strategic management Group for each sector approves the prioritization criteria's.

- Technical Secretariat of the SPC / NIC analyses and evaluates all SSPP and prepares the list of National Single Project Pipeline (NSPP). Methodology for NSPP (passing from SSPP to NSPP was prepared by EU/ WBIF and approved by SPC/NIC on May 17, 2017.

- The strategic projects, part of the NSPP, based on SPC/NIC decision, fiscal space and their prioritization, are introduced each year into the mid-term budgeting cycle based on procedure specified in the Decision of the Council of Ministers (DCM) no.185, date March 29, 2018 "On Public Investment Management Procedures". During November-December 2018 the NIC General Secretariat in collaboration with the line ministries, Budget Management Group, Ministry of Finance and Economy and with the assistance of IFICo/WBIF has finalised NSPP 2018. NSPP 2018 will be approved within first quarter of 2019 by SPC/NIC.

3.2.4. Medium Term Budget Programme

Objective¹⁴

Prudent and stringent procedural framework for the preparation of the MTBP. MTBP framework that encapsulates the NSDI, government and sector strategic priorities for the medium term delivers desired results within sustainable financial resources for the three future years.

Outcome indicator 2

Total planned expenditures (and revenues) for the MTBF adopted in year n /Total planned expenditures (and revenues) in year n in annual budget is 0%

Indicator value

The indicator values for 2018 **were not met**, since they have slightly deteriorated compared to 2017, because:

- (1) There should be no deviation between total planned expenditures adopted for the first year of the MTBP₁₈₋₂₀ against total planned expenditures adopted in 2018 Annual Budget (deviation

¹⁴ Same with objective 1 at component 2.1 "Strategic policy development and review", section 3.2.2.

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rate=zero) (2) There should be no deviation between total planned revenues adopted for the first year of the MTBP ₁₈₋₂₀ against total planned revenues adopted in 2018 Annual Budget Law (deviation rate=zero)		
Baseline (2015)	2018	Target for 2020
-14%	DE _{MTBP/AB} = 0.78 % (2018)	DE _{MTBP/AB} = 0%
-1%	DR _{MTBP/AB} = 1.4% (2018)	DR _{MTBP/AB} = 0%

Action 1: Prepare and submit to Parliament proposals for amendments to OBL with the objective of tightening the MTBP process (completed)

The objective for tightening the MTBP process greatly improved. Budget Department supported by PFM TA (C3 ‘Annual budget law and MTBP’) conducted **the process of reviewing the MTBP methodology. A New Standard Budget Preparation instruction was approved in February 2018.** There are no radical changes with the previous budget preparation process but a fine-tuning towards recent PFM methodological trends. This has proven to be a good management decision as it has produced manageable incremental improvement with a considerable level of ownership by MoFE officials.

New instruction has included:

- A clear distinction of Existing Policies from New ones from a budget point of view, while ensuring priority funding for the necessary costs of Existing Policies.
- New policies are to be funded entirely from the fiscal space, resulting from the Macroeconomic and Fiscal Framework as well as savings from higher efficiency and termination of existing public investment projects;
- Creation of solid basis for non-violation of budget ceilings dedicated to existing policies in favor of new ones;
- Clear distinction between the first (strategic) phase of budget preparation and phase 2 (technical phase) with the intention that the budget ceilings of the first phase will be “firm” ones. Each stage of budget preparation will have different objectives and functions:
 - Strategic phase: linking the cost of existing policies /new with the government's strategic priorities.
 - Technical phase: technically implements the decision making of the strategic phase.
 - The concept of the Policy Priority Note is presented as a document produced by the Council of Ministers, which will guide the process of drafting ceilings and allocating fiscal space according to government priorities.
- Clear link of Sector and Cross-Sector Strategies with MTBP (Interaction in the level of Goal Policy and Specific Target). Clear specification of Key Performance Indicators at Goal level (impact) and Objectives (results) (KPI passport).
- Public Investment Budgeting will follow the same methodological principles of existing and new policies. According to the new methodology, Ministries and Budget Institutions are not allowed to create “artificial fiscal space” for new investment projects, pushing the duration of current investment projects. All new public investment projects must necessarily be in accordance with Priority Policy Document and then have to follow the general procedures for reviewing and approving new policies.

Budget planning instructions were produced and launched, along with intensive training of MOFE, line ministries and coaching of selected pilot line ministries. During April 2018, approximately 35 employees (budget programs leader and budget/finance directorate representatives) were trained on MTBP 2019-2021 preparation.

Another training program on the preparation of the Medium Term Budget (PBA) and the Gender-responsive budgeting (GRB) was developed on 12-13 April. Main objective of this training was to improve budget request compilation in order to focus more on identification and definition of policies/objectives/activities/ outputs/costs aimed at gender and social equality.

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During the first phase of MTBP 2019-2021 (Strategic phase), the distinction and identification between existing and new policies and the respective source of financing has been made. Meanwhile, during second phase (Technical phase), from Budget Institutions are submitted respective formats detailed with outputs, in compliance with budget ceilings approved with Council of Minister Decision in July. Also, in function and in accordance with the preliminary procedures of MTBP 2019-2021, the Budget Law 2019, is already drafted and approved from the Assembly.

The MTBP process will be tightened more with the AFMIS implementation since one of the main priorities of AFMIS is to improve the medium-term planning and budget preparation process and strengthening program budgeting.

3.2.5. Multi-year commitment controls

<i>Objective 4</i>			
Medium term commitments are comprehensively controlled within limits set by Government and Parliament through the Budget and related laws, regulations and instructions.			
Outcome indicator 1			
The amount committed on multi-year projects for each year exceeding the approved budgets for those projects is equal to zero			
<i>Indicator value</i>			
The indicator value for 2018 was met , since it improved compared to 2017, as the difference between the committed budget for multi-year projects and the total amount disbursed for these projects during 2018 continued to reduce.			
Baseline (2015)	2018	Target for 2020	
967 million LEK	448 million LEK	Declining trend	
<i>Outcome indicator 2</i>			
For all the on-line BI, all major projects are pre-committed in the system based on estimated disbursement schedules approved in the Budget process, before procurement action commences			
<i>Indicator value*</i>			
The indicator value is not available . For this indicator data are not available as the AGFIS and APP systems are not integrated yet to make sure that funds are pre-committed in the Treasury System (based on a pre-defined disbursement schedule) before the procurement process starts			
Baseline (2016)	2016	2018	Target for 2020
NA	NA	NA	100%
<i>Outcome indicator 3</i>			
No payment arrears are recorded on multi-year capital investment project activities' after 3 years of introducing commitment controls.			
<i>Indicator value</i>			
For this indicator data are not available since this indicator will start to be measured in 2019 for the first time, which is three years after the introduction of commitment controls into the AGFIS.			
Baseline (2013)	2016	2018	Target for 2020
NA	NA	NA	0
*The indicator baseline and future targets values could not be defined without integrating APP with AGFIS.			

The activities under this component were completed in 2016, when the new AGFIS configuration enabled to disaggregate multiyear commitments.

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3.2.1. PFM in local government

<i>Objective 5</i>		
Prudent, effective, and efficient financial management of the local governments		
<i>Outcome indicator 1</i>		
Improve collection and administration of taxes from the municipalities after the new administrative territorial reform		
<i>Indicator value</i>		
The indicator value for 2018 was met , as it improved compared to 2017. This indicator measures the performance of revenues at the local level through: (1) the ratio of total outturn annual local government revenues versus the total revenues of the government (R_{LGR}) which was met. (2) The growth ratio from previous year R_{LGGR} , which was met.		
Baseline (2015)	2018	Target 2020
$R_{LGR}=3.04\%$	$R_{LGR}=4.8\%$	Growing trend
$R_{LGGR}=-6\%$	$R_{LGGR}=46.2\%$	Growing trend
<i>Outcome indicator 2</i>		
Increasing the share of investment expenditures in local budgets, compared with expenditures (more than 0%)		
<i>Indicator value</i>		
The indicator value for 2018 was met , as it improved compared to 2017. This indicator represents the average weight of the difference between the ratios of the share of outturn capital investment budget versus administrative expenditure, resulting for each of 61 municipalities.		
Baseline (2016)	2018	Target 2020
$R_{Total M}=-3.83\%$	$R_{Total M}=1\%$	$R_{Total M}>0\%$
<i>Outcome indicator 3</i>		
Each report of external audit on the functioning of local self-government units should be available to the public		
<i>Indicator value</i>		
This indicator value is not available for 2018. MFE and High State Control (HSC) have organized several meetings and have drafted the instruction "On External Audit of Local Self-Government Units carried out by the Supreme State Audit and Audit Firms." The HSC has sent to the Constitutional Court the relevant article of the "Law on Finance of Local Self-Government Units", which sanctions the issuance of this instruction.		
Baseline	2018	Target 2020
NA	NA	NA

Action 1: Strengthen implementation of the local government financing law and PFM practices (*in progress/ delayed*)

MoFE during the first part of 2018 has prepared and approved two new guidelines for LGU budget monitoring and preparation of the Medium Term Budget Program, with aim to ensure that the procedures and reports are unified for all LGUs in the medium term period. In 2019 will be approved bylaw on detecting and managing cases of financial difficulties in local self-government units. All local units will be part of trainings for the implementation of the new by-laws and PFM practices.

On 21, 22 and 26 November 2018 was organised a workshop on Ministry of Finance and Economy's (MoFE) support to, and oversight of, sub-national Public Financial Management (PFM). The objective of the workshop was to launch the project funded by SECO "Strengthening Public Finance Management at the Local Level" and to prepare the action plan by identifying the weaknesses of the PFM at the local level. The overall objective of the Project is to contribute to strengthening public finance management (PFM) at the local level in

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Albania to enable better fiscal discipline, efficient use of public funds and improved services to citizens. The project, which will last for 5 years, will support 15 pilot municipalities in the first phase (2019-2020), and then (2021-2023) will be extended to all 61 municipalities in Albania. The project will also assist the Ministry of Finance and Economy (MFE) to strengthen PFM related processes, increasing efficiency in revenue collection, formulation, execution and monitoring of the budget, as well as internal audit and auditing.

Action 2: Establish a medium-term financial planning database for local governments (*in progress delayed*)

MOFE in close collaboration with DLDP, in 2018 has prepared and approved the new FPT for the preparation of MTBP for local units and the Manual on Financial Planning Tool. This tool brought new formats for the preparation and reporting of the LG Medium Term Budget Program: (i) with a clear standard outline for the report; (ii) by showing how to link policy and financial information; (iii) by putting the emphasis on information that is relevant for council members and citizens; (iv) by pointing to the relevant sources of information for each section of the MTBP report; (v) by providing simple templates for the presentation of programs; (vi) with concise standard descriptions of each program and activity; and (vii) by showing how to use the MTBP for monitoring and reporting on strategy implementation. The purpose of the FPT manual is to provide users (local government officials and other interested stakeholders) with comprehensive guidance on using the FPT in the preparation of the annual and medium-term budget plans. All local units have used this new instrument for the preparation of the budget law 2019. First impact was positive, because helped municipalities to plan in an effective and efficient way. In the medium term the Ministry of Finance and Economy will monitor the usage of Financial Planning Tool for all local units and will develop the instrument in the direction to include the performance indicators in it.

Action 3: Updating the local government finances portal (*in progress/on track*)

Revering to the new instruction for the monitoring of the local budgets in 2019, all local government units should sent to the MOFE the monitoring report for the year 2018. So the process will be consolidates during 2019.

Action 4: Clearance of hidden arrears and prevention of new arrears (*completed*)

Measures were introduced in order to prevent creation of new local arrears and to clear the existing ones. LGUs in collaboration with MoFE, following the Instruction no. 2, dated 19.01.2018 "On the implementation of the 2018 budget" LGUs are obliged to report and submit to the MoFE information on accumulated arrears as well as their repayments, every quarter. Based on this information, MoFE prepares monitoring report of Local Government Arrears every three months.

The stock of arrears at the end of December 2018, which is expected to be paid in the medium term, based on the repayment plan sent by all municipalities to the Ministry of Finance and Economy is about 6.8 billion ALL. The net value of the Arrears stock decreased by about ALL 0.3 billion compared to the amount of Arrears reported in the third quarter of 2018, and compared with the end of 2017 the net value of the Arrears decreased by about 2.4 billion ALL.

3.2.2. Budget Documentation

Action 1: Improve the information content and quality of local government budgets (*in progress/delayed*)

With aim to ensure that the procedures and reports are unified for all LGUs in the medium term period, MoFE during 2018 has prepared and approved two new guidelines:

-Standard Guideline No. 23 dated 30.07.2018 "On standard procedures for the preparation of the Medium Term Budget Program in local self-government units".

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- Standard Guideline No. 22 dated 30.07.2018 "On standard budget monitoring procedures in local self-government units".

3.3. Pillar 3- Efficient execution of the Budget

3.3.1. Summary of Pillar 3 progress

Pillar 3 comprises ten objectives and is making good progress despite being packaged within an unwieldy pillar framework. According to the outcome indicators, four objectives were met, three partially met, one not met and two could not be measured. There are two objectives covering taxation with one outcome indicator having been met, one indicator partially met and one not met. **Objective 1** is: *"Tax administration reforms increases tax bases, supports efficient tax collection, and reduces fraud"* and its outcome indicator's: "Enlarge the tax base by 30 % for employees and 20% for businesses in 2020" 2018 **targets were partially met** as the tax base increased compared to baseline (2014) with 29 per cent for employees (also increased compared to 2017; 25%) and 16 per cent for businesses (but decreased compared to 2017; 17%). **Objective 2**: *"Effective, efficient, fair and transparent management of tax revenues"* is supported by Outcome indicator 1: *"Increased tax efficiency as result of reducing administrative cost to less than 1%"*, which was **met** as the tax efficiency ratio increased with more than expected. Outcome indicator 2: *"Provide reimbursement of VAT under the terms of legislation"*. The target value for 2018 **met** as the cases reviewed versus total requests for reimbursement increased more than in 2017.

Objective 3 relates to Tax and Customs: *"Effective, efficient, fair and transparent management of revenues"* with its outcome indicator *"Percentage deviation of actual collection is within defined % of/approved budget estimate for revenue"*, which is **not met** as the value for 2018 (-) 3.8% is out of the target interval.

The **fourth objective** of Pillar 3 was partially met: *"Fully transparent and efficient recording and control of the government' spending and accrued financial obligations"* with its outcome indicator 1: *"Accumulated arrears for central government measured as a percentage of total accrued expenditure at the end of the fiscal year"*, was increased and **not met**. However, outcome indicator 2: *"Public Administration employees registered in the HRMIS, in percentage"* was **met** with 74 per cent having been registered.

Objective 5: *"Effective and transparent use of the Government's management and control systems for all external funds, including EU funded projects under IPA programs in Decentralized mode"* with its outcome indicator *"Ratio of disbursements on EU and other donors funds presented in the monthly fiscal reports produced by the Treasury"* **could not be measured** since it requires the finalization of EAMIS project. Debt management is the focus of the **sixth objective** *"Debt sustainability analysis, as well as debt management and debt sustainability strategies based on it are prepared annually"* with its outcome indicator *"Stock of domestic debt re-fixed within one year"* was **met** and exceeded as the ratio between domestic debt stock over total domestic debt stock outstanding was reduced. **Seventh objective** *"Minimized costs for meeting Government funding needs for a chosen level of risk and given Albania's credit rating"* composed by two outcome indicators was **partially met**. Outcome indicator 1: *"Increase days to maturity of domestic debt to 790 days"* 2017 target was **not met** although the days to maturity for domestic debt increased from 780 days in 2017 to 783 days in 2018, the 2018 target value **was not meet**. Outcome indicator 2: *"Primary fiscal balance positive with a level of more than 2%"* has slightly improved, therefore it is considered **partially met**.

Public Procurement **is comprised by two objectives**: **Objective 8**: *"Public procurement system is in line with EU good practice"* with its outcome indicator *"The public procurement review body operates a more independent, transparent, effective and efficient remedy system, confirmed with a score of 3 (out of 5) or more at SIGMA Baseline Measurement reports"* **is not available**.

Objective 9: *"A modern, sound and effective system for public procurement and concessions harmonized with the legal and institutional framework of the Acquis and EU standards and good practices"* with its outcome indicator *"The percentage of cases when the review body exceeds the legal maximum processing time is below 10%"* **was met**.

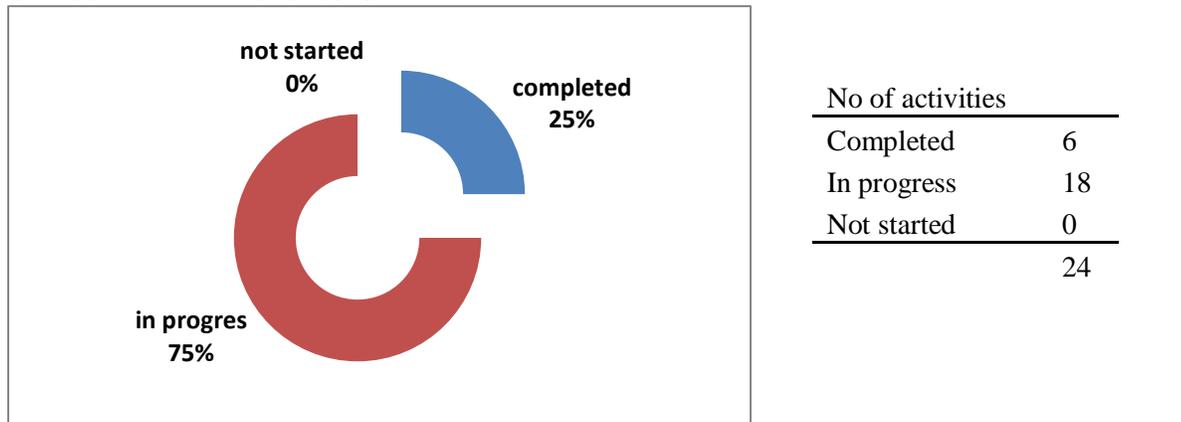
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The **tenth** and final **objective** of the pillar is: “Complete asset registry including values and depreciation rules according to national standards” with the outcome indicator being “Public assets are recorded into the AGFIS at least for 5 budget institutions” is **met**, since 2017 assets were recorded in 6 BIs exceeding the target of 2020.

