



2019 Annual Monitoring Report

PFM Strategy 2019-2022

July 2020

Executive Summary

This document represents the fifth Public Finance Management (PFM) Annual Monitoring Report for Albania covering the period 1 January 2019 to 31 December 2019. It provides detailed information on the implementation progress of the PFM Strategy. In 2019, the Government of Albania (GoA) revised its PFM Reform Strategy for the period 2019-2022. The Council of Ministers adopted the updated Strategy in December 2019. 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.

The updated strategy comprises seven Specific Objectives (SO):

1. SO1: Sustainable and prudent fiscal framework
2. SO2: Well-integrated and efficient planning
3. SO3: Revenue mobilization
4. SO4: Efficient execution of the Budget
5. SO5: Transparency of Public Finances
6. SO6: Effective internal control
7. SO7: Effective external oversight of the Public Finances

Section 1 of the report presents in detail progress made for these seven Specific Objectives (SO), and in achieving the outcomes and performance indicators.

SO1 ‘Sustainable and prudent fiscal framework’ aims to establish a prudent macroeconomic framework and fiscal policy with the objective to decrease the debt/GDP over the medium term to 60 percent by strengthening fiscal rules, financial oversight and management of the fiscal risks. The Ministry of Finance and Economy (MoFE) continued to work on reinforcing the medium term macro-fiscal framework and eliminating the risk of systematic optimistic biases in GDP and budget revenues forecasts. This did not progress fully as planned because not all positions in the General Directorate of Macroeconomic Policies and Fiscal Affairs (GDMPPFA) were filled. Two outcome performance targets were not met (those related to the primary balance and the deviations in revenue forecasts from actual). Good progress was made in financial oversight and fiscal risk management. The Annual Budget Law was accompanied with an enhanced Fiscal Risk Statement, which includes also the disclosure of contingent liabilities related to the final court decisions, risks associated with SOEs and some PPP contracts. The performance monitoring over concessions/PPP contracts with budgetary support has been intensified, not only monitoring the financial performance but also the performance indicators planned/actual for each concession/PPP contract.

SO2 ‘Well-integrated and efficient planning’ aims to further align national and sector Government planning documents and the Medium-Term Budget Programme (MTBP), as well as further improve the annual budget and MTBP process to enhance credibility and comprehensiveness of the medium-term planning and to minimise arrears. Moreover, SO2 focuses on improving Public Investment Management Oversight and strengthening financial management in local governments. Good progress has been made in achieving a well-integrated and efficient planning. Most of the outcome performance targets have been met, except for the target concerning the stock of arrears at the Local Government level. The implementation of some outputs experienced delays.

Progress was made in quality reviewing the strategies and policy priorities. The Integrated Planning System Information System (IPSIS) network was mobilised, the System Design Document prepared and the first IPSIS release occurred. The rollout of the (IPSIS) was postponed due to legislative and regulatory delays and by the negative effect of the earthquake on day-to-day operations. Nonetheless, the first batch of training

activities took place. Good progress was made in completing the data/links between the government policy goals and the budget programmes.

The new MTBP module, designed as an expansion of the existing Albania Government Financial Information System (AGFIS) in the Albanian Financial Management Information System (AFMIS), was finalised and rolled out to 25 Line Ministries and BIs out of 45 planned. With regard to Public Investment Management (PIM), staff received extensive training. The new public investment classification has not started yet. It should aim to reduce the overall number of projects and foster better alignment of projects objectives with those of the MTBP. Important legal changes were adopted to ban unsolicited proposals and to strengthen the monitoring of PPPs and concessions. The first Preliminary Report on Concessions and PPPs monitoring was prepared and published in December 2019.

Strengthening strategic planning and budget management at Local Government (LG) was on track and all municipalities received training on performance-based budgeting and were assisted in establishing an effective internal control and internal audit function. The Department for Local Finances (DLF) continued to monitor and publish the Reports on Arrears on the MoFE website. The stock of arrears at the end of 2019 increased by 1.4 billion compared to 2018 due to the November earthquake and its negative impact on municipal revenues.

SO3 ‘Revenue mobilization’ aims to increase the level of tax and customs revenue collections through revised revenue policy, increased capacity of tax and customs administrations and improved taxpayer compliance and reduced tax evasion and informal economy. Good progress has been made. Actual tax & debt and customs revenue collection improved. Most of the outcome performance targets have been met, except for the targets concerning improved taxpayer compliance and reduced tax evasion, and the customs declaration processing time.

In 2019, the tax administration finalised the design of automated risk-based procedures for all VAT refunds and created a complete and accurate taxpayer register. This was reinforced by informing taxpayers and encouraging voluntary correction of tax obligations through, among other, two awareness campaigns, and information meetings. The Risk Management Department performed analysis to select for audit high risk taxpayers which supported in reducing informality. The audit reports resulted in additional tax liabilities. With regard to property tax reform, a fiscal zone value-based property tax on buildings and operationalization of tax collection started. The new IT system was deployed and upgraded, and municipalities’ staff were trained. Good progress was made in improving policies/procedures and custom processes. The regulatory framework of the General Directorate of Customs (GDC), especially the Binding Tariff Information (BTI) and Nomenclature of Goods, was further aligned to the *Acquis Communautaire*. The GDC did not progress fully with the granting of the status of Authorised Economic Operators (AEO). Partial progress was made in developing a comprehensive risk management system in line with EU requirements. The technical specifications for upgrading the risk management system and for establishing a database were finalised, though the procurements could not yet be completed.

SO4 ‘Efficient execution of the Budget’ aims to ensure efficient and effective use of the approved budget resources by strengthening efficient budget execution (through use of IT support), minimising arrears reducing the borrowing costs, ensuring timely cash availability, increasing the efficiency and transparency of procurement system, improving the management of external funds, and strengthening state aid management. Good progress has been made. While not all the planned interfaces with AGFIS were completed, almost all outcome performance targets have been met. The GDT has prepared a time-bound action plan for enrolment into AGFIS of the BIs, and achieved partially its targets for 2019 concerning the integration of AGFIS with other government IT systems. The interface with Custom Management system was not finalised, while good progress in the use of the WebPortal for electronic archive was made, i.e. system tested, staff trained and 48

BIs started using it. The integration of AGFIS and Human Resources Management Information System (HRMIS) remains a challenge.

The stock of arrears increased as compared to 2018, but remained within the defined target. The Output ‘Recording of commitments, accounts payable, including arrears enforced’ was partially achieved. Internal auditors found out significant weaknesses in the financial management and control system for unpaid financial liabilities in general government entities, and particularly in local self-government units. Such findings are reported to the PIFC Board in the 2019 Annual Report for PIFC.

The General Directorate of Treasury (GDT) has continued to improve liquidity forecasting and monitoring but did not achieve everything. The General Directorate of Debt (GDD) adopted and published the Debt Management Strategy 2020-2022. The annual borrowing programme was prepared that will be approved during 2020. The annual targets regarding the expansion of primary and secondary market were not entirely achieved.

Progress was made to amend the Public Procurement Law (PPL) to further align with the Acquis Communautaire. A new Public Procurement Commission (PPC) became operational on 16 July 2018, and three vacancies were filled as planned for 2019. New regulatory framework was prepared. Trainings were conducted. A comprehensive instruction concerning rules on categorisation of complaints was prepared. The technical specifications for the interface between AGFIS and procurement system were developed, but the testing process with real data was delayed.

The system for the management of external funds was deployed in 2018, and by the end of 2019 all data regarding World Bank projects were entered. Regulatory framework on State Aid was improved to be in line with EU regulations and guidelines. An inter-ministerial working group on state aid was established and convened in December 2019. Work has started to create an effective database for monitoring the implementation of state aid. The public was informed on three new aid schemes, though ten campaigns were planned.

SO5 ‘*Transparency of Public Finances*’ aims to enhance accountability and transparency through better financial and non-financial performance reporting in line with the international standards. Good progress has been made and almost all outcome performance targets have been met.

Work has progressed well in order to improve the coverage, quality and accessibility of information on public finances, but challenges still exist. The inter-institutional Working Group (INSTAT, MoFE and Bank of Albania) developed successfully data exchange systems aiming to create a sustainable statistical system for the General Government Units. It is being tested for its completeness and will be the basis for preparing government statistics.

The government annual and in-year budget execution reports templates and content were revised and implemented. The new module Budget and Program Project Monitoring (BPPM) as part of the Albanian Financial Management Information System (AFMIS) project could not be implemented within 2019. A Citizen’s Budget guide was developed and published during 2019. Civil Society Organisations (CSOs) were trained to enhance their capacities to understand the budget cycle.

Based on the gap analysis between current accounting framework and International Public Sector Accounting Standards (IPSAS), the Government approved a Strategic Action Plan for transition to IPSAS in October 2019. The implementation process of IPSAS, including capacity development, will start from 2020 to 2027. Some progress has been made with the AGFIS tool for physical asset financial management. Five BIs has started working on migrating data in the AGFIS system in 2019; six BIs already use the assets module.

