



REPUBLIKA E SHQIPËRIE
MINISTRIA E FINANCËVE

Ministry of Finance

Government of Albania

**Public Financial Management Strategy 2014-2020
2015 Monitoring Report**

March 2016

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List of Acronyms

AFCOS	Anti-Fraud Coordination Service
AFMIS	Albanian Financial Management Information System
AGFIS	Albanian Government Financial Information System
ASPA	Albanian School of Public Administration
BI	Budget Institutions
BoA	Bank of Albania
CHU	Central Harmonization Unit
DG	Directorate of Government
DIEPP	Department for Indemnification of Ex-Political Persecuted Persons
DMFAS	UNCTAD- Debt Management and Financial Analysis System
DOPA	Department of Public Administration
DTS	Donor Technical Secretariat
DU	Delivery Unit
EI	European Integration
EQA	External Quality Assurance
EPSAS	European Public Accounting Standards
ERP	Economic Reform Program
EU	European Union
FI	Financial Inspection
FMC	Financial Management Control
GDP	Gross Domestic Product
GDT	General Directorate of Taxation
GoA	Government of Albania
GFS	Government Finance Statistics
HRMIS	Human Resources Management Information System
HSC	High State Control
IA	Internal Audit
IFMIS	Integrated Financial Management System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
IPSIS	Integrated Planning System Management Information Systems
ISSAI	International Standards for State Audit Institutions
IU	Institutional Unit
MEI	Ministry of European Integration
MOE	Ministry of Economic Development, Tourism, Trade and Entrepreneurship
MOF	Ministry of Finance
MTBP	Medium-Term Budget Program
NDSI	National Strategy for Development and Integration
NPEI	National Plan for European integration
OPM	Office of Prime Minister
OBL	Organic Budget Law
PAR	Public Administration Reform

PBG	Policy Based Guarantee
PEFA	Public Expenditure and Financial Accountability
PFIC	Public Financial Internal Control
PFM	Public Financial Management
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PPA	Public Procurement Agency
SAI	Supreme Audit Institution
SECO	State Secretariat for Economic Affairs
SIGMA	Support for Improvement in Governance and Management
SOE	State Owned Enterprise
SPC	Strategic Planning Committee
TSA	Treasury Single Account

1. Executive summary and Main Highlights in Developments over the past year

1.1. Main developments in the implementation of the PFM reforms

1.1.1. Key progress in addressing PFM weaknesses

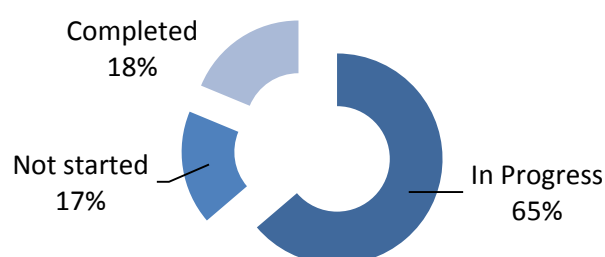
The Ministry of Finance of Albania adopted a comprehensive Public Finance Management (PFM) reform strategy for 2014-20¹ and a relevant action plan. The overall objective of the PFM reform strategy is to achieve a better balanced and sustainable budget with a reduced debt ratio through stronger financial management and control and audit processes and where budget execution is properly linked to Government policies.

This is the first Public Finance Management annual monitoring report on Albania and it covers the period from December 2014 to 31 December 2015. The aim is to have the reports reviewing roughly one year of reform efforts and to have the report ready in time to inform upcoming European Commission budget support payments in the relevant year.

The present report provides an assessment of the PFM eligibility criteria for the EU to provide budget support to Albania. The PFM eligibility criterion requires 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.

PFM progress is overall satisfactory according to our self-assessment. During 2015, as shown below, 18% of the activities have been completed, 65% of the activities are in progress and 17 % has not started yet.

PFM Strategy 2015 Status of the activities



No of activities	
In Progress	52
Not started	14
Completed	14
80	

The Government of Albania has made a good progress in the implementation of its Public Financial Management Reform Strategy, In particular:

- Enhanced capabilities for preparation of the medium-term planning for all processes relevant to European Integration. Alternative macro-fiscal assumptions are documented in the Economic Reform Program (ERP) 2016 that shows different paths for growth and their implications for government revenue and the deficit.

¹ <http://www.financa.gov.al/al/raportime/strategjia-per-menaxhimin-e-financave-publike-2014-2020>

- Strengthened capacities in the compilation and dissemination of government finance statistics (GFS) data and in improving the forecasting methodologies within the Department of Macroeconomics and Fiscal Policy through a technical assistance provided to the Ministry of Finance and INSTAT by the State Secretariat for Economic Affairs.
- Improved 2016 annual budget as included an estimation of budgetary ceilings for the period 2017-2018 making the ceilings for the three years of the Medium Term Budgeting Program (MTBP) binding.
- A new modern information technology system started to be used by the General Tax Directorate. The immediate benefit of this new system is the increase of the operations efficiency due to the necessity to re-design all the tax operational processes and the introduction of compliance risk management system.
- A reform to improve tax compliance, fight tax evasion, and reduce informality was initiated by Albanian Authorities in early September 2015. Early 2016 figures show that domestic revenues increased considerably compared to the same period of the previous year.
- The Albanian Government Financial Information System (AGFIS) is being rolled out to two additional Budget institutions (BI) after being implemented to 5 entities.
- Many changes to the Customs Code entered into force in February 2015, together with implementing instructions, aligning further to the acquis on a broad range of issues. The new Customs Code introduced simplification of customs rules, risk - based approach of Custom controls, computer-based generation of clearance procedures and other changes.
- Progress has been made during 2015 regarding the objective of improving the debt structure and increasing the sustainability of the domestic debt. The issue of Policy Based Guarantee (PBG), as well as refinancing of the existing Eurobond during 2015, is integral part of this strategy.
- Strengthened the legal and institutional framework of public procurement by amending the existing Public Procurement Law and issuing several Council of Ministers decisions and instructions aiming to encouraging the use of modern procurement technique. Actions to enhance the e-procurement system to make it capable of meeting the new requirements under the new EU directives and to support economic operators in their participation in public tenders were also performed.
- Prepared and published in the Ministry of Finance (MoF) website for the first time the Government Finance Statistics Annual Report for 2014 in accordance with the latest Handbook of International Monetary Fund (GFSM2014). Also, the Reporting unit finalized the registration in AGFIS of all the foreign-funded projects for the period 2010-2014 and is completing the local government financial statements, which will be reported under the Government Consolidated Financial Statements that are intended to be finalized and published within the first half of 2016.
- Improved several laws in the Financial Management and Control (FMC), Public Financial Inspection and the Internal Audit areas and enhanced the capacities through a Twinning project between Ministry of Finance of Austria and Ministry of Economy and Finance of France, on the “Implementation of a modern system for Financial Management and Control and Public Financial Inspection in Albania” that started in September 2014.
- A new Law which regulates the functional, operational and financial independence, mandate and organization of the High State Control was introduced by the end of 2014. The law also introduces some new International Standards for State Audit Institutions based requirements such as the use of financial and/or performance audit. New audit methodologies have been prepared following the new law and extensive capacity building activities were held during 2015.

1.1.2. Main outstanding challenges faced by the PFM system

External and internal factors have forced the Albanian Government to focus on solutions aiming at fiscal consolidation, to the detriment, sometimes, of growth. These efforts face many challenges, such as high public debt, inadequate policy and expenditure prioritization and a persistent positive bias in GDP forecasts. While there has been good progress in general there have been other activities which have not been progressing very well:

- The National Strategy for Development and Integration 2015-2020, which along with sector strategies, crosscutting strategies, master plans and action plans form the framework of the comprehensive strategic development for the country, has been under development for several years and still awaits finalization and adoption (expected to be published within first half of 2016).
- The Ministry of Finance could not successfully proceed with the approval in Parliament of the Organic Budget Law (amendments) within 2015. Reducing public debt from high levels over the medium term will require political commitment to sustain fiscal consolidation; therefore the Ministry is expected to get the Parliament approval within the first half of 2016.
- Sectorial strategies, even if they include some level of financial estimates, are not fully linked to the MTBP and do not always provide comprehensive information about full costs and sources of additional funding.
- INSTAT has started the work for creation of a sustainable statistical system of public administration but the list of units covered by budgetary system planned to be finished by 2015 is still to be finalised and published. Moreover, in order to ensure collection of information, INSTAT, MoF and Bank of Albania have not started yet to (1) prepare the templates to be filled in by the entities regarding classification standards and (2) define the timelines for the publication and maintenance of the list of units that should be published.
- Still no concrete actions are taken to strengthen the public administration's capacity to appraise the socio-economic return of capital investment projects. The process is flawed by insufficiently systematic and rigorous appraisal of projects and fragmented funding decisions.
- Due to delays in purchasing the hardware, planned activities such as enrolment of 5 BI into AGFIS, introduction of multi - year commitment controls for multi - year investment projects and integration of AGFIS with the Debt Management System have not started yet in 2015.
- No legislative framework has been developed yet to simplify the clearing process at Customs for Authorized Economic Operator. In addition, during 2015 no actions have been taken to create a unified Law Enforcement and Tax Investigation Department in order to improve and increase the efficiency of the investigations started by Customs.
- No activities have started to conduct GAP analysis between current accounting framework and IPSAS.

1.1.3. Fiscal progress in 2015

Regarding fiscal progress in 2015 there are numerous quantitative measures that demonstrate both the relative success of the reforms to date, but also the significant challenges that the Government faces. The following tables provide a summary assessment of the government's key fiscal performance for the most recently completed fiscal year.

Public Finance Management Reform 2014-2020

2015 Monitoring Report

Out-turn of Budgetary Central Government Operations

	2013		2014		2015	
	Lek Million	% of GDP	Lek Million	% of GDP	Lek Million	% of GDP
Total revenues	327,178	24.2	366,686	26.2	381,144	26.4
Total expenditures	394,118	29.2	438,820	31.3	436,645	30.2
Current Account Deficit	-66,940	-5.0	-72,134	-5.2	-55,501	-3.8

Source: INSTAT, Bank of Albania, Ministry of Finance

The economic activity in Albania has continued to grow in the first three quarters of 2015. The latest short-term indicators signal ongoing moderate growth in GDP in the near term. However, economic growth was lower than expected in the first half due to supply side shocks and weaker private consumption. The latest available macro-economic data for 2015 are as follows:

- GDP grew by 27% in real terms in 2015 comparing to 2014 (2,6%:2015 vs 2%: 2014)
- The unemployment rate decreased by 3% during 2015 compared to 2014 (17.3%: 2015 vs 17.9%:2014)
- The current account deficit was improved by 26% during 2015 compared with 2014 (-3.8 %: 2015 vs -5.2% : 2014 - both indicators as % to GDP)
- Foreign direct investment rose with 24% in 2015 compared to 2014 (10.1 % :2015 vs 8.1 %: 2014 both indicators as % to GDP)
- For the first 10 months of the year, the average inflation rate was 1.9%, hovering below the Bank of Albania target.
- Export of goods and services for 2015H1 remained at the same level of the same period last year. On the contrary, a marked contraction in the import of services contributed to a fall in total imports by around 6.4% annually. Secondary incomes continued to increase led by a sustained pick-up in remittances by 18.7% annually. Net flows of the capital account reached EUR 47.3 million this year, edging up from EUR 2.4 million in the first half of last year. In the financial account, the net position registered an annual decrease in assets by 19%. The net flows in the capital and financial accounts combined, financed fully the registered current account deficit.

The Ministry of Finance has the following projections for the main economic indicators for 2015 – 2019

	2015	2016	2017	2018	2019
	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>	<i>Proj</i>
Real GDP Growth	2.6	3.4	3.9	4.2	4.2
Nominal GDP Growth	3.2	5.9	7.0	7.5	7.4
Inflation	1.8	2.3	2.7	3.0	3.0
Exports of goods and services (%)	8.7	8.8	9.0	9.3	9.5
Import of goods and services (%)	-30.4	-32.2	-32.3	-31.9	-30.6
Current Account Deficit % of GDP	-3.8	-2.2	-1.4	-0.5	0.4

Source: INSTAT, Bank of Albania, Ministry of Finance

2. Progress in improving public financial management

2.1. Introduction

This is the first Public Finance Management annual monitoring report on Albania and it covers the period from December 2014 to 31 December 2015. The aim is to have the reports reviewing roughly one year of reform efforts and to provide summary information to the PFM Steering Committee on the progress achievements and challenges towards meeting the objectives of the strategy.

The present report provides an assessment of the public financial management (PFM) eligibility criteria for the EU to provide budget support to Albania. The PFM eligibility criterion requires 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.

2.2. The PFM strategy

The objective of the PFM reform strategy is to ensure a public finance system that promotes transparency, accountability, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.

Safeguarding macroeconomic stability and sustainability is this Government's priority as it will help achieving Albania's growth potential. To ensure stability, the Government is committed to strengthen the overall fiscal framework, create mechanisms to ensure that forecasting is realistic and tighten the three-year MTBP preparation process. The Ministry of Finance has already accomplished the Arrears Prevention and Clearance Strategy approved in 2014. Specific measures to prevent new build-up of arrears are also put in place. Multi-year limits for investment projects and other longer term contractual arrangement are planned to be introduced in the mid-term budget document, and these limits shall be approved by Parliament as a part of the annual budget law. The overall fiscal framework shall be strengthening by other legislative measures that will provide clarity and certainty regarding the procedures around budget processes. The Ministry of Finance acknowledges, however, that legislative amendments in and by themselves will not be insufficient to ensure discipline. It also requires strong political commitment and leadership to ensure compliance with existing and new legislation and enforce management responsibility and accountability across the whole public administration.

Efforts will continue to strengthen revenue management, by revising tax policy and reforming the tax and customs administrations to increase its efficiency in the collection of revenues, decrease the tax gap, fight tax evasion and the informal economy.

The scope of the Strategy is to put more emphasis on monitoring the government programmes. Also the reporting to Parliament and the public will be greatly improved, in terms of content as well as access. Discussion will be held with Parliament on how to enrich the reviews of the MTBP and its execution and how to hold individual ministers clearly accountable for the programmes for which they are responsible.

A prerequisite for good reporting is good accounting. Accounting standards are to be gradually revised with the ambition of eventually becoming fully compliant with the International Public Sector Accounting Standards (IPSAS). The internal control systems in central and local government institutions will be strengthened to ensure compliance but also as a means to enhancing the effectiveness and efficiency of the public sector. In parallel with the efforts of the Government, external audit by the High State Control will be strengthened with the objective of aligning its role, set-up, and modus operandi with the standards set by

International Organization of Supreme Audit Institutions (INTOSAI). Actually, the High State Control has been actively involved in the preparation of the Strategy, and is a key member of the PFM Reform Steering Committee, which will, inter alia, monitor progress of the measures and formal commitments that are given in the Strategy.

Modern financial management requires modern and well-integrated systems support. Considerable resources will, therefore, be devoted to designing and implementing an Integrated Financial Management System (IFMIS) supporting all major processes involved in the management of the government's finances and operations. A unified command for developing the conceptual design for the IFMIS, for coordinating, and for financing the different activities involved in implementing the IFMIS will be set up in MoF. The Government will solicit basket funding from its partners for the purpose.

But laws, regulations and IT-systems are not sufficient for achieving the Ministry of Finance vision of a professionalized public financial administration. Besides political commitment, it will in the end depend on the integrity, competence and dedication of the public servants that will be responsible for the different functions at the core PFM institutions as well as in the line ministries and spending units. Much leffort will therefore be put into developing the capacity of the government staff and in particular budget users both at central and local level through systematic training. Programmes to increase capacity in the PFM area will need to be, and will be, supported by measures to modernize the management culture, giving more authority to line managers while strengthening the mechanisms to ensure accountability.

Other reforms included in this strategy, such as those concerning budget documentation, accounting principles, reporting, performance management, and the design and implementation of the IFMIS, will be phased and implemented at a later stage of the strategy. A strong and dynamic economy is a priority.

To achieve a modern and efficient management of public finances Albania has adopted several instruments: legislation, culture changes and process reengineering, capacity building and IT-development. A summary of adoption of these instruments in 2015 is given below:

Legislative changes

- **5** new Laws/or amendments to the existing laws were performed during 2015 ("On Financial Management and Control", "On Internal Audit in the Public Sector", "Public Financial Inspection", "On Public Procurement" and "On the Organization ad Functioning of the State Supreme Audit")
- Good progress is made during 2015 in finalizing the Organic Budget Law
- **11** new decisions, guidelines, manuals, instructions were prepared.

Changes in processes and management culture

A Twinning "On Implementation of a modern system for FMC and Public Financial Inspection in Albania" is in place since 2014.

- 7 pilot entities are being assisted to implement FMC requirements;
- 37 Executing officers are trained on new FMC framework and 140 staff are trained on the "Managerial accountability" concept;
- Finalized the review of the existing institutional arrangements and internal organization restructuring at the State Supreme Audit and several directorates at Ministry of Finance.

<i>Development of a full-fledged IFMIS</i>	<i>Capacity development activities:</i>
<ul style="list-style-type: none">• The AGFIS is being rolled out to additional 2 budgetary entities live during 2015;• Finalized the design of a new module at AGFIS to ensure multi-year commitment control for multi-year investment projects;• Improved IT systems and procedures at central and local levels at General Directorate of Customs;• Replaced the existing information system with a new, more modern, advanced and practical in use system at General Directorate of Tax. Finalized the implementation of new modules in the system and near to finalization is the establishment of communication protocols with General Directorate of Customs, Ministry of Welfare and ISSH.	<ul style="list-style-type: none">• 5,576 staff were trained during 2015• Study tours and <i>on the job training</i> provided under the Twining Agreement at the Ministry of Finance

2.3. Roles and responsibilities for implementing and monitoring the strategy

While the general responsibility for the reforms implementation oversight rests with the Ministry of Finance, the PFM strategy involves the entire government sector, High Supreme Control and Parliament. Thus the overall responsibility for the successful implementation of the strategy is shared among all these public sector stakeholders. To ensure the effective implementation of the reform strategy and to facilitate coordination of efforts, a Steering Committee has been established by the Prime Minister Order no. 202 dated 25.8.2014. The PFM Reform Steering Committee is the oversight committee with responsibility for directing and monitoring PFM reform activities. The Steering Committee is chaired by the Minister of Finance, and its members are as follows:

- Erjon LUÇI - The Deputy Ministers for Finance;
- Gelardina PRODANI - The Secretary General of the Ministry of Finance;
- Bledi ÇUÇI - The Minister of State on Local Issues;
- Erisa XHIXHO - The Deputy Minister of the Ministry of European Integration;
- Ervin METE - The Deputy Minister of the Ministry of Economic Development, Trade and Entrepreneurship;
- The Deputy Minister of the Ministry of Social Welfare and Youth;
- Luljeta NANO - The Secretary General of the State Supreme Audit Institution;
- One Representative from the Economy and Finance Committee of Parliament;
- Albana KOÇIU - The Head of the Public Administration Department;
- Eduard AHMETI - The Head of the Procurement Agency ;
- Gentian KËRI - The Head of Public Procurement Commission;
- Brisida SHEHAJ - The Director General of Tax Administration;
- Pranvera FAGU - The Director General of Customs Administration;
- Astrit HADO - The Director General of the Social Insurance Institution.

A Technical Committee is also established to catalyze the reform activities. The members of the Technical Committee are appointed based on the order issued by the Minister of Finance dated 02.04.2014 and are the following:

- Gelardina PRODANI - The Secretary General of MoF;
- Kesjana HALILI - General Director of Department of Regulatory and Controlling;
- Mimoza DHËMBI - General Director of Department of Budget
- Nikolla Lera - General Director of Department of Fiscal Policy
- Endrit LAMI - Director of Directory of Macroeconomic
- Aurela VELO - Director of Directory of Business Procedure
- Mimoza PEÇO - Director of Directory of Treasury Operations
- Adela Xhemali - Director of Directory of Public Debt
- Jola HIMÇI - Head of NAO Office.