At the activity level, **24 actions comprise this Pillar, with six having been completed** and 18 in progress (Graph 6).

Graph 6. Pillar 3- Efficient execution of the Budget

Status of the activities for 2018



Notable **outputs and challenges** against actions are as follows:

Implement compliance risk management of tax collection (Completed): During 2018, changes have been made to the Risk Management Manual. Another key output has been staff selection, training and monitoring, which have been carried out to ensure that the new approach provides results. It was approved and implemented a Tourist Season Plan for the monitoring of tourism activities and risk management compliance for 2018. This plan was focused mainly in public awareness and providing information for all taxpayers and individuals in order to respect the tax legislation in force.

Establish a fiscal cadastre of properties (In progress): during 2018, a project from Swedish International Development Cooperation Agency (SIDA), has been ongoing to establish fiscal cadastre system in all municipalities (61). A General Directory of the Property Tax was established in the MOFE. During 2018, MOFE revised the legislative framework and completed the bylaws regarding new property tax law.

Assist the taxpayers to enhance voluntary compliance (Completed): two awareness campaigns were conducted: awareness campaign for Business entities that were included in the VAT scheme and awareness campaigns for the entities operating in the field of tourism.

Improve Debt Management (In progress/ on track): GDT has required legal changes in the framework of improving the work processes. Some of the proposals have been considered and entered into force with the new fiscal package on 01.01.2019. Debt Reports over time have been revised and changes are required from the system regarding the inaccuracies that have been identified. A two-year period Action Plan on Debt Management, following IMF Recommendations was implemented during 2017 and 2018.

In relation to **Customs**, *Make service delivery at the border-crossing checkpoints more efficient (status-in progress/delayed):* The container manifests, air cargo manifests, express mail manifests are coming electronically. Increased investment in Border Crossing Points has improved service to citizens and businesses.

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Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized Economic Operators ("AEO"), including centralized clearance (in progress/delayed): Two requests for AEO are under review.

Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency (in progress/on track.): The evaluation of customs declarations is carrying out through a central system. This system applied during 2018 has directly impacted on the detachment of contacts of the assessment officers with the entities.

Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions (in progress/delayed): The actual global guarantee in the sense given to it in the Customs Code cannot be used due to needed development of the system. The maximum amount of the guarantee is manually registered in the customs system and its balance (based on debit-credit movements are done through the system). AKSHI is developing the modules for this purpose.

Take measures to stamp out fraud ((in progress/ delayed): 7.27 % of the total number of declarations (SAD) has been selected in Blue Channel. Declarations processed within 30 minutes have been increased from 26% in 2017 to 37% in 2018.

Improve transparency of the Albanian Customs activities (in progress/on track): The structures in charge for managing the communication with the end-users are all established for General Directorate and Custom Houses.

To contribute to implementation in Albanian Customs Administration the Integrated Tariff Management System fully in line with the EU – ITMS (in progress/delayed): During the 7th Steering Committee meeting, held in December 11th 2018, the opportunity to request a no cost extension of the project of three months was discussed and agreed among the Twinning Project partners and the EU, in order to undertake some additional activities requested by the GDC.

Gradually make AGFIS available to all major budget entities (in progress/on track: Based in the public administration reform on 2017, in the financial cost for user licenses for accessing AGFIS and in the vacancies of AGFIS functional staff the roll out of BIs into AGFIS is asked to be postponed in 2020 and reducing the total number of BI's from 150 to 60, since the BI number is reduced and budget concentrated in less BI's.

Gradually integrate AGFIS and other government IT systems under AFMIS (in progress/ delayed: MoFE is waiting to start testing with DOPA for the integration of AGFIS with HRMIS also the integration of AGFIS with Custom Information System for daily information exchange on custom revenue accounting.

Review current institutional arrangements, internal organization, and staff responsible for debt and cash management (status - in progress/in delay): During 2018, in the Public Debt Directory have been recruited 2 new employees, with the total number of the staff going to 15 (from 16 of the structure), or 94% of the anticipated strength.

*Strengthen the legal and institutional framework for **public procurement** (in progress/on track):* The new commission which is now independent has officially started functioning on 16 July 2018. In view of improving the procurement legislation and alignment with the new EU directives and in view of transposing the directive 2009/81 on defence and security procurements and drafting of a law for this purpose, Inter-institutional Working Groups have been established by Order of the Prime Minister no. 129, date 29.08.2018 and by Order of the Prime Minister no. 128, of 29.08.2018, respectively.

Prepare methodology and action plan. (In progress/on track): During 2018 initiated the World Bank project for IPSAS implementation, part of which is the asset management component.

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3.3.2. Tax administration

Objective 1

Tax administration reforms increases tax bases, supports efficient tax collection, and reduces fraud

Outcome indicator 1

Enlarge the tax base by 30 % for employees and 20% for businesses in 2020

Indicator value

The indicator values for 2018 **was partially met** as the tax base increased for employees but decreased for businesses compared to 2017.¹⁵

Baseline (2014)	2018	Target for 2020
507,891employees	29%employees	30% employees
100,765businesses	16% businesses	20% business

Objective 2

Effective, efficient, fair and transparent management of tax revenues

Outcome indicator 2

Increased tax efficiency as result of reducing administrative cost to less than 1%

Indicator value

The indicator value for 2018 **was met**, as it improved compared to 2017.

Baseline (2013)	2018	Target for 2020
1,46%	1.27%	1%

*Outcome indicator 3**

Provide reimbursement of VAT under the terms of legislation

Indicator value

The indicator value for 2018 **was met** as it improved compared to 2017, as the cases reviewed (paid or rejected) annually versus total requests no. for reimbursement were increased more than target.

Baseline (2014)	2018	Target for 2020
69%	84%	90%

Action 1: Reengineer and computerize core tax administration processes. (in progress/ delayed)

The need to transform and store historical and voluminous data (since 1996), from all sources of tax administration systems, able to provide a process of data analysis as a basis for an alternative review that will support a more efficient decision-making framework, makes it indispensable to set up an always available system with optimal parameters to provide technological solutions that would enable: Integration of existing systems; Development of Data Warehouse; Development of an Intelligent System (Rapporteur). The construction and continuous operation of this system data based on data warehouse will provide continuity in the analysis and processing of tax data, in the framework of strengthening the fight against fiscal evasion, deviations from obligations, or abuses of other natures in taxation. In this context, changes were made in the legal base during 2016 and 2017, to engage with the Data Warehouse (DWH) consultancy to build and deploy DWH capacity, but are not applied yet, because they need additional budget financing. During 2018, required funding was transferred. The investment will be procured from National Agency for Information Society

¹⁵ The target of this indicator is to increase the tax base for employees and businesses compared to baseline (2014), which is achieved respectively; 29% for employees and 16% for businesses, even though a reduce of number of business happened compared to 2017.

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(NAIS) and a working group has been established and started to prepare ToRs for Business Intelligence (BI) system maintenance.

Action 2: Implement compliance risk management of tax collection. (Completed)

Based on EU/OECD model for Compliance Risk Management (CRM), on the 15th meeting of the GDT Compliance Committee, held on May 4th, 2018, it was approved the Tourist Season Plan for the monitoring of tourism activities and risk management compliance for 2018.

Some of the key objectives of this tourist season plan were:

- Public awareness regarding tax liabilities, of the entities operating in this sector.
- Providing assistance for each taxpayer request;
- Public awareness for receiving tax coupon,
- Reducing tax evasion, increasing tax revenues, and creating new jobs.

This plan was conducted during the period May - September 2018, with an expansion in all important areas that provide touristic services in the country. Through continuous communication, this plan was focused mainly in public awareness and providing information for all taxpayers and individuals in order to respect the tax legislation in force.

During 2018, changes have been made to the Risk Management Manual at the Compliance Committee No 18 dated. 28.09.2018 and the Compliance Committee No.18 / 1 dt.08.10.2018. Another key output has been staff selection, training and monitoring, which have been carried out to ensure that the new approach provides results. These activities are important to continue as they affect the capacity building of inspectors. Several trainings have been conducted during 2018:

- ✓ Training by IMF for compilation of the Risk Register and Demographic Profiles on February 27 - March 8, 2018.
- ✓ Training by INSTAT "On the Implementation of the Economic Activity Nomenclature" dated 19/04/2018.
- ✓ Training by IMF regarding the design and handling of the sector risk plan for the Bar-Cafés and Restaurants sector, on September 23 to October 12 and November 5-23.
- ✓ Training organized by OECD with the topic "Tax Administration: Small and Medium Enterprises" an Approach System to Improve Compliance in the Informal Sector" on July 16-20, Ankara, Turkey.

The work related to the demographic profiles has been completed, and the risk assessment register has been established, on the 14th meeting of the GDT Compliance Committee, held on 16.04.2018.

Action 3: Revise the system of the fiscal cash registers and encourage their use (in progress/ delayed)

The main objective of this project is to improve the services provided by the Tax Administration and meantime making an efficient use of its resources, to fight tax fraud and tax evasion and to reduce the tax deficit/increase of tax revenues and at the same time keep the taxpayer's expenses at the most lower level possible. All this is feasible to be achieved by using an improved cash management system control for transactions and not cash on hand in real time. In this framework, GoA continues efforts to achieve the transmission of the data from the cash register machines to the GDT database in real time. The MOFE (tax administration budget) has funded the project and considering the experience of Croatia GDT, in cooperation with the NAIS, has prepared the draft terms of the project (ToR of the project). It was signed the agreement for its implementation with No. 6756 dated 11.27.2018 and it is on track by GDT and NAIS. Also, with the project developer it was drafted the working plan for the solution implementation (the implementation of the software and hardware). The project developer is a consortium which includes the economic operators: Jehona Software sh.p.k, Neos d.o.o, and Datech sh.p.k. The project, in addition to receiving real-time information, will cover the following functions:

- Cash Payments (Citizens)
- Non-cash payments (Business)

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- Support for audit inspectors
- Performance Management
- Analytical Control over Data Analysis of unstructured Internet Data
- Tax Application for the localization of Taxpayers (GTA) with Risk Management applications.

Action 4: Establish a fiscal cadastre of properties (*in progress/ on track*)

MOFE, assisted by the project of Swedish International Development Cooperation Agency (SIDA), during 2018, has been working to establish fiscal cadastre system in all municipalities (61). A General Directory of the Property Tax was established in the MoFE by the first quarter of 2018. MOFE completed the bylaws during 2018, as below:

- CMD no.132, dated 07.03.2018 "On the property tax methodology".
- CMD no.171, dated 28.03.2018 "On the organization and functioning of the General Directorate of Property Tax".
- CMD no.273, dated 16.05.2018 "On the Establishment of the Central Database Register of Local Property Tax Calculation, Buildings".
- CMD no.235, dated 02.05.2018 "On the approval in principle of the Contribution Agreement between the government of the Republic of Albania, represented by the Ministry of Finance and Economy (receiver), and the Swedish International Cooperation Agency (SIDA), for project support "Implementation of property tax on the market based value, version 0.93, dated 20 February 2018". The establishment of Fiscal Cadastre will be funded with SIDA funds Euro 3.6 million and draft Council of Ministers' decisions will be initiated that will enable the grant agreement to be completed in the next two weeks.

The entire legal package is linked to the Fiscal Cadastre as a project and not just as a database register. Furthermore, on May 28th, MoFE started the operational work together with NAIS for the construction of virtual machine (server and software) of fiscal cadastre. Several sample data from the database to be used for the fiscal cadastre have been obtained to start preliminary testing in the system. The Fiscal Cadastre project has now been extended nationally, including 61 municipalities and not just four pilot municipalities.

The initial project plan was to fix the national centralized collection agent for property tax, in this case OSHEE. During the September of 2018 MoFE, in order to consult and accept the opinion of local governments, has shared the project decision regarding to OSHEE agent proposal. At October 2018 the decision was that the municipalities should decide for property tax collection agent without the scenario of centralized agent. The property tax will continue to be collected by the same collection channels (agents). There are some municipalities that use municipal tax offices and some others that use local water supply companies as property tax collection agents.

In terms of property registration by local government, at 05 November 2018 was launched the Fiscal Cadastre technological information system available in 61 municipalities. In this system municipalities can carry out the registration of about 1.5 million property units (buildings). Up to November, from the OSHEE census, about 600,000 property units were identified by the owner / possessor and the surface. Starting from 05 November 2018, all municipalities started to register the remaining property/unit properties. As a following step, the Fiscal Cadastre System will be able to realise tax assessment for each property unit with adequate information after January 2019 when the Municipal Council Decisions will be taken in terms of property tax.

Action 5: Strengthen the professional capacity of the GTD staff through continuous training. (*Completed*)

Each year GDT develop a training program for all topics and according to the needs for training for the staff of Regional Directorates and the General Directorate of Taxation and based on the needs of the employees or supervisor based on their recommendation in the evaluation forms of their performance at work.

In accordance with the Annual Training Program for 2018 approved by the Decision of Director General of Taxation No. 57, dated 06.01.2018 and, in cooperation with the Tax and Customs Administration Training Centre (TCATC), ASPA, Institute of Statistics INSTAT, AGNA Group organization, the Prosecution Office

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Institution (for the Tax investigation unit in GDT), from February 2018- till 20 December 2018, a total of 1,745 employees (from all the administration levels) were trained on the following topics:

- Amendments of the Law on VAT (changes on the tax liabilities over 2 million ALL).
- Tax Audit – the organization and operation tasks. Control modules with concrete examples (Tax Audit Manual).
- Collection of Tax Revenues. The organization and operational tasks. (Enforcement of Debt Collection Manual)
- Organization, tax administration functions, code of ethic, conflict of interest, disciplinary procedures, and procedures for evaluation of the work results.
- Taxpayer Service (Procedural Manual).
- C @ TS System.
- The Law and Guidelines on Income Tax.
- Amendments of the Law "On Tax Procedures" (Fiscal Package),
- Law no. 10296 dated 08.07.2010 "Financial Management and Control" as amended and Law no. 9936 dated 26.06.2008 "On the management of the budget system of the Republic of Albania" as amended (Finance and Budget).

Also, several trainings not included in the training calendar, were organized, as the following:

- 90 tax investigation inspectors were trained in cooperation with TCATC on the Law No 9920 of 19.05.2008 "On Tax Procedures in the Republic of Albania", as amended, and Law no. 9131, Date 08.09.2003 "On the Rules of Ethics in Public Administration", for detection, prevention and denunciation of cases of corruption and abuse of duty, and also for the regulation and manual of Tax Investigation Directorate.
- 75 employees, trained in cooperation with TCATC and the Prosecutor of the Judicial District of Tirana, on "Tax Evasion and Criminal Offenses in the Field of Taxation"
- 105 employees from the Tax Investigation structure, Tax Audit, Taxpayer Services, and Risk Management Directorates in GDT and Regional Directorates, are trained on "Knowledge on Economic Codes"
- In cooperation with AGNA Group, trainings are organized for the high management level on "Leading Modules". A total of 30 high level personnel from the Central and Regional Directorates are trained;
- Training on "National and International Accounting Standards" is organized for the middle management level and executives (Audit Inspectors/Head of Audit Unit). A total of 210 employees from the Central Tax Administration are trained.
- 75 employees from the Taxpayer Service Directorate, are trained in November - December 2018, for the Ethical code of the taxpayer services.

In addition, 7 new employees were trained and successfully passed the 'confirmation period' by obtaining the ASPA certificate as a civil servant.

Further activities, were organized jointly with International Organizations such as IOTA, OECD, CEF and FISCALIS 2020, to raise capacity building of the Tax Administration. During 2018, GDT staff participated in 27 workshops and 2 working visits and approximately 62 employees were trained relating tax issues.

Action 6: Assist the taxpayers to enhance voluntary compliance. (Completed)

Since most of the sub activities were completed during 2017 when a range of initiatives were organised to enhance taxpayers' awareness, during 2018, two awareness campaigns were conducted:

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- ✓ One awareness campaign for Business entities that were included in the VAT scheme and
- ✓ One awareness campaigns for the entities operating in the field of tourism.

Action 7: Improve Debt Management. (*in progress/ on track*)

In order to review the debt management process of the department so a proper delegation of tasks is done to reduce the debts, the Debt Collection Directorate requested legal changes in the framework of improving the work processes. Some of the proposals have been considered and entered into force with the new fiscal package on 01.01.2019.

Furthermore, legal amendments were requested to Article 77 of Law no. 9920 for the Payment Agreement with instalment of debt arrears (unpaid tax liabilities), to include self-declarations and the possibility of concluding an agreement for any type of tax. The Directorate has created a current register regarding the Customs blocking of entities. RDTs report periodic information on instruments related to collection procedures. It has been created a register that serves for updating the mortgages database in the GDT web with a list of taxpayers who have unpaid debts and mortgages. Debt Reports over time have been revised and changes are required from the system regarding the inaccuracies that have been identified.

A two-year period Action Plan on Debt Management, following IMF Recommendations was implemented during 2017 and 2018.

2018 presented improved tax debt indicators; the main drivers of positive performance in debt management were better involvement and orientation of the tax administration in terms of accurate identification, the strategy deployed for the collection of debt arrears, and the application of the Payment Agreement with instalment. During 2018, the Tax Administration has made efforts to keep in control additional tax liabilities, which are about 33.2 billion ALL or 33% less than in 2017. It was collected the amount of 18.4 billion ALL tax liabilities and adjustments about 2.3 billion ALL. For the period, up to 31 December 2018, in the total amount of the debt by 107.7 billion ALL, is included the value of 13.9 billion ALL. This amount is in judicial process and it occupies 13% of the debt stock. For 2018, about 1,200 instalment agreements have been signed.

3.3.3. Customs management

Objective

Effective, efficient, fair and transparent management of revenues

*Outcome indicator **

Percentage deviation of actual collection is within defined % of/approved budget estimate for revenues.

Indicator value

The indicator value for 2018 **was not met**, as it slightly deteriorated compared to 2017, as the difference between of the actual collection of revenues versus planned revenue was extended.