SO6 ‘*Effective internal control*’ aims to strengthen financial discipline, control and transparency through improved Internal Audit and Financial Management Control at central and LG levels. Some progress has been

made and the outcome performance targets related to internal audit (IA) and financial inspection have been met. There has been a slight increase in the extent IA and financial inspection recommendations were implemented as well in the percentage of system-based recommendations. More IA Units were established in central government and LG Units and eighty percent of internal auditors on duty were certified by the Commission for Qualification of Internal Auditors (CQIA) by the end of 2019.

While further improvements and amendments were made to the legislative and regulatory framework, and capacity-building activities were undertaken, there were still problems concerning the extent internal control systems were actually implemented by the BIs and whether managerial accountability mechanisms were fully regulated. Based on the 2019 assessment the BIs scored 2.4 and 2.5 respectively out of 4, showing a slight deterioration, mainly due to low performance of LG Units.

SO7 ‘Effective external oversight of the Public Finances’ aims to strengthen the external oversight function in line with INTOSAI (International Organisation of State Audit Institutions) standards by enhancing the capacity of Albania Supreme Audit Institution (ALSAI) auditors in financial and performance audits, so their value and benefits to society is maximised. Good progress has been made and all outcome performance targets have been met. There was a slight increase in the number of audit recommendations accepted and implemented by auditees. The ALSAI adopted some new International Standards for Supreme Audit Institutions which resulted in a shift from compliance to financial and performance audits and staff received additional training in financial, performance and IT audit as well as other thematic audit approaches. In 2019, more financial and performance audits were performed. During 2019, a manual on Quality Assurance that meets ISSAI 40 standards was completed. Most of the activities planned within the framework of the Communication Strategy 2017-2019 were completed. A joint secretariat between Albanian Supreme Audit Institution (ALSAI) and the MoFE was established aiming to seek ways to improve the implementation rate of ALSAI and Internal audit recommendations. Several reports on the ALSAI activities were submitted to the Parliament, including the report on the implementation of the audit recommendations.

Overall, good progress has been made in all seven Specific Objectives. A summary overview is provided in the figure on the next page. Not all targets were achieved as a number of risks identified in the PFM Reform strategy materialised. These risks are component specific and as detailed in section 1 of the report several of these risks affected the implementation of activities and planned outputs, thereby hampering the full achievement of some of the outcomes as were planned for 2019.

These risks are mentioned in Section 2 of the report. Based on the 2019 implementation some amendments have been made to the risk assessment.

Section 3 provide a brief summary of resources used for implementing the reform, by presenting the financial data on expenditure during the implementation of each specific objective as the amount of Government budget funds spent and donor funding in local currency.

Section 4 provides an overview of the visibility and communications activities implemented. PFM Steering Committee (SC) and the Technical Committee (TC) meetings were held. Key visibility and communication events included, among other, the consultative workshop on the draft PFM strategy with CSOs in July 2019 and the launch of the revised PFM Strategy in October 2019.

Section 5 of this report indicates the important role of and contributions from Development and Integration Partners. Development and Integration Partners (DIP) are considered key partners in both preparation and implementation the PFM strategy. DIPs have financed approximately of € 2 million, which corresponds to around 20% of the total PFM reform strategy budget for 2019.

2019 PFM Monitoring Report

Overview of achievement of Outcome – Performance Indicators

Specific Objective 1 Sustainable and prudent fiscal framework	Specific Objective 2 Well-integrated and efficient planning	Specific Objective 3 Revenue mobilization	Specific Objective 4 Efficient execution of the Budget	Specific Objective 5 Transparency of Public Finances	Specific Objective 6 Effective internal control	Specific Objective 7 Effective external oversight of the Public Finances
↓	↓	↓	↓	↓	↓	↓
Ia) Debt to GDP ratio	IIa) Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP	VIIa) Tax base of businesses	XIa) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government	XVa) Compilation of Government National Accounts according to International Methodology (ESA 2010)	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	XXIIIa) % of audit recommendations accepted and implemented by auditees
Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year)	XVIa) Published in year and annual financial reports contain accessible financial and non-financial performance information	XXb) Managerial accountability mechanisms in the regulatory framework	XXIIIb) Proportion of compliance, financial and performance audits
Ic) Primary balance	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	XXIa) % of implemented internal audit recommendations	
Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)	VIIIa) Ratio of tax return versus previous year	XIIa) Stock of domestic debt re-fixed within one year	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	XXIb) Internal audit framework aligned with International Standards on Internal Audit	
Ie) Percentage deviation of actual collection is within defined % of approved budget estimate for tax and customs revenues	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations	IXa) Number of buildings registered and billed	XIIb) The average maturity of domestic debt	XIXa) Public assets recorded into the AGFIS	XXIc) The % of system base recommendations addressed VS the total of findings	
IIa) Fiscal risk reporting (PEFA PI 10)	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year	Xa) % of Actual custom revenue collection in Year N /Actual custom revenue collection in Year N-1 -100% (from Custom)	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register		XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)	
	VIa) Tax collection rates (RLGRG)	Xb) Custom declaration processing time	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time			
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears					

Green: Achieved; **Orange:** Partially achieved; **Red:** Not achieved; **Grey:** No data available

Abbreviations and Acronyms

AAS	Agreement of Association Stabilization
AEO	Authorised Economic Operators
AFCOS	Anti-Fraud Coordination Service
AFMIS	Albanian Financial Management Information System
AGFIS	Albania Government Financial Information System
ALSAI	Albanian Supreme Audit Institution
BI	Budget Institution
CCs	Coordination Committees
CG	Central Government
CQIA	Commission for Qualification of Internal Auditors
CSO	Civil Society Organisations
DABP	Directorate of Analysis and Budget programing
DBM	Directorate of Budget Management
DDGG	Department for Development and Good Governance
DHFMCA	Directorate of Harmonization of Financial Management, Control and Accounting
DHIA	Directorate of Harmonization of Internal Audit
DIP	Development and Integration Partners
DLF	Directorate of Local Finance
DMAS	Directorate of Macroeconomic Analysis and Statistics
DMRPF	Directorate of Management of PFM Reform
DPFI	Directorate of Public Financial Inspection
DPIM	Directorate of Public Investment Management
DWH	Data Warehouse
EAMIS	External Assistance Management Information System
ESA	European System of Accounts
EU	European Union
EXBS	Export Control and Related Border Security
FDI	Foreign Direct Investment
FMC	Financial Management Control
FMIS	Financial Management Information System
FRS	Fiscal Risk Statement
FRU	Fiscal Risk Unit
GDC	General Directorate of Customs
GDP	Gross Domestic Product
GDPDCFA	General Directorate of Public Debt and Co-ordination of Foreign aid
GDPT	General Directorate for Property Tax
GDTax	General Directorate of Taxation
GDT	General Directorate of Treasury
GDEDE	General Directorate of Economic Development and Employment
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GoA	Government of Albania
GRB	Gender Responsive Budgeting
HRMIS	Human Resources Management Information System
HSC	High State Control
IA	Internal Audit
IMF	International Monetary Fund
INSTAT	Institute of Statistics
INTOSAI	International Organisation of State Audit Institutions
IPA	Instrument for Pre-Accession Assistance

IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
LG	Local Government
LMs	Line Ministries
MOFE	Ministry of Finance and Economy
MTBP	Medium Term Budget Programme
MTDMS	Medium Term Debt Management Strategy
MTFP	Medium-Term Financial Planning
MTRS	Medium-Term Revenue Strategy
MTR	Mid-Term Review
NSDI	National Strategy for Development and Integration
OBI	Open Budget Index
OBL	Organic Budget Law
OECD	Organisation for Economic Co-operation and Development
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PMO	Prime Minister's Office
PPA	Public Procurement Agency
PPL	Public Procurement Law
PPP	Public-Private Partnerships
PPC	Public Procurement Commission
SBPG	Standard Budget Preparation Guidelines
SC	Steering Committee
SIGMA	Support for Improvement in Governance and Management
SMART	Specific, Measurable, Achievable, Realistic, Timely
SOE	State-Owned Enterprises
SPC	Strategic Planning Committee
SWG	Sector Working Group
TA	Technical Assistance
T-bills	Treasury-bills
TC	Technical Committee
TSA	Treasury Single Account
VAT	Value Added Tax

Table of Contents

1 OVERALL OVERVIEW OF THE IMPLEMENTATION OF THE STRATEGY 2019-2022	10
1.1 INTRODUCTION	10
1.2 <i>Progress in Implementing PFM Strategy Specific Objectives for 2019</i>	10
1.2.1 <i>Progress under Specific Objective 1</i>	12
1.2.2 <i>Progress under Specific Objective 2</i>	14
1.2.3 <i>Progress under Specific Objective 3</i>	18
1.2.4 <i>Progress under Specific Objective 4</i>	21
1.2.5 <i>Progress under Specific Objective 5</i>	25
1.2.6 <i>Progress under Specific Objective 6</i>	27
1.2.7 <i>Progress under Specific Objective 7</i>	30
2. <i>Risks and steps to address them</i>	33
3. <i>Cost of the PFM Strategy</i>	35
4. <i>Visibility and Communications</i>	35
5. <i>Development and Integration Partners</i>	36
Annex 1: <i>Output status for 2019</i>	37

1 Overall overview of the implementation of the Strategy 2019-2022

1.1 Introduction

This is the fifth Annual Monitoring Report on the Implementation of the Public Finance Management Reform which covers the period 1 January 2019 to 31 December 2019. It encompasses one year of reform efforts and provides detailed information to the PFM Steering and Technical Committees on progress achieved and challenges encountered in meeting the Strategy's objectives and outcomes.