The first Steering Committee was held on April 14, 2015 with the main scope to officially launch the implementation of the Public Finance Management Strategy and give the mandate to Pillar Coordinators, Component leaders and secretariat to monitoring the implementation of the PFM reforms.

Although the PFM strategy implementation lacked a structured and coordinated approach to monitoring informal meetings and discussion were held during the year 2015 among the head of pillars/activities on the on-going activities. Furthermore, many of the reform activities of the PFM strategy are reported and fall under the National Program for Integration in EU, Public Finance Policy Based Guarantee from the WB (Policy and Results Matrix) and IMF three years Program.

Currently, due to the necessity to create a permanent technical secretariat to monitor on continuous basis the implementation the PFM activities, the Minister of Finance has ordered the establishment of a new directorate under the direct supervision of the General Secretary. The scope of work of the new directorate will be to (a) provide logistical support to pillar managers to deliver on their assigned tasks, (b) create a forum for technical discussion and resolution of implementation and sequencing issues, (c) facilitate budgetary and financial support, (d) arrange training programs, and (d) prepare regular progress reports for managers, politicians and development partners.

2.4. The PFM Strategy Action plan 2015-2020

Concerns have been expressed by international partners over the scale and prioritization of the proposed action plan of the PFM strategy 2014-2020 given the existing capacity constraints. Therefore, after a thorough review of the PFM Strategy and its action plan a number of improvements were made. The improvements were mainly related to the prioritization and sequencing of the activities due to the potential constraints related to legal framework changes, staffing and skills capacities, IT systems availability, and technical assistance needs. Also, discussions based on current trends and constraints in Albania contributed to a better understanding among pillar managers that some of the deadlines would need to be pushed back. In particular:

- *Actions that depend on the Organic Budget Law (OBL):* at least 19 actions require changes to the OBL, and a further 12 actions require changes to other PFM laws. Even so, implementing these changes will take time as implementing regulations, procedures and manuals will have to be drafted, and staff made aware of the changes to responsibilities and procedures through adequate sensitization and training.
- *Actions dependent on IT systems developments/improvements and roll out:* 20 of the 24 actions requiring IT systems improvements relate to the AGFIS or IFMIS developments, which have suffered from lengthy hardware procurement delays. Implementing some of the reform actions can only be

achieved using IT systems, as long as these have been designed with the specific reforms in mind, that they are properly anchored in appropriate and well understood administrative processes, and that staff have been fully trained to make best use of them.

- *Actions dependent on new staff:* 32 actions will require new staff allocation, which means either new recruitment or redeployment from units where there are surpluses. The restrictions on new civil service recruitment and the lengthy procedures involved in recruiting will impact on the effective implementation of these reform actions. Needless to say, the newly recruited staff will require training to acquire the specific skills needed for the new functions being created.
- *Actions requiring new skills:* many of the reform actions require new skills, which imply well planned training and capacity building programs, without which successful implementation will be at risk. Furthermore, the manner in which these new training requirements are put into action will also affect the longer-term sustainability of the reforms – the impact of training provided through establishing public service training institutions is likely to last longer than ad-hoc one-off training events provided by external consultants.
- *Actions needing technical assistance:* around 30 of the actions are likely to require some form of technical assistance, the planning, financing, and monitoring of which will take up valuable staff time. Careful selection of individual consultants will also be important to ensure that they provide advice which is customized to Albania's circumstances and needs. This should be carefully considered to make sure that full use is made of consultants.

The revised Action Plan 2015-2020 and the Action plan for 2016 were endorsed by the Steering Committee on 23 March 2016 (please see Annex 1 - PFM Strategy Action Plan 2015-2020 and Annex 4 PFM Strategy Action Plan 2016). However, further changes to the Action Plan for 2016 are anticipated due to some on-going assessment that are taking place such as: (1) Albania Country Fiduciary and Project Implementation Review - conducted by the World Bank, (2) Public Investment Management Assessment - conducted by IMF, (3) Measurement of Some Principles of Public Administration – conducted by SIGMA, (4) Functional Review at the MoF conducted by World Bank's Governance Global Practice and Fiscal Transparency Evaluation conducted by IMF. In addition, the presented PFM Strategy Action Plan 2015-2020 introduced some baseline and outcome indicators for each activity, however, a more thorough review will be done with the assistance of SIGMA in early May 2016 by creating Indicators Passport for each activity.

The Baseline and Performance Output Indicators for 2015 are presented in the Annex 3 PFM Monitoring Indicators (2015).

2.4.1. Other activities performed by the MoF to strengthen the PFM

A functional review requested by the Ministry of Finance to the World Bank with the overall objective to support the Government in strengthening public financial management and improve overall economic and fiscal performance in line with the 2014 PFM Reform Strategy is expected to be finalised in April 2016. The review, which is still draft, considered the existing roles and responsibilities of the MOF and the other institutions involved, where they should be expanded or reduced, and how the existing functions could be improved. The review comprised an examination of the structural, organizational and institutional characteristics of the MOF in accordance with the government's public administration arrangements.

2.5. Progress on PFM Reforms for 2015

2.5.1. Pillar 1- Sustainable and prudent fiscal framework

Rating: Slight Improvement

Background

This pillar focuses on the macro aspects of the budget, notably macroeconomic and fiscal forecasting, fiscal rules and fiscal risks. The expected outcome for the pillar is to ensure that “sustainable and prudent fiscal frameworks, based on clearly stated fiscal objectives, underpin the budget”. This outcome is expected to address the following objectives:

1. Optimism bias in macroeconomic and fiscal forecasts is reduced;
2. Independent statistical agency produces reliable and timely economic data;
3. Fiscal responsibility framework for fiscal management established in the legal framework and fiscal risks effectively analyzed, monitored, and managed.

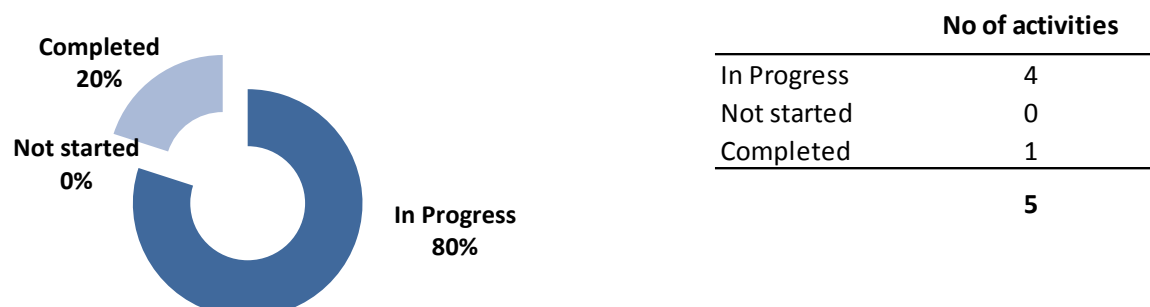
Macroeconomic stability is a central goal of government policy in order to achieve stable, low inflation that encourages higher investment and helps to maintain price competitiveness for exporters and domestic businesses. It also contributes to higher levels of consumer and business confidence and encourages the maintenance of steady growth and price stability to keep short-term and long-term interest rates low. A stable economy helps to create stable expectations, and this can act as an incentive for inflows of foreign direct investment.

The latest International Monetary Fund (IMF) assessment of January 2016² says that over the past decade, the government’s budgets have on average overestimated revenue by about 2 percent of GDP, which has encouraged unrealistic spending plans that the government has had to cut back during the year. No independent fiscal council evaluates the government’s forecasts, and the government does not explain why each new forecast differs from the prior one. Nor does the government compare its forecasts with those of other institutions or with actual outcomes. The problem of unrealistic forecasts undermines what would otherwise be a transparent and effective system of budgeting and medium-term fiscal planning. Finally, reliable National Accounts are indispensable for properly setting the macro-fiscal framework. In recent years, the accounts have, when first published, been seriously “off” and have had to be adjusted retroactively.

² Albania Fiscal Transparency Evaluation, January 2016

Update

Pillar 1: Sustainable and prudent fiscal framework Status of the activities



Good progress is made during 2015 in finalizing the amendments to the Organic Budget Law aiming to provide the fiscal rules to reduce the debt/GDP ratio creating in this manner conditions for long-term sustainability of public finances. The change was designed in close collaboration with all relevant stakeholders and discussed in a broad consultation process in order to ensure that it has political support. Also, the fiscal rule will be underpinned by a tightened planning and budgeting process (the reforms of the planning and budgeting processes are discussed in the next section). The amendments to the Organic Budget Law are expected to get the Parliament approval within the first half of 2016 (please see Annex 2, Action 1.1.1).

Amendments to the Organic Budget Law (OBL) aiming to (1) restrict spending during election years and to (2) ensure that proceeds from privatization can only be used for retiring public debt and/or capital investments has been prepared and send for comments to the Council of Ministers. The OBL is expected to get the Parliament approval within the first half of 2016 (please see Annex 2, Action 1.1.2).

The Ministry of Finance has secured technical assistance from the State Secretariat for Economic Affairs (SECO) to improve the forecasting methodologies within the Department of Macroeconomics and Fiscal Policy. A 5- days workshop was organized under this umbrella, during December 2015, where 13 specialists from MoF, Bank of Albania and INSTAT participated. The main scope of the workshop was to improve the economic forecasting capacity of the staff involved especially in forecasting the GDP and the inflation in the broader context of Albania's effort to comply with the IMF Extended Arrangement (please see Annex 2, reported as completed Action 1.1.3).

A technical assistance to strengthen capacities in the compilation and dissemination of government finance statistics (GFS) data is provided to the Ministry of Finance and INSTAT by the State Secretariat for Economic Affairs. As Albania has applied for European Union membership, this project supports the implementation of both the Government Finance Statistics Manual 2014 (GFSM 2014) and the European System of National and Regional Accounts (ESA 2010). During 2015, a working-level committee lead the completion of the preliminary institutional unit (IU) classifications. A Memorandum of Understanding aiming to defining responsibilities between INSTAT, Bank of Albania and the Ministry of Finance for data compilation, dissemination, transmission, sharing and exchange was drafted. Finally, work has started for creation of a sustainable statistical system of public administration where a road map defining the transition from to ESA 2010 is designed (please see Annex 2, Action 1.2.1).

The scope and depth of the report on fiscal risks in the annual budget documents has been improving, so some risks such as the risks created by banks, some public investment projects, and the cost of compensating previous owners for land expropriated during the communist era are included (please see Annex 2, Action 1.3.1).

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

Rating: Slight Improvement

Background

This pillar focuses on improvements to the planning process, the MTBP, the public investment management process, the fiscal framework for decentralization, multi-year commitment control, and the presentation of the budget. The main outcome for this pillar would be that “the Medium-Term Budget Programme provides a credible guide to the future programming of public resources”. This outcome is expected to address the following objectives:

- Budget policy priorities guided by national and sectorial plans, fully constrained by the macroeconomic and fiscal framework, and fully integrated into the budget calendar;
- 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 MTBP provides binding ceilings for detailed budget preparation, and indicative ceilings for outer years;
- An effective and realistic fiscal decentralization framework is established and implemented. The Ministry of Finance routinely monitors local government finances and their respect of the PFM legal framework;
- Budget documentation submitted to the legislature at both central and local levels reflect good practices in transparency.

In 10 November 2005 by DCM no 692, the Government of Albania adopted the Integrated Planning System (IPS), a set of operating principles to ensure that government policy planning and monitoring as a whole takes place in as efficient and harmonized way as possible. The Integrated Planning System is the key national decision-making system for determining strategic direction and the allocation of resources. There are two core processes that cover all government organizations and activities:

- *National Strategy for Development and Integration* (NSDI), which establishes the government's medium to longer term goals and strategies for all sectors based on a national vision; and
- *The MTBP*, which requires each ministry to develop a 3-year plan to deliver programme outputs to achieve its policy objectives and goals within the ministry's expenditure ceiling as set out in the government's fiscal plan.

In practice, the sector strategies have not had this guiding function as they have tended to be free-standing, one-off documents with little reference to assessments of what financial and human resources could possibly be available to implement the strategies. Introducing MTBP as an instrument for aligning the budget with the general and sector policies of NSDI represents one of the main challenges. Moreover, the process itself for initiating, appraising, prioritizing, and approving, and eventually contracting for capital investment projects has been much less orderly than intended and what would be desirable. In addition, as the Ministry of Finance during the past years have had to take on the primary responsibility for adjusting the budget mid-

year, the line ministries' faith in the MTBP process has suffered. The preparatory budget ceilings are not respected and the quality of the budget requests has declined.

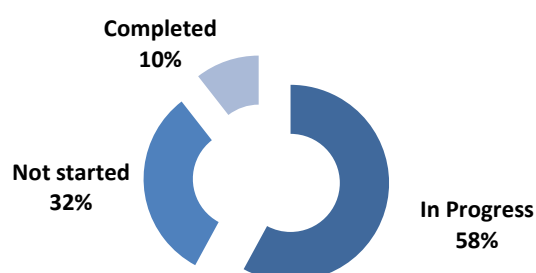
Until now, commitment control has been exercised only in the context of the execution of the annual budget and there has been no control in relation to the Medium Term Budget ceilings.

At the local government level, important regulatory measures have also been implemented to improve financial management for example by introducing a Medium Term Expenditure Framework for planning and budgeting. However, many weaknesses in local government public financial management remain and the Government will initiate a number of reforms to strengthen PFM process at local level.

Finally, the budget documents - the MTBP and the annual budget law – submitted to Parliament, are focused mostly on the financial side of the budget, and have little information on the substance of the government budget programme.

Update

Pillar 2: Well integrated and efficient planning and budgeting - Status of the activities



No of activities	
In Progress	11
Not started	6
Completed	2
19	

The NSDI, which along with sector strategies, crosscutting strategies, master plans and action plans form the framework of the comprehensive strategic development for the country, has been under development for several years and still awaits finalization and adoption (expected to be published within first half of 2016). Under provisions for the set-up of the integrated planning system, this key central-planning document is intended to guide the development of sectorial and cross-sectorial policies. Until its finalization, no rolling reviews and updates of the NSDI and sector strategies in the MTBP process could start (please see Annex 2, Action 2.1).

However, there exists another important document, Albania's Economic Reform Program (ERP) 2016-2018, which outlines the main macroeconomic and fiscal policy aspects as well as priority structural reforms planned by the Government in the medium term future for strengthening the domestic economy and stimulating sustainable growth and increased competitiveness." The Albania's Economic Reform Program 2016-2018 was approved by the Decision of the Council of Ministers no. 52, dated 27.01.2016 "For the adoption of the Economic Reform Programme (ERP) 2016-2018". The ERP is an annual document prepared and published by EU candidate countries and shows alternative paths for growth and their implications for government revenue and the deficit.

Amendments to the OBL aiming to introduce principles to apply and the procedures to follow in preparing, appraising and approving major government capital investment projects have been

prepared and send for comments to the Council of Ministers. The Ministry of Economy has published³ for the first time, as part of the MTBP documentation, the entire list of ongoing and new investments, with details regarding total approved cost; the incurred cost to date; budget provision; multiyear commitments over the MTBP period at national, sector, and program level. A Public Investment Management Assessment (PIMA) to assess the quality of public investment management practices is initiated by the IMF at the Ministry of Finance by the beginning of 2016. The PIMA provides a more comprehensive assessment of the public investment decision-making process at three key stages (i) planning sustainable levels of investment across the public sector; (ii) allocating investment to the right sectors and projects; and (iii) implementing projects on time and on budget. Improvements in public investment management (PIM) could significantly enhance the efficiency and productivity of public investment. Recommendations coming out of the assessment will be included in the PFM Action Plan. No action has been taken so far to strengthen, in numerical as well competence terms, the capacity to carry out socio-economic cost-benefit analysis of capital investment projects. This analytical capacity will also be applied to assessing, ex post, the socio-economic return on the implemented investment projects (please see Annex 2, Action 2.2).

To guarantee the full respect and control over multi-year commitments, the AGFIS has been modified and foreseen to be fully implemented during the first half of year 2016. Currently, the process of testing the new functional enhancements is successfully finalized, but due to delays in procuring a new hardware the controls are not effective yet. In the meantime, procedures have been updated to enhance scrutiny procedures before each multi-year investment takes place. As such, the order of the Minister of Finance, no 2, dated 9.01.2015, art 25 – art 30 spells out additional requirements for proper allocation and evidencing of multi-year commitments to all the Budgetary Institutions in order to avoid the creation of arrears. In addition, the new AGFIS configuration will allow the disaggregation of multi-year commitments by individual years of allocation. The final goal is to eliminate every possibility for the creation and accumulation of new arrears, not covered by the respective budgetary funds. Finally, the OBL amendments make also mandatory the presentation to Parliament of the list of the outstanding commitments alongside other documentations of the annual budget. Moreover, the Ministry of Finance has taken a number of positive measures to clear the outstanding stock of arrears. These measures include the adoption of an arrears prevention and clearance strategy, and associated instructions for its implementation. A special unit in the Ministry of Finance has been established and is progressing well with the exercise to establish and verify the outstanding stock of arrears, and prioritize payments under the direction of a newly established Arrears Clearance Committee. More detailed information on the Arrears Clearance strategy and its action plan it will be find in a separate report (please see Annex 2, Action 2.2.3 & 2.4).

Important steps are taken to tighten the MTBP process by empowering the Parliament to vote on and approve the MTBP ceilings at program level and to make the ceilings for the three years of the MTBP binding. These changes are also included in the list of amendments to the OBL which are planned to be approved in the first half of 2016. However, for the first time ever, the 2015 annual budget law included also an estimation of budgetary ceilings on program basis for the period 2016-2017. This new procedure, continued as well in the 2016 budget proposal and further, not only consolidates the medium term budgeting process, but also disciplines the forecast of contractual obligations, which extend their financial effects beyond a budget year. Doing so, each spending unit is forced to plan multi-year contracts at the level allowed by the budget ceiling defined for the next three years, in the annual budget law (please see Annex 2, Action 2.3).

At the local government level, as the new administrative territorially reform started to be implemented during 2015, important steps were undertaken to adapt to the new framework created

³ <http://www.ekonomia.gov.al/al/dokumente/pdf/investimet-pba-2016-2018&page=1>

(consolidation of 373 local government units into 61). The most important steps relates to the introduction of the new formula for the allocation of unconditional transfers to the newly created units⁴ and the drafting of two new laws: (1) Law on local government financing and (2) "Organization and Functioning of Local Government" (please see Annex 2, Action 2.5).

The 2016 Annual Budget Law⁵, was formulated in a more transparent and comprehensive manner as it includes for the first time, the tax expenditures and contingent liabilities and more analytical tables giving a wider range of information from previous budget years, as well as for t+2 projections. "Budget at the glance"⁶, a useful tool to establish context for Parliamentarians and other readers was also send alongside the budget documentation during the approval of 2016 annual budget (please see Annex 2, reported as completed Action 2.6).

Finally, the Ministry of Finance prepared in 2015 a simplified Citizen Budget which was published on its website.⁷ Some public hearings were held during the preparation of 2016 Fiscal package and preparation of Local Government budgeting. Regarding the latter, various round tables with representatives from the newly established municipalities, Ministry of Finance and Ministry of Local Government were held during October and November 2015. The main purpose was to give clarity on the functions that are to be decentralized during 2016, on the impact that the changes to the OBL will have on local government budgeting and new formula of unconditional transfer. In addition, Tax Council presented on November 2015 to the representatives of the various Chambers of Commerce, international audit firms that are present in Albania and other actors the 2016's Fiscal Package (a more detailed report on the dates and scope of the activities and participants is presented in the 2015 Budget Transparency Report prepared by the Ministry of Finance).