Baseline (2015)	2018	Target 2020
-10.2%	-3,8%	+/-2%

Action 1: Make service delivery at the border-crossing checkpoints more efficient (*in progress/ delayed*)

The work to practice advance electronic notifications (manifests) which enables customs to asses threats, identify containers or cargo that are high-risk before arrival and deal proactively with possible violations, has continued during 2018. The container manifests, air cargo manifests, express mail manifests are coming electronically. Soon will be enabled the fairy manifests. It is required the development of pre-arrival module (According to the plan of Ministry of Finance and Economy till 2021). SEED Project, Pre-arrival information from Montenegro, Macedonia, and Kosovo.

Increased investment in Border Crossing Points has improved service to citizens and businesses. On July 2018 was inaugurated the new Morina border crossing point between Albania and Kosovo. The changes provided

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facility on the transport of goods as the vehicles will be processed in a single common point. This new border crossing point has 12 control positions and a new by-pass for trucks with an adequate facility for second line control of heavy vehicles. Investment has been made and at the Hani Hoti border point, through an EU project. This investment provides sufficient space for both parked inbound and outboard trucks also makes possible to shorten the processing time of trucks with goods and facilitates customs procedures significantly.

Action 2: Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized Economic Operators ("AEO"), including centralized clearance (*in progress/ delayed*)

Albania still has zero authorised economic operators (AEO). However, two requests for AEO are under review.

Action 3: Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency (*completed*)

The GDC has changed the way customs declarations are evaluated. The evaluation of customs declarations is carrying out through a central system. This system applied during 2018 has directly impacted on the detachment of contacts of the assessment officers with the entities, avoiding their familiarity, avoiding impacts on the assessment of practices, and affecting the unification of the revaluation in cases where the transaction is refused. Also, a very important element that has come is precisely the division of the assessment and its performance only after the customs control, creating a clear division of responsibilities regarding the customs declaration. This new approach was followed by the reconsideration of all evaluation procedures, where a key element is the procedure followed by the evaluating customs officer, which is at all times traceable, a very important element for the customs administration.

Although the Stop Corruption Portal is no longer functional, citizens can submit complaints to the customs authorities through the "Platforma e Vetëqeverisjes".

Action 4: Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions (*in progress/ delayed*)

GDC has foreseen the warranties as below:

- Law 102/2014, date 31.07.2014 "Customs Code of The Republic of Albania", amended articles 84-94;
- Decision No. 651, dated 10.11.2017 "On the Implementing Provisions of Law No. 102/2014, "Customs Code of the Republic of Albania" Articles 179-201.

Regarding the practical implementation of the guarantee and "Until the date of implementation of the system", the customs authorities may allow the use of other instruments, other than the technique electronic data processing, with regard to applications and decisions to be used for exchanging and storing information on guarantees. In the Asycuda system is operated with separate guarantees for special regimes. At present, the actual global guarantee in the sense given to it in the Customs Code cannot be used due to needed development of the system. The maximum amount of the guarantee is manually registered in the customs system and its balance (based on debit-credit movements are done through the system). AKSHI is developing the modules for this purpose. It is in the procurement phase. The implementation in the system is foreseen to be done by the end of year 2019.

Action 5: Ensure the prompt release of goods when the economic operator provides advance information necessary for conducting audits based on risk analysis (*in progress/ delayed*)

Albania still has zero authorised economic operators (AEO). However, two requests for AEO are under review. The Risk Management System of the Albanian Customs Administration is not able to process the pre-arrival information for risk analysis for safety & security. Even if this would have been the case, it provides facilities only to the holders of AEO certificate AEOS but not to AEO certificate AEOC. No economic operator has provided so far any kind of advance information to customs.

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Action 6: Take measures to stamp out fraud (*completed*)

By the end of 2017, the blue channel was introduced for the first time and during 2018, 7.27 % of the total number of declarations (SAD) has been selected in Blue Channel. Meanwhile, declarations in the Green Channel increased, extending the base of this category from 5.58% (2017) to 8.60% (2018) of the total. This re-configuration has brought the first results in reducing the processing time of customs declarations. According to statistical data, declarations processed within 30 minutes have been increased from 26% in 2017 to 37% in 2018. The review of Blue Channel and Green Channel criteria in order to expand their action are among the main goals of the GDC.

The work for completion of the security control system with new update profiles has continued. 40% new/updated risk profiles of the total number have been created / updated.

Regarding the use the mechanism of the so-called ‘mystery shoppers’ to detect corruption cases at customs, GDC has regularly updated the selectivity lists of "mystery shoppers", based on the information provided and risk analysis.

In February 2018 a memorandum of cooperation was signed between the GDC and the H.M Revenue and Customs. The purpose of this memorandum was to establish the foundations of cooperation and mutual assistance by ensuring the effective and efficient use of resources to protect our countries from the illegal trafficking of goods by establishing joint working relationships and by developing and reinforcing co-operation in practice on issues of common interest.

The GDC aims, in addition to its border protection mission and the elimination of trafficking and smuggling, to improve its staff professionally. Therefore, GDC has benefited from a framework of cooperation in relation to the EXBS Program for Export Control and Border Security. A group of Customs officers of the Rinas Customs Department participated in the International Training held at Houston International Airport, Texas on March 5-9. During this training, topics such as the fight against drugs, cash flow over the allowed limit, smuggled goods of unauthorized food and agricultural products, as well as the identification of persons with criminal and terrorist connections, were addressed.

Action 7: Improve transparency of the Albanian Customs activities (*completed*)

The structures in charge for managing the communication with the end-users are all established for General Directorate and Custom Houses. The service and operation of the Info Point office, which at the moment works normally, has been assigned the responsible person with an internal order, has been approved the internal regulation, an office is set up and functioning according to the Order of the Minister of Finance and Economy and the requests of the Directorate General of Customs. The regulatory framework is standardized as by Agency for the Delivery of Integrated Services Albania (ADISA) formats and it is been published on the website of Albanian Customs.

Action 8: To contribute to implementation in Albanian Customs Administration the Integrated Tariff Management System fully in line with the EU – ITMS. (*in progress/ delayed*)

All the activities of the three components of the twinning project foreseen in the operative side letter have been organized and outputs have been produced. During the 7th Steering Committee meeting, held in December 11th 2018, the opportunity to request a no cost extension of the project of three months was discussed and agreed among the Twinning Project partners and the EU, in order to undertake some additional activities requested by the Beneficiary. That request was due to external factors as the cancellation last September of the service contract n°2017/383-985 “Technical assistance contract to develop computerized Integrated Tariff management System (ITMS)” that has an impact on some activities of the Component 2.

Moreover, the recent organization changes on IT Sector, under the dependability of AKSHI (Agjencia Kombetare e Shoqerise se Informacionit) affected the project implementation. This scenario, which was unforeseen at the beginning of the project, requires an extension of the Twinning to increase sustainability and involving new IT staff in order to train them, to follow and support the software development and roll-out of ITMS.

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In the view of the envisaged approximation of the Albanian Customs system with the EU Customs systems, the gradual alignment of the national customs framework to the *acquis communautaire* represents one of the key priorities. For this reason and taking into account the new situation about the service contract and the organization changes, the extension is necessary in order to have enough time to implement some new activities that are strategic for the fulfilment of the Project Objectives.

The purpose of this formal amendment to the Twinning contract is:

1. To extend the implementation period of the Action from 24 to 27 months (until June 2019),
2. To introduce a new activity (2.5) with 3 sub-activities
3. To reschedule some activities and introduce some minor budget reallocations.

The proposed new Activity 2.5 “Implementation of new classification system” will be dedicated at providing assistance to the Beneficiary in adopting the necessary mid and long-term measures required to set possible alternatives in absence of implementation of ITMS software. Therefore, the following additional activities, are required to prepare new IT Staff through appropriate training and support on ITMS:

- a) Definition of specifications for CDPS environment,
- b) Analysis and definition of new rules
- c) Verification of rules consistency

These activities will be carried out during the three months extension period.

3.3.4. Improve the coverage and functionality of AGFIS

<i>Objective</i>		
Fully transparent and efficient recording and control of the government’ spending and accrued financial obligations		
<i>Outcome indicator 1</i>		
Accumulated arrears for central government measured as a percentage of total accrued expenditure at the end of the fiscal year.		
<i>Indicator value</i>		
This indicator value was not met compared to 2017.		
Baseline (2016)	2018	2020 Target
0.48%	2.05%	Declining trend
<i>Outcome indicator 2</i>		
Public Administration employees registered in the Human Resources Management Information System (HRMIS), in percentage		
<i>Indicator value</i>		
The indicator value for 2018 was met as it improved compared to 2017.		
Baseline (2013)	2018	2020 Target
0.5%	74%	90%

Action 1: Gradually make AGFIS available to all major budget entities (*in progress/on track*)

Based in the public administration reform on 2017, in the financial cost for user licenses for accessing AGFIS and in the vacancies of AGFIS functional staff this activity is asked to be postponed in 2020 and reducing the total number of BI's from 150 to 60, since the BI number is reduced and budget concentrated in less BI's

Action 2: Configure AGFIS so as to allow tracking operational expenses by project code (*in progress/ on track*)

Changing AGFIS configuration to allow tracking of operational expenses by project code is part of AFMIS Project. AGFIS Design and AGFIS testing are successfully performed during 2018, according to the AFMIS Project Plan. This activity is planned to be completed in 2019.

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Action 3: Gradually integrate AGFIS and other government IT systems under AFMIS (*in progress/ on track*)

MoFE is waiting to start testing with DOPA for the integration of AGFIS with HRMIS also the integration of AGFIS with Custom Information System for daily information exchange on custom revenue accounting. Some meetings are performed in order DOPA to prepare for needed configurations in HRMIS for the interface with AGFIS. Also internal testing is performed by MoFE staff regarding AGFIS part for the integration with HRMIS And Custom Information System. Regarding the design and implementation of the web portal for submitting the scanned justifying documentation to treasury (related to financial transaction like contracts/expense invoices etc) and the implementation of electronic archive of such documentation for all budget users, during 2018 the AFMIS Project implementation JV Company has done the design of the WP and testing, training and going live will be performed during 2019.

3.3.5. Management of external funds

<i>Objective</i>		
Effective and transparent use of the Government’s management and control systems for all external funds, including EU funded projects under IPA programs in Decentralized mode.		
<i>Outcome indicator</i>		
Ratio of disbursements on EU and other donors’ funds presented in the monthly fiscal reports produced by the Treasury Department.		
<i>Indicator value</i>		
This indicator value was not available as of the data on total donors’ funds disbursed is expected to be calculated with finalization of EAMIS project.		
Baseline (2014)	2018	Target 2020
10% donors financing	NA	Growing Trend

Action 1: Prepare and implement, in cooperation with donors, a program to progressively manage external funds through government systems (*in progress/ on track*)

MOFE in collaboration with Synergy Company, during 2018 has worked on daily basis to complete establishment of the EAMIS. Several activities have been implemented during this year regarding EAMIS.

The most important developments on EAMIS are as follow:

- Training sessions have taken place during 7th – 14th of May 2018 in MOFE premises with representatives from the DIPs, Line Ministries, AIDA and IT Department within MOFE.
- Historical data of donor funded projects up to December 2016 was provided to Synergy and it was migrated to EAMIS successfully covering the period 2000-2016).
- The integration interfaces are developed in EAMIS system and tested successfully with dummy data (XML files).
- For the World Bank the data about their projects has been agreed to be imported into the system using WB integration interface.
- The system is LIVE and can be accessed in the <https://eamis.gov.al/mofe/> - public address.

EAMIS system will be integrated with the other Government systems, including IPSIS and AFMIS and ATRAKO. EAMIS system will be integrated also with donor platforms, including:

- WB CC platform,
- Italy – e-Progress regional platform set as a dedicated platform by AICS
- Currently MOFE and Synergy Company are working on analysing the gaps between EAMIS and IATI platform, taking as a pilot the data from the EU DG NEAR

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- A decision will be taken if EAMIS will retrieve the donor data who report on IATI through this platform.

EAMIS Memorandum of Understanding and Standard Operating Procedure - The purpose of EAMIS Memorandum of Understanding is to establish cooperation between the MOFE and the development partners for exchange and use of information on external assistance in Albania through EAMIS. MoU signed with:

1. Austrian Development Agency;
2. USAID;
3. Japan International Cooperation Agency;
4. Embassy of Switzerland.
5. Sweden
6. OSCE – Presence in Albania

The end date of the contract “*Supply and Installation of an External Assistance Management Information System*” was 30 June 2018. Currently, EAMIS system is under Warranty Period that will last until June 2019.

EAMIS web portal - The portal will serve as the media interface for the organization and will be designed to bring together various data and resources from different sources in a uniformed way. The portal will be a secure website that is accessible on any computer or mobile device connected to the internet. Authorized users will be able to log into the portal to add or modify the portal content.

Since December 2018, EAMIS platform will be managed by the newly established Sector for Coordination of Foreign Aid in MoFE, which is staffed, except the position of the Director that is still vacant. On 14.12.2018 was held a meeting with the donor community with the main topics of discussion being the status of EAMIS and the challenges ahead.

3.3.6. Debt and cash management

<i>Objective</i>		
Preparation of the annual debt management strategies.		
<i>Outcome indicator 1</i>		
Stock of domestic debt re-fixed within one year		
<i>Indicator value</i>		
The indicator value for 2018 was met and exceeded the objective for 2018 as the ratio between domestic debt stock that re-fixes the interest rate within one year over the total domestic debt stock outstanding is reduced.		
Baseline (2015)	2018	Target 2018
67.7%	54.3%	60.0%
<i>Outcome indicator 2</i>		
Increase days to maturity of domestic debt to 790 days.		
<i>Indicator value</i>		
The target value for 2018 is not met . Although the days to maturity for domestic debt increased from 780 days in 2017 to 783 days in 2018, the 2018 target value did not meet.		
Baseline (2015)	2017	Target 2018
705 days	783 days	790 days
<i>Outcome indicator 3</i>		
Primary fiscal balance positive with a level of more than 2%		
<i>Indicator value</i>		
The target value for 2018 was partially met compared to 2017.		
Baseline (2015)	2018	Target 2020
-1.7%	+ 0.5%	+2%

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Action 1: Review current institutional arrangements, internal organization, and staff responsible for debt and cash management (*in progress/ delayed*)

Based on the new structure of the Ministry of Finance and Economy, approved with the Prime Minister Order no. 161, dated 05.10.2017, which came into force in 01.01.2018, the Public Debt Directory structure was composed by two sectors, with an overall staff of 16 employees. During 2018, in the Public Debt Directory have been recruited 2 new employees, with the total number of the staff going to 15 (*from 16 of the structure*), or 94% of the anticipated strength.

The limited human resources (*mainly due to the restructuring of the Ministry of Finance and Economy*), created a higher operational risk, including the non-fulfilment of the managerial leading positions vacancies, increasing difficulties in the decision making process.

In order to effectively manage risk exposure, net domestic borrowing was fully realized through long-term instruments, and in the same time was reduced the weight of short-term instruments in the debt portfolio.

In the framework of keeping costs under control, was taken advantage from the low interest rates in the domestic market and from the favorable terms of external financing.

Since 2015, a permanent working group for preparation of the Medium Term Debt Management Strategy is created, and it has representatives from the Ministry of Finance and Economy and Bank of Albania. In 2018 this working group updated the Medium Term Debt Management Strategy 2019-2021. The MTDS is updated and published by MOFE on an annual basis, based on methodologies and the recommendations of the international financial institutions.

Action 2: Improve liquidity forecasting (*in progress/delayed*)

No new development under this activity.

3.3.7. Public Procurement

Objective

A modern, sound and effective system for public procurement and concessions harmonized with the legal and institutional framework of the *Acquis* and EU standards and good practices

Outcome indicator 1

The public procurement review body operates a more independent, transparent, effective and efficient remedy system, confirmed with a score of 3 (out of 5) or more at SIGMA Baseline Measurement reports.

Indicator value

The indicator value **was not available**.

Baseline (2015)	2018	Target 2020
2	NA	Growing Trend

Outcome indicator 2

The percentage of cases when the review body exceeds the legal maximum processing time is below 10%

Indicator value

The indicator value for 2018 **was met**, as it improved compared to 2017. The percent of cases reviewed within the legal deadline has decrease come as a result of increased number of inspectors, more efficient time management, and reduced number of irresponsible complaints.

Baseline (2013)	2018 Value	2020 Target
39.6%	49%	Declining trend

Action 1: Strengthen the legal and institutional framework for public procurement (*status - in progress/on track*)

The Head of the Public Procurement Commission was elected on 26.02.2018, with the Decision of the Parliament of Albania no. 23/2018, with a mandate of five years. The election of the members of the PPC was

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made with the Decisions of the Parliament of Albania respectively no. 78/2018, no. 79/2018, no. 80/2018, no. 81/2018 on 28.06.2018. The new commission which is now independent has officially started functioning on 16 July 2018. Also the Budget and new organisational structure and organigram have been approved. PPC is working to set criteria for categorizing complaints in simple and complex and to make part of the institution's internal regulation.

In view of improving the procurement legislation and alignment with the new EU directives an Inter-institutional working group has been established by Order of the Prime Minister No. 129, date 29.08.2018. This WG is led by PPA and composed by representatives of Ministry of Finance and Economy, Ministry of Interior, Ministry of Health and social Welfare, Ministry of Infrastructure and Energy and Ministry for Europe and Foreign Affairs. The purpose of this working group is the review of the existing public procurement law and its level of approximation with directives 2014/24 and 2014/25 in order to establish further steps towards the drafting of a new law by the end of 2019.

In view of transposing the directive 2009/81 on defence and security procurements and drafting of a law for this purpose an Inter-institutional working group has been established by Order of the Prime Minister no. 128, of 29.08.2018. This WG is led by PPA and composed by representatives of Ministry of Defence, Ministry of interior (General Police Department), National Security Authority, State Information Service and Ministry for Europe and Foreign Affairs. The WG has finalised the draft which has been published for public consultation and sent for opinion to SIGMA. After the comments receive from SIGMA the draft has been revised and is now ready to be circulated for comments to the line ministries.