During 2019, the Government of Albania (GoA) revised its Strategy for the PFM reforms for the period 2019-2022. The purpose was to consolidate the lessons learned, outputs and outcomes achieved and amendments agreed following a comprehensive Medium-Term Review undertaken, and to provide a framework and roadmap that will guide the improvements in PFM outcomes for the period up to December 2022.

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 the existence of a credible and relevant programme to improve public financial management as well as satisfactory progress in the implementation of the programme. To our self-assessment PFM progress is overall *satisfactory*.

The Government of Albania has made good progress in the implementation of its Public Financial Management Reform Strategy, and the developments for each Specific Objective are described in the sections below.

1.2 Progress in Implementing PFM Strategy Specific Objectives for 2019

Specific Objective 1: Reinforcement of the medium term macro-fiscal framework that will seek to eliminate the risk of systematic optimistic biases in the forecasts of GDP and budget revenues continued to be in focus during 2019. However, work towards improving the revenue forecasting reliability did not progress as planned because not all the positions were filled. By the end of 2019 an enhanced Fiscal Risk Statement was presented with the Annual Budget Law, accompanying documents, where more fiscal risks were disclosed and monitored. In particular, disclosure of the contingent liabilities related to the final decisions issued by international and national courts were enriched, monitoring and analysis of the main SOEs, primarily focused on the energy sector', took place. During 2019, the SOEs monitoring has been extended also through the water supply sector's performance and the preparation of a database of their financial and non-financial performance.

Specific Objective 2: Progress was made during the reporting period to align Government planning documents, such as NSDI-II¹, Sectoral Strategies and MTBP and to improve public investment management oversight. The quality review process of strategies and policy priorities showed progress while the legal basis and the rollout of the Integrated Planning System Information System (IPSIS) is being delayed. Training activities took place and the work to complete the data and links between the government policy goals and the budget programmes has progressed well. A review of the implementation of the Standard Budget Preparation Guidelines (SBPG) across the Central Government Units took place during 2019 and it was found that there were still some gaps and inconsistencies in applying the budget guidelines

¹ National Strategy for Integration and Development (NSDI-II) 2014-2020

across the sectors. Also, a new Medium-Term Budget Program (MTBP) module, designed as an expansion of the existing Albania Government Financial Information System (AGFIS) in Albanian Financial Management Information System (AFMIS) was finalised and it was rolled out to 25 Line Ministries (LM) and BIs out of 45 planned during 2019. The Directorate of Public Investment Management (DPIM) conducted extensive training on public investment proposals that are submitted for approval and on the new Public Investment Management (PIM) module. The new public investment classification, aiming to reduce the overall number of projects and foster better alignment of projects objectives with those of the MTBP, has not started as planned. With regard to PPPs, important legal changes occurred during 2019 aiming to ban unsolicited proposals and to strengthen the monitoring of PPPs and concessions. Strengthening strategic planning and budget management at Local Government (LG) was on track during 2019 and training on performance-based budgeting was provided to all municipalities. The General Directorate of Harmonization of Public Internal Financial Control (GDHPFC) has performed many capacity building activities in order to establish an effective internal control and internal audit function at the LG level as well.

Specific Objective 3: Some progress was made to strengthen revenue management through: increasing the capacity of tax and customs administrations to collect revenues; improving taxpayer compliance; and reducing tax evasion and the informal economy. In 2019, the tax administration finalised the design of automated risk-based procedures for all VAT refunds and created a complete and accurate taxpayer register, which further contributed to informing all the taxpayers and encouraging voluntary correction of tax obligations. The latter together with risk analysis performed supported one of the main tax administration objectives related to reducing informality. With regard to the property tax reform, during 2019 a fiscal zone value-based property tax on buildings and operationalization of tax collection started. The regulatory framework of the General Directorate of Customs (GDC), especially the Binding Tariff Information (BTI) and Nomenclature of Goods, was further aligned to the EU *Acquis Communautaire*. The GDC has not advanced with the granting of the status of Authorized Economic Operators as planned for 2019, although many awareness-raising activities took place. The technical specifications for upgrading the risk management system and for establishing a database with data of the seizure of counterfeit goods were finalised.

Specific Objective 4: Progress to ensure efficient and effective use of the approved budget resources was made during 2019. The integration of AGFIS with the Custom Management System and Human Resources Management Information System (HRMIS) could not be finalised by the end of 2019. On the other hand, very good progress in the use of the Web Portal for electronic archive was made. The stock of arrears increased as compared to 2018, but remained within the defined target. The General Directorate of Treasury (GDT) has been working to improve liquidity forecasting and monitoring, but not everything was achieved as planned. The General Directorate of Debt (GDD) adopted and published the Debt Management Strategy 2020-2022² before the end of 2019. Progress was made to amend the Public Procurement Law (PPL) to further align with the *Acquis Communautaire* (new EU directives). A new Public Procurement Commission (PPC) became operational on 16 July 2018, and three vacancies were filled as planned for 2019. New regulatory framework was prepared and technical trainings took place as well. The system for the management of external funds was deployed in 2018, and by the end of 2019, all the data regarding World Bank (WB) projects were entered. Regulatory framework on State Aid was improved to be in line with EU regulations and guidelines. Work has started to create an effective database for monitoring the implementation of state aid.

Specific Objective 5: Work has progressed well in order to improve the coverage, quality and accessibility of information on public finances, but there are still challenges. The inter-institutional Working Group (INSTAT, MoFE and Bank of Albania) developed during 2019 data exchange systems

² <http://www.financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit-publik/>

aiming to create a sustainable statistical system for the General Government Units. The government annual and in-year budget execution reports templates and content were revised as targeted during 2019. A new module Budget and Program Project Monitoring (BPPM) as part of the Albanian Financial Management Information System (AFMIS) project could not be implemented within 2019, hence the new monitoring templates will be tested afterwards. Also, a Citizen's Budget guide was developed and published during 2019. Trainings were also provided to Civil Society Organisations (CSOs) to enhance their capacities to understand the budget cycle. Based on the gap analysis between current accounting framework and International Public Sector Accounting Standards (IPSAS), the Government approved a country Strategic Action Plan for transition to IPSAS in October 2019. The performance related to moving on a phased basis to presenting accruals-based government financial statements has not progressed as planned. The development of the methodology and guidelines for asset recognition and valuation and their physical inventory were planned for 2020, hence the asset registration into AGFIS did not progress as planned.

Specific Objective 6: Although major progress has been made with the harmonisation of the existing internal control mechanisms in the public sector, there are still challenges with respect to the implementation of the Public Internal Financial Control (PIFC) system. An assessment was performed in 2019 to understand the extent internal control systems and managerial accountability were implemented in practice by the Budgetary Institutions. The scoring showed a deterioration as compared to 2018 and was mainly affected by the low performance of LG Units as 2019 was an electoral year. On the other side, three important papers aiming to strengthen financial management system and internal control environment were prepared. To enhance the Internal Audit function, a GAP analysis between the IA legal framework in Albania and International Internal Audit Standards (IIAS) was performed. Internal auditors have been evaluating more and more the adequacy and effectiveness of internal control systems by issuing recommendations for improvements. During 2019, in order to boost the role of financial inspectors, trainings were organised for internal inspectors only. The MoFE could not finalise the revision of the external financial inspectors list during 2019.

Specific Objective 7: Progress was made to increase the effectiveness of external oversight of public finances, as to maximize its value and benefits to society. In order to enhance the impact of audit through a better communication with all stakeholders, most of the activities planned within the framework of the Communication Strategy 2017-2019 were completed. Also, a joint secretariat between Albanian Supreme Audit Institution (ALSAI) and MoFE was established aiming to seek ways to improve the implementation rate of the ALSAI and internal audit recommendations and several reports on the ALSAI activities were submitted to Parliament.