2.5.3. Pillar 3- Efficient execution of the Budget

Rating: Slight Improvement

Background

This pillar covers a broad range of budget execution issues including those related to enhancing revenue collection, debt management, public procurement and assets management. The main outcomes of this pillar are concerned with improvements to tax and customs administrations, enhancement of the coverage and functionality of AGFIS, alignment of medium-term debt sustainability analysis and debt sustainability strategy with debt objectives set out in the fiscal responsibility legislation and that physical assets are procured and managed in accordance with good EU practices. These outcomes are expected to address the following objectives:

- Tax administration reforms increases tax bases, supports efficient tax collection, and reduces fraud;
- Modernization and simplification of customs practices leads to revenue increase;
- AGFIS is becoming operational in the majority of budget entities and is able to generate consolidated reports on the budget, including annual financial statements. The Albania Financial Management Information System (AFMIS) integrates AGFIS with other government systems and provides a robust database for reporting and analysis;
- A program to manage external funds through government systems is agreed with key donors;

⁴ <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-i-pushtetit-vendor-2016>

⁵ <http://www.financa.gov.al/al/raportime/buxheti/buxheti-ne-vite/buxheti-2016>

⁶ <http://www.financa.gov.al/al/legjislacioni/buxheti-thesari-borxhi/buxheti/buxheti-ne-vite/buxheti-2016>

⁷ <http://www.financa.gov.al/al/raportime/buxheti/buxheti-i-qytetarit-2016>

- Debt sustainability analysis, as well as debt management and debt sustainability strategies are annually updated;
- Public procurement system is in line with EU good practice;
- Public assets inventories are readily available for all levels of government and annually audited by the HSC.

The fiscal consolidation that is at the core of the programme with the IMF relies heavily on an increase in government revenues. Tax and custom administrations are in the restructuring phase including the introduction of new IT systems, the re-design of tax administration processes, and the implementation of a modern compliance risk management system. Tax evasion is still considered too high and taxpayer registration is not optimal and insufficiently linked to other databases.

The most notable steps to improve core public financial management system over recent years encompass the implementation of the Treasury Single Account and the development of the AFMIS which will be expanded to all participating entities (budget institutions and a limited number of municipalities) to enable direct expenditure prioritization, management, commitment and contract registration. Further enhancements to the system are planned including implementation of new modules on budget preparation, external assistance and medium term budget planning, pre-commitment control and linkages to the tax collection system. These improvements have the potential to provide the Ministry of Finance with a fully functional financial management information system. However, the capacity of the hardware on which the present AGFIS is running is becoming a constraint to the implementation of new functionalities and for opening up the system to more users. Substantial investment in servers and other hardware will need to be made in the next few years.

Most donor support to Albania continues to be managed outside the Government's PFM system. The Government of Albania is continuously requesting its external partners to channel grant and loan funds through the Treasury Single Account (TSA) rather than through separate bank accounts. As regards EU funds management, Albania has already established authorities, structures and regulated relations among them for ensuring effective functioning of management and control systems.

Weak government cash management is a major impediment to public debt management and debt market development. Effective government cash management will support the development of an efficient and liquid government and financial debt market through adequate management of the government's activity in the money market. This will ultimately help lower debt costs and achieve a broader and deeper distribution among ultimate investors. A deeper and more liquid market, coupled with a broader range of instruments, will give the government greater flexibility in managing its financing needs and reducing the borrowing costs associated with less flexible arrangements. For the medium-term period, the main objective of the public debt management consists of improving the structure and increasing the sustainability of the domestic debt, by refinancing the debt and by new borrowing mainly through long term instruments, conforming to the market development. A successful implementation of this strategy will lead to an increase in the average life of domestic debt and increase the ratio between long and short-term instruments, thus improving significantly the refinancing risk and the interest rate risk. Cash management in Albania suffers from a short-term perspective in cash planning, contributing to cash rationing therefore, cash flow planning by both spending and revenue agencies needs to be enhanced. With better information on future month-on-month fluctuations in cash requirements, the financial instruments that do exist could be used more proactively.

Public procurement legislation in Albania substantially complies with the EC Procurement Directive 2004/18.⁸ While there have been improvements in the public procurement review system, public

⁸ Country Partnership Framework for Albania 2015-2019 WBG

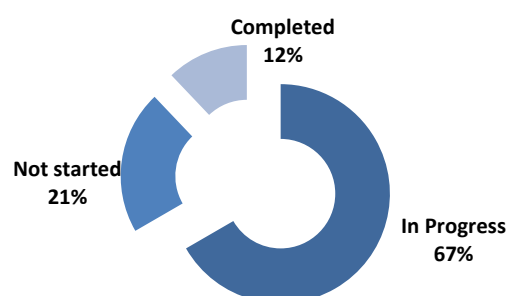
procurement in Albania faces serious challenges regarding significant undervaluation of bids which often lead to poor quality of works. Another challenge is the high number of unpublished negotiated contracts. Notwithstanding the moderately high rate of complaints addressed to the contracting authorities and to the Procurement Review Commission in particular, the perceived lack of trust in the review mechanism is another challenge for public procurement.

Finally, as a new administrative territorial reform took place, the transfer of property and property rights from the old to the new communes is necessary. Not only this, a complete list of all the assets of the government does not exist and their values are not registered in AGFIS, so compliance with IPSAS will be ensured only after assets evaluation and registrations is finalized.

Update

Pillar 3: Efficient execution of the Budget

Status of the activities



No of activities	
In Progress	22
Not started	7
Completed	4
33	

Starting from January 1st, 2015, the replacement of the existing information system with a new, more modern, advanced and practical in use system, has re-designed within a short time all the processes of Tax Administration, replacing out-dated systems key transactions. Communication protocols with Albanian Customs, Ministry of Welfare and State Health Insurance Institute are almost finalized by the year – end. A new General Directorate of Taxation (GDT) function- based organization structure was developed and it is expected to be approved by the Council of Minister within 2016. Risk Analysis Module is deployed during 2015 aiming to build better business risk profiles and use the risk based - approach auditing. Extensive work to re-design the overall audit approach starting from revising the policies, procedures and audit manuals to audit as part of a move to risk-based has started. Finally, training on the new audit techniques, on tax legislation and on risk approaches have been given to 4,775 staff of the GDT in close cooperation with the Albanian School of Public Administration (ASPA) (please see Annex 2, Action 3.1). The activity 3.1.7 has been reported as completed because the training target for 2015 was reached.

The Albanian authorities embarked in early September a reform effort to address a broad-based revenue shortfall in the first half of 2015. The effort was multifaceted: to improve tax compliance, fight evasion, and minimize informality. The government launched a public awareness campaign, waived penalties for businesses that become fully compliant before end-2015, and set up a lottery to incentivize customers to claim their tax receipts. As a result the number of tax receipts during the period September – December 2015 increased by 129% compared with the same period of the last year. The Tax Procedures Code was amended in November to provide tougher penalties for non-compliance. To enhance

enforcement, 500 new tax inspectors have been hired. A steering committee chaired by the Prime Minister monitors the effort and its results on a weekly basis, and promotes closer collaboration between tax and customs administrations. Early results show impressive increases in the number of registered employees and small businesses. Between August and October 2015, the number of registered employees and self-employed people increased by more than 70,000, an increase of 14 per cent compared to end-2014. The number of registered businesses increased by over 33,000 during the same period, representing a 35 per cent increase over end-2014. The use of cash registers has also increased markedly. Due to better turnover monitoring, the tax administration has reclassified about 3,600 businesses to higher turnover brackets. Results are apparent as overall tax collection improved in 2015 relative to 2014; further results should continue to be noted in the coming years. Latest available figures from 2015 show that domestic revenues increased by ALL 0.3 billion compared to the same period of the previous year. The table below shows the effects of the reform in the use of cash registers:

No of fiscal receipts	2014	2015	%
Entire Year	167,311,514	352,197,359	111%
Period September -December	76,703,723	175,305,968	129%

Many changes to the Customs Code came into force in February 2015, together with implementing instructions, aligning further to the *acquis* on a broad range of issues. The new Customs Code introduced simplification of customs rules, risk - based approach of Custom controls, computer-based generation of clearance procedures and other changes. Also, the custom's tariff list was updated with the 2015 version of the EU's combined nomenclature (reported as completed this activity, please see action 3.2.1). The General Directorate of Customs is moving toward paperless customs management and many important steps such as changes to the legislative framework or improvement of the IT system, to accept electronic signature and to exchange electronic data are made (please see Annex 2, Action 3.2.1& 3.2.4).

Changes to appeal procedures for the decisions made by custom authorities with a view to promoting fairness of treatment and transparency are made. Detailed instructions are prepared to strengthen the decision making process in terms of fines and penalties towards the business community (use of SAFCORM module) (please see Annex 2, Action 3.2.5).

The GDC has also taken important steps to establish the National Valuation Database. The World Custom Organization guideline was used as a model for its establishment and the relevant guide was translated and adopted to the Albanian legislation (please see Annex 2, Action 3.2.9).

No legislative framework has been developed yet to simplify the clearing process at Customs for Authorized Economic Operator. In addition, during 2015 no actions have been taken to create a unified Law Enforcement and Tax Investigation Department in order to improve and increase the efficiency of the investigations started by Customs (please see Annex 2, Action 3.2.7 & 3.2.8). Activities to eliminate procedural ambiguities to create a clear interaction framework between the private sector and the Customs Administration, to define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions and to make service delivery at the border-crossing checkpoints more efficient are at the very initial stage (please see Annex 2, Action 3.2.2 & 3.2.3& 3.2.6).

During 2015, the AGFIS is being rolled out to two additional budgetary entities during 2015 (Ministry of Agriculture and Rural Development Agency). Several changes/enhancements of AGFIS were planned to be executed during 2015 but due to delays in the procurement of the hardware all the activities were postponed for the first quarter of 2016. As such, multi-year commitment control for multi-year investment

projects and rolling out of 5 planned budgetary entities were postponed for 2016. Moreover, the work for the creation of interfaces of AGFIS with Human Resources Management Information System (HRMIS), Tax and Custom Management Information System, Public Procurement Agency System, Debt Management System has started during 2015 (please see Annex 2, Action 3.3).

One instruction aiming to improve the management of external funds was issued from the Minister of Finance in March 2015, instruction No 10, "On the establishment of management procedures of the state budget co-financing of the IPA projects through the National Fund". Also, the Prime minister office has finalized an agreement with a third party to prepare a Management Information System to capture the external assistance the government of Albania is receiving. Interfaces of this system with AFMIS will be done at a later stage (please see Annex 2, Action 3.4).

Progress has been made during 2015 regarding the objective of improving the debt structure and increasing the sustainability of the domestic debt. The issue of Policy Based Guarantee (PBG), as well as refinancing of the existing Eurobond during 2015, is integral part of this strategy. These instruments have: (a) contributed to an increase in the liquidity of the government's budget, (b) reduced significantly the pressure on the domestic market and (c) created appropriate conditions to improve the structure of domestic debt. During November 2015 the Republic of Albania managed to refinance existing Eurobond in the international capital markets by issuing EUR 450 million new Eurobond with a favourable interest rate (5.75%). Although the market situation was characterized by a relatively high volatility, the Albanian Eurobond attracted the interest of investors, reflecting a positive confidence of investors toward Albania and its reform agenda. During 2015, the Ministry of Finance has had continuous cooperation with the World Bank, the FIRST program. This program intends to (1) improve of the Medium Term Debt Strategy, following international standards, (2) improve of the public debt management by improving and strengthening the organizational structure and efficiency and improving the information debt system, (3) development of the government securities primary and secondary markets. Finally, the Debt Law amendments, Law no 181/2014 dated 24.12.2014⁹ that entered in force by the beginning of 2015 aimed at standardizing/aligning the procedures for the issuance of the Government instruments in the domestic and international markets (please see Annex 2, Action 3.5).

Organizational changes took place during 2015 in the Debt Department and three new employees out of 7 planned were hired. In addition, a new software (AFISAR) implemented by the Bank of Albania is assisting the Debt Department to manage the domestic government instruments since January 2015. Debt portfolio analysis are prepared and published on a quarterly basis by the Ministry of Finance¹⁰. Moreover, a permanent working group for preparation of the Medium Term Debt Strategy with representatives from the Ministry of Finance and Bank of Albania is in place (please see Annex 2, Action 3.5).

One of the main activities under the PFM strategy is to strengthen the legal and institutional framework for public procurement. In this context, on 24 December 2014, Law No. 182/2014 on amendments to the Public Procurement Law was adopted. The main changes were concerned with the necessity to further align the legislation with the newly adopted EU directives namely Directive 2014/24/EC and 2014/25/EC. Besides those changes, clarifications to existing provisions of the law were also made to address issues and shortcomings identified during the implementation of the current law. After the Law amendments entered in force, during 2015, several Council of Ministers decisions were issued¹¹ aiming to

⁹ http://www.qbz.gov.al/botime/fletore_zyrtare/2014/PDF-2014/219-2014.pdf

¹⁰ http://www.financa.gov.al/files/userfiles/Borxhi/Treguesit_e_borxhit/2015/2015/Buletini_3.m_2015.pdf

¹¹ Council of Minister decision no. 914 of 29.12.2014 "On the approval of the public procurement regulation", Council of Minister decision no. 918 of 29.12.2014 "On the electronic conduction of the procurement procedures"

further clarify and encourage the use of modern procurement techniques, such as framework agreements for central purchasing and joint procurement (please see Annex 2, Action 3.6).

Activities were also undertaken during 2015 in order to improve the public procurement system functionality. More precisely, actions to enhance the e-procurement system to make it capable of handling framework agreements as well as meeting the new requirements under the latest legislative changes, to support economic operators in their participation in public tenders and to enhance the technical capacities of the Procurement system were performed. The Public Procurement Commission (PPC) in charge of compliant review appears extremely understaffed. The headcount of 6 experts for more than 1,125 complaints per year (with 10 days to decide on merits of the case) is unsustainable. However, the PPC has made a remarkable progress in increasing the transparency, legitimacy, coherence and effectiveness of its decisions, by publishing all the decisions on the website of the PPC¹². The very low number of decisions challenges in court by private operators (around 50 out of 1,125) indicates the good rationale used by its members in evaluating the complaints. Furthermore, only 5 of the 50 cases challenges have resulted in changing the decision of the PPC, for the remaining 45 the administrative court has confirmed the decision of PPC. As building the capacities of the members of the PPC is one of the main priorities of the Commission, starting from December 2014, all the members of the PPC participated in two formal trainings organized by SIGMA (please see Annex 2, Action 3.6).

There are no activities started under Asset Management during 2015 (please see Annex 2, Action 3.7).

2.5.4. Pillar 4- Transparent government reporting

Rating: Improvement

Background

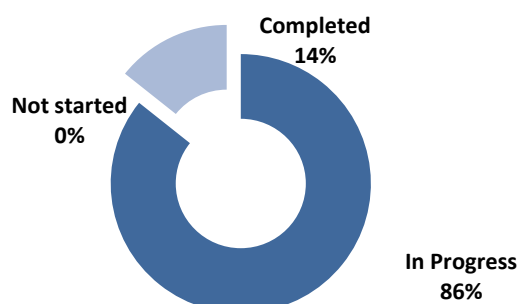
The pillar that covers accounting standards and financial reporting activities has as outcome enhancement of General Government Reporting to make them reliable, comprehensive and timely manner. The objectives of this pillar are the following:

- Government accounts are prepared according to international accounting standards and government financial statistics are in line with ESA 2010 requirements;
- Comprehensive, timely, and reliable reporting of general government operations is publicly available.

All the budget entities in Albania keep the accounting on a cash-basis, with some accrual elements relating to receivables and payables. The government financial reporting to parliament is focused on the budget execution only. International standards for public sector accounting and reporting are, however emerging. Recently the European Commission decided to develop the European Public Accounting Standards (EPSAS) based on International Public Accounting Standards (IPSAS). The conceptual framework of EPSAS is foreseen to be in place by 2016 and most of the standards by end of 2020. The EPSAS might become obligatory for all EU member states starting from year 2021.

¹² http://www.kpp.gov.al/ppadv/January_2015.aspx

Update

Pillar 4: Transparent government reporting**Status of the activities**

	No of activities
In Progress	6
Not started	0
Completed	1
	7

The unit in charge for accounting and financial reporting was strengthening during 2015 with two additional staff (reported as completed this activity, please see Annex 2, Action 4.1.1). Giving the latest developments in the EU, the Albanian government has planned to revise gradually the existing accounting rules, with the aim of implementing IPSAS within the timeframe of the PFM strategy. In the meantime, as preparatory measures, changes to the Law “On Financial Management and Control” to enlarge the supervising role of the Board of Public Internal Financial Control (PIFC) to the public accounting standards, were introduced during 2015. In addition, one of the proposed changes/amendments to OBL relating to this, gives to the Board of PIFC the authority to approve the public accounting standards (please see Annex 2, Action 4.1).

During the second half of 2015, the Ministry of Finance has made a big step towards improving the quality and transparency of the government financial reporting according to international standards. In this context, for the first time, the Government Finance Statistics Annual Report for 2014 in accordance with the latest Handbook of International Monetary Fund GFSM2014 was prepared and published in the MoF website. Information on the general performance and financial position of the Government or specific information such as public investment spending, tax revenue or foreign aid, government debt are part of this annual reporting. Also steps have been taken towards expanding the coverage of the general government units to be consolidated into one set of financial statements. In the last quarter of 2015, the Reporting unit finalized the registration in the AGFIS of all the foreign-funded projects for the period 2010-2014. In addition, detailed instructions are issued to all the treasury offices for the compilation of local government financial statements, which will be for the first time part of the Government Consolidated Financial Statements that are intended to be finalized and published within the first half of 2016. In addition, with the decision no 2 of the Minister of Finance, “On the 2015 Budget Execution”¹³ dated 09/01/2015, art. 57 and annexes 7-12, improvements to the quarterly and annual budget execution reports were introduced (please see Annex 2, Action 4.1.2 & 4.2.1 - 4.2.2).

A "Transparency portal" to access, understand, monitor and analytically use the data on financial performance at the local level in Albania was established with the support of Open Society

¹³http://www.financa.gov.al/files/userfiles/Buxheti/Udhezime/Udhezime_per_buxhetin/udhezim_plotesues_i_zbatimit_buxhetit_2015_nr_2_date_09.01.2015.pdf

Foundation for Albania, Soros¹⁴. Through this portal, the public can download reports on the local public finances tailored to the needs of different categories such as the political bodies, the general public and Albanians international partners (please see Annex 2, Action 4.2.3).

2.5.5. Pillar 5- Effective internal control

Rating: Improvement

Background

This pillar focuses on internal financial management control, internal audit, and financial inspection issues. The activities to be performed under this pillar aimed to strengthen:

- managerial accountability in local and central governance units and successfully implement modern management practices,
- Internal Audit function in all public units; and
- Public Financial Inspection function.

The function of the financial management and control in Albania has historically been to check that the budget funds have been used only for the purposes provided for by the relevant legislation. Under the framework of the PFM strategy implementation, more emphasis is to be placed on performance based budgeting and managerial accountability, which will make the system more output oriented. Ministry of Finance since 2011 has been implementing a 5-year plan for Financial Management and Control (FMC). However, the main role of FMC to lead to better performance, more transparency, more efficiency and effectiveness, in terms of spending public money is not yet fully understood by all public units.

The modernization of the internal audit (IA) function has been slow, therefore a revitalization of the function was needed focusing on strengthening IA units by means of developing the professional skills of the IA staff.

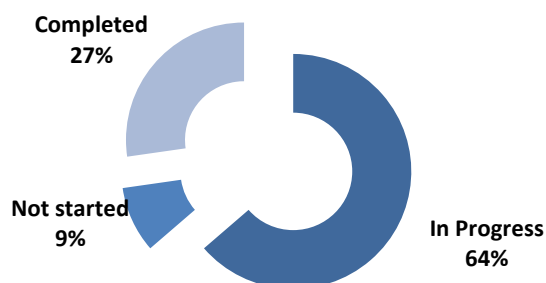
Regarding the financial inspection function, a law “On the Public Financial Inspection” was in force since 2010, but the inspection approach spelled out in the Law has not resulted to be very effective. Therefore, a new centralized structure within the Ministry of Finance was proposed to be in charge of financial inspections.