3.3.8. Asset management

<i>Objective</i>		
Complete asset registry including values and depreciation rules according to national standards		
<i>Outcome indicator</i>		
Public assets are recorded into the AGFIS at least for 5 budget institutions		
<i>Indicator value</i>		
The indicator target was met since assets are recorded into AGFIS for 6 budget institutions, exceeding the target of 2020.		
Baseline (2014)	2018	Target for 2020
0	6	5

Action 1. Prepare methodology and action plan. (*in progress/ on track*)

During 2018 initiated the World Bank project for IPSAS implementation, part of which is the asset management component. In November, it was held the Steering Committee meeting with the participation of the Project Implementation Group, other stakeholders and project experts for the first mission in Albania. Also, several meetings were held with key stakeholders, including meetings with line ministries, to diagnose the challenges to be addressed in the action plan for the implementation of IPSAS. Also, the experts drafted the Inception Report on the main objectives and activities that will be developed in the future.

During 2019 it will be drafted, approved and implemented Country Strategic Action Plan of the project.

Action 2. Initiate and complete the process of full public assets inventory in General Government institutions and local government. (*in progress/ on track*)

No new development under this activity.

3.4. Pillar 4- Transparent government reporting

3.4.1. Summary Pillar 4 progress

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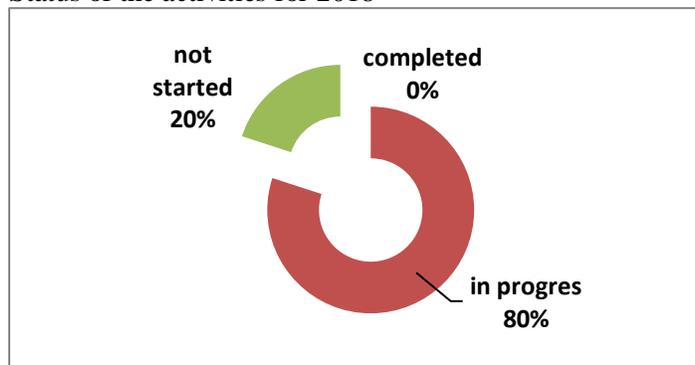
Objective 1 of Pillar 4, which is its only objective, is “Accounting and reporting is done in compliance with International Public Sector Accounting Standards (IPSAS). Improvement of Financial Reporting Standards and the Quality of Financial Reporting through increase of professional capacities and the IT infrastructure” and underpinned by two outcome indicators. Outcome indicator 1: “100 Budget Institution of General Government shall be able to execute their budget and perform financial reporting through AGFIS up to 2020”: **was not met**, with two of target values demonstrated a declaiming trend and one of them remained the same compared to 2017 value. Outcome indicator 2: “Presentation of financial statements as per IPSAS framework by 2020” **was not met**, but the SECO financed project “Development of Public Sector Accounting” implemented by MoFE and WB has started in 17.05.2018 and progress is foreseen for 2019.

Improvements made regarding this pillar are: **a)** The SECO financed project “Development of Public Sector Accounting” has started in 17.05.2018; **b)** The Boost application is available on MoFE website since April 2018; **c)** The portal of local finances continues to publish the data on local finances and is updated with the data on expenditures and revenues up to 4th quarter 2018 for individual local government units individually and in particular; **d)** INSTAT in 2018, compiled and transmitted an experimental table 11 (Expenditure of Government by Function) for the year 2017 and up to December 2018, 4 of 8 GFS tables were sent to EUROSTAT; **e)** Considerable work has been done on the preparation and producing of guidelines and by-laws to improve and to unify the reporting formats for budget execution of LGUs and are approved by the Minister of Finance and Economy in 2018; **f)** The 2017 budget execution report, was prepared by MoFE since May 2018, and was approved from General Assembly in July 2018. The actual version of the report is an extension and improvement in comparison to former years; **g)** Some legal/sublegal acts in the field of accounting and financial reporting approved are: Law 25/2018 "On Accounting and Financial Statements"; Instruction no. 39, dated 24.12.2018 "On the procedure for closing the annual accounts of the budget of 2018"; Instruction no. 8, dated 09.03.2018 "On the Procedures for the Preparation, Presentation and Reporting of Annual Financial Statements in General Government Units".

At the activity level, **five actions comprise this Pillar**, four are in progress and one not started yet. (Graph 7).

Graph 7: Pillar 4- Transparent government reporting

Status of the activities for 2018



No of activities	
Completed	0
In progress	4
Not started	1
Total	5

Notable **outputs and challenges** against actions are as follows:

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Prepare financial reports as per the ESA 2010 integrated government finance statistics manual (status-inprogress/on track):

GFS data were prepared and published in MOFE website. Statistical tables and financial data/information was provided to INSTAT and financial reports following European System of Accounts (ESA 2010) framework were sent to EUROSTAT.

Improve access to data on the government's finances and operations (Completed)

The MOFE is been assisted by BOOST initiative which is available on MoFE website since April 2018. The "Transparency Portal" on Local Finances continues to publish the data on local finances and is updated with the data on expenditures and revenues up to 4th quarter 2018 for individual local government units individually and in particular.

100 Budget Institution of General Government shall be able to execute their budget and perform financial reporting through AGFIS up to 2020.

This number is going to be reduced as a consequence of administration reform in 2017 and the technical solution of Web Portal Implementation. Regarding the second reason (WP implementation) during the solution design for WP implementation during 2018, it came out that the direct access of new BI's into AGFIS will continue to be performed as it was decided in 2012, not through WP. This because the technicality that WP offers does not fulfil the financial rules/controls requirement on budget execution process as implemented in AGFIS. Since this solution implicate financial costs for user licenses the AGFIS extension to other BI's is postpone to 2020-2022, 15 new BI's each year respectively, so in total 60 BI's until 2022. After 2022, the AGFIS extension to other BI's will be decided based on real condition on that time (elaborating cost benefit issues).

3.4.2. Accounting

<i>Objective</i>		
Accounting and reporting is done in compliance with IPSAS. Improvement of Financial Reporting Standards and the Quality of Financial Reporting through increase of professional capacities and the IT infrastructure.		
<i>Outcome indicator 1</i>		
100 Budget Institution of General Government shall be able to execute their budget and perform financial reporting through AGFIS up to 2020.		
<i>Indicator value</i>		
The indicator for 2018 was not met , with two of target values demonstrated a declaiming trend and one of them remained the same compared to 2017 value. Target values are: (1) Number of BI accessing the Treasury system; (2) Ratio of budget institutions already using the system vs the total budget institutions; (3) Amount of budget monitored by BI using AGFIS.		
Baseline (2014)	2018	Target 2020
I _{ACCESS} = 5	I _{ACCESS} = 15	Growing trend
I _{AGFIS} = 8.5%	I _{AGFIS} = 14%	Growing trend
I _M = 16.5%	I _M = 85%	Growing trend
<i>Outcome indicator 2</i>		
Presentation of financial statements as per IPSAS framework by 2020		
<i>Indicator value</i>		
The indicator was not met as it was not improved compared to 2017. The implementation of Public sector accounting standards has not started yet, but the WB financed project "Development of Public Sector Accounting" started in 17.05.2018 and progress is foreseen for 2019.		
Baseline (2014)	2018	Target 2020

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I _{IPSAS CA} = 0	I _{IPSAS CA} = 0	Growing trend
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Action 1: Prepare financial reports as per the ESA 2010 integrated government finance statistics manual (in progress/on track)

INSTAT compiled and transmitted the GFS data according to the requirements of ESA 2010 transmission program. INSTAT has been working towards improving the quality and quantity of data necessary for GFS and European System of Accounts (ESA) 2010 requirements. For the first time, in 2018, INSTAT compiled and transmitted an experimental table 11 (Expenditure of Government by Function) for the year 2017. Up to December 2018, 4 of 8 GFS tables were sent to EUROSTAT. In 2019 new table on Financial Accounts will be sent to EUROSTAT on experimental basis. INSTAT continues to send EDP table twice a year, following the requirements of EUROSTAT.

To strengthen capacities in the compilation and dissemination of GFS data and EDP statistics, a technical assistance is provided to the MoFE and INSTAT by the State Secretariat for Economic Affairs. This project supports the implementation of both the GFSM 2014 and the ESA 2010.

Action 2: Implement IPSAS (in progress/on track)

Supported by SECO and WB, IPSAS will be implemented in three phases: (i) alignment with the current legal framework of public sector accounting in Albania (ii) working towards consistency with Albania GAAP, and (iii) full consistency with GAAP.

The implementation of Public sector accounting standards has not started yet. Regarding the gradual implementation are foreseen activities as: a) **Development of public accounting legal and regulatory framework.** This sub-component encompasses the following activities: i) translation of IPSAS into Albanian, ii) development and enactment of national accounting legislation, and iii) national level implementation guidance. The development of practical guidance materials, has proven to be a key success factor in other countries and contexts; b) **Review and amendment of the national chart of accounts.** This sub-component includes (i) the review and (ii) if needed the amendment of the national chart of accounts in order to fully be in line with accrual accounting/ budgeting and statistical needs; c) **Gradual implementation of international accepted accounting standards in line with IPSAS.**

Regarding the development of accounting and legal framework some improvements are made. In this context the Harmonization Directorate for Financial Management and Control, in collaboration with Budget Directorate and Treasury Directorate **have approved Instruction no. 8**, dated 09.03.2018 "*On the Procedures for the Preparation, Presentation and Reporting of Annual Financial Statements in General Government Units*";¹⁶ based on GAAP in the public sector. The purpose of this instruction is to establish a regulatory basis for the preparation, presentation and reporting of annual financial statements by general government units, based on the Accepted General Public Sector Accounting Principles (regulatory framework of the area), as a transitional measure that will take place until the final modification of the generally Accepted Public Sector Accounting Principles (the regulatory framework of the field), such that they are in accordance with the sections selected for implementation of the IPSAS.

¹⁶https://www.financa.gov.al/wp-content/uploads/2018/06/Udhezimi_nr.8_date_09.03.2018_Per_Procedurat_e_Pergatitjes_Paraqitjes_dhe_Raportimit_te_Pasqyrave_Financiare_Vjetore_te_NJQP.pdf

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Some other legal/sublegal acts in the field of accounting and financial reporting are:

- Law 25/2018 "On Accounting and Financial Statements";¹⁷
- Instruction no. 39, dated 24.12.2018 "On the procedure for closing the annual accounts of the budget of 2018";¹⁸

Action 3: Capacity building and ensure sustainability (*not started/ delayed*)

With the start of IPSAS project implementation, and when the Country Strategic Action Plan detailed with all activities is drafted, will begin the development of professional accounting skills and training mechanism. The Country Strategic Action Plan is a strategic action plan that will include all activities that will be implemented in the framework of the implementation of this project and will be drafted by the international consultant.

The SECO funded project “*Development of Public Sector Accounting*” implemented through WB, has started in 17.05.2018 after signing of Grant Agreement, and has as objective: to develop a road map for public sector accrual accounting implementation and to support the early stages of this reform, including building essential technical skills. During 2018, regarding to the Capacity development and professional accounting skills for public accounting practitioners on October 29, the international consultant was contracted. During the period 18-23 November, the consultant conducted the first mission in Albania where several meetings were organized with the participation of the Project Implementation Group and other stakeholders to familiarize themselves with the existing accounting processes.

Also during the period 17-21 December 2018, the consultant conducted the second mission in Albania in order to provide a wider information on the current situation in the field of public accounting. Several meetings were held with key stakeholders, including meetings with line ministries, which served to understand the challenges to be addressed in the action plan for the implementation of IPSAS. Also, the consultant has also drafted the Inception Report on the main objectives and activities that will be developed in the future.

During 2018, a separate accounting function was established within Harmonization Directorate for Financial Management, Control and Accounting, responsible for the oversight of accounting and the transition to International Public Sector Accounting Standards. This unit is responsible for the preparation, updating of the accounting methodology for the public sector and the drafting of the legal and sub-legal acts of the private sector and monitoring the implementation of these acts, through training and assistance for public sector and private sector units.

During April-June 2018, the DoH/FMC, in cooperation with the Albanian School of Public Administration has conducted three cycles of a 1-day training course on key concepts of public sector accounting, part of the 5-day training course of the internal financial control and implementation in practice of the main FMC elements (around 56 participants).

3.4.3. Financial and performance monitoring and reporting

Action 1: Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial information (*in progress/on track*)

¹⁷<http://www.qbz.gov.al/Botime/Akteindividuale/Janar%202018/Fletore%2079/LIGJ%20nr.%2025-2018,%20date%2010.5.2018.pdf>

¹⁸<https://financa.gov.al/wp-content/uploads/2018/12/Udhezimi-Per-Procedurat-e-Mbylljes-se-Llogarive-Vjetore-te-Buxhetit-per-Vitin-2018.pdf>

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Considerable work has been done on the preparation and producing of guidelines and by-laws to improve and to unify the reporting formats for budget execution of LGUs and are approved by the Minister of Finance and Economy in 2018. The sub-law regarding the situations of Financial Distress and Insolvency is expected to be approved by June 2019. The approved guidelines are: The approved guidelines are: **Guideline No. 23, dated 30.07.2018** "On standard procedures for the preparation of the medium-term program of local government units"¹⁹. The purpose of this guidance is to define the rules, procedures and deadlines to be followed in the process of drafting the medium-term budget program by local self-government units;

Guideline no. 22 dated 30.07.2018 "On Standard Procedures for Monitoring the Budget of Local Self-Government Units".²⁰ The purpose of this guidance is to set out the procedures and deadlines that local government units should follow to monitor the implementation of the budget for financial performance, the products and policy objectives achieved for each program during a budget year.

Moreover, **quarterly budget monitoring reports for local government have been prepared and published on the MOFE website**²¹. Another achievement is the introduction of the new FPT that provides new formats for the preparation of the MTBP for all LGUs. This tool brings new formats of preparation of Medium Term Budget Program and reporting:

- With a clear standard outline for the report;
- By showing how to link policy and financial information;
- By putting the emphasis on information that is relevant for council members and citizens
- By pointing to the relevant sources of information for each section of the MTBP report;
- By providing simple templates for the presentation of programs;
- With concise standard descriptions of each program and activity;
- By showing how to use the MTBP for monitoring and reporting on strategy implementation;

Albania has issued the 2017 budget execution report, which in spite of being prepared by MoFE since May 2018, was approved from General Assembly in July 2018. The actual version of the report is an extension and improvement in comparison to former years. The extension consists of the : a-An annex on the implementation of fiscal rule provisions of OBL during budget execution of 2017. The annex takes all fiscal rules and explains all the efforts of central government to maintain the budget execution within the path outlined from these provisions; b- An annex on the performance of main budget programs of line ministries (at the level of outputs). Although the information of outputs does not specify the link i) to service delivery ii) and outcomes related to higher policy goals it represents an improvement of budget execution information for the public at large. c-An annex on fiscal revenues of local government and their fiscal capacity. Given the new provisions of central transfers to local government included in the new law of local finances.

Covering the budget and fiscal performance of the year' first half, it is a permanent document prepared on a yearly basis, Mid-year 2018 Report²².

Budget execution monitoring reports from Line Ministries and their analysis have resumed and are published in MoFE website²³. Until now they cover the 1st 4-month period of 2018 (January – April 2018), and the 2nd 4-month period of 2018 (May- August 2018) whereas the next 4 months (September-December 2018) are going to be published soon.

¹⁹ <https://financa.gov.al/wp-content/uploads/2018/08/Udhezimi-standart-i-PBA-vendorit.pdf>

²⁰ <https://financa.gov.al/wp-content/uploads/2018/08/Udhezimi-standart-i-monitorimit-te-buxhetit-vendor.pdf>

²¹ <http://www.financatvendore.al/pub/raporte>

²² <http://www.financa.gov.al/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2018/>

²³ <https://financa.gov.al/raporte-monitorimi-nga-ministrite-e-linjes-2018/>

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The Budget Transparency has improved in terms of quantity and relevance of information at both central and local level during the period January – August 2018. Information provided in Mid and End Year Budget Implementation Report corresponds at large to best practice and recommendations provided from international standards in the field.

Action 2: Improve access to data on the government’s finances and operations (in progress/ on track)

The availability of information has been improved:

- at central level, with the launch of BOOST Database
- at local level, with timely information on fiscal data at the level of individual municipalities and for local government as a whole by the Portal of Local Finances.

The MOFE is been assisted by BOOST initiative, a WB collaborative effort, to facilitate access to budget data and promote effective use for improved decision-making processes, transparency and accountability. The BOOST initiative is a platform which provides data from the treasury system.

From WB was granted access to BOOST application to all interested parties: government and non-government bodies and a dissemination event was held in March 2018. The Boost application is available on MoFE website since April 2018.²⁴

BOOST database is published and is fully operational with the data 2010-2018 for both expenditures and revenues at 5 levels of reporting²⁵ and with a granularity scale up to 7 digits that is the transaction mode level for both expenditures and revenues in Albania. BOOST provides meaningful information that can be either presented in tabular or dynamic (pivot) for various purposes: For expenditures, it provides data of initial, revised and actual expenditures; For capital expenditures, it provides data also on the project level for all projects of public investments including PPPs for which there is a national outlay; For revenues, it provides data also on all kind of revenues at central and local level.

The portal of local finances continues to publish the data on local finances and is updated with the data on expenditures and revenues up to 4th quarter 2018²⁶ for individual local government units individually and in particular.

3.5. Pillar 5- Effective internal control

3.5.1. Summary of Pillar 5 progress

Pillar 5 comprises two objectives. **Objective 1** of Pillar 5 is: “*Effective managerial accountability in local and central governance units. Successful implementation of modern management practices at all local and central governance institutions*”. Its outcome indicator was **not met**: “*100% of budget entities will use FMC requirements to improve internal control systems and achieve objectives and results*” due to a decreasing trend comparing to 2017²⁷.

²⁴<http://boost.financa.gov.al/>

²⁵ GFS (Government Financial Statistics) 2014 requires information at least to 4 levels of reporting.