1.2.1 Progress under Specific Objective 1

Provisions were introduced into the legislation designed to address over-optimistic forecasting. The provisions included new debt and deficit rules aimed at bringing the Debt to GDP ratio to sustainable levels. Compared to 2015, the Debt to GDP ratio has seen a decreasing trend. The forecasts of nominal GDP in comparison with the forecast of the IMF World Economic Outlook were prudent and lower than the respective forecasted nominal GDP in the World Economic Outlook during the period 2016-2019. In the last five years, including 2019, the planning and budgeting processes were undermined by systematically overly optimistic revenue forecasts and tax projections. However, the General Directorate of Macroeconomic Policies and Fiscal Affairs (GDMPFA) planned to establish a new Sector for Analysis and Statistic in order to improve its forecasting capabilities. Only half of the planned positions were filled in during 2019. A Fiscal Risk Unit (FRU) was established in MoFE responsible for analysing, monitoring and reporting on the government's fiscal risks. The first Fiscal Risk Statement (FRS) was published with the 2019 Annual Budget. During 2019 work has started to deepen and extend the coverage of the FRS by extending the analysis to a

wider range of risks, including those of state-owned utility companies, arrears and those embedded in PPP contracts. For 2019, FRU has regularly monitored, on a monthly basis, the financial and non-financial performance for all concession/PPP contracts with budget support, through their respective actual monthly payments. Monitoring of PPP contracts with and without budgetary impact is included in the Preliminary Report on Concessions and PPPs monitoring, which accompanies FRS.

The table below lists the 2019 performance indicator targets for each outcome. In general, most of the targets aiming to achieve a sustainable and prudent fiscal framework have been met, except for the targets related to the primary balance and the revenue forecasts (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

Table 1: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline (2018)	Target FY19	Fact Value FY19
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	GDMPPFA	68%	< FY18	66.30%
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	GDMPPFA	-5.9 billion ALL	< 0	-16.5 billion ALL
	Ic) Primary balance	GDMPPFA	+0.5%	> FY18	0.20%
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	GDMPPFA	-18%	≤ planned deficit	-4%
	Ie) Percentage deviation of actual collection is within defined % of /approved budget estimate for tax and customs revenues	GDMPPFA	-1.4%		-3.50%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	GDMPPFA	C (2017)		B+

Progress achieved during 2019

Component 1.1: Fiscal rules and forecasting

Work towards improving the revenue forecasting reliability did not progress as planned as the output target was partially achieved. During 2019 the GDMPPFA has been working to expand the existing staff capacities. The positions of the Head of Analysis and Statistics Sector and of one specialist were filled, while the rest is planned for 2020. No trainings were delivered due to the recruitment at the end of November 2019.

Component 1.2: Fiscal risk management

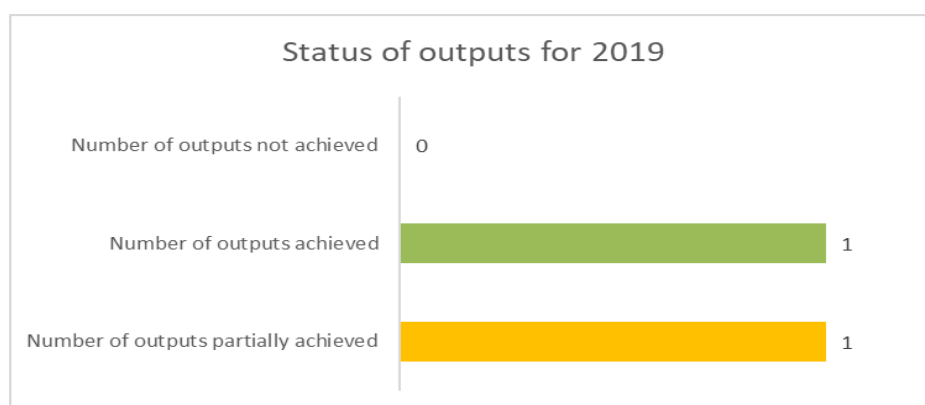
By the end of 2019 an enhanced Fiscal Risk Statement was presented with the Annual Budgeted Law, accompanying documents where more fiscal risks are disclosed and monitored. In particular, the Fiscal Risk Unit has been working on:

- Enhancing the disclosure of the contingent liabilities related to the final decisions issued by the Court of Human Rights in Strasbourg, the International Court of Arbitration and final administrative court decisions issued in Albania;
- Expanding the monitoring and analysis of the main SOEs. FRU periodically monitors and prepares on a quarterly basis the analyses of the main SOEs. This monitoring is primarily focused on the energy sector's financial and non-financial performance analysis. A database with financial and non-financial indicators for water supply sector's performance has been created and the Unit has been closely assisted by WB's TA to work with the water sector to enrich the dataset. The establishment of the sector databases will further strengthen the Unit's capability to perform trend analysis for the sectors and will enable prospective analysis in the future;
- The performance monitoring over concessions/PPP contracts with budgetary support has been intensified, not only monitoring the financial performance but also the performance indicators

planned/actual for each concession/PPP contract. Starting from 2019, monitoring and reporting process for concession/PPP was institutionalized through the inclusion of the calendar and standards for their reporting in Supplementary Instruction No.1, dated 17.01.2019 "On the implementation of the 2019 budget". This monitoring is performed on a monthly basis. Monitoring of PPP contracts with and without budgetary impact is included in the Preliminary Report on Concessions and PPPs monitoring, which accompanies FRS.

Summary of progress of outputs targets for Specific Objective 1

Box 1: 2019 status of outputs targets



1.2.2 Progress under Specific Objective 2

The GoA adopted the NSDI-II (2015 - 2020), which along with sector and cross-cutting strategies, master plans and action plans form the framework for comprehensive strategic development for the country. After four years of its implementation a mid-term review of the NSDI-II has taken place, but the report could not be finalised before the end of 2019. The Department for Development and Good Governance at the Prime Minister Office (DDGG/PMO) is in process of finalising the implementation of a comprehensive automated system to strengthen the Integrated Planning System (IPS), which links strategic policy planning with budget planning. The system could not go live during 2019 as planned, as there were delays in approving the legal support for its functioning. However, many training activities took place and the work to complete the data/links between the government policy goals and the budget programmes has progressed well.

The Organic Budget Law (OBL) changes in 2016 empowered Parliament to vote on and approve the MTBP ceilings at programme level and make them binding for the three-years period. Also, thoroughly a revised SBPG to reflect internationally accepted best practice was adopted at the beginning of 2018 and extensive coaching and review of its implementation across the Central Government(CG) Units took place during 2019. The review has evidenced that there are still some gaps and inconsistencies in applying the budget guidelines across the sectors. Also, a new MTBP module, designed as an expansion of the existing AGFIS, was finalised and it was rolled out to 25 Line Ministries (LM) and Budget Institutions (BI) out of 45 planned during 2019.

Regarding public investments, a new procedure was approved by the Council of Ministers³ in 2018 that aimed at establishing new criteria for prioritising and appraising large capital investment projects. During 2019, the Public investment Directorate conducted extensive training on public investment proposals that are submitted for approval and on the new PIM module. The new public investment classification, aiming to reduce the overall number of projects and foster better alignment of projects objectives with those of the MTBP, has not started as planned.

³ The decision no 185 of the Council of Ministers the 'On Public Investment Management Procedures'

With regard to PPPs, important legal changes occurred starting from 2016, when OBL provisions placed annual limits on concessions and PPPs. Also, the PPP law was amended in 2014, 2015 and 2019 aiming to create incentives to some new sectors of the economy and to ban unsolicited proposals. Finally, some other regulatory changes concerning the monitoring of PPPs and concessions increased substantially the number of contracts under review by the Concession Directorate as compared to 2018. The draft Single Project Pipeline for all projects, regardless of source of financing, was drafted but could not yet be approved by the Strategic Planning Committee (SPC) within 2019.

In terms of PFM in LG, important achievements have been made in the regulatory framework, such as the approval of the Law ‘On Local Self-Government’, Law ‘On Local Self-Government Finance’ and several by-Laws and instructions. Strengthening strategic planning and budget management at LG was on track during 2019. Training on performance -based budgeting was provided to all municipalities and many of them started already to use performance indicators during the process of Medium-Term Budget Plan preparation and its monitoring. Arrears at the LG level remains an issue as by the end of 2019 their stock increased compared to 2018. Finally, the GDHPIFC has performed many capacity building activities in order to establish an effective internal control and internal audit function at the LG level.

The table below lists the 2019 performance indicator targets for each outcome. In general, most of the targets aiming to achieve a well-integrated and efficient planning have been met, except for the stock of arrears at the LG units. It is noted that the ratio between funds estimated in sector strategies and total funding identified for corresponding sectors in the MTBP could not be calculated at this time (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

Table 2: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
III) Government planning documents, such as NSDI, Sectoral Strategies and MTBP are streamlined and fully aligned with each other	IIIa) Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP	GDB	56% (2017)	> (t-1) (growing trend)	NA
IV) Improved annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium term planning	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget		0.78% (2018)	≤ (t-1) (declining trend)	-0.14%
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)		D (2017)	B	B
V) Improved Public Investment Management Oversight	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in		64% (2018)	> (t-1) (growing trend)	78%
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations		97% (2018)	97%	97%
	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year		30.38%	28.90%	28.90%
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)		0.462	Growing trend	5.6%
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears		6.8 mld lekë (2018)/ 49.6 mld leke (13.7 %)	5.5 mld lekë / 51.2 mld lekë (10.7 %)	8.1 mld lekë/ 56.2 mld lekë (14.4 %)

Progress achieved during 2019

Component 2.1: Policy Development and integrated strategic governance

In order to improve the budget and policy planning processes and consolidate institutional ownership the DDGG/PMO continued its effort to review the strategic documents approved by the Council of Ministers during 2019. 16 out of 25 or 64% of strategic documents were reviewed and the main purpose was to analyse the conformity and level of integration of the Strategies with the policy priorities and budget planning.