Update

¹⁴ www.financatvendore.al

Pillar 5: Effective internal control

Status of the activities



	No of activities
In Progress	8
Not started	1
Completed	2
	11

A Twinning project between Ministry of Finance of Austria and Ministry of Economy and Finance of France, on the “Implementation of a modern system for Financial Management and Control and Public Financial Inspection in Albania” started in September 2014. The Twinning project is financed by EU under IPA 2012 and the specific objective of the project is the implementation of a modern system for the FMC and Public Financial Inspection in the main public institutions in Albania.

Under the project, an assessment of the status of the implementation of the FMC framework was done on 7 selected pilot institutions by the beginning of 2015. The assessment was used to understand the general awareness on the FMC requirements, compliance with the legal framework and to give recommendations for improvements. As a result improvements/changes to the Law “On Financial Management and Control” no. 10296, dated 08/07/2010,¹⁵ were approved in Parliament with Law no. 110, on 15/10/2015. Following, several instructions are ready to be finalized and trainings/seminars were organized to Executing Offices (37 officers were trained). The changes in the Law were mainly focused in introducing FMC coordinator function in public units, in improving the definition of roles and responsibilities of Executing and Authorizing Officers, strengthening qualification requirements for selection of Executing Officers, giving a better definition of the finance structures in all government institutions and clarifying some of the terminologies used (please see Annex 2, Action 5.1.1).

During 2015, activities have been performed regarding the implementation of FMC in 7 pilot institutions, with the assistance of the twinning project.

Some detailed activities performed during this period in the area of FMC are:

- Preparation of draft instructions on the roles and responsibilities of the Executive Officer and of the FMC and Risk Coordinator;
- Preparation of Risk registers and Audit trail;
- Organization of two awareness seminars on the importance of FMC implementation, (74 participants);
- Seminar on the monitoring of internal control systems for the top management of the Ministry of Finance and the General Secretaries of the Line Ministries (30 participants)
- Trainings related to financial planning and reporting tool (45 participants).

¹⁵http://www.financa.gov.al/files/userfiles/Drejtorite/Drejtoria_e_Pergjithshme_rregullatore_Kontrolluese/Njesia_e_Harmonizimit_dhe_Kontrollit_Financiar/Aktet_ligjore_ne_fushen_e_menaxhimit_publik/LIGJI_MFK_I_NDRYS_HUAR.pdf

- Training provided in Albanian School of Public Administration (ASPA) for different levels of managers on the concept of "Managerial Accountability" (71 participants) (please see Annex 2, Action 5.1.2 & 5.1.3).

During 2015, the Report on the functioning of Public Internal Financial Control (PIFC) at the Central and Local Government level for 2014 was improved comparing to the previous ones. Executive summary and detailed action plan for the upcoming year were introduced and the ranking of institutions based on their performance in terms of internal controls was done. As during the preparation of the monitoring report weaknesses in the methodology were verified, a new methodology was approved by the order no. 89 of the Minister of Finance¹⁶ on 28/12/2015 (please see Annex 2, Action 5.1.4).

A new Law no. 114 "On Internal Audit"¹⁷, dated 22/10/2015 replaced the Law no. 9720 dated 23/4/2007 "On Internal Audit in Public Sector" and trainings/seminars were organized to all Internal Auditors employed in the public sector during 2015 (349 IA trained) and to the staff of CHU/IA, while by-laws (drafted during 2015 three Council of Ministers Decisions, two internal regulations) and the manual on Internal Audit are ready to be finalized. The changes in the Law were mainly focused in strengthening the processes of (1) hiring, (2) certification and (3) continuous professional development of internal auditors. In addition, the Law introduces for the first time the establishment of the Audit Committee in public entities as an independent monitoring and advisory body to senior management. Finally, many activities to improve the Certification procedures framework for IA were held. In particular, the unit, in order to improve the certification process, drafted the Council of Ministers decision and a new guideline which were both approved on 17/02/2016 and 16/03/2016 respectively. In the meantime SIGMA is assisting the unit by preparing the curricula for the new Certification process of IA, expected to be delivered in December 2015 (please see Annex 2, Action 5.2.1 - 5.2.3).

During 2015, the Ministry reviewed the entire legal framework covering the public financial inspection as well. A new Law no 112 "On Public Financial Inspection"¹⁸, dated 15/10/2015 replaced the Law no 10294, dated 01.07.2010 "On Public Financial Inspection". The main changes of the law were the following:

- Strengthening of the role of the unit responsible for public financial inspection;
- Clarification of the roles and responsibilities of the decision-making authorities and of the structures involved in the public financial inspection;
- Definition of measures to be taken by the Minister of Finance at the end of the inspection process;
- Definition of the Anti-Fraud Coordination Service (AFCOS) role in reporting fraud on the EU use of funds;
- Separation of internal audit role from the one of the Financial Inspection (please see Annex 2, reported as completed Action 5.3.1).

A cooperation agreement between Minister of Finance and Network Institutions is drafted aiming to extend the Anti-fraud coordination service network and irregularity reporting to cover all public funds. To complement the law and the anti-fraud coordination network, several decisions of the Minister of Finance such as (1) decision no. 29 dated 27.11.2015, "On the criteria for the start of the public financial inspection"; (2) decision no. 30 dated 27.11.2015, "On the rules and procedures of public financial

¹⁶ <http://www.financa.gov.al/al/ministria/drejtore/drejtoria-e-pergjithshme-e-harmonizimit-te-kontrollit-te-brendshem-financiar-publik/drejtoria-e-harmonizimit-te-menaxhimit-financiar-dhe-kontrollit/aktet-ligjore-dhe-nenligjore-per-menaxhimit-financiar-dhe-kontrollin/urdhra>

¹⁷ http://www.financa.gov.al/files/userfiles/Drejtore/Drejtoria_e_Inspektimit_Financiar_Publik/legjisllacioni_2015/Ligji_Nr.114_Per_auditimin_e_Brendshem_2015.pdf

¹⁸ <http://www.financa.gov.al/al/ministria/drejtore/drejtoria-e-inspektimit-financiar-publik/legjisllacioni1449822937>

inspection", (3) decision no. 84 dated 09.12.2015 "On the Creation of Reporting Network Anti-Fraud Coordination Service", (4) Code of Ethics for public financial inspectors, approved by order of the Minister of Finance No. 85 dated 12.09.2015 were issued. In addition, the Unit has submitted for approval to the Council of Ministers the "Procedures for the selection and remuneration of external experts, public administration employees or external, who will be engaged in the performance of public financial inspection" and it is in the process of drafting the manual of public financial inspection procedures (please see Annex 2, Action 5.3.3).

During October 2015, within the framework of IPA 2012, a conference with participants from Local and Central Government was organised aiming to raise awareness on the new law "On Public Financial Inspection" (please see Annex 2, Action 5.3.4). Finally, after the Law entered into force, during the period November 2015- March 2016, 8 inspections following the newly introduced law requirements were finalised and two are in process to be completed.

No training of public financial inspection were held during 2015 (please see Annex 2, Action 5.3.2).

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

Rating: Improvement

Background

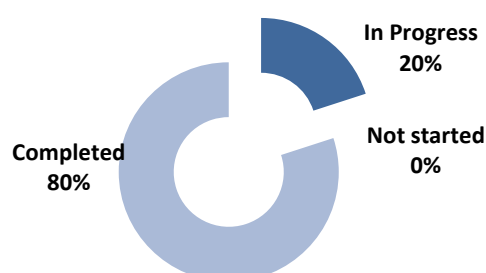
The pillar deals with the external oversight of the public finances and the main outcome are that audits are carried out in full compliance with international standards for state supreme institutions. The objective of the pillar is:

- High State Control is modernized and staff trained to perform timely and standards-based compliance and performance reports on all public sector entities.

Currently, the independence, mandate and organization of the Supreme Audit Institution of Albania (High State Control) are established and protected by the Constitution and by primary legislation. The audit activities of the High State Control (HSC), however, do not yet comply with international auditing standards. The core of the HSC audit work is a form of compliance audit, with a focus on defining irregularities; it does not yet seek to prevent the causes of those irregularities.

Update

Pillar 6. Effective external oversight of the public finances Status of the activities



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

A new Law no154 dated 21 November 2014¹⁹ "On the Organization and functioning of the High State Control" was approved in Parliament. The Law, regulates the functional, operational and financial independence, mandate and organization of the High State Control and introduces some new International Standards for State Audit Institutions based requirements such as the use of financial and/or performance audit (please see Annex 2, was reported as completed Action 6.1.1).

In order to perform all its responsibilities and tasks in compliance with ISSAI, HSC has adopted new audit approaches and appropriate methodologies and guidelines are developed and updated. Such developments aim to lay down the foundations for ensuring the full implementation of ISSAI-s in auditing practices. A manual for compliance audit in accordance with ISSAIs 4000 - 4200 and a financial manual to be again in line with the ISSAIs were adopted based on the Chairman of the HSC decision no 196, dated 31 December 2015. An Annual Audit plan for 2016 based on the new risk approach adopted by HSC was approved by the end of 2015. In the Audit Plan there are foreseen three financial audits and ten compliance audits in line with INTOSAI Standards (please see Annex 2, was reported as completed Action 6.1.2).

On March 2015 a revised Institution's Development Strategy for the period 2015 - 2017 was approved by the Chairman of the HSC (decision no. 42, dated 31.3.2015) alongside a revised Action Plan for the strategy implementation. Moreover, a new Code of Ethics of HSC was approved by the Chairman (decision no.56, dated 30.04.2015), which represents the all-inclusive statement of values, behaviors and principles, to be considered. The Code of Ethics is part of the publishing set and was designed as an integral document in which have been included the Code of Ethics of the European Court of Auditors, ISSAI 30 and the Code of Ethics of INTOSAI.

A new organization structure was in place during 2015 to reflect and follow the new legal and procedural framework and the need to be aligned with International Standards in Auditing for State Supreme Institutions (please see Annex 2, was reported as completed Action 6.1.3).

Capacity building and professional development of audit staff was one of the strategic objectives of HSC during 2015. Specific Training Needs Analyses resulted in a great necessity of the auditors for extending their knowledge in IT tools and their usage according to the new audit approaches adopted, 1.027 days of training on IT audit techniques were performed and an IT audit methodology was prepared. In addition, every auditor received in average 27 days of trainings to deepen their knowledge on the financial and performance audit and other specific audit areas (please see Annex 2, was reported as completed Action 6.1.4).

In the spirit of INTOSAI standards, specifically ISSAI 20, transparency and accountability, the HSC in 2015 has made 16 publications to scientific journals where the major part is published in the "Public Audit". HSC has increased the transparency of its activities during 2015 in the Albanian media by being present 6.6 times more with information and messages compared to 2010 or 2011. Also a Memorandum of Understanding has been signed between HSC and the Ministry of Finance to foster the cooperation in audit field (please see Annex 2, Action 6.1.5).

2.6. Challenges of the PFM Strategy implementation

The above lays out an ambitious reform agenda for all the government, not just the Ministry of Finance. Implementing these reforms will require an inclusive approach to the reform in which coordination and cooperation are an essential ingredient. Moreover, key factors such as a sustainable will and commitment to the PFM reforms, adequate human and financial capacity, cooperation and coordination between organizations and institutions needs to be in place.

¹⁹ http://www.klsh.org.al/web/pub/ligji_klsh_al_1622_1.pdf

At the activity level, access to resources and timely implementation of laws and regulations will be key influences on the progress achievable. Beyond the implementation of laws, the knowledge possessed by people implementing the initiatives will be crucial for effectively managing change.

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
Pillar 1: Sustainable and prudent fiscal framework									ENDRIT LAMI
1.1. Fiscal rules, forecasting and fiscal responsibility	-Fiscal rule is not enforced since 2012 and there is not a fiscal council in place -Average upward bias of forecasted nominal GDP in % of respective actual estimated GDP during the last 5 years (2010 – 2014) has been +3.3% -Average upward bias of forecasted real GDP growth versus respective actual estimated GDP growth during the last 5 years (2010 – 2014) has been +1.9 percentage points	- After the fiscal rule in place Debt to GDP ratio is reduced in average by 7% during a government mandate - After the fiscal rule in place average deviation during the next 5 years period 2015 – 2019 should be in the rage -1% to +1% - After the fiscal rule in place average deviation during the next 5 years period 2015 – 2019 should be in the rage -0.5 to +0.5 percentage points.							E.LAMI-Director of Directorate of Analysis and Macroeconomic Planning M.Dhembi - Director of Budget at MoF E.LAMI-Director of Directorate of Analysis and Macroeconomic Planning
Action 1: Design the fiscal rules to be reflected in the legal framework for fiscal management Action 2: Design fiscal principles to be included in the legal framework for fiscal responsibility Action 3: Improve forecasting methodologies									
1.2. National Government Accounts accounts	Government national accounts are not prepared according to ESA 2010	After ESA 2010 is adopted, deviation between first estimate of GDP and final GDP is 1%							
Action 1. Strengthen INSTAT’s capacity in the area of Govrment accounts									GJ. NANO -INSTAT
1.3. Fiscal risk management	No fiscal risk assessment unit at the Budget Department exist	Accuracy of identification of risks and their likely impact, taking account of mitigation measures applied							
Action 1: Strengthen fiscal risk management and reporting within the MoF									G. PRODANI- General Secretary of MoF

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
Pillar 2: Well integrated and efficient planning and budgeting of public expenditure									MIMOZA DHEMBI
2.1.Strategic policy development and review	The National Strategy for Development and Integration (NSDI) still awaits finalisation and adoption. 'Ratio of total funds estimated in the sector strategies to total funding identified for corresponding sectors in the MTBF is 42%.	'Ratio of total funds estimated in the sector strategies to total funding identified for corresponding sectors in the MTBF is 90%.							O. ARAPI - PMO
	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								O. ARAPI - PMO
	Action 2: Introduce rolling reviews and updates of the overarching NSDI and sector strategies in the MTBP process								O. ARAPI - PMO
	Action 3: Create the capacity to carry our in-depth sector reviews as needed								O. ARAPI - PMO
2.2. Capital investment planning, appraisal and inclusion	1) Regulations in the preparation and appraisal of government capital investment projects does not exist., 2) Lack of proper expertise to appraise the socio economic return of capital investment projects 3) 10% is the current deviation between approved and actual cost of projects	- Measure the actual social return on government capital investment projects - 7% to be the deviation between approved and actual capital projects - Annual disbursements for major investment projects are at least 70% of planned disbursements - Project output and impact indicators are achieved in 90% of major projects							
	Action 1: Include a section in the OBL and submit to Parliament specific regulations regarding the preparation, appraisal and approval of government capital investment projects								M.Dhembi - Director of Budget at MoF
	Action 2: Strengthen the public administration's capacity to appraise the socio-economic return of capital investment projects								I.MALILE- Ministry of Economic Development, Trade and Entrepreneurship
	Actions 3: Develop routines for and IT-support for the tracking and monitoring large investment projects (part of AFMIS project)								A. VELO-Director of Business Processing Ministry of Finance
2.3. Medium Term Budget Programme (2015)	Ratio between total funds estimated in the sectoral strategies and total funding identified for corresponding sectors within the MTBF is 42% Total planned expenditures for 2014 in the MTBF adopted in 2014 /Total expenditures in 2014 budget is 10.8%	-Ratio between total funds estimated in the sectoral strategies and total funding identified for corresponding sectors within the MTBF is 90% - Total planned expenditures (and revenues) for the MTBF adopted in year n /Total planned expenditures (and revenues) in year n in annual budget is between than + /- 2%							
	Action 1: Prepare and submit to Parliament proposals for amendments to OBL with the objective of tightening the MTBP process								M.Dhembi - Director of Budget at MoF

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline					Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020
2.4. Multi-year commitment controls	Multi-year commitments are currently tracked on excel spreadsheet against multiyear ceilings and are not directly recorded in the Treasury system/AGFIS. Arrears in 2013 are 72.75 bn Lek	1)The amount committed on multi-year projects for each year exceeding the approved budgets for those projects is equal to zero; 2) For budget entities that have access in the Treasury system, all major projects are pre-committed in the system based on estimated disbursement schedules approved in the Budget process before procurement action commences (actually is implemented for currently 7 Budgetary Institutions covering almost 18.2% of total state budget are in the Treasury System and in the 2016 will be extended on other 8 new BI's covering almost 68% of total state budget); 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).						
Action 1: Introduce multi-year commitment control for multi-year investment projects Action 2: Tighten up the approval process for multi-year capital projects Action 3: Include a statement of outstanding commitments in the annual budget documentation submitted to Parliament Action 4 New AGFIS configuration to disgregate multi year committments by individual year allocations								A. VELO-Director of Business Prossessing Ministry of Finance M.Dhembi - Director of Budget at MoF M.Dhembi - Director of Budget at MoF A. VELO-Director of Business Prossessing Ministry of Finance
2.5. PFM in local government	1) Not clear legislative framework after introduction of the new territorial reform 2) 20 % of local units cover less than 10 % of their budget from local taxes. 3) 30 % of local government units use more than 80 percent of their budgets for administrative expenditures. 3)Financial reports from external or internal audit are not avaiable to the public.	1) Improve collection and administration of taxes from the municipalities after the new administrative territorial reform. 2) Increasing the share of investment expenditures in local budgets, compared with administrative expenditures (more than 20%) 3) Each report of external or internal 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).						
Action 1: Design a new Law on local government financing Action 2: Draft, consult, and submit for approval the new law on the "Organization and Functioning of Local Government" Action 3: Strengthen implementation of the new law and PFM practices Action 4: Harmonize and further consolidate legislation which impacts both local government and PFM Action 5: Strengthen implementation of the new law and PFM practices								F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
2.6. Budget documentation	OBI is at 38	- Open Budget Index produced by the international Budget Partnership, relating to information in the budget is increased to be higher than the level of 60.							
Action 1: Improve the information content and quality of the budget documents that go to Parliament									G.OPRE- Director of Directorate of Budget Planning
Action 2: Improve the information content and quality of local government budgets									G.OPRE- Director of Directorate of Budget Planning
Action 3: Prepare a Citizens' Budget Guide									G.OPRE- Director of Directorate of Budget Planning
Pillar 3: Efficient execution of the Budget									GELARDINA PRODANI
3.1.Tax administration	-Tax collection effectiveness: Actual collection/assessed tax liabilities (2013 90%) - Increased revenue collection as a result of improved administrative performance of tax and customs authorities, in percentage 2.2%	- Tax collection effectiveness: Actual collection/assessed tax liabilities (2017 & 2020 exceeds 95%) - Increased revenue collection as a result of improved administrative performance of tax and customs authorities, in percentage 1.6% in 2017 1% in 2020							
Action 1: Reengineer and computerize core tax administration processes									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 2: Overhaul the tax administration's organizational structures and staffing at headquarters and at field level									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 3: Implement compliance risk management of tax collection									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 4: Strengthen audit capacity									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 5: Revise the system of the fiscal cash registers and encourage their use									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 6: Establish a fiscal cadaster of properties									N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
Action 7: Strengthen the professional capacity of the GTD staff through continuous training	3.1.7.1. 100% (plan for 2015)								N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline					Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020
3.2. Customs management	- Percentage deviation of Actual collection is within defined % of/approved budget estimate for custom and tax revenue (5% in 2013) - Tax collection effectiveness: Actual collection assessed / Tax liabilities exceeds 90% (2013)	¹ - Percentage deviation of Actual collection is within defined % of/approved budget estimate for custom and tax revenue (4%- 2017, 3% -2020) - Tax collection effectiveness: Actual collection assessed / Tax liabilities exceeds 95%						
Action 1: Alignment with the Acquis in the field of customs procedures and operation								N. LERA - General Directorate of Policies and Fiscal Relation
Action 2: Eliminate procedural ambiguities to create a clear interaction framework between the private sector and the Customs Administration								N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
Action 3: Make service delivery at the border-crossing checkpoints more efficient								N. LERA - General Directorate of Policies and Fiscal Relation
Action 4: Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized								N. LERA - General Directorate of Policies and Fiscal Relation
Action 5: Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency								N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
Action 6: Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions								N. LERA - General Directorate of Policies and Fiscal Relation
Action 7: Ensure the prompt release of goods when the economic operator provides advance information necessary for conducting audits based on risk analysis.								N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
Action 8: Take measures to stamp out fraud								N. LERA - General Directorate of Policies and Fiscal Relation
Action 9: Establishment of the National Valuation Database								N. LERA - General Directorate of Policies and Fiscal Relation
Action 10: Improve transparency of the Albanian Customs activities								N. LERA - General Directorate of Policies and Fiscal Relation