²⁶ <http://www.financatvendore.al/pub/raporte>

²⁷ This indicator is calculated based on the self-assessment questionnaire filled by the public units. Due to ongoing monitoring and awareness-raising sessions with public sector managers during 2018, it has been noted an increase of the awareness of the importance of the concept and implementation of the internal control system. For this reason, the assessment and information involved in the self-assessment questionnaire was closer to the real situation of the

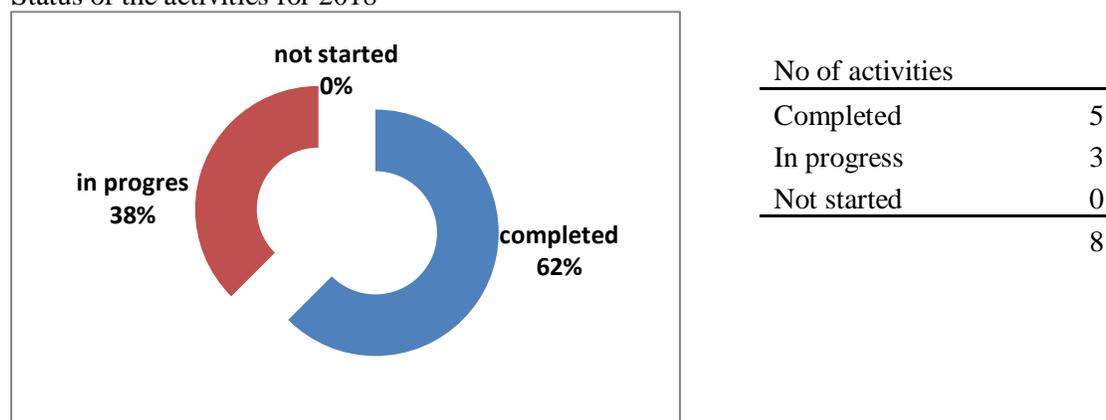
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Objective 2 of Pillar 5 is: “Well-functioning and efficient IA function in the public sector” and it has three outcome indicators. The outcome indicator: “100% of the audit staff employed in all IA units undertook each year 40 hours of CPD training and 100% of new staff is certified within 2 years from the date of their appointment” first rate has been **met** as all internal auditors have completed CPD training, versus the total number of Internal Auditors that are certified; whilst the value for the second target remain **unchanged** comparing with 2017. In this regard, the indicator was considered as **partially met**. The information required for outcome indicator “70% of IA reports are focused on performance issues and assessment of internal control systems (five FMC components)” and outcome indicator “65% of internal audit recommendations have been implemented within two years” are **not yet available**.

At the activity level, **eight actions comprise this Pillar, with five having been completed** and three in progress (Graph 8).

Graph 8: Pillar 5- Effective internal control

Status of the activities for 2018



Notable **outputs and challenges** against actions is as follows:

Monitor the implementation of the legal framework for FMC (in progress/on track): Several instructions were issued and capacity building activities were organized during 2018. By-laws in the field of PIFC and public accounting were developed and improved. The 2017 PIFC Annual Report was approved in May 2018, based on a methodology of collecting and processing data. For the first time, in 2018, a detailed analysis of performance indicators for independent institutions and sub-ordinated institutions of the Prime Minister's Office was conducted and an assessment of the internal control systems was carried out based on the performance of these institutions. Two instructions were produced: “On Standard Budget Execution Procedures” and “On Budget Execution Procedures for General Governance Units Using the Government's Financial Information System”.

Implement a modern FMC system in three Line Ministries and four municipalities (completed): FMC system was started to be implemented in four institutions: (Ministry of Interior, Ministry of Infrastructure and Energy, Municipality of Vlora and ARA. Several meetings / trainings were developed with the selected institutions in

institutions. Taking into account the increasing objectivity of the internal auditing system by the public units, this indicator has resulted in a slight decrease in value compared to 2017.

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order to prepare the instruments needed for the implementation of FMC, such as internal regulations and procedures, risk registers, manuals of work processes, process maps and audit trail to realize more effective management of public funds. While, frequent structural changes and the lack of engagement of the management level have led to the discontinuation of the realization of activities in the Ministry of Interior and the Ministry of Infrastructure and Energy.

Increase the awareness of public units about the benefits of implementing the concept of “Managerial Accountability” (in progress/on track): Training and monitoring sessions, workshops and meetings were held with high level managers and heads of central and local institutions.

Amend legal and methodological IA framework (completed): There have been no uncompleted activities to be carried out in 2018.

Professionalize IA function (completed): Several training sessions for internal auditors were held. Certification of 47 staff as “Internal Auditors in the public sector” for the period 2017-2018, as well as the beginning of the new certification process of 48 internal auditors, for the period 2018-2019. 10 external quality assurance are carried out in collaboration with SIGMA experts for audit activity in several LMs and public entities.

Strengthen the capacity of the Central Harmonization Unit/Internal Audit (CHU/IA) (In progress/ delayed): The position of the Director and one specialist are vacant. DoH/IA staff participated in several trainings and workshops during 2018.

Increase the skills of public inspectors (completed) - Participation of the staff of the Public Financial Inspection Department in the annual conference of Anti-fraud Coordination Service (AFCOS). The existing list of inspectors is being reviewed and will be approved by the Minister of Finance and Economy.

Information and awareness of the authority and the 3 high level of management and of the public as well (completed): A dedicated sub-menu is added under the MoFE official website “Denounce the corruption of the public funds”. Several meetings were held with the external public financial inspectors, as well as with representatives from the General Prosecutor's Office in order to increase the awareness on the public financial inspection function.

3.5.2. Financial Management and Control at Public Institutions

Objective

Effective managerial accountability in local and central governance units. Successful implementation of modern management practices at all local and central governance institutions.

Outcome indicator 1

100% of budget entities will use FMC requirements to improve internal control systems and achieve objectives and results.

Indicator value

The indicator value for 2018 **was not met** because there is a decreasing trend comparing to 2017²⁸. The maximum score that the unit could get is 156 points (39 questions X 4) and the indicator will be measured as the average score of the self-assessment versus total number of questions that is 39.

²⁸ This indicator is calculated based on the self-assessment questionnaire filled by the public units. Due to ongoing monitoring and awareness-raising sessions with public sector managers during 2018, it has been noted an increase of the awareness of the importance of the concept and implementation of the internal control system. For this reason, the assessment and information involved in the self-assessment questionnaire was closer to the real situation of the institutions. Taking into account the increasing objectivity of the internal auditing system by the public units, this indicator has resulted in a slight decrease in value compared to 2017.

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Baseline (2015) 3/4	2018 3.379/4	Target 2020 Growing trend
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Action 1: Monitor the implementation of the legal framework for FMC (in progress/on track)

In pursuance of strengthening FMC implementation in the Public Sector, several **instructions were issued and capacity building activities were organized during 2018**. The main focus has been the successful implementation of modern practices of FMC in all public entities, raising the awareness of managers about the concept of “*Managerial Accountability*”. **DoH/FMC has developed and improved by-laws in the field of Public Internal Financial Control (PIFC) and public accounting.**

Regarding monitoring of the implementation of internal control systems, the 2017 PIFC Annual Report was approved in May 2018. This report is drafted as a legal requirement by providing an annual summary of general government unit activities in the area of PIFC, achievements and shortcomings identified in the previous year, and suggesting recommendations to public entities for further improvements. The basis of the report were the self-assessment questionnaires, annual reports, as well as the respective indicators from the Budget and Treasury Directorate evaluated according to the monitoring methodology. **For the first time, in 2018, a detailed analysis of performance indicators for independent institutions and sub-ordinated institutions of the Prime Minister's Office was conducted and an assessment of the internal control systems was carried out based on the performance of these institutions.**

In addition, within the framework of the recommendations of international organizations (SIGMA) and the inclusion of public sector units in the important process of implementation of the internal control system, a certain number of subordinate units were selected for evaluation, which are characterized by a large budget. The FMC rating in these subordinate institutions was based on FMC self-assessment questionnaires, Treasury Directorate performance indicators (4 indicators) and performance indicators of the Budget Directorate (2 indicators). The activities performed during 2018 regarding this action are as follow:

- Instruction No. 9, dated 23.03.2018 “*On Standard Budget Execution Procedures*”;
- Instruction No. 9.1, dated 20.03.2018 “*On Budget Execution Procedures for General Governance Units Using the Government's Financial Information System*”;
- Monitoring 20 selected public institutions in order to assess the level of implementation of FMC law and by-laws requirements, as well as the identification of the authenticity of the content of the self-assessment questionnaires deposited by these units. Based on the findings, CHU/FMC has given the recommendations in order to improve the internal control system. The monitoring results are provided in the PIFC Annual Report²⁹;
- Two training sessions on informing local government units (Shkodra and Elbasan) on the requirements of the FMC law, (66 participants); The training served to raise the awareness of high level managers about the importance of implementing FMC;
- Three training sessions organized in cooperation with ASPA, for different levels of management on the PIFC system and managerial accountability (56 participants);
- Based on the requests of the institutions for direct assistance for information and practical implementation of the FMC instruments, training sessions are conducted in the Agency for Administration of Sequestered and Confiscated Assets premises, attended by all staff of this institution;

²⁹ https://financa.gov.al/wp-content/uploads/2018/07/Raporti_Vjetor_i_KBFP_2017.pdf

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- Meetings with the heads of public units regarding the performance monitoring results identified in the 2017 Annual Report.

Action 2: Implement a modern FMC system in three Line Ministries and four municipalities (completed)

In the framework of the implementation of a modern FMC system, based on the experience gained from the twinning project, it was planned to implement this system in four selected pilot institutions (Ministry of Interior, Ministry of Infrastructure and Energy, Municipality of Vlora and ARA. During 2018 several meetings / trainings were held with the selected institutions in order to prepare the instruments needed for the implementation of FMC, such as internal regulations and procedures, risk registers, book of business processes, process maps and audit trail to realize more effective management of public funds.

It is worth pointing out the cooperation with ARA, where it has been worked intensively on the implementation and improvement of internal control instruments. Particular attention has been paid to the definition and drafting of written procedures and book of business processes, mainly in the contract award sector, in order to prevent the creation of arrears as one of the most problematic areas of this institution. Meanwhile, in the Municipality of Vlora, a risk register and a draft of book of business processes have been implemented.

Regarding the process of providing assistance to the Ministry of Interior and the Ministry of Infrastructure and Energy, it was noted that frequent structural changes and the lack of engagement of the management level have led to the discontinuation of the realization of activities in these institutions.

Action 3: Increase the awareness of public units about the benefits of implementing the concept of “Managerial Accountability” (in progress/on track)

As explained in Action 1, one of the most important objectives of DoH/FMC is to increase the awareness about the benefits of a sound internal control system for the managerial accountability. Thus, training and monitoring sessions, workshops and seminars were conducted in collaboration with ASPA. Concretely:

- Three training sessions for public institutions in collaboration with ASPA and also training based on the request for assistance (Agency for Administration of Sequestered and Confiscated Assets) with approximately 64 participants;
- Meetings with heads of central and local government institutions;
- Meetings with the heads of public units regarding the performance monitoring results identified in the Annual Report.

3.5.3. Internal audit

Objective

Well-functioning and efficient IA function in the public sector.

Outcome indicator 1

100% of the audit staff employed in all IA units undertook each year 40 hours of CPD training and 100% of new staff is certified within 2 years from the date of their appointment.

Indicator value

The indicator is measured with two ratios: (1) I_{ACPDT} : ratio of internal auditors going through CPD training, versus the total number of Internal Auditors that are certified; and (2) I_{ANC} : ratio of the new Internal Auditors employed in the public administration who obtain certification. The indicator value for 2018 was

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met for **I_{ACPD}** while the value for **I_{ANC}** remains **unchanged** compared to 2017. In this regard, the indicator was considered as **partially met**.

Baseline (2014)	2018	Target 2020
I _{ACPD} : 82%	I _{ACPD} : 100%	Growing trend
I _{ANC} : 60 %	I _{ANC} : 86%	Growing trend

Outcome indicator 2

70% of IA reports are focused on performance issues and assessment of internal control systems (five FMC components)

Indicator value

This indicator will be measured as an index of the ratio between the total recommendations issued with the focus on improving institutional performance or addressing the internal control system versus the total number of recommendations issued by the IA in each institution. The indicator value for 2018 **was not available**. IA 2018 Annual Reports will be submitted to CHU/IA during February 2019 and the consolidated report will be prepared and published by end of May 2019.

Baseline (2015)	2018	Target 2020
40%	Not Available ³⁰	Growing trend

Outcome indicator 3

65% of internal audit recommendations have been implemented within two years

Indicator value

This indicator shows the degree of implementation of the recommendations issued by the Internal Audit Units. The indicator value for 2018 **was not available**. IA 2018 Annual Reports will be submitted to CHU/IA during February 2019 and the consolidated report will be prepared and published by end of May 2019.

Baseline (2014)	2018	Target 2020
R _{impl} : 45%	Not Available ³¹	Growing trend

Action 1: Amend legal and methodological IA framework (completed)

The work on the primary laws and by-laws in the field of internal audit is finalized by the end of 2017. There have been no uncompleted activities to be carried out in 2018.

Action 2: Professionalize IA function (completed)

One of the most important objectives of the DoH/IA has been the improvement of **professionalism of the IA function**. Regarding the continuous professional training program, MoFE defines the training topics by analyzing the training needs of the internal audit units, as well as financial management and control reform developments.

The program for the year 2018 included specific topics on financial management and control, public procurement, changes of external audit, internal audit and financial inspection, analysis and addressing arrears, presentation of amendment in the regulatory framework, contemporary topics of internal audit in public sector, etc.

³⁰ The indicator was not met for 2017 because the indicator value was lower than in 2016 (55% in 2017, 60% in 2016).

³¹ The indicator was met for 2017 because the indicator value was higher than in 2016 (66% in 2017, 60% in 2016).

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For this purpose, during 2018, several trainings for the internal auditors (IA) are held such as: training of 24 internal auditors on auditing IPA funds and continuous professional development. Other activities performed by IA unit are as follows:

- 13 training sessions in which are trained 320 internal auditors in collaboration with ASPA;
- Certification of 47 staff as “Internal Auditors in the public sector” for the period 2017-2018, as well as the beginning of the new certification process of 48 internal auditors, for the period 2018-2019;
- 10 external quality assurance are carried out in collaboration with SIGMA experts for audit activity in several LMs and public entities as follow: Ministry of Tourism and Environment; Ministry of Defense; Ministry of Education, Sports and Youth; Ministry for Europe and Foreign Affairs; Ministry of Interior; Ministry of Justice; Ministry of Agriculture and Rural Development; First Financial Development Society, S.A; Regional Hospital Center of Vlora Municipality; Regional Hospital Center of Gjirokaster Municipality. Based on the findings, the assessment teams came to conclusions which have been addressed both during the assessment and in the final reports. In order to enhance audit activity in the future, relevant recommendations were made.

Action 3: Strengthen the capacity of the CHU/IA (in progress/ delayed)

With the new structure of the MoFE approved in June 2018, DoH/IA has 6 staff (1 Director + 5 specialists). The position of the Director and one specialist are vacant. With regard to capacity building of the DoH/IA staff, they have participated in several trainings and workshops such as: The workshop “On Collaboration of Internal and External Auditors”; the meeting “Audit in Practice Working Group”, the workshop “Train of Trainers for Internal Audit in public sector”.

3.5.4. Public Financial Inspection

Action 1: Increase the skills of public inspectors (completed)

One of the objectives for 2018 was the enhancement of professional capacities and increase accountability and integration of public financial inspectors through training. The staff of the Department of Public Financial Inspection (PFI) (3 plus 1) participated in the annual conference of AFCOS in June 2018 which took place in Sarajevo, Bosnia and Herzegovina.

Due to the lack of the professional capacity of some external inspectors that affects the quality of many financial inspections, the Department of PFI has already started reviewing the existing list of inspectors and will be followed by a proposal for approval by the Minister of Finance and Economy for new selections in specific areas where expertise is currently unavailable.

While the department has faced the lack of the staff during 2017, three vacancies were filled out during 2018. However, there are still two other vacancies that will be announced and filled out.

Action 2: Information and awareness of the authority and the 3 high level of management and of the public as well (completed)

One of the most important objective of the PFI department was to increase the awareness on the public financial inspection function. In this regard, a dedicated sub-menu is added under the MoFE official website “Denounce the corruption of the public funds”. This sub-menu contains detailed information on the function

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and the responsibilities of the PFI department, as well as descriptive information how to denounce the misuse and mismanagement of public funds.

Furthermore, several meetings were held with the external public financial inspectors, as well as with representatives from the General Prosecutor's Office. The PFI department, in collaboration with the Internal Audit units, organized two activities “On the division between the public financial inspection mission and internal audit”, where internal audits took part.

3.6. Pillar 6- Effective external oversight of the public finances

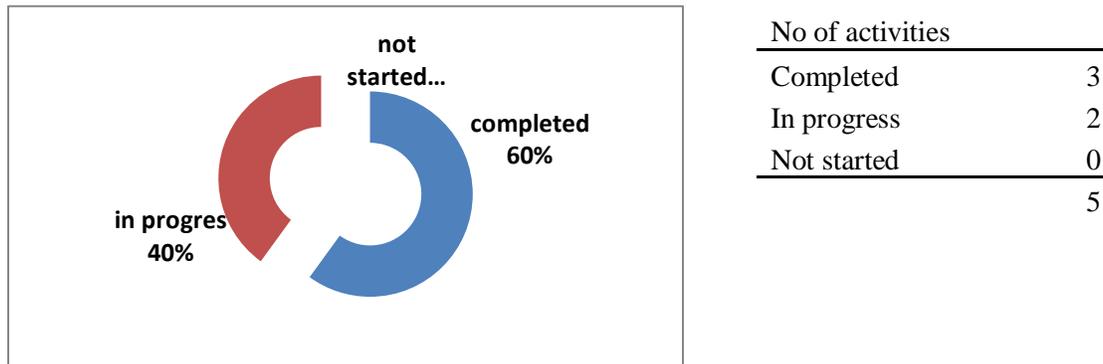
3.6.1. Summary of Pillar 6 progress

Objective 1 is the only objective of Pillar 6 “*Strengthening the external oversight function by bringing it in line with INTOSAI standards*”. Its three outcome indicators were **met**. Outcome indicator 1: “*The weight of Financial and Performance audits undertaken by the SAI will increase when compared to Compliance Audits*”: was **met**, as compliance audits decreased to 56 per cent while financial and performance audits increased to 17 and 11 per cent respectively. Outcome indicator 2 was **met**: “*% of audit recommendations accepted and implemented by auditees is higher than 75.5%*” and has two targets, the first of which, “*audit recommendations accepted versus those issued*”, was met; and the second, “*% of audit recommendations implemented versus issued*” was met. The target of the third outcome indicator: “*The training strategy is in place, auditors are trained according to ISSAI*” was **met**.