DDGG/PMO has been working to coordinate activities for management of sector and cross-sector strategies. While the NSDI Progress Report could not be finalised as planned within 2019 due to delays in coordinating feedback from line ministries, the department reviewed and provided comments to all monitoring reports submitted.

In order to have an effective implementation of Integrated Planning System (IPS) legal support for the functioning of the Integrated Planning System Management Information System (IPSIS) was planned. Due to delays in hiring local technical expertise the draft Law on IPS was not approved as targeted and the legal gap analysis with respect to policy management processes has not started yet. The DGG/PMO was not able to obtain any legal support during 2019 in the preparation of the secondary legislation on processes related to the system of policy management and monitoring of IPSIS. The decision for the creation of the IPSIS database was not finalised as well because the consultation process with the main users of the system took more time than originally planned.

The guidance on performance indicators setting and monitoring aiming to strengthen the Policy development process was drafted as planned, while the IPSIS system implementation did not progress well. During 2019, the IPSIS network was mobilised, the System Design Document prepared and the first IPSIS release occurred, but many other activities did not materialise due to the earthquake and the negative impact it had on day-to-day operations. As a consequence, the IPSIS user manual and all training materials could not be ready in time. However, the first batch of trainings took place as planned during 2019, and 50 core users, trainers and testers were trained. Training plans were drafted for the second phase as well, but due to the earthquake the second batch of trainings could not be delivered. For the same reason, the IPSIS did not go live, but the work to complete the data/links between the government policy goals and the budget programmes has progressed. Finally, the electronic archive was developed in IPSIS and it will become operational once the system will go live.

Component 2.2: Medium Term Budget Programme

The output targets to implement Performance Based Budgeting (PBB) in all the Budgetary Institutions were partially achieved. Based on the revised SBPG, which was adopted at the beginning of 2018, extensive coaching and review of its implementation across the Central Government Units took place during 2019. More specifically, a review of the implementation of the new guidelines at six Line Ministries was undertaken with the support from the EU Technical Assistance. The ministries covered included the Ministry of Finance and Economy (MoFE), Ministry of Education, Youth and Sports (MoEYS), Ministry of Agriculture & Rural Development (MARD), Ministry of Justice (MoJ), Ministry of Health and Social Protection (MoHSP) and Ministry of Infrastructure and Energy (MoIE). The reviews evidenced that there are still some gaps and inconsistencies in applying the budget guidelines across the sectors. Therefore, the Directorate of Analysis and Budget programming will closely follow ups its implementation prior to the next MTBP phase. A new MTBP module, designed as an expansion of the existing AGFIS into AFMIS, has been designed and it was rolled out to 25 LM and BI out of 45 planned during 2019. Finally, to further assist the LMs in implementing the new guidelines, two sector guidelines were approved and will be published as soon as other sector guidelines have been prepared. Regarding the output to achieve a gender responsive budgeting at the Central and Local Level, it has not started due to delays on project approval from SIDA. This impacted the delivery of the assistance for LGUs.

The Output related to enhancing quality and content of budget documents for Parliamentary approval was delayed. Materials and action plans are being reviewed. There is not yet a decision about the templates and presentations.

Component 2.3: Public Investment Planning and Oversight

Work toward establishment of a Single Project Pipeline for all projects, regardless of source of financing, has progressed well, but the methodology for its preparation could not be finalised within 2019, while amendments of the Law on PPP and Concessions were made. Two key actions were foreseen for 2019: (a) preparation of the standard methodology for entering all the major projects into a Single project pipeline (SPP), and (b) amendments of the Law on PPP and Concessions. Amendments to the Law on PPP and Concessions were made during 2019⁴ aiming to: i) repeal unsolicited proposals in most of the sectors starting from 1 October 2019; ii) repeal the provision on awarding bonus points for unsolicited proposals; iii) repeal the exclusion provision of the Law No 125/2013 of 25.04.2013 for roads of national interest; iv) strengthen the control of fiscal implications of concession/PPP contracts; iv) stipulate that a Committee composed by several ministers will be set up to examine and approve concession/PPP project that will be supported with specialised expertise.

The PIMD during 2019 has accomplished the implementation of capacity building plans on the Public Investment proposals that are submitted for approval. The training conducted included demonstration of the new PIM module as well, and major focus was on large domestically funded projects. Methodologies to develop feasibility studies, cost benefit analysis, environment and social impact assessment and prioritisation tools were not prepared as planned.

Not all the actions planned for 2019 aiming to improve the monitoring process of public investments, including PPP projects and concessions, have started as planned. On one side, within the framework of monitoring of public investments, the BIs work to revisit in the system the assigned codes for stalled projects and for smaller projects that are just components of larger ones was not finalised as planned. On the other side, changes to the regulatory framework⁵ concerning the monitoring of PPPs and concessions increased substantially the number of contracts under review by the Concession Directorate as compared to 2018 (2019: 193/224, 2018: 5/218). Also, for the first time a Preliminary Report on Concessions and PPPs monitoring was prepared and published in December 2019 presenting financial and non-financial performance indicators of the ten largest concession contracts. The Department will work to expand the number of contracts presented in the report and to improve the quality of the information received from the Contracting Authorities.

Component 2.4: PFM in Local Government

Strengthening strategic planning and budget management at LG is on track as all planned actions were completed. In particular, training was provided to all municipalities on performance indicators as a good basis for performance-based budgeting. During the second half of 2019, 15 selected municipalities and most of other municipalities have started to use performance indicators during the process of Medium-Term Budget Plan preparation and its monitoring. In addition, the Department for Local Finances (DLF) continued to monitor and publish the Reports on Arrears⁶ on the MoFE website. However, the stock of arrears at the end of December 2019 increased by 1.4 billion as compared to December 2018 which was caused by the November earthquake and its negative impact on the revenue collection by municipalities. Moreover, an instruction aiming to implement a monitoring system to early identify LG units facing financial problems

⁴ Law No 50/2019 dated 18.07.2019 "On some amendments and addenda to Law No 125/2013 "On concessions and public private partnership" as amended

⁵ Instruction no. 1, "On the budgetary arrangement of the Republic of Albania"

⁶ Available on <http://www.financa.gov.al/viti-2019-3/>

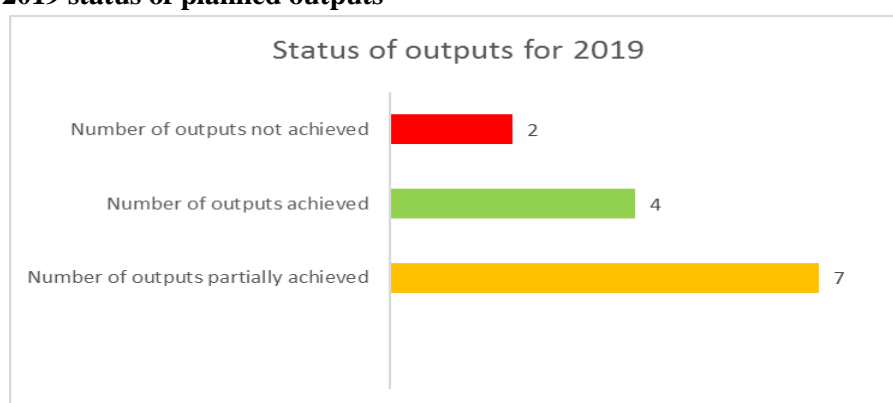
was issued in July 2019⁷. It is considered fundamental to building such a monitoring system to enhance transparency, cooperation and reporting to central government structures.

The output target to have an improved intergovernmental transfer finance system was partially achieved during 2019. A new methodology for funds' allocation transfer was not approved as planned, however, the preschool education funds were allocated on the basis of the number of pupils defined as the best cost driver for determining funds and services.

The GDHPIFC has planned many capacity building activities in order to establish an effective internal control and internal audit function at the local government level. While training to all internal auditors hired in selected municipalities was provided during 2019, the training on "Introduction of risk management and FMC (Financial Management Control) instruments to key management staff and internal auditors" was provided to four municipalities out of 15 planned.

Summary of progress of outputs targets for Specific Objective 2

Box 2: 2019 status of planned outputs



1.2.3 Progress under Specific Objective 3

A new Tax Administration Information Technology (IT) System became operational from January 2015 with revisions of the system being finalised in 2017. In 2015, the tax administration commenced implementing the contemporary compliance risk management (CRM) methodology aimed to improve taxpayer compliance on a risk cluster basis (e.g. industry focused). Information about taxes has been simplified and information to taxpayers has improved through the website, awareness campaigns, and the establishment of a call centre. From 2019, the tax administration finalised the design of automated risk-based procedures for all VAT refunds which is enabling better management of the process and is increasing transparency for taxpayers. During 2019, the GDT created a complete and accurate taxpayer register, which further contributed to informing all the taxpayers and encourage voluntary correction of tax obligations. The latter together with analysis performed by the Risk Management Department to select for audit high risk taxpayers supported one of the main Tax Department objectives related to reducing informality.