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
3.3.Improve the coverage and functionality of AGFIS	Week internal controls at budgetary institutions not connected to AGFIS. Arrears accumulated over time (72,75 mio Lek in 2013) Public Administration employee registered in the IT system (0.5% - 2013)	No new arrears are created after 2015 Public Administration employee registered in the IT system (50% in 2017; 90% -2020)							
Action 1: Gradually make AGFIS available to all major budget entities Action 2: Implement stricter internal controls in AGFIS at the phase of pre-commitment of public funds Action 3: Configure AGFIS so as to allow tracking operational expenses by project code Action 4. Perform an assessment on the possibility to introduce an electronic invoice (e-invoice) to foster timely recognition of expenses Action 5. Gradually integrate AGFIS and other government IT systems under AFMIS									A. VELO-Director of Business Processing Ministry of Finance M.Dhembi - Director of Budget at MoF M. PECO -Director of Treasury Operations A. VELO-Director of Business Processing Ministry of Finance A. VELO-Director of Business Processing Ministry of Finance
3.4. Management of external funds	1) There is no legal basis for inclusion of EU funds in the Government Financial Report, 2) In 2014 only 10 % of donor financing were channelled through the national systems.	- Publication on monthly basis of fiskal reports including EU and other donnors funds. - Proportion of external funds that is managed by use of Country system is more than 10%							
Action 1: Prepare and implement, in cooperation with donors, a program to progressively manage external funds through government systems									J.HIMCI- Head of NAO Office V.KORKAJ- Head of the National Fund
3.5. Debt and cash management	1) Debt management system is old and does not capture domestic debts 2) Days to maturity of domestic debt is 630 days 3) Budgetary deficit –4.0% of GDP (2015)	-1) Difference between the average interest paid by Albania on its public government debt and the average interest rate paid by the countries with the same credit rating 2) Days to maturity of domestic debt is 760 days (2017) 3) Budgetary deficit 2018 - 0.5% of GDP.							
Action 1: Review current institutional arrangements, internal organization, and staff responsible for debt and cash management Action2: Improve the debt management strategy, based on Debt Sustainability Analysis and Strategy Action 3: Develop a strategy for Government securities market development Action 4: Improve liquidity forecasting									A.XHEMALI- General Director of Debt Department A.XHEMALI- General Director of Debt Department A.XHEMALI- General Director of Debt Department M. PECO -Director of Treasury Operations

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
3.6. Public Procurement	1) Currently the Public Procurement Commission (review body) is a public legal body subordinated to the Council of Ministers, its members are not selected by the parliament. 2) SIGMA score for indicator 2.6 for independent, transparent, effective and efficient remedy system is assessed as 2 (out of 5) in 2014 3) % of cases when the review body exceeds the legal maximum processing time: 39.6% in 2014.	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) The percentage of cases when the review body exceeds the legal maximum processing time is below 10%							
Action 1: Strengthen the legal and institutional framework for public procurement									E. AHMETI - Head of PPA
Action 2: Establish mechanisms to control the availability of funds prior to procurement									E. AHMETI - Head of PPA
3.7. Asset management	1) No integrated and accurate asset inventory list for the entire government entities 2) Absence of evaluation methodology	-All public assets are recorded into the AGFIS							
3.7.1. Prepare methodology and action plan									D.FINO - DIRECTOR OF HFMC
3.7.2. Initiate and complete the process of full public assets inventory in General Government institutions and local government									L. SAHITAJ - GENERAL DIRECTOR OF TREASURY
3.7.3. Further complete the process of public assets transfer to local governments									L. SAHITAJ - GENERAL DIRECTOR OF TREASURY

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline					Head of Pillar/Activity	
			2015	2016	2017	2018	2019		2020
Pillar 4: Transparent government reporting									GELARDINA PRODANI
4.1. Accounting	Public sector accounting is not in accordance with IPSAS	- Presentation of financial statements as per IPSAS framework by 2020. - General Government institutions accessing AGFIS directly shall be able to execute their budget and perform financial reporting.							
Action 1: Establish a separate accounting function within MoF Action 2: Prepare financial reports as per the ESA 2010 integrated government finance statistics manual Action 3. Implement IPSAS Action 4. Capacity building and ensure sustainability									M. PECO -Director of Treasury Operations M. PECO -Director of Treasury Operations K.HALILI-General Director of Regulatory and Controlling Department M. PECO -Director of Treasury Operations K.HALILI-General Director of Regulatory and Controlling Department M. PECO -Director of Treasury Operations
4.2. Financial and performance monitoring and reporting	Open Budget Index 46 th place	Open Budget Index '60 th place in 2017 70 th place in 2020							
Action 1: Improve procedures and formats for in-year budget implementation reporting Action 2: Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial information Action 3: Improve access to data on the government’s finances and operations									F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
Pillar 5: Effective internal control									KESIANA HALILI
5.1. Financial Management and Control at Public Institutions	1) The managerial accountability principle is not yet fully embedded in the management culture and public internal financial control (PIFC) legislation is not systematically implemented by all institutions. 2) Currently, there is low proportion of budget institutions (30%), which have drawn up internal procedures for FMC and the insufficient application of risk management.	- 100% of budget entities will use performance budgeting and showing objectives and results							
Action 1: Monitor the implementation the legal framework for FMC Action 2: Implement a modern FMC system in three Line Ministries and four municipalities. Action 3: Increase the awareness of public units about the benefits of implementing the concept of “managerial accountability” Action 4: Monitor the performance of budget entities and nominate the 10 best-performing public units in terms of internal control									K.HALILI-General Director of Regulatory and Controlling Department K.HALILI-General Director of Regulatory and Controlling Department K.HALILI-General Director of Regulatory and Controlling Department K.HALILI-General Director of Regulatory and Controlling Department
5.2. Internal audit	1) 43% of internal audit recommendations implemented; 2) Not all the Internal auditors are trained for CPD; 3) IA Units report does not give evaluations on Internal Control systems	1) 60% of implemented internal audit findings; 2) 100% of the employeeed IA in all unit performed CPD trainings; 3)All IA reports address weaknesses in internal control systems;							
Action 1: Amend legal and methodological IA framework Action 2: Professionalize IA function Action 3: Strengthen the capacity of the CHU/IA									K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA

Annex 1

PMF strategy Action Plan 2015-2020

Activities	Baseline	Outcome indicator	Timeline						Head of Pillar/Activity
			2015	2016	2017	2018	2019	2020	
5.3. Public Financial Inspection	Currently Albania is scoring : 33/100 at TI report	Improve the scoring of annual Transparency International report (scoring higher than 33)							
Action 1: Review of legal basis and draft new sub legal acts. Action 2: Increase the skills of public inspectors. Action3. Establishing the reporting service network of AFCOS Action 4. Information and awareness of the authority and the 3 high level of management and of the public as well									I.MEÇE-Public Financial Inspection Director I.MEÇE-Public Financial Inspection Director I.MEÇE-Public Financial Inspection Director I.MEÇE-Public Financial Inspection Director
Pillar 6. Effective external oversight of the public finances									LULJETA NANO
6.1.External audit	1.The audit activities of the HSC do not yet comply with the ISSAIs. 2. The core of the HSC audit work is still a form of compliance audit, with a focus on defining economic damages rather than on preventing such damages (in 2014 compliance audit is 82% of the total audits) 3. % of audit recommendations accepted and implemented by auditees (2014:75.5%) 4. Lack of long term training strategy to improve the skills of auditors according to ISSAI	1. The weight of Financial and Performance audit will increase, while Compliance Audit will loose its importance . 2. % of audit recommendations accepted and implemented by auditees is greater thn 75.5% 3. The training strategy is in place, the auditor are trained according to ISSAI							
Action 1. Improve legal framework Action 2. Align audit approaches to international standards (ISSAIs) Action 3. Adapt organizational structure and internal regulations to new audit approaches Action 4. Increase training and the use of information technology in tandem with the introduction of new audit approaches Action 5. Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work.									L. NANO- General Secretary os State Supreme Audit L. NANO- General Secretary os State Supreme Audit L. NANO- General Secretary os State Supreme Audit L. NANO- General Secretary os State Supreme Audit L. NANO- General Secretary os State Supreme Audit

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
Pillar 1: Sustainable and prudent fiscal framework				
1.1. Fiscal rules, forecasting and fiscal responsibility framework				
Action 1: Design the fiscal rules to be reflected in the legal framework for fiscal management	1.1.1.1. Review and select options for fiscal rules and policy oversight;	1.1.1.1. 100%;	In Progress	E.LAMI-Director of Directorate of Analysis and Macroeconomic Planning
	1.1.1.2. Design escape clauses, correction mechanisms, transition arrangements and other implementation arrangements for fiscal rules ;	1.1.1.2. 100%;		
	1.1.1.3. Prepare draft law/code for the chosen option and discuss with internal and external counterparties;	1.1.1.2. 100%;		
	1.1.1.4. Approve the Law in Parliament	1.1.1.3. 20%		
Action 2: Design fiscal principles to be included in the legal framework for fiscal responsibility	1.2.2.1. Design legal provisions aimed at restricting spending during election years;	1.2.2.1. 100%;	In Progress	M.Dhembi - Director of Budget at MoF
	1.2.2.2. Design legal provisions to ensure that proceeds from privatization can only be used for retiring public debt and/or capital investments;	1.2.2.2. 100%;		
	1.2.2.3. Identify and prepare provisions for other areas where fiscal principles would be beneficial to ensuring fiscal discipline;	1.2.2.3. 100%		
	1.2.2.4. Approve the amendment to OBL in the Parliament	1.2.2.4. 20%		
Action 3: Improve forecasting methodologies	1.3.1. Receiving TA from SECO on macroeconomic forecasting. Implementation planed to start on December 2015	1.3.1. 100%	Completed	E.LAMI-Director of Directorate of Analysis and
1.2. National Government Accounts accounts				
Action 1. Strengthen INSTAT's capacity in the area of Government accounts	1.2.1. Complete classification of all public entities		In Progress	GJ. NANO -INSTAT
	1.2.1.1. Create a Classification unit	1.2.1.1. 0%		
	1.2.1.2. Preparation of preliminary list of public administration	1.2.1.2. 100%		
	1.2.1.3. Approval of the list	1.2.1.3. 0%		
	1.2.1.4. Creation of the registry of public administration	1.2.1.4. 20%		
	1.2.1.5. Publication of the list of public administration entities	1.2.1.5. 0%		
	1.2.2. Preparation of a inter-institutions memorandum	1.2.2.1. 30%		
	1.2.2.1. Drafting of Memorndum of Understanding (MoU)	1.2.2.2. 0%		
	1.2.2.2. Definition of functional responsibilites of all the parties	1.2.2.3.0%		
	1.2.2.3. Signature of the MoU			
	1.2.3. Creation of a sustainable statistical system of public administration	1.2.3.1. 50%		
	1.2.3.1. Creation of a full statistical system covering the needs for budget and semi-budget entities.	1.2.3.2. 50%		
	1.2.3.2. Creation of standardized information	1.2.3.4. 25%		
	1.2.3.4. Inclusion of ESA 2010 standards in public accounts			
	1.2.4. Ensure collection of information			
	1.2.4.1. Creation of alternative methods for collection of information	1.2.4.1. 25%		
	1.2.4.2. Improvement of Treasury System to include semi-budget entites	1.2.4.2. 75%		
	1.2.4.3. Approval of templates which will be required to be filled in by all entities	1.2.4.3. 0%		
	1.2.5. Prepare Review/Transparency policies	1.2.5.1.0%		
	1.2.5.1. Definition of timeline for public entities to update the published data	1.2.5.1. 0%		
	1.2.5.1. Completion of reports based on the newly pulished data.			

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Objective/Activities	Sub activities	Status	Activities Status	Responsible unit
1.3. Fiscal risk management				
Action 1: Strengthen fiscal risk management and reporting within the MoF	1.4.1.1. Set up a special risk management function within MoF for assessing and advising on non debt-related fiscal risks, notably SOEs	1.4.1.1. 0%	In Progress	G. PRODANI- General Secretary of MoF
	1.4.1.2. Design and implement a SOE financial reporting process	1.4.1.2. 0%		
	1.4.1.3. Design and include in budget documentation a detailed fiscal risks statement	1.4.1.3. 80%		
Pillar 2: Well integrated and efficient planning and budgeting of public expenditure				
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	2.1.1.1.Establishment of the Working Groups for each sector strategy, as well as MTBP	2.1.1.1. 100%	In Progress	O. ARAPI - PMO
	2.1.1.2. Prepare first drafts and submit for review to interested parties	2.1.1.2. 100%		
	2.1.1.3 .Finalize drafts and send for formal review and approval to CoM	2.1.1.3. 80%		
		2.1.2.1. 0%		
Action 2: Introduce rolling reviews and updates of the overarching NSDI and sector strategies in the MTBP process	2.1.2.1. Scrutiny of MTBP requests of budget programs that should implement fully/partially NSDI and sector strategies (CoM office and MoF)		Not Started	O. ARAPI - PMO
	2.1.2.2. Monitor progress of NSDI and sector strategies' performance indicators, and give recommendations for potential improvements or changes in them	2.1.2.2. 0%		
Action 3: Create the capacity to carry our in-depth sector reviews as needed	2.1.3.1. Develop the new structure	2.1.3.1. 0%	Not Started	O. ARAPI - PMO
	2.1.3.2. Hiring of new staff (LM, CoM office, MoF)	2.1.3.2. 0%		
	2.1.3.3. Training existing staff (LM, CoM office, MoF)	2.1.3.3. 0%		
2.2. Capital investment planning, appraisal and inclusion in budget				
Action 1: Include a section in the OBL and submit to Parliament specific regulations regarding the preparation, appraisal and approval of government capital investment projects	2.2.1.1. Establishment of the Working Group, for the OBL's amendment.	2.2.1.1. 100%	In Progress	M.Dhembi - Director of Budget at MoF
	2.2.1.2. Prepare the necessary amendments for review and approval (MoF, MoEDTTE)	2.2.1.2. 100%		
	2.2.1.3. Consultation with IMF, WB, SIGMA and other local and international organizations	2.2.1.3. 100%		
	2.2.1.4. Submit final amendments as part of the revised OBL to CoM	2.2.1.4. 50%		
Action 2: Strengthen the public administration's capacity to appraise the socio-economic return of capital investment projects	2.2.2.1. Draft and approve specific instructions for analyzing the socio-economic effects of investment project proposals (MoF, MoEDTTE)	2.2.2.1. 0 %	Not Started	I.MALILE- Ministry of Economic Development, Trade and Entrepreneurship
	2.2.2.2.Training LMs staff to effectively appraise investment project proposals from a social and economic perspective	2.2.2.2. 0 %		
	2.2.2.3. Training Ministry of Economy staff in order to be able to evaluate and approve investment proposals of LM	2.2.2.3. 0 %		
Actions 3: Develop routines for and IT-support for the tracking and monitoring large investment projects (part of AFMIS project)	2.2.3.1. Establishment of the Working group for management of AFMIS project	2.2.3.1. 100%	In Progress	A. VELO-Director of Business Prosessing Ministry of Finance
	2.2.3.2. Preparation of ToRs for AFMIS project	2.2.3.2. 100%		
	2.2.3.3. Selection of the Company	2.2.3.3. 0%		
	2.2.3.4. Implemetation of AFMIS project	2.2.3.4. 0%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
2.3. Medium Term Budget Programme				
Action 1: Prepare and submit to Parliament proposals for amendments to OBL with the objective of tightening the MTBP process	2.3.1.1. Establishment of the Working Group, for the OBL’s amendment.	2.3.1.1.	In Progress	M.Dhembi - Director of Budget at MoF
	2.3.1.1.1. Empower the Parliament to vote on and approve the MTBP ceilings at programme level	2.3.1.1.1. 100%		
	2.3.1.1.2. Make the ceilings for the three years of the MTBP binding	2.3.1.1.2. 100%		
	2.3.1.1.3. Require that MTBP request clearly show which funds are effectively already committed and which are new expenditure under the ceiling	2.3.1.1.3. 0%		
	2.3.1.2. Prepare the necessary amendments for review and approval (MoF, MoEDTTE)	2.3.1.2. 100%		
	2.3.1.3. Consultation with IMF, WB, SIGMA and other local and international organizations	2.3.1.3. 100%		
	2.3.1.4. Submit final draft of the revised OBL to CoM for review and approval	2.3.1.4. 90%		
2.4. Multi-year commitment controls				
Action 1: Introduce multi-year commitment control for multi-year investment projects	2.4.1.1. Designing the new electronic system (by SETS), ensuring multi-year commitment control for multi-year investment projects or enhance the AGFIS	2.4.1.1. 100%	In Progress	A. VELO-Ministry of Finance
	2.4.1.2. Purchase of the related server	2.4.1.2. 30%		
	2.4.1.3. Implementation phase	2.4.1.3. 0%		
	2.4.1.4. Registering into the system all the existing contracts	2.4.1.4. 0%		
Action 2: Tighten up the approval process for multi-year capital projects	2.4.2.1. Enhance scrutiny procedures for approval of multi-year capital projects, by CoM/MoF/MoE	2.4.2.1. 80%	In Progress	M.Dhembi - Director of Budget at MoF
Action 3: Include a statement of outstanding commitments in the annual budget documentation submitted to Parliament	2.4.3.1. Introduce a legal requirement to report on all outstanding commitments	2.4.3.1.80%	In Progress	M.Dhembi - Director of Budget at MoF
	2.4.3.2. Design a format for the document to be submitted to Parliament	2.4.3.2. 80%		
	2.4.3.3. Implement the arrangement	2.4.3.3. 80%		
Action 4 New AGFIS configuration to disgregate multi year committments by individual year allocations	2.4.4.1. Design the configuration	2.4.4.1. 100%	In Progress	A. VELO-Ministry of Finance
	2.4.4.2. Test in Test environment	2.4.4.2. 100%		
	2.4.4.3. Go live	2.4.4.3. 0%		
2.5. PFM in local government				
Action 1: Design a new Law on local government financing	2.5.1.1. Introduce in the draft law the new formula of unconditional transfer.	2.5.1.1. 100%	In Progress	F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	2.5.1.2. Establishment of the working group and consultation with stakeholders	2.5.1.2. 70%		
	2.5.1.3. Draft the new law	2.5.1.3. 0%		