At the activity level, **five actions comprise this Pillar, with three having been completed** and two in progress (Graph 9).

Graph 9: Pillar 6- Effective external oversight of the public finances

Status of the activities for 2018



Notable **outputs and challenges** against actions is as follows:

171 Audits³² were undertaken: 94 Compliance Regularity Audits (out of which 42 Pilot Compliance Audits); 29 Financial Audits (Pilot Audits); 18 Performance Audits; six IT Audits; and 24 Thematic Audits. The number of Pilot Audits is increased, in line with recommendations of EC Progress Report and SIGMA. The

³² Total number of audits carried out up to the 31 of December 2018 was 179 audits, out of which 171 completed audits and 8 audits under processing.

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objectives set up in the Annual Audit Plan for the year 2018 are achieved as for carrying out 42 Compliance Pilot Audits and 29 Financial Pilot Audits.

For the 144 audits of the period 1 of July 2017 till 30 of June 2018, the ALSAI has conducted 84 audits of verification of following up recommendations. Both, the rate of accepted and implemented audit recommendations had a significant increase consisting at the rate of 96% accepted recommendations and the rate of implemented recommendations was 60%. Recommendations were related to the proposals for improvements of legal framework, proposals for corrective actions: organizational, administrative and disciplinary measures. ALSAI has continuously increased its efforts to increase the rate of recommendations accepted and implemented by the auditees, and to further enhance the impact of audit work.

Align audit approaches to international standards (ISSAIs) (completed): An average of 29 days training was received by all auditors and ALSAI staff members. In 2018, the Continuous Professional Development was delivered through three main sessions, of 10 -20 topics in June, August and November 2018 and organized as *in home* trainings, with the pool of ALSAI experts. Training sessions and workshops developed in collaboration with experts under the Project “*Strengthening external Audit capacities* focusing on the financial statements and compliance audit process in accordance with a risk-based audit methodology, and practical application of audit procedures and techniques.

Increase training and the use of information technology in tandem with the introduction of new audit approaches (completed): Directorate of IT Audit was upgraded to IT Audit Department and number of IT auditors was increased to 10 IT auditors. Each IT auditor was trained for more than 25 training days throughout the year 2018. The methodology and IT audit guidelines were developed and updated consisting in increasing the IT audit capacities. IT Audit Department carried out a total of six IT audits including two pilot audits. In November 2018, a two days’ workshop under EUROSAI Programme was organized in Tirana with the participation of the SAIs auditors of the region, as well as IT auditors of ALSAI.

Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work (in progress/delayed): ALSAI continues to improve its relations with the Parliament, especially with Economy and Finance Committee. In this regard, the guideline “The institutionalization of the relations between ALSAI and the Parliament” is approved by the Chairman of ALSAI, dated 30 June 2018. The Action Plan “On the Implementation of the Recommendations of Parliament Resolution of 19 July 2018” is approved by the Chairman of ALSAI. ALSAI has sent to the Albanian Parliament 56 audit decisions/reports, related to very sensitive issues. The meeting “On Developing Effective Working Relations between SAI and Parliament” organized by ALSAI and SIGMA, in June 4, 2018 played a great role in the intensification of the cooperation between ALSAI and the Parliament. The National Conference “For an all accepted national anti-corruption authority well established in the governmental system” organized by ALSAI in collaboration with the Institute for Democracy and Mediation organized on 14 December, 2018 focused on issues of anti-corruption, with participation of members of the Parliament of Albania.

Introduce quality assurance activities over the audit (in progress/delayed): During 2018, ALSAI aimed to strengthening the overall quality management of its audits, including both aspects: Quality Control (QC) and Quality Assurance (QA). Decision of the Chairman of ALSAI is issued by the end of the year “On the Quality Assurance of Audit Files” in order to perform an independent review of audit work performed during the previous year. A set of check lists and Special Guidelines for QC and QA are developed and are under piloting in ALSAI audit procedures.

Audit manual amendments to include activities to detect corruption and fraud (completed): Regarding the importance and the role of the ALSAI on tackling and fighting corruption and fraud, the IPA experts organized

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trainings for the auditors covering several topics. The Manual for Fraud and Corruption Audit developed in collaboration with SAI's experts of Poland is approved by the Decision of the ALSAI Chairman No.70, dated 30 June 2018. Trainings based on this Manual are delivered during August and November for all auditors.

3.6.2. External audit

Objective

Strengthening the external oversight function by bringing it in line with INTOSAI standards.

Outcome indicator 1

The weight of Financial and Performance audits undertaken by the SAI will increase when compared to Compliance Audits.

Indicator value

The indicator value for 2018 **was met**, as it improved compared to 2017, as the weight of compliance audits decreased to 56%, while financial and performance audit's weight was increased respectively to 11 % and 17 % during 2018.

Baseline (2014)	2018	Target 2020
Compliance audit 82%	Compliance audit 56%	Declining trend
	Financial Audit 11%	Growing trend
	Performance Audits 17 %	Growing trend

Outcome indicator 2

% of audit recommendations accepted and implemented by auditees is higher than 75.5%

Indicator value

The indicator on % of audit recommendations accepted versus those issued **was met**, as it improved for the year 2018 compared to 2017 and the indicator on % of audit recommendations implemented versus issued **was improved** for the year 2018 compared to 2017.

Baseline	2018	Target 2020
R _{ACC} 73.4% (2016)	R _{ACC} 96 %	Growing trend
R _{IMPL} 75% (2014)	R _{IMPL} 60 %	Growing trend

Outcome indicator 3

The training strategy is in place, auditors are trained according to ISSAI

Indicator value

The indicator value for 2018 **was met**, as it improved compared to 2017. It measures the degree ALSAI auditors are trained on the ISSAI standards and on legislative issues. The indicator is measured as: average training days per auditor in one year versus 25 training days planned to be delivered in one year.

Baseline (2014)	2018	Target 2020
T _{ISSAI} 100%	T _{ISSAI} 118%	Growing trend

Action 1. Align audit approaches to international standards (ISSAIs) (completed)

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The methodological framework of ALSAI is strongly based on the International Standards of Supreme Audit Institutions (ISSAIs). **ALSAI has approached the implementation of ISSAI's in the audit work as one of the main and strategic objectives over the years** and it is an on-going process until full compliance has been fully achieved.

Since 2012, ALSAI has established a consolidated Professional Training System based in Annual Training Programme, including management policies for professional development of auditors with the objective to achieve approximately 25 training days per year for each auditor. Training on the ISSAI-s have been the most frequent training topic delivered during the continuous training programme. ALSAI has its preventatives in working groups and Task Forces of EUROSAI and INTOSAI for revision of some ISSAI-s.

Aiming high quality and diversity of knowledge in the training process, ALSAI has effectively used various training resources (experts) based in mutual collaboration agreements, within Albania and abroad. **During 2018, all auditors and ALSAI staff members have attended professional development activities achieving an average of 29 days training /auditor.** In this regard, the outcome indicator “*The training strategy is in place, auditors are trained according to ISSAI*” for 2018 was **met** and the value was 118%. Training Program for 2018 included different training topics according to the needs of each individual and also in line with institution's objectives for capacity building. The Professional Development Program for the year 2018 approved by the Chairman of ALSAI in the beginning of the year included a clear definition of goals and objectives for capacity building and human resources development in ALSAI during the year. It defines the types of professional development activities such as: trainings, workshops, seminars, professional and scientific conferences, study visits, and other activities for sharing experiences with other institutions, in Albania and abroad.³³ The workshops are delivered mostly by the experts affiliated in the Twinning Project which ALSAI benefits, ASPAs and academic and professional organizations. Also, some in house training sessions are arranged from ALSAI. Every audit expert participated in the workshops organized by homologue SAIs and other audit institutions on recent audit developments, ISSAI standards and relevant manuals. In 2018, the Continuous Professional Development was delivered through three main sessions, with 10 - 20 topics in June, August and November 2018 and organized as in home trainings, with the pool of ALSAI experts focusing on technical issues of public auditing, based on implementation of ISSAI's Standards.

In collaboration with experts under the Project IPA 2013 “Strengthening external Audit capacities”, during the first 6 months of 2018, several trainings and workshops were developed focused on the financial statements and compliance audit process in accordance with a risk-based audit methodology, and practical application of audit procedures and techniques. Such trainings aimed to ensure that adopted methods comprise a thorough understanding of the audited entity and their internal control environment taking into account the risk of fraud or non-compliance with authorities. Training material adapted to the Albanian background and institutions, was delivered on selected topics and additionally run days of practical courses. A number of pilot audits, financial and compliance audits were carried out in order to assess the practical appropriateness of Financial and Compliance Audit Manuals.

Action 2. Increase training and the use of information technology in tandem with the introduction of new audit approaches (completed)

³³Professional Development Programme for the year 2018,
http://www.klsh.org.al/web/pzhp_2018_18_01_2018_punuar_finale_1_4555.pdf

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ALSAI has continued to point out the development of IT Audit in its Strategy for Development 2018 - 2022 under the First Strategic Goal, Objective 1.4 “Deepen information technology auditing”. Challenges related to IT auditing and introduction of an increasing number of e-government projects triggers the need for further developments, outreach and deepening of this type of audit, which ALSAI tackles by making the performance and development of IT audits one of its strategic objectives for the upcoming periods.

In this regard, one of the ALSAI objective for 2018 was to consolidate IT Auditing and the use of IT auditing elements in the compliance, financial and performance audits, including aspects as follow:

- Further develop auditing capacities for IT systems, in order to ensure reasonable certainty (for any type: financial, performance, compliance and regulatory audits) of the data stored in these systems;
- Further develop auditing capacities with Computer – Aided Audit Tools (CAAT), Interactive Data Extraction and Analysis (IDEA) and Control Objectives for Information and Related Technologies (COBIT) techniques and IT know-how;
- Equip ALSAI's IT auditors with internationally recognized certificates on IT auditing, taking into account the required resources against the undertaken financial commitments.

During 2018, the Directorate of IT Audit was upgraded to IT Audit Department and number of IT auditors was increased to 10 IT auditors.

Trainings to IT auditors were delivered by local experts, as well as most of IT auditors followed trainings abroad (one of IT auditors is attending the internship programme in European Court of Auditors (ECA). Each IT auditor was trained for more than 25 training days throughout the year 2018.

Beside trainings, the methodology and IT audit guidelines were developed and updated consisting in increasing the IT audit capacities in three main elements:

- The first component was on CAAT such as Office, IDEA, visualization techniques, accounting and database management software's;
- The second component was on Management Information Systems, information security and cybernetic crimes on the auditee;
- The third one was on IT audit manual and guidelines.

During 2018, the IT Audit Department carried out a total of six IT audits including two pilot audits:

- One Pilot IT Audit at “National Agency for Medicines, Medical Equipment” (MEDA) with support of INTOSAI Development Initiative (IDI) Programme;
- One Pilot IT Audit at “General Directorate of Local Taxes and Tariffs in Tirana (DPTTV)” assisted by IPA Project 2013;

The results of audits are shared with other audit departments through trainings and other sharing experiences activities.

A new Software REV Zone was adopted and all ALSAI's staff was trained on using the programme during daily work. In November 2018, a two days' workshop under EUROSAI Programme was organized in Tirana with the participation of the SAIs auditors of the region, as well as IT auditors of ALSAI.

Action 3. Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work (*in progress/delayed*)

During 2018, the ALSAI was guided by the principle of meeting constitutional obligations, while acting as an agent of the Parliament to ensure accountability and transparency in the use of public funds by the central and

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local government institutions. In this regard, ALSAI continues to improve its relations with the Parliament, especially with Economy and Finance Committee, where its main activities are listed below:

- In the framework of the implementation of IPA 2013 Project Fiche – IPA National programmes / Component I, on June 30, 2018 (no. of reference 34/39) is approved by the Chairman of ALSAI the guideline “*The institutionalization of the relations between ALSAI and the Parliament*”. This document was a product of IPA project. The Guideline “On the Institutionalization of ALSAI's Effective Relations with Parliament³⁴” provides the institution's strategic approach in line with the spirit and messages referred in the two resolutions adopted by the United Nations Organization in the framework of its post-2015 Development Agenda (Resolution A / 66/209 "Promoting the Efficiency, Accountability, Effectiveness and Transparency of Public Administration, Strengthening the Supreme Audit Institutions" and Resolution A / 69/228: "Promoting and Strengthening the Efficiency, Accountability, Effectiveness and Transparency of Public Administration, by strengthening the Supreme Audit Institutions"). Through these resolutions, the UN encourages the parliaments of its Member States to strengthen the independence of SAIs in their countries and to cooperate more closely with them. The adoption of the resolutions constitutes the crowning of efforts from the SAIs from all over the globe, through a concrete lobbying organized by their leading Organization, INTOSAI. The Guideline “On the Institutionalization of ALSAI's relations with the Parliament” aims at the intensification and progress towards further development of relations with the Albanian Parliament, which serves as an effective and functional instrument in meeting the motto of ALSAI's Development Strategy for 2018 -2022 “ALSAI, citizen's servant”.
- The Albanian Parliament approved in July 19, 2018 the Resolution for the assessment of the ALSAI activity for the 2017. In this framework and based on the Albanian Parliament's Act No. 49/2017, dated 20.04.2017 “On the Establishment of Mechanisms for Systematic Monitoring of the Follow-up and Implementation of the Recommendations of Independent Constitutional and Law Institutions”, the Chairman of ALSAI has approved the Action Plan “On the Implementation of the Recommendations of Parliament Resolution of 19 July 2018” (No.113/ 4 Ref, dated 26.09.2018). In fulfilment of ALSAI's obligations under this document, SAI reported in January 2019 on the implementation status for the recommendations of the Assembly's resolution for ALSAI's activity assessment for 2017, referring to the action plan for the implementation of this resolution. **During 2018, ALSAI has sent to the Albanian Parliament 56 audit decisions/reports, related to very sensitive issues.**
- The meeting “On Developing Effective Working Relations between SAI and Parliament” played a great role in the intensification of the cooperation between ALSAI and the Parliament. The meeting was organized by ALSAI and SIGMA, in June 4, 2018. The purpose of this meeting was to raise the awareness of the stakeholders on the role of the Supreme Audit Institution of Albania for the establishment and development of effective relations with the Assembly, civil society and interest groups, in order to increase the impact of the audit work and support on ALSAI's mission, as a "watchdog" institution serving the Albanian citizen and the Parliament to continuously fulfil its constitutional role and to guarantee transparency and accountability in the use of public funds.

Also, ALSAI in collaboration with the Institute for Democracy and Mediation organized on December 14, 2018 the National Conference “For an all accepted national anti-corruption authority well established in the governmental system” focused on issues of anti-corruption, with participation of members of the Parliament of Albania.

³⁴ www.klsh.org

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The reporting structure of audit reports has been improved in order to better meet the requirements and satisfy the stakeholders. However, as part of the review and update the methodological framework, ALSAI will change the content and approach of writing reports that has to be reflected in Audit Manuals.

Action 4. Introduce quality assurance activities over the audit (*in progress/delayed*)

ALSAI has continued to add value and quality in its audits, in order to add value and generate benefits in strengthening the accountability, transparency and integrity of government in general and public sector units. During 2018, ALSAI aimed to strengthening the overall quality management of its audits, including both aspects: Quality Control (QC) and Quality Assurance (QA).

Quality control was further consolidated through the implementation of the rules and requirements defined into the Reregulation of Audit Procedures No.107, dated 08.08.2017 and the responsibilities of each unit involved into the quality assurance as are set up into the Regulation of Administrative Functioning of ALSAI No.85, dated 30.06.2015. In addition, a Decision of the Chairman of ALSAI is issued by the end of the year “On the Quality Assurance of Audit Files” in order to perform an independent review of audit work performed during the previous year. Such activities aimed to consolidate and strengthen structures and procedures governing quality assurance by considering it as part of a continuous process of improvement, as well as enhance the impact of ALSAI auditing work in line with ISSAI 40 requirements.

In this framework, as an output of IPA Project 2013, **a set of check lists and Special Guidelines for QC and QA are developed and are under piloting in ALSAI audit procedures.** This activity is under piloting the draft guidelines and is expected to be finalized by the end of 2019.

Action 5. Audit manual amendments to include activities to detect corruption and fraud (*completed*)

One of the most important aspects of ALSAI role in fight against corruption is the contribution to increase integrity of public institutions, which within themselves are components of national integrity system. In the view of implementation of INTOSAI Fundamental Principles and Standards for development of a structured approach of drafting and implementation of integrity institutional policies, ALSAI has applied the instrument of INTOSAI integrity self-assessment and in the Development Strategy, it is foreseen to expand such experience to other public institutions as well. **Review of the anti-corruption/fraud system in Albania and ALSAI achievements in the field of tackling corruption and fraud was developed.** The aim of this activity was to identify current Albanian organizational cooperation (ALSAI with other organizations) related to anti-fraud and anti-corruption, as well as, the effects of this cooperation. In order to emphasize the role of management control system in tackling corruption and fraud, within public agencies, different trainings have taken place. The ALSAI organizational cooperation was reviewed and an internal report was developed in which are presented all challenges/constraints. The analysis covered the complete audit remit of the ALSAI and was carried out thoroughly. Training material was developed and adapted to the Albanian background and institutions and additionally it was run a three one-day practical courses.

Regarding the importance and the role of the ALSAI on tackling and fighting corruption and fraud, the IPA experts organized trainings for the auditors covering the following topics:

- Strengthening the awareness of ALSAI staff;
- A risk-based approach to anti-fraud and anti-corruption planning;

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- Planning of anti-fraud and anti-corruption, including self-assessment of integrity in public organizations;
- Methods of gathering and analysing evidence of fraud and corrupt practices.

The Manual for Fraud and Corruption Audit developed in collaboration with SAI's experts of Poland is approved by the Decision of the ALSAI Chairman No.70, dated 30.06.2018³⁵. Trainings based on this Manual are delivered through Training Programmes during August and November for all auditors and it is part of the introductory Training Packet "Introduction to ALSAI activity and public audit" that is delivered for all new recruited auditors.