Property tax reform was delayed; however, a dedicated structure has been created aiming to centrally establish and manage the fiscal cadastre information system and property tax reform. The legal framework for property tax based on reference prices has been established as well. During 2019 a fiscal zone value-based property tax on buildings and operationalisation of tax collection started. A new IT system was deployed in 2018 and upgraded since then. Trainings to municipalities' staff were held.

⁷ Instruction no. 26, date 27.09.2019 "Financial Insolvency Procedures for local self-government units"

The regulatory framework of the GDC has been continuously reviewed in order to be fully compliant with the EU *acquis communautaire*, including the most recent development, i.e. alignment of BTI and Nomenclature of Goods. During the period 2015-2019 the efficiency of the customs service delivery at border-crossing checkpoints has improved as well as its transparency. The GDC has not advanced with the registration of Authorised Economic Operators as planned for 2019, although awareness-raising activities regarding the benefits, procedures and programmes are taking place. The Integrated Tariff Management System fully in line with the EU is planned to start by the end of 2020. Hence, the implementation of New Computerized Transit System (NCTS) is delayed. The technical specifications for upgrading the risk management system and for establishing a database where data of the seizure of counterfeit goods are finalised. The procurement is not yet finalised as planned.

In order to mobilise more revenues, efforts were made during 2019 to increase the tax base of business, to have, for instance, a greater level of taxes and debt collected from Tax and Custom Administration as compared to previous years. However, the informality with improved self-declaration was not reduced as planned. The table below presents the status of key outcomes and 2019 targets for the performance indicators (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

Table 3: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	GDMPFA	112 428 businesses (2017)	Increasing trend	113 829 (+1,24%)
	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)	GDTax	>0	>0	259,462 million ALL (Gross, in 2019) (5.23%)
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities	GDTax	63%	Increasing trend	74%
VIII) Reduced informality with improved self-declaration and increase the detection force of controls	VIIIa) Ratio of tax return versus previous year	GDTax	6.60%	>7% (t-1)	3.48%
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed	GDPT	46.67% (2017) (700 000/1 500 000)	Increasing trend	47.5 % (570000 /1200000)
X) Increased level of Custom revenues	Xa) % of Actual custom revenue collection in Year N /Actual custom revenue collection in Year N-1 -100% (from Custom)	GDC	>0	>0	2.09%
	Xb) Custom declaration processing time	GDC	406 min/declaration	Decreasing trend	453 min/declaration

Progress achieved during 2019

Component 3.1 Tax Administration

In response to the request from the MoFE for support and guidance in the preparation of a medium-term revenue strategy (MTRS), an IMF revenue administration mission visited Tirana in November 2019 and provided options to address high-risk areas of tax non-compliance and to strengthen revenue administration. Efforts are being done to adopt the MTRS in 2020.

While the design of automated risk-based procedure for management of VAT refunds was in place as planned, the target for 2019 to build and deploy Data Warehouse (DWH) capabilities was not finalised. The reason was because the Fiscalisation project come into light and the law “On Fiscalisation” was approved late in December 2019. Hence, all the related activities were delayed accordingly. Part of automation of core tax administration processes included also the upgrade of e-invoice management module, which started in 2019, earlier than planned. Specification of system architecture and business data model was completed and legislative changes (Law⁸ and bylaws) adopted.

Training of the staff on risk management aiming to build a comprehensive Compliance Risk Management system was achieved during 2019. The training was provided during November-December

⁸ Law no. 87/2019 “On the invoice and the circulation monitoring system”

2019 by the IMF experts, while the World Bank (WB) assisted the GDT to introduce actions related to errors in declaration of wages.

Both outputs targets to create an accurate taxpayers register were achieved. During 2019, the GDT has worked to improve the taxpayer register creating as planned a complete and accurate taxpayer register. The agreement signed between the GDT and National Business Centre and the reflection of the obligations deriving from the fiscal package of 2019 contributed to the completion of the register. Another factor that facilitated the completion of the register were two awareness campaign organised in 2019, one for the legal amendments on the Fiscal Package 2019; and one for the Bar and Restaurant sectorial plan. Also, to inform taxpayers and encourage voluntary correction of tax obligations, notification letters were sent, information meetings and seminars were conducted and advisory visits were made.

The GDT achieved during 2019 all targets aiming to reduce the informality. The Directorate of Risk Management analysed the construction and hydrocarbon sectors in order to identify and select for audit the high-risk taxpayers. The same analysis was made to the service sector (bars and restaurants) and 16 audits were conducted out of 100 high risk entities. The audit reports issued resulted in additional tax liabilities (about 9.6 million ALL). Also, investigation of the chain transactions starting from large companies has been conducted and 284 cases were referred to the Prosecutor's Office for criminal offenses in the field of taxes with a damage value of 10 bln ALL. For the criminal offense "Creation of VAT fraud schemes" provided by Article 144 / a of the Criminal Code, 7 cases with a damage value of 804,033,418 ALL were referred to the prosecutor office as well. During 2019 2146 full audits were conducted and the total finding amounted to 10.7 billion Lek.

Component 3.2: Fiscal Cadastre of Properties

The targets set for 2019 for the establishment of a fiscal zone value-based property tax on buildings and operationalisation of tax collection was achieved as planned: a new IT system was deployed and upgraded and trainings to municipalities' staff were held. The first version of the system was deployed in November 2018 and since the first release the system has been in the process of continuous improvements. Several trainings were provided to the staff of the municipalities on the property taxation methodology for buildings from the General Directorate for Property Tax (GDPT) in co-operation with the USUAD-funded Project for Planning and Local Government. The GDPT has also been assisting the municipalities in the process of entering the data into the system. However, the level of data entered into the system is low.

Component 3.3: Customs management

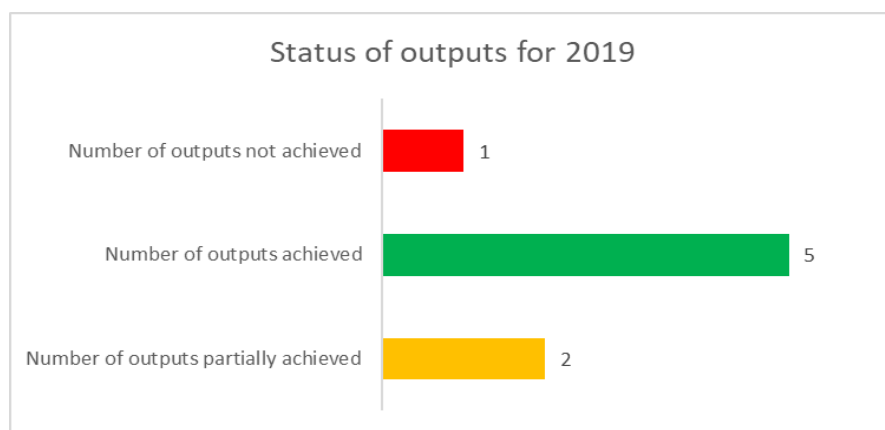
Most of the targets outputs sets for 2019 to enhance collection of duties by improving policies/procedures and custom processes have been achieved. The GDC worked to further align the regulatory framework with the EU acquis by updating the Instructions on BTI and nomenclature of goods and preparing technical specifications for implementing a single guarantee system. Progress was also made to implement a Quality Management System at the Customs Laboratory according to international standards aiming to analyse all the import and excise goods arriving to Albania. During 2019, four entities applied for the status of Authorised Economic Operators (AEO) which can benefit from many custom procedures simplifications as they are considered less risky within and outside the country. The Integrated Tariff Management System (ITMS) – fully in line with the EU – is planned to start by the end of 2020; hence the implementation of New Computerized Transit System (NCTS) is delayed.

Both output targets for 2019 aiming to create a comprehensive risk management system in line with the EU were partially achieved. The technical specifications for upgrading the risk management system are finalised, but the procurement is not yet completed by the National Agency for Information Society (NAIS). The same applies to measures to fight counterfeiting and fraud. The GDC has prepared technical

specifications for the establishment of a database where data of the seizure of counterfeit goods and other statistical information will be processed. Currently, the procurement procedures are not finalised yet.