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Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit	
Action 2: Draft, consult, and submit for approval the new law on the "Organization and Functioning of Local Government"	2.5.2.1.Preparation of the draft new law.	2.5.2.1.- 100%	In Progress	F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation	
	2.5.2.2. Consultation of the first draft with the stakeholders (local government associations).	2.5.2.2. -100%			
	2.5.2.3. Consultation of the draft with foreign experts.	2.5.2.3. -100%			
	2.5.2.4. Approval of the new law	2.5.2.4. -90%			
	Action 3: Strengthen implementation of the new law and PFM practices	2.5.3.1. Determine the procedures for drafting and implementin local budget	2.5.3.1. 0%	Not Started	F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
		2.5.3.2. Increase the transparency of local government units.	2.5.3.2. 0%		
		2.5.3.3. Application of share taxes for local units (in medium term period)	2.5.3.3. 0%		
	Action 4: Harmonize and further consolidate legislation which impacts both local government and PFM	2.5.4.1. Identify the legislative acts, where the legislation could be percived as contradictory or there is an overlapping of the functions.	2.5.4.1. 0%	Not Started	F.BRAHIMI- Director of Directorate of Budget Monitoring and
	Action 5: Strengthen implementation of the new law and PFM practices	2.5.5.1. Strengthening administrative capacity across the entire public administation to ensure sound financial management on central and local government.	2.5.5.1. 0%	Not Started	F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
		2.5.5.2. Efficient enforcment of rules and procedures will increase the local revenues and reduce the cost of their management and collection.	2.5.5.2. 0%		
2.6. Budget documentation					
Action 1: Improve the information content and quality of the budget documents that go to Parliament	2.6.1.1. Restructuring the content of annual budget law and of its explanatory relation	2.6.1.1. 100%	Completed	G.OPRE- Director of Directorate of Budget Planning	
	2.6.1.2. Preparation and publication of an illustrative pamphlet named "Budget at a Glance" , regarding the annual budget	2.6.1.2. 100%			
Action 2: Improve the information content and quality of local government budgets	2.6.2.1. Create a working group to draft the law " Local Government Finances"	2.6.2.1. 100%	In Progress	G.OPRE- Director of Directorate of Budget Planning	
	2.6.2.2. Aprove the Law on "Local Government Finances"	2.6.2.2. 0%			
Action 3: Prepare a Citizens' Budget Guide	2.6.3.1. Application and receiving of the needed technical assistance from international institutions	2.6.3.1. 100%	Completed	G.OPRE- Director of Directorate of Budget Planning	
	2.6.3.2. Designing the structure of the document's content	2.6.3.2. 100%			
	2.6.3.3. Preparation of the final draft	2.6.3.3. 100%			
	2.6.3.4. Publication and submission of the approved document	2.6.3.4. 100%			

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
Pillar 3: Efficient execution of the Budget				
3.1.Tax administration				
Action 1: Reengineer and computerize core tax administration processes	3.1.1.1. End of the year will be finished the implementation of some modules within the system.	3.1.1.1. -100%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
	3.1.1.2. Complete third party data agreements and communications protocols. (end of 2015)	3.1.1.2. -90%		
	3.1.1.2.1 Communication with ISSH (end of October 2015)	3.1.1.2.1 -90%		
	3.1.1.2.2 Communication with Customs (end of November 2015)	3.1.1.2.2 -90%		
	3.1.1.2.3 Communication with Ministry of Welfare (end of December 2015)	3.1.1.2.3 -100%		
Action 2: Overhaul the tax administration's organizational structures and staffing at headquarters and at field level	3.1.1.3. Engage with the Data Warehouse (DWH) consultancy to build and deploy DWH capability. (end of 2015)	3.1.1.3. -70%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
	3.1.2.1. Review the regional and field offices structure and implement changes as required to align to our business needs. In doing this, we will take into account the flexibility that the new IT system provides with regard to distribution of tasks and we will consider the possibilities of concentrating some of our tasks in fewer offices. (End of 2015)	3.1.2.1. 100%		
	3.1.2.2. Analyze the workforce in terms of both numbers and skill- sets, identify gaps against the current situation and allocate resources to match business needs. (End of 2015)	3.1.2.2. 100%		
	3.1.2.3. Finalize the new GDT function-based organization structure and develop an implementation plan and monitoring mechanism for the movement of functions, work and staff. (End of 2015)	3.1.2.3. 100%		
	3.1.2.4. Develop methods to ensure effective working relationships between program design and operations. (2016 and on)	3.1.2.4. 20%		
Action 3: Implement compliance risk management of tax collection	3.1.3.1. Implement the remaining Rules and Reports in the Risk Module (December 2015)	3.1.3.1. 70%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
	3.1.3.2. Change Management trainings by Risk management Dept. (Starting October 2015 till March 2016)	3.1.3.2. 50%		
	3.1.3.3. Start the First Compliance Project in October 2015	3.1.3.3. 100%		
Action 4: Strengthen audit capacity	3.1.4.1. Re-design the overall approach to audit as part of a move to risk-based approaches that will support modern, effective, and impartial approaches to audit. For example, this will include:	3.1.4.1. 90%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
	• 3.1.4.1.1. Revised procedures and manuals; By the end of 2015	• 3.1.4.1.1.0%		
	• 3.1.4.1.2. Audit treatment plans for specific risks;(Transfer Pricing Audits to start by October 2015)	• 3.1.4.1.2. -100%		
	• 3.1.4.1.3. Personnel selection, training and monitoring to ensure that the new approach delivers results. Within 2016	• 3.1.4.1.3. -20%		
Action 5: Revise the system of the fiscal cash registers and encourage their use	3.1.5.1. To be finalized the framework of the Cash Receipt Lottery. (Within 2015, in collaboration with MoF)	3.1.5.1. 100%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
	3.1.5.2. Work in progress to achieve the transmission of the data from the cash register machines in real time. (Within 2016, in collaboration with MoF)"	3.1.5.2. 0%		

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Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
Action 6: Establish a fiscal cadaster of properties	3.1.6.1. Perform a feasibility study, prepare the ToR and select the company to prepare the system 3.1.6.2. Review the legislative framework and revise if necessary 3.1.6.3. Start applying the property tax	3.1.6.1. 60% 3.1.6.2. 0% 3.1.6.3. 0%	In progress	N. LERA - General Directorate of Policies and Fiscal Relation
Action 7: Strengthen the professional capacity of the GTD staff through continuous training	3.1.7.1. New Training Plan approved in collaboration with ASPA that covers all the needs for training till the end of the year: 1. Number of employees to be trained is 150 per week 2. The trainings are covering all the necessary topics related to Taxes 3. Training is an ongoing process, and this calendar is scheduled till December 2015	3.1.7.1. 100%	Completed	N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
3.2. Customs management				
Action 1: Alignment with the Acquis in the field of customs procedures and operation	3.2.1.1. It will be drawn up draft decision on the harmonization of tariff codes with descriptions of EU CN codes	3.2.1.1. 100%	Completed	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
Action 2: Eliminate procedural ambiguities to create a clear interaction framework between the private sector and the Customs Administration	3.2.1.1. Unify of a number of important rules and practices into a coherent set of guidelines	3.2.1.1. 100%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.1.2. Organization of consultative meetings with private operators, p.e. creation of Business Advocacy Office, to create a new model and rethinking communication standard guidelines;	3.2.1.2. 10%		
	3.2.1.3. Completion of a set of instructions according to the model agreed with core business	3.2.1.3. 0%		
Action 3: Make service delivery at the border-crossing checkpoints more efficient	3.2.1.4. Creation of an INTRANET where all these unified guideline are published	3.2.1.4. 0%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.2.1. Practice advance electronic notifications (Manifests, Bill of Lading, etc.) which enables customs to assess threats, identify containers or cargo that are high-risk before arrival and deal proactively with possible violations ;	3.2.2.1. 10%		
Action 4: Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized Economic Operators ("AEO"), including centralized clearance	3.2.4.1. Improving IT system to enable electronic signature and electronic documents attached.	3.2.4.1. 100%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.4.2. Negotiations for the authority which will enable electronic signature issue (to cover only ACA not the brokers).	3.2.4.2. 70%		
	3.2.4.3. Authorizations for local clearance.	3.2.4.3.		
	3.2.4.3.1. Preparation of legal framework	3.2.4.3.1. 100%		
Action 5: Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency	3.2.4.3.2 Test the system	3.2.4.3.2 100%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.4.3.3. Approval of the list of AEOs	3.2.4.3.3. 10%		
	3.2.5.1. Implementation of the Decision document by the method SAFCONORM,	3.2.5.1. 100%		
	3.2.5.2. Clear regulation for the prosecution of claims and the results reported in STOP CORRUPTION portal;	3.2.5.2. 100%		
	3.2.5.3. The integrity test for all Albanian Custom Administration (ACA)	3.2.5.3. 40%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
Action 6: Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions	3.2.6.1. Prepare the procedure to allow the use of the single guarantee for all types of transactions and regimes	3.2.6.1. 10% .	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.6.2. Adoption of IT system to allow the use of the single guarantte	3.2.6.2. 10%		
Action 7: Ensure the prompt release of goods when the economic operator provides advance information necessary for conducting audits based on risk analysis.	3.2.7.1. Preparation of legal and sub-legal infrastructure for preliminary declaration;	3.2.7.1. 0%	Not Started	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.7.2. Preparation of the AOE list:	3.2.7.2. 0%		
	3.2.7.3. Implementation of prior clearance	3.2.7.3. 0%		
Action 8: Take measures to stamp out fraud	3.2.8.1. Completion of the security control system with new update profiles	3.2.8.1. 100 %	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.8.2. Establish a unified Law Enforcement and Tax Investigation Department in order to improve and increase the efficiency of the investigations.	3.2.8.2. 0%		
	3.2.8.3. Increase in-land tax control by approaching suspicious traders in-land while aiming for minimal disruption to trade enabling shift of inspections from traditional border controls to the post clearance environment	3.2.8.3. 0%		
	3.2.8.4. Implementation of electronic module INES + to IPR issues,	3.2.8.4. 40%		
	3.2.8.5. Implementation of the Blue channel;	3.2.8.5. 0%		
	3.2.8.6. Preparation of a Manual which will contain unified cusutom violations to avoid subjectivism among custom inspectors.	3.2.8.6. 0%		
	3.2.8.7. Use the mechanism of the so-called 'mystery shoppers' to detect corruption cases at customs.	3.2.8.7. 0%		
Action 9: Establishment of the National Valuation Database	3.2.10.1. Consulting and evaluation stages recognize the guidelines of the World Customs Organization to "National Valuation Database" .	3.2.10.1. 90%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.10.2. The guide is translated and adapted to the Albanian legislation.	3.2.10.2. 100%		
Action 10: Improve transparenry of the Albanian Customs activities	3.2.11.1. Establishment of the separate structure in charge for managing the communication with the end-users	3.2.11.1. 0%	In Progress	N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
	3.2.11.2. Ensure a continous update of the published regulatory framework is in place	3.2.11.2. 100%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
3.3.Improve the coverage and functionality of AGFIS				
Action 1: Gradually make AGFIS available to all major budget entities	3.3.1.1. Up to end 2016, 15 public units online acces in AGFIS,	3.3.1.1. 50%	In Progress	A. VELO-Ministry of Finance
	3.3.1.2. Up to end 2018, 50 public units online acces in AGFIS.	3.3.1.2. 0%		
	3.3.1.3 .Up to end 2020, 100 public units online acces in AGFIS.	3.3.1.3 . 0%		
Action 2: Implement stricter internal controls in AGFIS at the phase of pre-commitment of public funds	3.3.2.1. Changing OBL on pre-commitment controls	3.3.2.1. 100%	In Progress	M.Dhembi - Director of Budget at MoF
	3.3.2.2. Expanding pre-commitement controls in AGFIS to all online budget entities	3.3.2.2. 50%		
Action 3: Configure AGFIS so as to allow tracking operational expenses by project code	3.3.3.1. Design AGFIS.	3.3.3.1. 0%	Not Started	M. PECO -Director of Treasury Operations
	3.3.3.2. Testing AGFIS.	3.3.3.2. 0%		
	3.3.3.3. Implementing the process into the system.	3.3.3.3. 0%		
Action 4. Perform an assessment on the possibility to introduce an electronic invoice (e-invoice) to foster timely recognition of expenses		3.3.4.1. 0%	Not Started	A. VELO-Director of Business Prosessing Ministry of Finance
Action 5. Gradually integrate AGFIS and other government IT systems under AFMIS	3.3.5.1. Upgrade the Debt Management system to allow for integrated recording and management of domestic and external debt	3.3.5.1. - 0%	In Progress	A. VELO-Director of Business Prosessing Ministry of Finance
	3.3.5.1.1. Purchase of equipment/software	3.3.5.1.1. - 0%		
	3.3.5.1.2. Data validation of Dmfas 5,3	3.3.5.1.2. - 0%		
	3.3.5.1.3. Customisation of Dmfas 6 to government needs for domestic debt.	3.3.5.1.3. - 0%		
	3.3.5.1.4. Instalation of Dmfas 6.			
	3.3.5.2. Integrate the debt management system with AGFIS and the future AFMIS	3.3.5.1.4. - 0%		
	3.3.5.3. Create interfaces with the tax and customs management systems	3.3.5.2.- 0%		
	3.3.5.4. Make fully functional the electronic system for payroll management and establish an interface with AGFIS.	3.3.5.3. 40%		
	3.3.5.5. Design and implement the web portal for AGFIS users and the document management system (digital archive) for online AGFIS budget users	3.3.5.4. 50%		
		3.3.5.5. 10%		
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	3.4.1.1. Prepare instruction to Include information of the EU funds in the Government Financial Report	3.4.1.1. 100%	In Progress	V.KORKAJ- Head of the National Fund
	3.4.1.2. Improve legal basis to Include information of the other donor funds in the Government Financial Report	3.4.1.2. 100 %		
	3.4.1.3. Design IT system at Prime Minister Office to increase the predictability of donor flows	3.4.1.3. 0%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
3.5. Debt and cash management				
Action 1: Review current institutional arrangements, internal organization, and staff responsible for debt and cash management	3.5.1.1. Develop organizational structure	3.5.1.1. 100%	In Progress	A.XHEMALI- General Director of Debt Department
	3.5.1.2. Hiring new staff	3.5.1.2. 35%		
	3.5.1.3. Perform Functional Review and make organisationnal changes if necessary	3.5.1.2. 20%		
Action2: Improve the debt management strategy, based on Debt Sustainability Analysis and Strategy	3.5.2.1. Management, assessment and quantification of risks related to debt portfolio	3.5.2.1. 0%	In Progress	A.XHEMALI- General Director of Debt Department
	3.5.2.2. Better methodology for the evaluation and comparing the tradeoffs between costs and risks.	3.5.2.2. 0%		
	3.5.2.3. Improve toolkit for strategy scenarios'assesments.	3.5.2.3.100%		
	3.5.2.4. Creation of a permanent working group for the preparation of the MTDS, with members from Ministry of Finance and Central Bank of Albania.	3.5.2.4. 100%		
Action 3: Develop a strategy for Government securities market development	3.5.3.1. Adoption of a new software to manage the government instruments, including auction procedures	3.5.3.1. 100%	Completed	A.XHEMALI- General Director of Debt Department
	3.5.3.2. Debt holders portfolio analysis,			
	3.5.3.2. Feasibility Study on the possibility of introducing for the first time a primary dealer in the market of governmental securities.	3.5.3.2. 100%		
Action 4: Improve liquidity forecasting	3.5.4.1. Analyse the possibility of introducing a cash buffer and determination of the appropriate amount	3.5.4.1. 100%	In Progress	M. PECO -Director of Treasury Operations
	3.5.4.2. Change the regulatory framework in order to introduce the cash buffer to meet the unexpected expenditure	3.5.4.2. 0%		
	3.5.4.3. Develop the cash forecasting function at the GDT to improve the predictive accuracy of cash forecasts (prepare job description and procedures for liquidity cash management)	3.5.4.3. 0%		
	3.5.4.4. Procedures for liquidity cash management as prepared for GDT to be used for other Budgetary Institutions			
		3.5.4.4. 0%		
3.6. Public Procurement				
Action 1: Strengthen the legal and institutional framework for public procurement	3.6.1.1. Prepare amendments to the PPL, and to supporting regulations	3.6.1.1. 100%	In Progress	E. AHMETI - Head of PPA
	3.6.1.2. Further align the public procurement and concession laws with the Acquis (new EU directives) and with EU good practice as well as the implementation of the defense and security directive.	3.6.1.2. 50%		
	3.6.1.3. Strengthen the review and remedies system to ensure legality, transparency, coherence and effectiveness.	3.6.1.3. 0%		
	3.6.1.4. Further improve the functionality of the public procurement system	3.6.1.4. 80%		
Action 2: Establish mechanisms to control the availability of funds prior to procurement	3.6.2. Create a new system configuration at APP system in order to allow the interface with AGFIS	3.6.2. 0%	Not Started	E. AHMETI - Head of PPA

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
3.7. Asset management				
3.7.1. Prepare methodology and action plan	3.7.1.1. Prepare the ToRs as part of the project fro IPSAS implementation	3.7.1.1. 0%	Not Started	D.FINO - DIRECTOR OF HFMC
	3.7.1.2. Prepare the methodloguy and action plan	3.7.1.2. 0%		
3.7.2. Initiate and complete the process of full public assets inventory in General Government institutions and local government		3.7.2.: 0%	Not Started	L. SAHITAJ - GENERAL DIRECTOR OF TREASURY
3.7.3. Further complete the process of public assets transfer to local governments	3.7.3.1. Prepare the necessary legislation	3.7.3. 0%	Not Started	L. SAHITAJ - GENERAL DIRECTOR OF TREASURY
	3.7.3.2. Complete the transfer process			
Pillar 4: Transparent government reporting				
4.1. Accounting				
Action 1: Establish a separate accounting function within MoF		4.1.1. 100%	Completed	M. PECO -Director of Treasury Operations
Action 2: Prepare financial reports as per the ESA 2010 integrated government finance statistics manual	4.1.1.1. Compile government financial statistics and questionare to be sent to EUROSTAT	4.1.1.1.70%	In progress	M. PECO -Director of Treasury Operations
	4.1.1.2. Disseminate information to EUROSTAT	4.1.1.2. 0%		
Action 3. Implement IPSAS	4.1.3.1. Establish a public sector accounting standards body,	4.1.3.1. -70%	In Progress	K.HALILI-General Director of Regulatory and Controlling Department M. PECO -Director of Treasury Operations
	4.1.3.2. Conduct GAP analysis between current regulations and IPSAS	4.1.3.2. -0%		
	4.1.3.3 Development of accounting and legal framework	4.1.3.3 -0%		
	4.1.3.4. Gradual implementation	4.1.3.4. -0%		
Action 4. Capacity building and ensure sustainability	4.1.4.1. Hire new staff at the Financial reporting unit	4.1.4.1. 100%	In Progress	K.HALILI M. PECO
	4.1.4.2 Development of professional accounting skills and training mechanism	4.1.4.2. 0%		
4.2. Financial and performance monitoring and reporting				
Action 1: Improve procedures and formats for in-year budget implementation reporting	4.2.1.1. Improve procedures for in-year budget implementation	4.2.1.1. 100%	In Progress	F.BRAHIMI- Director of Directorate of Budget Monitoring and
	4.2.1.2. Prepare improved quarterly monitoring report based on new guidelines	4.2.1.2. 80%		
Action 2: Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial	4.2.2.1. Improvement of budget execution report formats for central gov	4.2.2.1. 50%	In Progress	F.BRAHIMI- Director of Directorate of Budget Monitoring and
	4.2.2.2. Improvement and unification of the budget format, at the local level governance.	4.2.2.2. 50%		
Action 3: Improve access to data on the government’s finances and operations	4.2.3.1 Publish on Ministry of Finance website periodically information on Local government’s finances	4.2.3.1. 90%	In Progress	F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	4.2.3.2 . Boost application to be available on MoF website	4.2.3.2 . 0%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
Pillar 5: Effective internal control				
5.1. Financial Management and Control (FMC) at Public Institutions				
Action 1: Monitor the implementation the legal framework for FMC	5.1.1.1. Revising FMC law approved with COM no.288, dated 08.04.2015	5.1.1.1. 100%	In Progress	K.HALILI-General Director of Regulatory and Controlling Department
	5.1.1.2. Develop and improve FMC by-laws:	5.1.1.2. :		
	5.1.1.2.1. -Executing Officer instruction	5.1.1.2.1. 80%		
	5.1.1.2.2. -FMC and Risk Coordinator instruction	5.1.1.2.2. 80%		
	5.1.1.2.3. - Review FMC manual	5.1.1.2.3. 0%		
5.1.1.3. Training Executing officers on the new instructions (around 1500 Executing Officers to be trained)	5.1.1.3. (37 staff trained)			
5.1.1.4. Publish improved annual PIFC report.	5.1.1.4. 100%			
Action 2: Implement a modern FMC system in three Line Ministries and four municipalities.	5.1.2.1. CHU/FMC with the IPA Twinning support, will assist 7 pilot institutions implementing FMC requirements.	5.1.2.1. -80%	In Progress	K.HALILI-General Director of Regulatory and Controlling Department
Action 3: Increase the awareness of public units about the benefits of implementing the concept of “managerial accountability”	5.1.3.1. Yearly training provided in ASPA for different levels of managers on the concept of "Managerial Accountability";	5.1.3.1. 71 managers;	In Progress	K.HALILI-General Director of Regulatory and Controlling Department
	5.1.3.2. Providing trainings under IPA project for different levels of management and organize awarness seminars.	5.1.3.2. 68 managers ;		
	5.1.3.3. Organization of bi-annual awarness seminar with heads of central and local institutions	5.1.3.3. 0%		
Action 4: Monitor the performance of budget entities and nominate the 10 best-performing public units in terms of internal control	5.1.4.1. Review performance monitoring methodology.	5.1.4.1. 100%	Completed	K.HALILI-General Director of Regulatory and Controlling Department
	5.1.4.3. Ranking institutions based on their performance and sending remarks and reccomandations to GGU.	5.1.4.3. 100%		
5.2. Internal audit				
Action 1: Amend legal and methodological IA framework	5.2.1.1. Amend and approve ammendments to the IA law	5.2.1.1. 100 %	In Progress	K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA
	5.2.1.2. Review current by-law on creation of internal audit units, giving a solution to IA overlapping issue	5.2.1.2. 80%		
	5.2.1.3 Draft new by-law on audit commitees in public units	5.2.1.3. 50%		
	5.2.1.4. Reviwing internal audit manual	5.2.1.4. 30%		
Action 2: Professionalize IA function	5.2.2.1. Perform professional development and training on the audit methodology and practices for internal auditors in the public sector	5.2.2.1 100% (All IA 2015)	In Progress	K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA
	5.2.2.2. Improving certification procedure for IA.	5.2.2.2. 80%		
Action 3: Strengthen the capacity of the CHU/IA	5.2.3.1. Hire additional personel for the CHU/IA structure	5.2.3.1. 0%	In progres	K.HALILI-General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA
	5.2.3.2. CHUIA staff participating in all trainings organized by the twinning experts for internal auditors employed in the public sector	5.2.3.2. 100%		