ALSAI initiated legal improvements and a proposal of the draft law "*On managerial responsibility of public servants*" is sent to the Albanian Government for approval. ALSAI has taken actions and recommended remedy and penalizing measures for any identified case of financial fraud and corruption, aiming at combating corruption as a phenomenon at the root of the system, rather than representing individual sporadic cases.

³⁵ www.klsh.org.al

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ANNEXES

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ANNEX 1			
Status of Implementation of Pillars/Activities during 2018			
Activities	Status of Implementation of Activities	Timeline	Responsible unit
Pillar 1: Sustainable and prudent fiscal framework			Endrit LAMI
1.1. Fiscal rules, forecasting and fiscal responsibility framework			
Action 1: Improve forecasting methodologies	Completed	2015 - 2018	Directorate of Analysis and Macroeconomic Planning
1.2. National Government Accounts accounts			
Action 2. Creation of a sustainable statistical system of public administration	In progress	2015 - 2019	INSTAT
Action 3. Ensure collection of information	In progress	2015 - 2019	INSTAT
Action 4. Prepare Review/Transparency policies	In progress	2015 - 2019	INSTAT
1.3. Fiscal risk management			
Action 1: Strengthen fiscal risk management and reporting within the MoFE	In progress	2016-2017	Secretary General of MoFE
Pillar 2: Well integrated and efficient planning and budgeting of public expenditure			MIMOZA DHEMBI
2.1. Strategic policy development and review			
Action 1: Develop the sector strategies of the NSDI as well as the MTBP on the basis of a prudent growth path for total expenditure	In progress	2015-2018	PMO
Action 2: Introduce rolling reviews and updates of the overarching NSDI and sector strategies in the MTBP process	In progress	2015-2018	PMO
Action 3: Create the capacity to carry our in-depth sector reviews as needed	In progress	2015-2018	PMO
Action 4: Maintain a "Single Strategic Project Pipeline" & ensure alignment on the strategic policy priorities which will enhance the identification, preparation and selection of infrastructure projects	In progress	2017-2020	PMO
2.2. Capital investment planning, appraisal and inclusion in budget			
Action 1: Develop routines for and IT-support for the tracking and monitoring large investment projects (part of AFMIS project)	In progress	2016-2018	Directorate of Business Processing
Action 2: Strengthen the oversight of SOE which are loss making, carry large fiscal risks, and require direct or indirect budget support.	Completed	2016-2018	General Directorate of Budget and Public Debt
Action 3: Have a clear Project classification to avoid unnecessary multiplication of projects.	In progress	2016-2018	General Directorate of Budget and Public Debt
Action 4: Strengthen the MoFE's oversight and fiscal gatekeeper function regarding project appraisals.	In progress	2016-2018	General Directorate of Budget and Public Debt
Action 5: Prioritization and selection of large investment projects is done in a systematic manner	In progress	2016-2018	General Directorate of Budget and Public Debt
2.3. Medium Term Budget Programme (2015)			
Action 1: Prepare and submit to Parliament proposals for amendments to OBL with the objective of tightening the MTBP process	Completed	2015	General Directorate of Budget and Public Debt
2.4. Multi-year commitment control			
2.5. PFM in local government			
Action 2: Strengthen implementation of the new law and PFM practices	In progress	2017-2018	Directorate of Local Finance
Action 3: Establish a medium-term financial planning database for local governments	In progress	2017	Directorate of Local Finance
Action 4: Updating the local government finances portal	In progress	2017-2020	Directorate of Local Finance
Action 6: Clearance of hidden arrears and prevention of new arrears	Completed	2017	Directorate of Local Finance
2.6. Budget documentation (2015)			
Action 1: Improve the information content and quality of local government budgets	In progress	2015	Directorate of Local Finance

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ANNEX 1			
Status of Implementation of Pillars/Activities during 2018			
Activities	Status of Implementation of Activities	Timeline	Responsible unit
Pillar 3: Efficient execution of the Budget			
Gelardina PRODANI			
3.1. Tax administration			
Action 1: Reengineer and computerize core tax administration processes	In progress	2015	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 2: Implement compliance risk management of tax collection	Completed	2015-2017	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 3: Revise the system of the fiscal cash registers and encourage their use	In progress	2015	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 4: Establish a fiscal cadaster of properties	In progress	2016 - 2019	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 5: Strengthen the professional capacity of the GTD staff through continuous training	Completed	2015 -2019	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 6: Assist the taxpayers to enhance voluntary compliance	Completed	2016-2020	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
Action 7: Improve Debt Management	In progress	2017-2019	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Taxation
3.2. Customs management			
Action 2: Make service delivery at the border-crossing checkpoints more efficient	In progress	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 3: Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized Economic Operators ("AEO"), including centralized clearance	In progress	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 4: Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency	Completed	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 5: Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions	In progress	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 6: Ensure the prompt release of goods when the economic operator provides advance information necessary for conducting audits based on risk analysis.	In progress	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 7: Take measures to stamp out fraud	Completed	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 8: Improve transparency of the Albanian Customs activities	Completed	2015-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
Action 10: To contribute to implementation in Albanian Customs Administration the Integrated Tariff Management System fully in line with the EU – ITMS.	In progress	2017-2018	General Directorate of Macroeconomic Policies, Fiscal Affairs and Employment General Directorate of Customs
3.3. Improve the coverage and functionality of AGFIS			
Action 1: Gradually make AGFIS available to all major budget entities	In progress	2015-2020	Directorate of Business Processing
Action 2: Configure AGFIS so as to allow tracking operational expenses by project code	In progress	2016-2019	Directorate of Business Processing
Action 3. Gradually integrate AGFIS and other government IT systems under AFMIS	In progress	2015-2019	Directorate of Business Processing
Action 4. Perform an assessment on the possibility to introduce an electronic invoice (e-invoice) to foster timely recognition of expenses	It is planned to start in 2018	2018	Directorate of Business Processing

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ANNEX 1			
Status of Implementation of Pillars/Activities during 2018			
Activities	Status of Implementation of Activities	Timeline	Responsible unit
Pillar 3: Efficient execution of the Budget			
3.4. Management of external funds			
Action 1: Prepare and implement, in cooperation with donors, a program to progressively manage external funds through government systems	In progress	2015-2020	MOFE
3.5. Debt and cash management			
Action 1: Review current institutional arrangements, internal organization, and staff responsible for debt and cash management	In progress	2015-2016	General Directorate of Budget and Public Debt
Action 2: Improve liquidity forecasting	In progress	2015-2016	Directorate of Treasury Operations
3.6. Public Procurement			
Action 1: Strengthen the legal and institutional framework for public procurement	In progress	2016-2019	Public Procurement Agency
3.7. Asset management			
Action 1: Prepare methodology and action plan	In progress	2016-2020	Directorate of Harmonization of FMC
Action 2: Initiate and complete the process of full public assets inventory in General Government institutions and local government	In progress	2016-2020	General Directorate of Treasury
Pillar 4: Transparent government reporting			
4.1. Accounting			
Action 1: Prepare financial reports as per the ESA 2010 integrated government finance statistics manual	In progress	2015-2019	Directorate of Treasury Operations & INSTAT
Action 2: Implement IPSAS	In progress	2015-2019	General Directorate of Harmonization of Public Internal Financial Control Directorate of Treasury Operations
Action 3: Capacity building and ensure sustainability	Not started	2015-2019	General Directorate of Harmonization of Public Internal Financial Control Directorate of Treasury Operations
4.2. Financial and performance monitoring and reporting			
Action 1: Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial information	In progress	2015-2019	Directorate of Budget Monitoring and Implementation Directorate of Local Finance
Action 2: Improve access to data on the government's finances and operations	In progress	2015-2019	Directorate of Budget Monitoring and Implementation Directorate of Business Processing
Pillar 5: Effective internal control			
5.1. Financial Management and Control (FMC) at Public Institutions			
Action 1: Monitor the implementation of the legal framework for FMC	In progress	2015-2020	General Directorate of Harmonization of Public Internal Financial Control
Action 2: Implement a modern FMC system in three Line Ministries and four municipalities.	Completed	2015-2020	General Directorate of Harmonization of Public Internal Financial Control
Action 3: Increase the awareness of public units about the benefits of implementing the concept of "managerial accountability"	In progress	2015-2020	General Directorate of Harmonization of Public Internal Financial Control
5.2. Internal audit			
Action 1: Amend legal and methodological IA framework	Completed	2015-2018	General Directorate of Harmonization of Public Internal Financial Control Directorate of Harmonization of Internal Audit
Action 2: Professionalize IA function	Completed	2015-2018	General Directorate of Harmonization of Public Internal Financial Control Directorate of Harmonization of Internal Audit
Action 3: Strengthen the capacity of the CHU/IA	In progress	2015-2018	General Directorate of Harmonization of Public Internal Financial Control Directorate of Harmonization of Internal Audit
5.3. Public Financial Inspection			
Action 1: Increase the skills of public inspectors.	Completed	2015-2018	Directorate of Public Financial Inspection
Action 2: Information and awareness of the authority and the 3 high level of management and of the public as well	Completed	2015-2018	Directorate of Public Financial Inspection
Pillar 6: Effective external oversight of the public finances			
6.1. External audit			
Action 1. Align audit approaches to international standards (ISSAIs)	Completed	2015-2017	State Supreme Audit Institution
Action 2. Increase training and the use of information technology in tandem with the introduction of new audit approaches	Completed	2015-2018	State Supreme Audit Institution
Action 3. Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work.	In progress	2015-2018	State Supreme Audit Institution
Action 4. Introduce quality assurance activities over the audit	In progress	2017-2018	State Supreme Audit Institution
Action 5. Audit manual amendments to include activities to detect corruption and fraud	Completed	2017-2018	State Supreme Audit Institution

ANNEX 2
Overall PFM Performance indicators

	Outcome indicator	Baseline	Outcome indicator 2016	Status in 2016	Outcome indicator 2017	Target value 2017	Status in 2017	Outcome indicator 2018	Status in 2018	Target value 2020	Responsible unit
1	Public debt to GDP ratio, in percentage	70% (2013)	71% (72.4%)	Met	70.0%	65.50%	Not Met	67.2%	Met	59.5%	Macroeconomic Policy Department
2	Difference between actual debt ratio and the initially (at the beginning of the plan period) target debt ratio set for a particular year	- 5.1 percentage points	0.06 percentage points (1.4 percentage points)	Met	1.1 percentage points	(-1) percentage points	Not met	-1.5 percentage points	Met	(- 0.5) percentage points	Macroeconomic Policy Department
3	Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	+1.6%	(-) 21.72%	Met	-0.6%	≤ planned deficit	Met	-17.6%	Met	≤ planned deficit	DG Budget
4	Percentage deviation between first forecast of nominal GDP in the Macro and Fiscal Framework and first nominal GDP estimates by annual national accounts of INSTAT	9%	3.9	Met	2.8%	5%	Met	1.46	Met	(+/-)3%	Macroeconomic Policy Department
5	Public revenue trend (Revenue as a percentage of GDP)	24%	26.7% (27.6%)	Met	27.7%	25%	Met	27.3%	Met	27.50%	Macroeconomic Policy Department
6	Budget credibility: Percentage deviation of actual expenditure from projected expenditure	-10%	(-) 4.7%	Met	-1.24%	(-3.5%) - 0%	Met	-3.30%	Met	(-3% -0%)	DG of Budget
7	Budget credibility: Percentage deviation of actual revenue from projected revenue	5%	2%	Met	3.0%	+/-4%	Met	-3%	Not met	(+/- 2)%	Directorate of Analyses and Monitoring of Fiscal Policies
8	Percentage deviation of actual collection is within defined % of /approved budget estimate for tax and customs revenues	-10.2%	-2%	Met	-0.7%	+/-3%	Met	-1.4%	Met	(+/-2%)	Fiscal Department
9	Increased revenue collection as a result of improved administrative performance of tax and customs authorities, in percentage	0.57%	9.77%	Met	5.3%	1,60%	Met	3.60%	Met	1.00%	Fiscal Department
10	Deviation between approved and actual capital expenditures figures	-10%	4.5%	Met	-6.65%	(-)7%	Met	-2.45%	Met	(-5%)	DG Budget
11	Public Investment trend – capital expenditure as a percentage of GDP	5%	4.5%	Met	4.40%	4,50%	Not met	3.21%	Not met	4.50%	DG Budget
12	Budget Index produced by the International Budget Partnership, relating to information in the budget is increased (number of reports published increased from y-to-y)	46 score	NA*	NA*	50 score	60 th score	Not met	NA*	NA	70th score	DG Budget
13	Public Administration employees registered in the HRMIS, in percentage	0.5%	62%	Met	58%	50%	Met	74%	Met	90%	DoPA
14	Arrears accumulation (stock), in ALL billions	72.75	1.8 billion Lek*	Not met	2.2*	0	Not met	6.18	Not met	0	DG Budget

The figures in brackets for indicators 1, 2 and 5 are revised according to last macro fiscal framework.

* The 12th indicator is measured with a 2-year frequency, therefore 2016 and 2018 values are NA

*The 14th indicators is revised, it was re-formulated from “Arrears clearance (payments), in ALL billions” in “Arrears accumulation (stock), in ALL billions” and also the 2016 figure was updated with 2016 last update.

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ANNEX 3											
Outcome indicators under each Pillar											
Objective	Outcome indicator	Baseline	Outcome indicator 2016	Status	Outcome indicator 2017	Target Value 2017	Status	Outcome indicator 2018	Status	Target Value 2020	Responsible unit
Pillar 1: Sustainable and prudent fiscal framework											
1.1. Fiscal rules, forecasting and fiscal responsibility framework											
Fiscal responsibility framework for fiscal management established in the legal framework	1.1.1 The Debt to GDP ratio planned for each budgetary year is lower than the ratio for the previous year, until the ratio of debt reaches and remains below 45% of GDP*.	70 % (2013)	71.00%	Met	70.0%	Declining Trend	Met	67.2%	Met	Declining Trend	Macro Department
Sustainable and prudent fiscal frameworks, based on clearly stated fiscal objectives, underpin the budget	1.1.2 Forecasted nominal GDP used in each budgetary planning phase should not be higher than the respective forecasted nominal GDP in the World Economic Outlook, published by the IMF	(+) 14.3 (2013)	(-)18.22	Met	(-) 0.21	≤ 0	Met	(-) 5.9 billion ALL	Met	≤ 0	Macro Department
1.2. National Government Accounts accounts											
Independent statistical agency produces reliable and timely National Accounts	1.2.1 Compilation of Government National Accounts according to ESA2010-	0%	0%	Not met	25%	50%	Not met	50%	Met	75%	INSTAT
1.3. Fiscal risk management											
Adequate capabilities to detect, monitor and propose measures to mitigate fiscal risks faced by the government	1.3.1 Accuracy of identification of risks and their likely impact, taking account of mitigation measures applied	0% (2016)	0%	Not met	50%	50% of categories are covered in the SFR	Met	80%	Met	100% of categories are covered in the SFR	GD of Budget-MoF
Pillar 2: Well integrated and efficient planning and budgeting of public expenditure											
2.2. Capital investment planning, appraisal and inclusion in budget											
A robust process is in place to technically and financially appraise all large public investment project proposals prior to their consideration by the Budget Committee of Cabinet for their inclusion in the budget.	2.2.1 Share of public investment projects that proposed based on the strategic priorities of the government	I _{SPP} = 55% V _{SPP} = 68% (2016)	ISPP = 55% VSPP = 68%	Measured for the first time in 2016	ISPP = 57% VSPP = 75%	Growing trend	Met	ISPP = 64% VSPP = 80%	Met	Growing trend	GD Budget Planning-MoF
Strengthened processes and institutional capacity for initiating, appraising, prioritizing and approving capital investment projects	2.2.3 Annual publication of actual disbursements for major investment projects compared to planned disbursements, along with explanation of variations	95% (2015)	96%	Met	96%	97%	Not met	97%	Met	98%	GD Budget Planning-MoF
2.3. Medium Term Budget Programme											
Prudent and stringent procedural framework for the preparation of the MTBP. MTBP framework that encapsulates the NSDI, government and sector strategic priorities for the medium term delivers desired results within sustainable financial resources for the three future years.	2.3.1 Ratio between total funds estimated in the sectoral strategies and total funding identified for corresponding sectors within the MTBP is growing	42% (2014)	53 % (2015)	Met	56%	Growing trend	Met	NA	NA	Growing trend	GD Budget Planning-MoF
	2.3.2 Total planned expenditures (and revenues) for the MTBF adopted in year n /Total planned expenditures (and revenues) in year n in annual budget is 0%	DEMTBP/AB = - 14% DRMTBP/AB = -1% (2015)	DEMTBP/AB = 0.4% (2016) DRMTBP/AB = - 0.05% (2016)	Met	DEMTBP/AB= 0.4 (2017) DRMTBP/AB= 0.07% (2017)	DEMTBP/AB = 0 % DRMTBP/AB = 0%	Not met	DEMTBP/AB= 0.78 % (2018) DRMTBP/AB= 1.4% (2018)	Not met	DEMTBP/AB = 0% DRMTBP/AB = 0%	GD Budget Planning-MoF