Summary of progress of outputs targets for Specific Objective 3

Box 3: 2019 status of outputs targets



1.2.4 Progress under Specific Objective 4

AGFIS is the key system-based tool for controlling and monitoring revenues and expenditures. The government plans to roll-out the system to all major BIs. During the period 2014-2019, 15 budget institutions were enrolled onto AGFIS, representing around 75 percent of total spending, against the original plan in 2014 to roll out to up to 50 BIs by 2018. The integration of AGFIS with the Custom Management System, Public Procurement System and HRMIS remains a challenge as the testing of the interface could not be finalised by the end of 2019. On the other hand, good progress in the use of the WebPortal for electronic archive was made. The first years of the Strategy implementation aimed to create safeguards required to prevent a new build-up of arrears by introducing multi-year commitment controls. AGFIS was enhanced for that purpose, so the BIs were limited to over-commit and a new instruction aiming to standardise the procedures for management of commitment ceilings were issued. But still new arrears are emerging, and therefore measures to strengthen commitment and expenditure controls continued to be the focus of MoFE. During 2019, efforts were made to monitor compliance with multi-annual commitment controls, but there is still work to be done to design reports so MOFE can monitor BIs compliance with system and legal requirements. Even though high-level meetings to discuss the arrears were held during 2019, an Arrears Working Group to be in charge for monitoring of their development and to provide systematic recommendations could not formally be established within the year as planned. A positive development was the engagement of the internal auditors in the audit of the arrears in the most problematic entities. The reports were presented to the PIFC Board.

The GDT has been working to improve the liquidity forecasting and monitoring, but not everything was achieved as planned. A Medium-Term Debt Management Strategy (MTDMS) is in place and debt sustainability analysis is regularly undertaken. Progress was made to amend the PPL to further align with the *Acquis Communautaire* (new EU directives) and legal and regulatory measures were undertaken to enhance the independence of the Public Procurement Commission (PPC). Also, the new PPC became operational on 16 July 2018, and three vacancies were filled as planned for 2019.

A system for the management of external funds, External Aid Management Information System (EAMIS), was deployed in June 2018, and work has started in strengthening compliance with entering the required data

and using it as the prime source of information for all donors' funds. By the end of 2019, the migration/entering of data is in process, for example, all the data regarding WB projects are entered, while EU and other Development partners information are planned in 2020.

The regulatory framework on State Aid was improved to be in line with the EU regulations and guidelines. Work has started to create an effective database for monitoring the implementation of state aid and some activities to raise awareness on the role and duties of the State Aide Commissions has taken place.

The main aim of this Specific objective is to ensure efficient and effective use of the approved budget resources. In this regard, not all the planned interfaces with AGFIS were finalised, but the stock of arrears remained within the defined target, the cost of borrowing reduced and the efficiency and transparency of procurement system improved. The table below presents the status of key outcomes and 2019 targets for performance indicators (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

Table 4: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
XI) Efficient budget execution (through use of IT support)	XIa) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government	GD Treasury	74% (2018)	≥ (t-1) (growing trend)	75%
XII) Arrears are minimized	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year)	FRU	below 6% (B PEFA)	Below 2% in at least two of the last three completed fiscal years. (A rating PEFA)	A
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)	DTO	C (2017)	C	C
XIII) Costs of borrowing is reduced and cash is available when needed	XIIIa) Stock of domestic debt re-fixed within one year	GDPDCFA	56.7%	Max 55%	50.90%
	XIIIb) The average maturity of domestic debt	GDPDCFA	780 days	Min 864 days	787 days
XIV) Increasing the efficiency and transparency of procurement system	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register	PPA	22% (2018)	(increasing trend)	49.80%
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time	PPC	54.7%	≤ (t-1) (declining trend)	16%

Progress achieved during 2019

Component 4.1 Expanding the use of AGFIS

The GDT has prepared a time-bound action plan for enrolment into AGFIS of the BIs as targeted, and achieved partially its targets for 2019 concerning the integration of AGFIS with other government IT systems. The interface with the Custom Management system was not finalised, while very good progress in the use of the WebPortal for electronic archive was made, i.e. system tested, staff trained and 48 BI started using it. The integration of AGFIS and HRMIS remains a challenge. Three institutions (Department of Public Administration, MoFE and NAIS) have been cooperating closely during 2019 to finalise and test the interface which will enable full automation of the payroll. In this context, the confirmation of the technical solution of the interoperability of these two systems regarding the Spending expenditure mandates has been completed. However, due to the earthquake of November 2019 many planned activities had to be postponed.

Component 4.2: Multi-annual commitment controls and accounts payable

Not all the planned targets for recording of commitments, accounts payable, including arrears, were achieved during 2019. While, efforts were made to monitor compliance with multi-annual commitment controls, there is still work to be done to design reports so MOFE can monitor BIs compliance with system and legal

requirements. Even though high-level meetings to discuss the arrears were held during 2019, an Arrears Working Group to be in charge for monitoring of their development and to provide systematic recommendations could not formally be established within the year as planned. A positive development was the engagement of the internal auditors in the audit of the arrears in the most problematic entities. Poor control environment in all entities, especially in local government units were the main cause for the creation of arrears. The IA findings related to arrears were presented in the 2019 PIFC annual report and to the PIFC Board during 2020.

Component 4.3: Debt and cash management

The GD of Treasury has been working to improve the liquidity forecasting. Not all target outputs were achieved as planned. Analyses on cash forecasting were conducted. Deviations between forecasts and actual data were measured and monitored annually. Efforts are made to increase their frequency. With the support of the World Bank (WB), cash forecasting templates have been drafted and trainings were provided to 15 staff of selected BIs by the WB consultants.

The General Directorate of Debt (GDD) adopted and published as planned the Debt Management Strategy 2020-2022⁹ before the end of the year. The annual borrowing programme has been prepared and will be approved during 2020. However, the annual targets set by the GDD regarding the expansion of primary and secondary market were not entirely achieved. While the market-maker agreement was extended for government securities for two benchmarks instruments (3 year and 5 year tenor), the analysis of the behaviour of domestic and external borrowing markets in order to ensure timely financing was not completed.

Component 4.4: Public procurement

The Public Procurement Agency (PPA) has made substantial progress in revisiting the PPL planned to be approved by 2020. The main purpose of changing the law are to: (a) further align the law with the EU Acquis, (b) improve the current regulatory framework in the field of public procurement; (c) facilitate the participation of economic operators in procurement procedures; (d) avoid procrastination in the procurement process due to the prolongation of the administrative appeal process; (e) create a sustainable procurement compliant with the principles of social and environmental protection; (f) facilitate the procurement of social services and other specific services; and (g) increase performance in contract implementation by strengthening monitoring of this process. The draft Law has been consulted with International Development partners, CSOs operating on social and specific services provisions, the business community and other relevant parties before it was sent for final approval to the Parliament.

The Public Procurement Commission (PPC) targets to provide legal protection for tenderers and public interest at all stages of the public procurement for 2019 are partially achieved. Three vacancies were filled as planned for 2019. A comprehensive instruction concerning rules on categorisation of simple and complex complaints was prepared and is being reviewed by SIGMA (Support for Improvement in Governance and Management). Finally, the PPC assisted by SIGMA has organised two trainings aiming to increase its staff capabilities with particular focus on (a) challenges and impact of the PPC employees to the quality of the public procurement system; and (b) new challenges for the Public Procurement Review System in Albania.

Measures to strengthen commitment and expenditure controls to fully prevent accumulation of new arrears were not finalised as planned. AGFIS and procurement system would have an interface to avoid that procurement procedures would start without available funds. The technical documentation for their

⁹ <http://www.financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit-publik/>

integration has been developed, but the testing process with real data was delayed, since the procurement system was not yet fully configured.

Component 4.5: Management of external funds

The population of the Management Information System with the external aid data was not finalised as planned during 2019. The system would provide all stakeholders with facilities for data entry, analyses and reports so efforts and transaction costs in gathering and analysing data would be reduced. During 2019, all data regarding WB projects were entered due to the full integration of the EAMIS with WB Client Connection. Efforts will be made during 2020 to enter EU and other Development Partners data.

Component 4.6: Strengthening state aid role

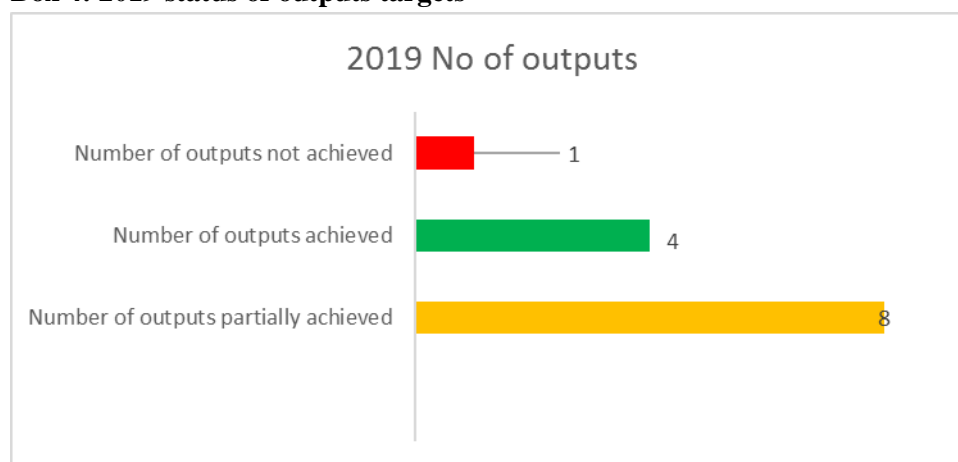
The regulatory framework on State Aid was improved. Since the Council of Ministers approved the Law ‘On State Aid’¹⁰ and other regulations, the MoFE has been working during 2019 in preparing the secondary legislation aligned with the EU regulations and guidelines (Articles 107 and 108 and Article 106 Treaty on the Functioning of the European Union (TFEU)). Also, in the third quarter of 2019, based on the order of the Prime Minister¹¹, an inter-ministerial working group on state aid was established and the first meeting was held in December 2019. The purpose of the meeting was to (a) coordinate the work between providers of aid at the central government level; (b) discuss on the procedure of the notification of new state aid schemes; and (c) discuss the draft acts that may contain elements of state aid.