Annex 2

Status of Implementation of Pillars/Activities during 2015

Objective Activities	Sub activities	Status	Activities Status	Responsible unit
5.3. Public Financial Inspection				
Action 1: Review of legal basis and draft new sub legal acts.	5.3.1.1. Draft and approve the new law on "Public Financial Inspection"	5.3.1.1. -100%	Completed	I.MEÇE-Public Financial Inspection Director
	5.3.1.2. Drafted of the sublegal acts that are foreseen in the new law.	5.3.1.2. -100%		
Action 2: Increase the skills of public inspectors.	5.3.2.1.Training public financial inspection staff in carrying out financial inspections activity in the Public Financial Inspection Directorate, in the Ministry Of Finance (5 Staff);	5.3.2.1. - 0%	Not Started	I.MEÇE-Public Financial Inspection Director
	5.3.2.2. Training the external public financial inspectors, after being approved based on the requirements of the new law	5.3.2.2. - 0%		
Action3. Establishing the reporting service network	5.3.3.1. Prepare the Order to be issued by the Minister of Finance	5.3.3.1. -80%	In Progress	I.MEÇE-Public Financial Inspection Director
	5.3.3.2. Prepare the Cooperation agreement between Minister of Finance and Network Institutions	5.3.3.2. -80%		
Action 4. Information and awareness of the authority and the 3 high level of management and of the public as well	5.3.4.1. Organise conferences, distribute leaflets	5.3.4.1. 30%	In Progress	I.MEÇE-Public Financial Inspection Director
Pillar 6. Effective external oversight of the public finances				
6.1.External audit				
Action 1. Improve legal framework	6.1.1.1. Lobbying for the amendments to be approved by the Parliament	6.1.1.1. 100%	Completed	L. NANO- General Secretary of State Supreme Audit
Action 2. Align audit approaches to international standards (ISSAIs)	6.1.2.1. A manual for compliance audit in accordance with ISSAIs 4000 - 4200 will be developed and training will be organized.	6.1.2.1. 100%	Completed	L. NANO- General Secretary of State Supreme Audit
	6.1.2.2. Review of financial audit manual, including the guidance material on audit opinions and reporting.	6.1.2.2. 100%		
Action 3. Adapt organizational structure and internal regulations to new audit approaches	6.1.2.3. Auditors will be trained in this field.	6.1.2.3. 100%	Completed	L. NANO- General Secretary of State Supreme Audit
	6.1.3.1. After the approval of the amendments to the HSC law, the institution will, where needed, re-structure its organization	6.1.3.1. 100%		
Action 4. Increase training and the use of information technology in tandem with the introduction of new audit approaches	6.1.3.2. Reviewing and adopt internal regulations to new audit approaches and organizational structure	6.1.3.2. 100%	Completed	L. NANO- General Secretary of State Supreme Audit
Action 5. Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work.	6.1.4.1. Development of a methodology for IT audit,	6.1.4.1. 100%	Completed	L. NANO- General Secretary of State Supreme Audit
	6.1.4.2. Enhance of IT Audit capabilities through increased knowledge of individual staff	6.1.4.2. 100%		
	6.1.5.1. Development and implementation of a new communication strategy, emphasizing its relations with the public and Parliament, as well as including other partners at national and international level,	6.1.5.1. 0%	In Progress	L. NANO- General Secretary of State Supreme Audit
	6.1.5.2. Improving the impact of its products by reviewing its reporting structure of audit reports	6.1.5.2. 0%		
	6.1.5.3. Intesify communication with the Parliament of Albania Government, media and citizens in order to improve impact of audit work.	6.1.5.3. 50%		
	6.1.5.4. Fostering the cooperation with internal audit structures at the MoF	6.1.5.4. 100%		

Annex 3

PFM Monitoring Indicators (2015)

	Baseline (2013)	2015	2017	2020
Public debt to GDP ratio, in percentage	70%	72,2%	65.5%	56.7%
Difference between actual debt ratio and the initially (= at the beginning of the plan period) target debt ratio set for a particular year	2%	1.60%	1.00%	0.5%
Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year.	1%	0%	0.5%	0.00%
Percentage deviation between first estimates of GDP and final GDP estimates	1.6%	-0.4%	1.0%	1.0%
Public revenue trend as a percentage of GDP;	24%	26.40%	27.7%	27.8%
Deviation between approved and actual capital expenditures figures.	10%	7.86%	7.0%	5.00%
Public Investment trend – capital expenditure as a percentage of GDP	4.8%	4.33%	4.5%	4.5%
Budget Index produced by the International Budget Partnership, relating to information in the budget is increased;	46 th place	38th place	60th place	70th place
Public Administration employees registered in the HRMIS, in percentage	0.50%	5%	50%	90%
Arrears clearance, in ALL billions	72.75 bln	17.6 billions	0	0
Budget credibility: Percentage deviation of actual expenditure growth from projected expenditure growth.	10%	Not measured	5%	4%
Budget credibility: Percentage deviation of actual revenue growth from projected revenue growth.	5%	Not measured	4%	3%
Percentage deviation of actual collection is within defined % of / approved budget estimate for tax and customs revenues	5%	Not measured	4%	3%
Increased revenue collection as a result of improved administrative performance of tax and customs authorities, in percentage	2.2%	Not measured	1.6%	1.00%
Tax collection effectiveness: Actual collection / assessed tax liabilities exceeds 95%	90%	Not measured	95%	95%

Annex 4

PFM Strategy Action plan 2016

Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit		
Pillar 1: Sustainable and prudent fiscal framework					ENDRIT LAMI		
1.1. Fiscal rules, forecasting and fiscal responsibility framework							
Action 1: Design the fiscal rules to be reflected in the legal framework for fiscal management	1.1.1.1. Review and select options for fiscal rules and policy oversight;	1.1.1.1. 100%;			E.LAMI-Director of Directorate of Analysis and Macroeconomic Planning		
	1.1.1.2. Design escape clauses, correction mechanisms, transition arrangements and other implementation arrangements for fiscal rules ;	1.1.1.2. 100%;					
1.1.1.3. Prepare draft law/code for the chosen option and discuss with internal and external counterparties;	1.1.1.3. 20%						
1.1.1.4. Approve the Law in Parliament							
Action 2: Design fiscal principles to be included in the legal framework for fiscal responsibility	1.2.2.1. Design legal provisions aimed at restricting spending during election years;	1.2.2.1. 100%;			M.Dhembi - Director of Budget at MoF		
	1.2.2.2. Design legal provisions to ensure that proceeds from privatization can only be used for retiring public debt and/or capital investments;	1.2.2.2. 100%;					
	1.2.2.3. Identify and prepare provisions for other areas where fiscal principles would be beneficial to ensuring fiscal discipline;	1.2.2.3. 100%					
	1.2.2.4. Approve the amendment to OBL in the Parliament	1.2.2.4. 20%					
1.2. National Government Accounts accounts							
Action 1. Strengthen INSTAT's capacity in the area of Government accounts	1.2.1. Complete classification of all public entities						
	1.2.1.1. Create a Classification unit	1.2.1.1. 0%					
	1.2.1.2. Preparation of preliminary list of public administration	1.2.1.2. 100%					
	1.2.1.3. Approval of the list	1.2.1.3. 0%					
	1.2.1.4. Creation of the registry of public administration	1.2.1.4. 20%					
	1.2.1.5. Publication of the list of public administration entities	1.2.1.5. 0%					
	1.2.2. Preparation of a inter-institutions memorandum						
	1.2.2.1. Drafting of Memorndum of Understanding (MoU)	1.2.2.1. 30%					
	1.2.2.2. Definition of functional responsibilities of all the parties	1.2.2.2. 0%					
	1.2.2.3. Signature of the MoU	1.2.2.3.0%					
	1.2.3. Creation of a sustainable statistical system of public administration	1.2.3.1. 50%					
	1.2.3.1. Creation of a full statistical system covering the needs for budget and semi-budget entities.	1.2.3.2. 50%					
	1.2.3.2. Creation of standardized information	1.2.3.4. 25%					
	1.2.3.4. Inclusion of ESA 2010 standards in public accounts						
	1.2.4. Ensure collection of information						
	1.2.4.1. Creation of alternative methods for collection of information	1.2.4.1. 25%					
	1.2.4.2. Improvement of Treasury System to include semi-budget entites	1.2.4.2. 75%					
	1.2.4.3. Approval of templates which will be required to be filled in by all entities	1.2.4.3. 0%					
	1.2.5. Prepare Review/Transparency policies	1.2.5.1.0%					
	1.2.5.1. Definition of timeline for public entities to update the published data	1.2.5.1. 0%					
	1.2.5.1. Completion of reports based on the newly pulished data.						
1.3. Fiscal risk management							
Action 1: Strengthen fiscal risk management and reporting within the MoF	1.4.1.1. Set up a special risk management function within MoF for assessing and advising on non debt-related fiscal risks, notably SOEs	1.4.1.1. 0%			G. PRODANI- General Secretary of MoF		
	1.4.1.2. Design and implement a SOE financial reporting process	1.4.1.2. 0%					
	1.4.1.3. Design and include in budget documentation a detailed fiscal risks statement	1.4.1.3. 100%					

Annex 4

PFM Strategy Draft Action plan 2016

Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
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		2.1.1.1.Establishment of the Working Groups for each sector strategy, as well as MTBP	2.1.1.1. 100%		O. ARAPI - PMO
		2.1.1.2. Prepare first drafts and submit for review to interested parties	2.1.1.2. 100%		
		2.1.1.3. Finalize drafts and send for formal review and approval to CoM	2.1.1.3. 80%		
Action 2: Introduce rolling reviews and updates of the overarching NSDI and sector strategies in the MTBP process		2.1.2.1. Scrutiny of MTBP requests of budget programs that should implement fully/partially NSDI and sector strategies (CoM office and MoF)	2.1.2.1. 0%		O. ARAPI - PMO
		2.1.2.2. Monitor progress of NSDI and sector strategies' performance indicators, and give recommendations for potential improvements or changes in them	2.1.2.2. 0%		
Action 3: Create the capacity to carry our in-depth sector reviews as needed		2.1.3.1. Develop the new structure	2.1.3.1. 0%		O. ARAPI - PMO
		2.1.3.2. Hiring of new staff (LM, CoM office, MoF)	2.1.3.2. 0%		
		2.1.3.3. Training existing staff (LM, CoM office, MoF)	2.1.3.3. 0%		
2.2. Capital investment planning, appraisal and inclusion in budget					
Action 1: Include a section in the OBL and submit to Parliament specific regulations regarding the preparation, appraisal and approval of government capital investment projects		2.2.1.1. Establishment of the Working Group, for the OBL's amendment.	2.2.1.1. 100%		M.Dhembi - Director of Budget at MoF
		2.2.1.2. Prepare the necessary amendments for review and approval (MoF, MoEDTTE)	2.2.1.2. 100%		
		2.2.1.3. Consultation with IMF, WB, SIGMA and other local and international organizations	2.2.1.3. 100%		
Action 2: Strengthen the public administration's capacity to appraise the socio-economic return of capital investment projects		2.2.1.4. Submit final amendments as part of the revised OBL to CoM	2.2.1.4. 50%		M.Dhembi - Director of Budget at MoF
		2.2.2.1. Draft and approve specific instructions for analyzing the socio-economic effects of investment project proposals (MoF, MoEDTTE)	2.2.2.1. 0%		
		2.2.2.2.Training LMs staff to effectively appraise investment project proposals from a social and economic perspective	2.2.2.2. 0%		
Actions 3: Develop routines for and IT-support for the tracking and monitoring large investment projects (part of AFMIS project)		2.2.2.3. Training Ministry of Economy staff in order to be able to evaluate and approve investment proposals of LM	2.2.2.3. 0%		A. VELO-Director of Business Processing Ministry of Finance
		2.2.3.1. Establishment of the Working group for management of AFMIS project	2.2.3.1. 100%		
		2.2.3.2. Preparation of ToRs for AFMIS project	2.2.3.2. 100%		
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		2.3.1.1. Establishment of the Working Group, for the OBL's amendment.	2.3.1.1.		M.Dhembi - Director of Budget at MoF
		2.3.1.1.1. Empower the Parliament to vote on and approve the MTBP ceilings at programme level	2.3.1.1.1. 100%		
		2.3.1.1.2. Make the ceilings for the three years of the MTBP binding	2.3.1.1.2. 100%		
		2.3.1.1.3. Require that MTBP request clearly show which funds are effectively already committed and which are new expenditure under the ceiling	2.3.1.1.3. 0%		
		2.3.1.2. Prepare the necessary amendments for review and approval (MoF, MoEDTTE)	2.3.1.2. 100%		
		2.3.1.3. Consultation with IMF, WB, SIGMA and other local and international organizations	2.3.1.3. 100%		
		2.3.1.4. Submit final draft of the revised OBL to CoM for review and approval	2.3.1.4. 90%		

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
2.4. Multi-year commitment controls					
	Action 1: Introduce multi-year commitment control for multi-year investment projects	2.4.1.1. Designing the new electronic system (by SETS), ensuring multi-year commitment control for multi-year investment projects or enhance the AGFIS 2.4.1.2. Purchase of the related server 2.4.1.3. Implementation phase 2.4.1.4. Registering into the system all the existing contracts	2.4.1.1. 100% 2.4.1.2. 30% 2.4.1.3. 0% 2.4.1.4. 0%		A. VELO-Director of Business Processing Ministry of Finance
	Action 2: Tighten up the approval process for multi-year capital projects	2.4.2.1. Enhance scrutiny procedures for approval of multi-year capital projects, by CoM/MoF/MoE	2.4.2.1. 80%		M.Dhembi - Director of Budget at MoF
	Action 3: Include a statement of outstanding commitments in the annual budget documentation submitted to Parliament	2.4.3.1. Introduce a legal requirement to report on all outstanding commitments 2.4.3.2. Design a format for the document to be submitted to Parliament 2.4.3.3. Implement the arrangement	2.4.3.1. 80% 2.4.3.2. 80% 2.4.3.3. 80%		M.Dhembi - Director of Budget at MoF
	Action 4: New AGFIS configuration to disgregate multi year commitments by individual year allocations	2.4.4.1. Design the configuration 2.4.4.2. Test in Test environment 2.4.4.3. Go live	2.4.4.1. 100% 2.4.4.2. 100% 2.4.4.3. 0%		A. VELO-Director of Business Processing Ministry of Finance
2.5. PFM in local government					
	Action 1: Design a new Law on local government financing	2.5.1.1. Introduce in the draft law the new formula of unconditional transfer. 2.5.1.2. Establishment of the working group and consultation with stakeholders 2.5.1.3. Draft the new law	2.5.1.1. 100% 2.5.1.2. 70% 2.5.1.3. 0%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	Action 2: Draft, consult, and submit for approval the new law on the "Organization and Functioning of Local Government"	2.5.2.1. Preparation of the draft new law. 2.5.2.2. Consultation of the first draft with the stakeholders (local government associations). 2.5.2.3. Consultation of the draft with foreign experts. 2.5.2.4. Approval of the new law	2.5.2.1. 100% 2.5.2.2. 100% 2.5.2.3. 100% 2.5.2.4. 90%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	Action 3: Strengthen implementation of the new law and PFM practices	2.5.3.1. Determine the procedures for drafting and implement in local budget 2.5.3.2. Increase the transparency of local government units. 2.5.3.3. Application of share taxes for local units (in medium term period)	2.5.3.1. 0% 2.5.3.2. 0% 2.5.3.3. 0%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	Action 4: Harmonize and further consolidate legislation which impacts both local government and PFM	2.5.4.1. Identify the legislative acts, where the legislation could be perceived as contradictory or there is an overlapping of the functions. 2.5.5.1. Strengthening administrative capacity across the entire public administration to ensure sound financial management on central and local government.	2.5.4.1. 0% 2.5.5.1. 0%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
	Action 5: Strengthen implementation of the new law and PFM practices	2.5.5.2. Efficient enforcement of rules and procedures will increase the local revenues and reduce the cost of their management and collection.	2.5.5.2. 0%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
2.6. Budget documentation (2015)					
	Action 2: Improve the information content and quality of local government budgets	2.6.2.1. Create a working group to draft the law "Local Government Finances" 2.6.2.2. Approve the Law on "Local Government Finances"	2.6.2.1. 100% 2.6.2.2. 0%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
Pillar 3: Efficient execution of the Budget					
3.1.Tax administration					
Action 1: Reengineer and computerize core tax administration processes		3.1.1.1. End of the year will be finished the implementation of some modules within the system.	3.1.1.1. -100%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		3.1.1.2. Complete third party data agreements and communications protocols. (end of 2015)	3.1.1.2. -90%		
		3.1.1.2.1 Communication with ISSH (end of October 2015)	3.1.1.2.1 -90%		
		3.1.1.2.2 Communication with Customs (end of November 2015)	3.1.1.2.2 -90%		
		3.1.1.2.3 Communication with Ministry of Welfare (end of December 2015)	3.1.1.2.3 -100%		
Action 2: Overhaul the tax administration's organizational structures and staffing at headquarters and at field level		3.1.1.3. Engage with the Data Warehouse (DWH) consultancy to build and deploy DWH capability. (end of 2015)	3.1.1.3. -70%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		3.1.2.1. Review the regional and field offices structure and implement changes as required to align to our business needs. In doing this, we will take into account the flexibility that the new IT system provides with regard to distribution of tasks and we will consider the possibilities of concentrating some of our tasks in fewer offices. (End of 2015)	3.1.2.1. 100%		
		3.1.2.2. Analyze the workforce in terms of both numbers and skill- sets, identify gaps against the current situation and allocate resources to match business needs. (End of 2015)	3.1.2.2. 100%		
		3.1.2.3. Finalize the new GDT function-based organization structure and develop an implementation plan and monitoring mechanism for the movement of functions, work and staff. (End of 2015)	3.1.2.3. 100%		
		3.1.2.4. Develop methods to ensure effective working relationships between program design and operations. (2016 and on)	3.1.2.4. 20%		
Action 3: Implement compliance risk management of tax collection		3.1.3.1. Implement the remaining Rules and Reports in the Risk Module (December 2015)	3.1.3.1. 70%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		3.1.3.2. Change Management trainings by Risk management Dept. (Starting October 2015 till March 2016)	3.1.3.2. 50%		
		3.1.3.3. Start the First Compliance Project in October 2015	3.1.3.3. 100%		
Action 4: Strengthen audit capacity		3.1.4.1. Re-design the overall approach to audit as part of a move to risk-based approaches that will support modern, effective, and impartial approaches to audit. For example, this will include:	3.1.4.1. 90%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		• 3.1.4.1.1. Revised procedures and manuals; By the end of 2015	• 3.1.4.1.1. -0%		
		• 3.1.4.1.2. Audit treatment plans for specific risks;(Transfer Pricing Audits to start by October 2015)	• 3.1.4.1.2. -100%		
		• 3.1.4.1.3. Personnel selection, training and monitoring to ensure that the new approach delivers results. Within 2016	• 3.1.4.1.3. -20%		
Action 5: Revise the system of the fiscal cash registers and encourage their use		3.1.5.1. To be finalized the framework of the Cash Receipt Lottery. (Within 2015, in collaboration with MoF)	3.1.5.1. 100%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		3.1.5.2. Work in progress to achieve the transmission of the data from the cash register machines in real time. (Within 2016, in collaboration with MoF)"	3.1.5.2. -0%		
Action 6: Establish a fiscal cadaster of properties		3.1.6.1. Perform a feasibility study, prepare the ToR and select the company to prepare the system	3.1.6.1. 60%		N. LERA - General Directorate of Policies and Fiscal Relation B.SHEHAJ- Director of GDT
		3.1.6.2. Review the legislative framework and revise if necessary	3.1.6.2. 0%		
		3.1.6.3. Start applying the property tax	3.1.6.3. 0%		