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ANNEX 3											
Outcome indicators under each Pillar											
Objective	Outcome indicator	Baseline	Outcome indicator 2016	Status	Outcome indicator 2017	Target Value 2017	Status	Outcome indicator 2018	Status	Target Value 2020	Responsible unit
Pillar 2: Well integrated and efficient planning and budgeting of public expenditure											
2.4. Multi-year commitment controls											
Medium term commitments are comprehensively controlled within limits set by Government and Parliament through the Budget and related laws, regulations and instructions	2.4.1 The amount committed on multi-year projects for each year exceeding the approved budgets for those projects is equal to zero;	967 million LEK (2015)	767 million LEK	Met	682 million LEK	Reduced by 50%	Not met	448 milion Lek	Met	Declining trend	Public Investment Department , GD Budget
	2.4.2 All major projects are pre-committed in the system based on estimated disbursement schedules approved in the Budget process, before procurement action commences	NA	NA	NA	NA	No target	NA	NA	NA	100%	General Directorate of Treasury (Treasury Operations' Department + Business Processing Department)
	2.4.3 No payment arrears are recorded on multi-year capital investment project activities' after 3 years. (this effect will be visible after 2-3 years of multi-year commitment control implementation into AGFIS)	NA	NA	NA	NA	NA	0	NA	NA	0	GD of Budget
2.5. PFM in local government											
Prudent, effective, and efficient financial management of the local governments	2.5.1. Improve collection and administration of taxes from the municipalities after the new administrative territorial reform.	RLGR = 3.04% RLGRG = -6% (2015)	RLGR = 3.7% RLGRG = 27.7%	Met	RLGR = 4.2% RLGRG = 23.38%	RLGR = Growing trend RLGRG = Growing trend	Partially Met	RLGR = 4.8% RLGRG = 46.2%	Met	Growing trend Growing trend	DG Budget
	2.5.2. Increasing the share of investment expenditures in local budgets, compared with administrative expenditures (more than 0%)	RTotal M = -3.83%	RTotal M = -3.83%	Measured for the first time in 2016	RTotal M = 0.12%	RTotal M > 0%	Met	RTotal M = 1%	Met	RTotal M > 0%.	DG Budget
	2.5.3. Each report of external audit on the functioning of local self-government units should be available to the public, according to the legislation (the new law on local government)	NA	NA	NA	NA	NA	No target	NA	NA	100%	DMRPFM
Pillar 3: Efficient execution of the Budget											
3.1. Tax administration											
Tax administration reforms increases tax bases, supports efficient tax collection, and reduces fraud	3.1.1. Enlarge the tax base by 30 % for employees and 20% for businesses in 2020	507,891 employees; 100,765 businesses (2014)	19% employees 14% businesses	Met	25% employees 17% businesses	25% employees 13% bussines	Met	29% employees 16% businesses	Partially Met	30% employees 20% businesses	General Directorate of Tax, MoF
	3.1.2. Increased tax efficiency as result of reducing administrative cost to less than 1%	1.46%	1.44%	Met	1.45%	1.10%	Met	1.27%	Met	1.00%	General Directorate of Taxes , General Directorate of Customs
	3.1.3. Provide reimbursement of VAT under the terms of legislation	69% (2014)				83%	80%	Met	84%	Met	
3.2. Customs management											
Effective, efficient, fair and transparent management of customs revenues	3.2.1. Percentage deviation of actual collection is within defined % of approved budget estimate for custom revenues	(-10.2%)	(-2%)	Met	-0.6%	+/-3%	Met	-3.8%	Not met	(+/-)2%	Fiscal Directorate of Fiscal Analyses and Polices
3.3. Improve the coverage and functionality of AGFIS											
Fully transparent and efficient recording and control of the government' spending and accrued financial obligations	3.3.1. Accumulated arrears for central government measured as a percentage of total accrued expenditure at the end of the fiscal year.	0.48% (2016)	0.48%	Measured for the first time in 2016	0.48%	Declining trend	Not met	2.05%	Not met	Declining	Directorate of Treasury Operations
	3.3.2. Public Administration employees registered in the HRMIS, in percentage	0.50%	62%	Met	58%	50%	Met	74%	Met	90%	DoPA

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ANNEX 3											
Outcome indicators under each Pillar											
Objective	Outcome indicator	Baseline	Outcome indicator 2016	Status	Outcome indicator 2017	Target Value 2017	Status	Outcome indicator 2018	Status	Target Value 2020	Responsible unit
Pillar 3: Efficient execution of the Budget											
3.4. Management of external funds											
Effective and transparent use of the Government's management and control systems for all external funds, including EU funded projects under IPA programs in Decentralized mode.	3.4.1. Ratio of disbursements on EU and other donors funds presented in the monthly fiscal reports produced by the Treasury	10% donors financing (2014)	NA	NA	NA	Growing Trend	NA	NA	NA	Growing Trend	Directorate of Treasury Operations
3.5. Debt and cash management											
Debt sustainability analysis, as well as debt management and debt sustainability strategies based on it are prepared annually	3.5.1. Stock of domestic debt re-fixed within one year	67.7% (2015)	62.6% (2016)	Met	56.7% (2017)	65.70%	Met	54.3%	Met	60.0%	Debt Department
Minimized costs for meeting Government funding needs for a chosen level of risk and given Albania's credit rating	3.5.2. Increase days to maturity of domestic debt to 790 days (2018)	705 days (2015)	753 days (2016)	Met	780 days (2017)	740 days	Met	783 days	Not met	790 days	Debt Department
	3.5.3. Primary fiscal balance positive with a level of more than 2%	-1.70%	(+) 0.7%	Met	(+) 0.4%	(+)1%	Not met	(+) 0.5%	Partially Met	2%	GD of Budget
3.6. Public Procurement											
Public procurement system is in line with EU good practice	3.6.1. The public procurement review body operates a more independent, transparent, effective and efficient remedy system, confirmed with a score of 3 (out of 5) or more at SIGMA Baseline Measurement reports	2 score (2015)	NA	NA	3 score	Growing Trend	Met	NA	NA	Growing Trend	PPA & PPC
A modern, sound and effective system for public procurement and concessions harmonized with the legal and institutional framework of the Acquis and EU standards and good practices	3.6.2. The percentage of cases when the review body exceeds the legal maximum processing time is below 10%	39.6% (2014)	72%	Not met	54.7%	Declining Trend	Met	49%	Met	Declining trend	PPC
3.7. Asset management											
Complete asset registry including values and depreciation rules according to national standards	3.7.1. Public assets are recorded into the AGFIS at least for 5 budget institutions	0 (2014)	0	Not met	6 budget institutions	1	Met	6 budget institutions	Met	5	Directorate of Treasury Operations
Pillar 4: Transparent government reporting											
4.1. Accounting											
Accounting and reporting is done in compliance with IPSAS. Improvement of Financial Reporting Standards and the	4.1.1. Presentation of financial statements as per IPSAS framework by 2020	IIPSAS CA = 0 (2014)	IIPSAS CA = 0	Not met	IPSAS CA=0	Growing Trend	Not met	IPSAS CA=0	Not met	Growing trend	General Directorate of the Harmonization of Internal Public Financial Control
Accounting and reporting is done in compliance with IPSAS. Improvement of Financial Reporting Standards and the Quality of Financial Reporting through increase of professional capacities and the IT infrastructure	4.1.2. 100 Budget Institution of General Government shall be able to execute their budget and perform financial reporting through AGFIS up to 2020	1. Iaccess=5 2. IAGFIS= 8.5% 3. IM=16.5% (2014)	1. Iaccess=15 2. IAGFIS= 11% 3. IM=58%	Met	1. Iaccess=15 2. IAGFIS= 15% 3. IM=87%	Growing Trend Growing Trend Growing Trend	Partially Met	Iaccess = 15 IAGFIS = 14% IM =85%	Not met	100 BI Growing trend Growing trend	Business Processing Department

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ANNEX 3											
Outcome indicators under each Pillar											
Objective	Outcome indicator	Baseline	Outcome indicator 2016	Status	Outcome indicator 2017	Target Value 2017	Status	Outcome indicator 2018	Status	Target Value 2020	Responsible unit
Pillar 3: Efficient execution of the Budget											
3.4. Management of external funds											
Effective and transparent use of the Government's management and control systems for all external funds, including EU funded projects under IPA programs in Decentralized mode.	3.4.1. Ratio of disbursements on EU and other donors funds presented in the monthly fiscal reports produced by the Treasury	10% donors financing (2014)	NA	NA	NA	Growing Trend	NA	NA	NA	Growing Trend	Directorate of Treasury Operations
3.5. Debt and cash management											
Debt sustainability analysis, as well as debt management and debt sustainability strategies based on it are prepared annually	3.5.1. Stock of domestic debt re-fixed within one year	67.7% (2015)	62.6% (2016)	Met	56.7% (2017)	65.70%	Met	54.3%	Met	60.0%	Debt Department
Minimized costs for meeting Government funding needs for a chosen level of risk and given Albania's credit rating	3.5.2. Increase days to maturity of domestic debt to 790 days (2018)	705 days (2015)	753 days (2016)	Met	780 days (2017)	740 days	Met	783 days	Not met	790 days	Debt Department
	3.5.3. Primary fiscal balance positive with a level of more than 2%	-1.70%	(+) 0.7%	Met	(+) 0.4%	(+)1%	Not met	(+) 0.5%	Partially Met	2%	GD of Budget
3.6. Public Procurement											
Public procurement system is in line with EU good practice	3.6.1. The public procurement review body operates a more independent, transparent, effective and efficient remedy system, confirmed with a score of 3 (out of 5) or more at SIGMA Baseline Measurement reports	2 score (2015)	NA	NA	3 score	Growing Trend	Met	NA	NA	Growing Trend	PPA & PPC
A modern, sound and effective system for public procurement and concessions harmonized with the legal and institutional framework of the Acquis and EU standards and good practices	3.6.2. The percentage of cases when the review body exceeds the legal maximum processing time is below 10%	39.6% (2014)	72%	Not met	14.16% (H 2 2017)	Declining Trend	Met	49%	Met	Declining trend	PPC
3.7. Asset management											
Complete asset registry including values and depreciation rules according to national standards	3.7.1. Public assets are recorded into the AGFIS at least for 5 budget institutions	0 (2014)	0	Not met	6 budget institutions	1	Met	6 budget institutions	Met	5	Directorate of Treasury Operations
Pillar 4: Transparent government reporting											
4.1. Accounting											
Accounting and reporting is done in compliance with IPSAS. Improvement of Financial Reporting Standards and the	4.1.1. Presentation of financial statements as per IPSAS framework by 2020	IIPSAS CA = 0 (2014)	IIPSAS CA = 0	Not met	IPSAS CA=0	Growing Trend	Not met	IPSAS CA=0	Not met	Growing trend	General Directorate of the Harmonization of Internal Public Financial Control
Accounting and reporting is done in compliance with IPSAS. Improvement of Financial Reporting Standards and the Quality of Financial Reporting through increase of professional capacities and the IT infrastructure	4.1.2. 100 Budget Institution of General Government shall be able to execute their budget and perform financial reporting through AGFIS up to 2020	1. Iaccess=5 2. IAGFIS= 8.5% 3. IM=16.5% (2014)	1. Iaccess=15 2. IAGFIS= 11% 3. IM=58%	Met	1. Iaccess=15 2. IAGFIS= 15% 3. IM=87%	Growing Trend Growing Trend Growing Trend	Partially Met	Iaccess = 15 IAGFIS = 14% IM =85%	Not met	100 BI Growing trend Growing trend	Business Processing Department

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ANNEX 3											
Outcome indicators under each Pillar											
Objective	Outcome indicator	Baseline	Outcome indicator 2016	Status	Outcome indicator 2017	Target Value 2017	Status	Outcome indicator 2018	Status	Target Value 2020	Responsible unit
Pillar 5: Effective internal control											
5.1. Financial Management and Control (FMC) at Public Institutions											
Effective managerial accountability in local and central governance units. Successful implementation of modern management practices at all local and central governance institutions.	5.1.1. 100 % of budget entities will use FMC requirements to improve internal control systems and achieve objectives and results	3/4 score (2015)	3.142/4 score (2016)	Met	3.4171/4 score (2017)	Growing trend	Met	3.379/4 score (2018)	Not Met	Growing trend	MoFE
5.2. Internal audit											
Well-functioning and efficient IA function in the public sector	5.2.1. 65% of internal audit recommendations have been implemented within two years;	R.impl= 45% (2014)	R.impl= 60%	Met	NA	Growing trend	NA	NA	NA	Growing trend	Directorate of Internal Audit Harmonization
	5.2.2. 100% of the audit staff employed in all IA units undertook each year 40 hours of CPD training and 100% of new staff is certified within 2 years from the date of their appointment.	IACPDT= 82% IANC= 60% (2014)	IACPDT= 100% IANC= 60%	Partially Met	IACPDT= 100% IANC -NA	Growing trend	NA	IACPDT= 100% IANC = 86%	Partially Met	Growing trend	Directorate of Internal Audit Harmonization
	5.2.3. 70% of IA reports are focused on performance issues and assessment of internal control systems (five FMC components)	40% (2015)	60%	Met	NA	Growing trend	NA	NA	NA	Growing trend	Directorate of Internal Audit Harmonization
Pillar 6. Effective external oversight of the public finances											
6.1.External audit											
Strengthening the external oversight function by bringing it in line with INTOSAI standards	6.1.1. The weight of Financial and Performance audits undertaken by the SAI will increase when compared to Compliance Audits	Compliance audit 90%	Compliance audit=76% (2016) Performance audit = 8% (2016) Financial audit = 5% 92016)	Met	Compliance audit=75% (2017) Performance audit = 10% (2017) Financial audit = 9% (2017))	Growing trend of Compliance Au	Met	Compliance audit=56% (2018) Performance audit = 17% (2018) Financial audit	Met	Declining trend of compliance audit ratio	SAI
Strengthening the external oversight function by bringing it in line with INTOSAI standards	6.1.2. % of audit recommendations accepted and implemented by auditees is greater than 75.5%	RACC 73.4% (Baseline 2016) RIMPL75% (Baseline 2014)	RACC 73.4% RIMPL32.5%	Not met	RACC 66% RIMPL 35.2%	Growing trend Growing trend	Partially Met	RACC 96% RIMPL 60%	Met	Growing trend Growing trend	SAI
Strengthening the external oversight function by bringing it in line with INTOSAI standards	6.1.3. The training strategy is in place, auditors are trained according to ISSAI	TISSAI 100%	TISSAI 108%	Met	TISSAI 114%	Growing trend	Met	TISSAI 118%	Met	Growing trend	SAI

Annex 4: PFM Sector Donor Funding

Donor	Project Title	Description	Type of Finance	Committed Funds (in euro)	Status
EU (IPA 2012)	Twinning support to Supreme audit institution	The objective of the twinning project is further institutional strengthening of the ALSAI and adjustment to the EU standards. The SAIs of Poland and Croatia are the twinning partners for the ALSAI. The Project's implementation started in March 2016 and lasted 27 months.	grant	2,000,000	Completed in July 2018
EU (IPA 2013)	Upgrading the Albanian Customs Administration (Action Reference: IPA/2013/024-190)	IPA 2013: Twinning Project "Alignment of Customs Legislation and Procedures related to Tariff with the EU Acquis" Total amount: 1.8 Million EUR; The implementation of the Project started on March 2017. Duration: 2 Years. The Twinning Project introduce a fully IT system compatible with the EU system regarding Integrated Tariff Management System (ITMS) .	Grant	1,800,000	Completed in March 2019
EU (IPA 2013)	Upgrading the Albanian Customs Administration (Action Reference: IPA/2013/024-190)	Technical assistance contract to develop computerised Integrated Tariff Management System (ITMS) (Contract ref. IPA/2017/383-985)	Grant	2,100,000	Ongoing
EU (IPA 2014)	Sector Reform Contract for Public Financial Management	Sector Budget Support: Support to public finance management (PFM) reforms in order to ensure fiscal discipline, more prudent financial management towards efficient public service delivery (EUR 40 million).	Grant (Budget Support)	40,000,000	Ongoing
EU (IPA 2014)	Sector Reform Contract for Public Financial Management	PFM Technical Assistance to strengthen the capacity to implement the PFM strategy, providing better coordination and management of the reform process, transparency and accountability processes through enhanced dialogue and availability of information through Parliament	Grant	2,000,000	Ongoing
Switzerland	Financial Programming	Objective of the Project is to enable beneficiaries develop their own financial programming models, take command of technical analysis, negotiate with third parties in more proactive terms	grant	130,692	Ongoing
Switzerland	Support for Public Accounting reforms	The project provides technical assistance and capacity building will be provided with the aim to (i) improve the management of budget resources, (ii) improve decision-making, and (iii) enhance the overall transparency of the use of fiscal resources	grant	1,700,000	Ongoing
Switzerland	Strengthening Public Financial Management at sub-national level in Albania	Project objective: To improve the sub-national PFM environment to enable financial discipline, efficient use of public resources and improved service delivery in targeted municipalities and support MOFE in dealing with the difficult processes of inter-governmental finance	Grant	3,900,000	Ongoing
Switzerland	Support to Revenue Administration Reform in South Eastern Europe	The overall objective of this project is that all beneficiary countries have improved the institutional capacity to meet EU accession criteria. The project is also expected to achieve material increases in domestic revenue as percentage of GDP. To achieve this, each country must narrow its capacity gaps over the next three years to ensure their fiscal systems are robust enough to support their accession and	grant	500,000	Ongoing

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		revenue mobilization objectives.			
Switzerland	Improve capacities for GFS	The project provides ongoing technical assistance (TA) and training to improve capacity for government finance statistics (GFS), with a focus on ensure compliance with EU requirements under the Excessive Deficit Procedure (EDP)	grant	300,000	Ongoing
Switzerland	GDRM: government debt risk management	Government bond market development; support for strengthening the institutional setup of the debt management office, especially in light of the merger of the MoFE; assistance for strengthening cash management operations (in coordination with the IMF);	grant	410,000	Ongoing
Sweden	Tax cooperation on property tax	A 3d phase of cooperation between the Swedish and Albanian tax administrations focusing on digital archiving, tax-payers services and fiscal cadastre (property taxing).	grant	3,204,300	Ongoing
USAID	Albania Financial Sector Development Program	Provide technical assistance in support of Albania's private financial sector, as well as banking supervision. Assist the FSA	grant	4,006,350	Ongoing
USAID	Planning and Local Governance Program (PLGP)	Project Description: The project provides technical assistance and training to GoA and to Albanian local government institutions to support their efforts to successfully implement decentralisation legislation, policies and reforms, including fiscal decentralisation	grant	11,861,773	Ongoing till end 2019
Austria IPA 2013 Switzerland Sweden	Multi Donor Trust Fund (MTDF) on Capacity Building Support to Implement the Integrated Planning System (IPS II)	Assist the Government to relate its budget to the development of the country and its integration in the EU. Increase capacities in the Government to implement and monitor the IPS.	grant	138,483 1,100,000 1,077,027 3,052,414	Ongoing till end 2019
World Bank	Financial Sector Development Policy Loan 2	Objective: to strengthen the resiliency of the financial sector, the deposit insurance framework, and regulation and supervision of non-banks. This policy operation supports reforms aimed at strengthening the resiliency of the banking sector and the regulation and supervision of nonbank financial institutions in Albania.	Loan	81,251,676	Completed in 2018