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
3.2. Customs management					
Action 2: Eliminate procedural ambiguities to create a clear interaction framework between the private sector and the Customs Administration		3.2.1.1. Unify of a number of important rules and practices into a coherent set of guidelines	3.2.1.1. 100%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.1.2. Organization of consultative meetings with private operators, p.e. creation of Business Advocacy Office, to create a new model and rethinking communication standard guidelines;	3.2.1.2. 10%		
		3.2.1.3. Completion of a set of instructions according to the model agreed with core business	3.2.1.3. 0%		
		3.2.1.4. Creation of an INTRANET where all these unified guideline are published	3.2.1.4. 0%		
Action 3: Make service delivery at the border-crossing checkpoints more efficient		3.2.2.1. Practice advance electronic notifications (Manifests, Bill of Lading, etc.) which enables customs to assess threats, identify containers or cargo that are high-risk before arrival and deal proactively with possible violations ;	3.2.2.1. 10%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.4.1. Improving IT system to enable electronic signature and electronic documents attached.	3.2.4.1. 100%		
Action 4: Introduce paperless customs management to simplify compliance as well as provisions that introduce customs procedures for Authorized Economic Operators ("AEO"), including centralized clearance		3.2.4.2. Negotiations for the authority which will enable electronic signature issue (to cover only ACA not the brokers).	3.2.4.2. around 70%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.4.3. Authorizations for local clearance.	3.2.4.3. 100%		
		3.2.4.3.1. Preparation of legal framework	3.2.4.3.1. 100%		
		3.2.4.3.2. Test the system	3.2.4.3.2. 100%		
		3.2.4.3.3. Approval of the list of AEOs	3.2.4.3.3. 10%		
Action 5: Expand opportunities to appeal decisions by the customs authorities with a view to promoting fairness of treatment and transparency		3.2.5.1. Implementation of the Decision document by the method SAFCORM,	3.2.5.1. 100%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.5.2. Clear regulation for the prosecution of claims and the results reported in STOP CORRUPTION portal;	3.2.5.2. 100%		
Action 6: Define the rules applied to special regimes by enabling the use of a single guarantee for all the regimes covering many transactions		3.2.5.3. The integrity test for all Albanian Custom Administration (ACA)	3.2.5.3. 40%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.6.1. Prepare the procedure to allow the use of the single guarantee for all types of transactions and regimes	3.2.6.1. 10%		
Action 7: Ensure the prompt release of goods when the economic operator provides advance information necessary for conducting audits based on risk analysis.		3.2.6.2. Adoption of IT system to allow the use of the single guarantte	3.2.6.2. 10%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.7.1. Preparation of legal and sub-legal infrastructure for preliminary declaration;	3.2.7.1. 0%		
		3.2.7.2. Preparation of the AOE list:	3.2.7.2. 0%		
		3.2.7.3. Implementation of prior clearance	3.2.7.3. 0%		
		3.2.8.1. Completion of the security control system with new update profiles	3.2.8.1. 100 % (for 2015)		
		3.2.8.2. Establish a unified Law Enforcement and Tax Investigation Department in order to improve and increase the efficiency of the investigations.	3.2.8.2. 0%		
		3.2.8.3. Increase in-land tax control by approaching suspicious traders in-land while aiming for minimal disruption to trade enabling shift of inspections from traditional border controls to the post clearance environment	3.2.8.3. 0%		
		3.2.8.4. Implementation of electronic module INES + to IPR issues,	3.2.8.4. 40%		
		3.2.8.5. Implementation of the Blue channel;	3.2.8.5. 0%		
		3.2.8.6. Preparation of a Manual which will contain unified cusutom violations to avoid subjectivism among custom inspectors.	3.2.8.6. 0%		
Action 8: Take measures to stamp out fraud		3.2.8.7. Use the mechanism of the so-called 'mystery shoppers' to detect corruption cases at customs.	3.2.8.7. 0%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
Action 10: Establishment of the National Valuation Database		3.2.10.1. Consulting and evaluation stages recognize the guidelines of the World Customs Organization to "National Valuation Database" .	3.2.10.1. 90%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.10.2. The guide is translated and adapted to the Albanian legislation.	3.2.10.2. 100%		
Action 11: Improve transparency of the Albanian Customs activities		3.2.11.1. Establishment of the separate structure in charge for managing the communication with the end-users	3.2.11.1. 0%		N. LERA - General Directorate of Policies and Fiscal Relation P. Fagu - Director of GDC
		3.2.11.2. Ensure a continuous update of the published regulatory framework is in place	3.2.11.2. 100%		

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
3.3.Improve the coverage and functionality of AGFIS					
Action 1: Gradually make AGFIS available to all major budget entities		3.3.1.1. Up to end 2016, 15 public units online acces in AGFIS,	3.3.1.1. 50%		A. VELO-Director of Business Prossessing Ministry of Finance
		3.3.1.2. Up to end 2018, 50 public units online acces in AGFIS.	3.3.1.2. 0%		
		3.3.1.3 .Up to end 2020, 100 public units online acces in AGFIS.	3.3.1.3. 0%		
Action 2: Implement stricter internal controls in AGFIS at the phase of pre-commitment of public funds		3.3.2.1. Changing OBL on pre-commitment controls	3.3.2.1. 100%		M.Dhembi - Director of Budget at MoF
		3.3.2.2. Expanding pre-committement controls in AGFIS to all online budget entities	3.3.2.2. 50%		
Action 3: Configure AGFIS so as to allow tracking operational expenses by project code		3.3.3.1. Design AGFIS.	3.3.3.1. 0%		M. PECO -Director of Treasury Operations
		3.3.3.2. Testing AGFIS.	3.3.3.2. 0%		
		3.3.3.3. Implementing the process into the system.	3.3.3.3. 0%		
Action 4. Perform an assessment on the possibility to introduce an electronic invoice (e-invoice) to foster timely recognition of expenses			3.3.4.1. 0%		A. VELO-Director of Business Prossessing Ministry of Finance
Action 5. Gradually integrate AGFIS and other government IT systems under AFMIS		3.3.5.1. Upgrade the Debt Management system to allow for integrated recording and management of domestic and external debt	3.3.5.1. - 0%		A. VELO-Director of Business Prossessing Ministry of Finance
		3.3.5.1.1. Purchase of equipment/software	3.3.5.1.1. - 0%		
		3.3.5.1.2. Data validation of Dmfas 5,3	3.3.5.1.2. - 0%		
		3.3.5.1.3. Customisation of Dmfas 6 to government needs for domestic debt.	3.3.5.1.3. - 0%		
		3.3.5.1.4. Instalation of Dmfas 6.	3.3.5.1.4. - 0%		
		3.3.5.2. Integrate the debt management system with AGFIS and the future AFMIS	3.3.5.2.- 0%		
		3.3.5.3. Create interfaces with the tax and customs management systems	3.3.5.3. 50% with Tax system and 0% with Custom		
		3.3.5.4. Make fully functional the electronic system for payroll management and establish an interface with AGFIS.	3.3.5.4. 50%		
		3.3.5.5. Design and implement the web portal for AGFIS users and the document management system (digital archive) for online AGFIS budget users	3.3.5.5. 10%		
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		3.4.1.1. Prepare instruction to Include information of the EU funds in the Government Financial Report	3.4.1.1. 100%		V.KORKAJ- Head of the National Fund
		3.4.1.2. Improve legal basis to Include information of the other donor funds in the Government Financial Report	3.4.1.2. 100%		
		3.4.1.3. Design IT system at Prime Minister Office to increase the predictability of donor flows	3.4.1.3.		
3.5. Debt and cash management					
Action 1: Review current institutional arrangements, internal organization, and staff responsible for debt and cash management		3.5.1.1. Develop organizational structure	3.5.1.1. 100%		I.Malile - General Director of Debt Department
		3.5.1.2. Hiring new staff	3.5.1.2. 35%		
		3.5.1.3. Perform Functional Review and make organisational changes if necessary	3.5.1.2. 20%		
Action2: Improve the debt management strategy, based on Debt Sustainability Analysis and Strategy		3.5.2.1. Management, assessment and quantification of risks related to debt portfolio	3.5.2.1. 0%		I.Malile - General Director of Debt Department
		3.5.2.2. Better methodology for the evaluation and comparing the tradeoffs between costs and risks.	3.5.2.2. 0%		
		3.5.2.3. Improve toolkit for strategy scenarios'assesments.	3.5.2.3.100%		
		3.5.2.4. Creation of a permanent working group for the preparation of the MTDS, with members from Ministry of Finance and Central Bank of Albania.	3.5.2.4. 100%		
		3.5.4.1. Analyse the possibility of introducing a cash buffer and determination of the appropriate amount	3.5.4.1. 100%		
Action 4: Improve liquidity forecasting		3.5.4.2. Change the regulatory framework in order to introduce the cash buffer to meet the unexpected expenditure	3.5.4.2. 0%		M. PECO -Director of Treasury Operations
		3.5.4.3. Develop the cash forecasting function at the GDT to improve the predictive accuracy of cash forecasts (prepare job description and procedures for liquidity cash management)	3.5.4.3. 0%		
		3.5.4.4. Procedures for liquidity cash management as prepared for GDT to be used for other Budgetary Institutions			
			3.5.4.4. 0%		

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
3.6. Public Procurement					
	Action 1: Strengthen the legal and institutional framework for public procurement	3.6.1.1. Prepare amendments to the PPL, and to supporting regulations	3.6.1.1. 100%		E. AHMETI - Head of PPA
		3.6.1.2. Further align the public procurement and concession laws with the Acquis (new EU directives) and with EU good practice as well as the implementation of the defense and security directive.	3.6.1.2. 50%		
		3.6.1.3. Strengthen the review and remedies system to ensure legality, transparency, coherence and effectiveness.	3.6.1.3. 0%		
		3.6.1.4. Further improve the functionality of the public procurement system	3.6.1.4. 80%		
	Action 2: Establish mechanisms to control the availability of funds prior to procurement	3.6.2. Create a new system configuration at APP system in order to allow the interface with AGFIS	3.6.2. 0%		E. AHMETI - Head of PPA
3.7. Asset management					
	3.7.1. Prepare methodology and action plan	3.7.1.1. Prepare the ToRs as part of the project fro IPSAS implementation	3.7.1.1. 0%		D.FINO - DIRECTOR OF HFMC
		3.7.1.2. Prepare the methodloguy and action plan	3.7.1.2. 0%		
	3.7.2. Initiate and complete the process of full public assets inventory in General Government institutions and local government		3.7.2.: 0%		L. SAHITAJ - GENERAL DIRECTOR OF TREASURY
	3.7.3. Further complete the process of public assets transfer to local governments	3.7.3.1. Prepare the necessary legislation 3.7.3.2. Complete the transfer process	3.7.3. 0%		L. SAHITAJ - GENERAL DIRECTOR OF TREASURY
Pillar 4: Transparent government reporting					
4.1. Accounting					
	Action 2: Prepare financial reports as per the ESA 2010 integrated government finance statistics manual	4.1.1.1. Compile government financial statistics and questionnaire to be sent to EUROSTAT	4.1.1.1.70%		M. PECO -Director of Treasury Operations
		4.1.1.2. Disseminate information to EUROSTAT	4.1.1.2. 0%		
	Action 3. Implement IPSAS	4.1.3.1. Establish a public sector accounting standards body,	4.1.3.1. -70%		K. HALILI-General Director of Regulatory and Controlling Department M. PECO -Director of Treasury Operations
		4.1.3.2. Conduct GAP analysis between current regulations and IPSAS	4.1.3.2. -0%		
		4.1.3.3. Development of accounting and legal framework	4.1.3.3. -0%		
		4.1.3.4. Gradual implementation	4.1.3.4. -0%		
	Action 4. Capacity building and ensure sustainability	4.1.4.1. Hire three staff at the Financial reporting unit	4.1.4.1. 100%		K. HALILI-General Director of Regulatory and Controlling Department M. PECO -Director of Treasury Operations
		4.1.4.2. Development of professional accounting skills and training mechanism	4.1.4.2. 0%		

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Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
4.2. Financial and performance monitoring and reporting					
	Action 1: Improve procedures and formats for in-year budget implementation reporting	4.2.1.1. Improve procedures for in-year budget implementation	4.2.1.1. 100%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
		4.2.1.2. Prepare improved quarterly monitoring report based on new guidelines	4.2.1.2. 80%		
	Action 2: Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial information	4.2.2.1. Improvement of budget execution report formats for central gov	4.2.2.1. 50%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
		4.2.2.2. Improvement and unification of the budget format, at the local level governance.	4.2.2.2. 50%		
	Action 3: Improve access to data on the government's finances and operations	4.2.3.1. Publish on Ministry of Finance website periodically information on Local government's finances	4.2.3.1. 90%		F.BRAHIMI- Director of Directorate of Budget Monitoring and Implementation
		4.2.3.2. Boost application to be available on MoF website	4.2.3.2. 0%		
Pillar 5: Effective internal control					
5.1. Financial Management and Control (FMC) at Public Institutions					
		5.1.1.1. Revising FMC law approved with COM no.288, dated 08.04.2015	5.1.1.1. - 100%		
		5.1.1.2. Develop and improve FMC by-laws:	5.1.1.2. :		
		5.1.1.2.1. -Executing Officer instruction	5.1.1.2.1. -80%		
		5.1.1.2.2. -FMC and Risk Coordinator instruction	5.1.1.2.2. - 80%		
		5.1.1.2.3. - Review FMC manual	5.1.1.2.3. - 0%		
		5.1.1.3. Training Executing officers on the new instructions (around 1500 Executing Officers to be trained)	5.1.1.3. (37 staff trained)		
		5.1.1.4. Publish improved annual PIFC report.	5.1.1.4. 100%		
	Action 1: Monitor the implementation the legal framework for FMC				K.HALIL- General Director of Regulatory and Controlling Department
	Action 2: Implement a modern FMC system in three Line Ministries and four municipalities.	5.1.2.1. CHU/FMC with the IPA Twinning support, will assist 7 pilot institutions implementing FMC requirements.	5.1.2.1. - 80%		K.HALIL- General Director of Regulatory and Controlling Department
		5.1.3.1. Yearly training provided in ASPA for different levels of managers on the concept of "Managerial Accountability";	5.1.3.1. 71 managers;		
		5.1.3.2. Providing trainings under IPA project for different levels of management and organize awarness seminars.	5.1.3.2. 68 managers ;		
		5.1.3.3. Organization of bi-annual awarness seminar with heads of central and local institutions	5.1.3.3. 0%		
	Action 3: Increase the awareness of public units about the benefits of implementing the concept of "managerial accountability"				K.HALIL- General Director of Regulatory and Controlling Department
5.2. Internal audit					
		5.2.1.1. Amend and approve ammendments to the IA law	5.2.1.1. 100%		
		5.2.1.2. Review current by-law on creation of internal audit units, giving a solution to IA overlapping issue.	5.2.1.2. 80%		
		5.2.1.3 Draft new by-law on audit commitees in public units.	5.2.1.3. 50%		
		5.2.1.4. Reviwing internal audit manual	5.2.1.4. 30%		
	Action 1: Amend legal and methodological IA framework				K.HALIL- General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA
		5.2.2.1. Perform professional development and training on the audit methodology and practices for internal auditors in the public sector (all IA)	5.2.2.1 100% (All IA 2015)		
		5.2.2.2. Improving certification procedure for IA. (80%)	5.2.2.2. 80%		
	Action 2: Professionalize IA function				K.HALIL- General Director of Regulatory and Controlling Department B.LILA- Head of CHU/IA
		5.2.3.1. Hire additional personel for the CHU/IA structure	5.2.3.1. 0%		
		5.2.3.2. CHUIA staff participating in all trainings organized by the twinning experts for internal auditors employed in the public sector	5.2.3.2. 100%		
	Action 3: Strengthen the capacity of the CHU/IA				
5.3. Public Financial Inspection					
		5.3.2.1.Training public financial inspection staff in carrying out financial inspections activity in the Public Financial Inspection Directorate, in the Ministry Of Finance (5 Staff);	5.3.2.1. - 0%		
		5.3.2.2. Training the external public financial inspectors, after being approved based on the requiements of the new law	5.3.2.2. - 0%		
		5.3.3.1. Prepare the Order to be issued by the Minister of Finance	5.3.3.1. -80% (to be signed by the Minister)		
		5.3.3.2. Prepare the Cooperation agreement between Minister of Finance and Network Institutions	5.3.3.2. -80%		
	Action2. Establishing the reporting service network of AFC				I.MEÇE-Public Financial Inspection Director
	Action3. Establishing the reporting service network of AFC				I.MEÇE-Public Financial Inspection Director
		5.3.4.1. Organise conferences, distribute leaflets	5.3.4.1. 30%		
	Action 4. Information and awareness of the authority and the 3 high level of management and of the public as well				I.MEÇE-Public Financial Inspection Director

Annex 4

PFM Strategy Draft Action plan 2016

Objective	Activities	Sub activities	Status by the end of 2015	2016	Responsible unit
Pillar 6. Effective external oversight of the public finances					
6.1.External audit					
Action 5. Improve communication relations with key clients as Parliament, Government, media and citizens in order to improve impact of audit work.	6.1.5.1. Development and implementation of a new communication strategy, emphasizing its relations with the public and Parliament, as well as including other partners at national and international level,		6.1.5.1. 0%		L. NANO- General Secretary of State Supreme Audit
	6.1.5.2. Improving the impact of its products by reviewing its reporting structure of audit reports		6.1.5.2. 0%		
	6.1.5.3. Intesify communication with the Parliament of Albania Government, media and citizens in order to improve impact of audit work.		6.1.5.3. 50%		
	6.1.5.4. Fostering the cooperation with internal audit structures at the MoF		6.1.5.4. 100%		
<div><div>Legend</div><div>Started in 2015 to be finalised after 2016</div><div>To be completed within 2016</div><div>To be completed within 2015, posponed for 2016</div></div>					