Only one out of two targets aiming to have an effective database for monitoring the implementation of state aid schemes was achieved. MoFE has worked on improving the database of state aid schemes. An annual state aid report for 2018¹² was prepared based on the information provided by the grantors of state aid schemes. In the report information on the main objectives achieved in State Aid in Albania as well as on the main instruments used in the period 2015-2018 is provided. The State Aid Commission has approved only seven decisions out of ten planned for 2019.

The target set for 2019 to raise the awareness on the role and duties of the State Aid Commission was not achieved. The public was informed on three new aid schemes, namely “Digital Dividend”, “Woman entrepreneurs” and “Student social houses”, while the target was to have at least 10 notifications. However, all new aid schemes were published in the Official Gazette.

Summary of progress of outputs targets for Specific Objective 4

Box 4: 2019 status of outputs targets



¹⁰ Law no. 9374, dated 21 April 2005

¹¹ Minister's Order No. 128, dated 1.10.2019 “On the establishment of the Working Group on State Aid”

¹² <https://qbz.gov.al/eli/fz/2019/75/685dbcd2-82a7-4272-9de1-5410a3a596f7>

1.2.5 Progress under Specific Objective 5

Strengthening systems and capacities to prepare government financial statistics in line with international standards was the main focus since the Strategy started. During 2017, for the first time INSTAT compiled and transmitted Government Finance Statistics (GFS) data according to the requirements of the European System of Accounts (ESA) 2010 transmission program. The inter-institutional Working Group (INSTAT, MoFE and Bank of Albania) finalised the list of General Government Units according to GFSM 2014 and ESA 2010, and successfully developed during 2019 data exchange systems aiming to create a sustainable statistical system for the General Government Units.

According to the Open Budget Survey of 2017, since 2015 Albania has increased (a) the availability of budget information provided in the Audit Report and the Pre-Budget Statement, and (b) the number of published budget execution reports. Also, procedures for in-year budget implementation have improved and the Mid-Year Report of Macroeconomic, Fiscal and Budgetary Performance of the government was published on the MoFE website¹³ for the first time in 2017. Albania improved slightly further in the Open Budget Survey of 2019 as it has published also the Mid-Year Review online. The government annual and in-year budget execution reports templates and content were revised during 2019.

The MoFE has been assisted by BOOST initiative, a World Bank facility to grant access to budget data and promote effective use for improved decision-making processes, transparency and accountability. Starting from 2015, the 2016 Annual Budget Law¹⁴ was formulated in a more transparent and comprehensive manner and “Budget at a Glance” and a simplified “Citizen Budget” were published. Also, a Citizen’s Budget guide was developed and published during 2019. Trainings were also provided to CSOs to enhance their capacities to understand the budget cycle.

Regarding the accounting, a gap analysis was undertaken which compared the current accounting regulatory framework with IPSAS, in order to take appropriate measures for the implementation of accrual-based accounting. Based on the gap analysis, the Government approved a country Strategic Action Plan for transition to IPSAS in October 2019. Also, a specific function within the GHD/PIFC dedicated to accounting was created to be responsible for updating the public sector accounting methodology as well as legal and sub-legal acts in the private sector. The development of the methodology and guidelines for asset recognition and valuation and their physical inventory were planned for 2020, hence the asset registration into AGFIS has not progressed as planned.

In order to improve the coverage, quality and accessibility of information on public finances, efforts are made to (i) strengthen systems and capacities to prepare government financial statistics in line with international standards; (ii) enhance accountability and transparency through financial and non-financial performance reporting; and (iii) provide formal opportunities for the public to engage in the budget process. The performance indicator related to moving on a phased basis to presenting accruals-based government financial statements and preparation of full asset registry has not progressed as planned. The table below presents the status of key outcomes and 2019 targets for performance indicators (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

¹³ See <http://www.financa.gov.al/al/raportime/buxheti/buxheti-ne-vite/buxheti-2017/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2017>

¹⁴ See <http://www.financa.gov.al/al/raportime/buxheti/buxheti-ne-vite/buxheti-2016>

Table 5: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
XV) Strengthening systems and capacities to prepare government financial statistics in line with international standards	XVa) Compilation of Government National Accounts according to International Methodology (ESA 2010)	INSTAT	50% (2018)	50%	75%
XVI) Accountability and transparency through financial and non-financial performance reporting is enhanced	XVIa) Published in year and annual financial reports contain accessible financial and non-financial performance information	DBM	ABER & In-year new templates are designed	ABER & In-year new templates are partially implemented	New templates are implemented
XVII) Providing formal opportunities for the public to engage in the budget process	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	DABP	2 out 100 (2017)	≥ (t-1) (growing trend)	7/100
XVIII) 'Presentation of financial statements as per selected IPSAS framework	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	DHFMCA	0%	≥ (t-1) (growing trend)	0%
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulations for the valuation and inventory of these assets	XIXa) Public assets recorded into the AGFIS	GD Treasury	6 (2018)		6

Progress achieved during 2019

Component 5.1. National Government Accounts

In line with the 2019 output targets, INSTAT successfully developed data exchange systems, so collaboration at technical level with MoFE and BoA could further contribute to creating a sustainable statistical system for the general government units. The exchange system that was created with the support of the TA from SECO and IMF is being tested for its completeness and will be the basis for preparing government statistics.

Component 5.2: Financial and Performance Monitoring and Reporting

The government annual and in-year budget execution reports templates and content were revised as targeted during 2019. The relevant staff of budgetary institutions received trainings on the new templates from the PFM TA experts and Directorate of Budget Management (DBM) staff. A new module Budget and Program Project Monitoring (BPPM) as part of the Albanian Financial Management Information System (AFMIS) project could not be implemented within 2019, hence the monitoring of the budget implementation through the system has not started yet.

Component 5.3: Citizen's Engagement

A Citizen's Budget guide has been developed and published as planned. The main aim of the guide is to enhance the citizens, CSOs and other groups of interest engagement on the government budget process. A two-day training was also provided to 25 CSOs by the PFM TA and DABP staff. The objective was to enhance CSOs' capacities to understand the budget cycle and identifying entry points for more meaningful

participation in budget planning and execution, including (a) understanding the budget framework; (b) understanding the budget cycle and key entry points for CSOs; (c) methods and tools for analysing and monitoring budgets; and (d) using the budget and strategic planning documents to access and analyse budget data (i.e. tracking trends over time, across sectors, etc.).

A communication platform was not developed as planned during 2019. An assessment of the concept and feasibility of an IT interactive platform (mobile application) has been prepared. The main platform purpose is to improve the interaction between citizens and budget policy making. However, more time is needed to agree on the solution and clarify the responsibilities within MoFE for the application's ongoing administrative maintenance before the platform can be developed.

Component 5.4: Accounting

An implementation Plan for the regulatory framework in accordance with IPSAS was prepared as planned during 2019. A Country Strategic Action Plan for transition to IPSAS in all public institutions was approved by the Government in October 2019 and was based on GAP analyses. This strategic document was prepared by an international consultant, hired under the project "Development of the public sector accounting in Albania (IPSAS)". This strategic document reflects all activities and measures to be taken for the implementation of legal acts and accounting standards in line with International Public Sector Accounting Standard (IPSAS) in Albania from 2020-2027.

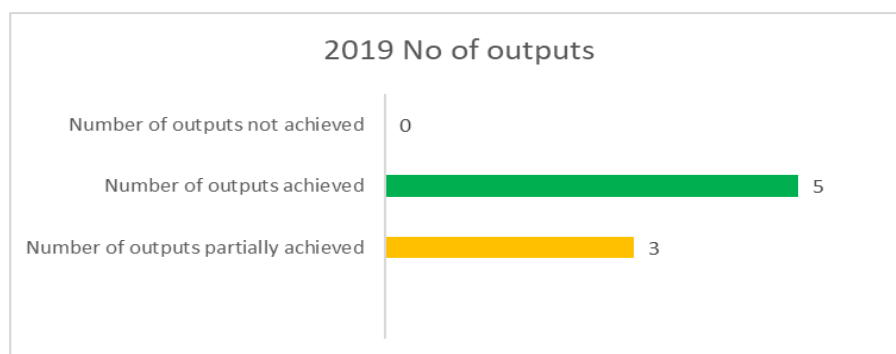
The capacity development plan could not be finalised as targeted. Following the approval of the Country Strategic Action Plan mentioned above, the CHU started to prepare the Terms of Reference needed for the selection of the company who will prepared the capacity development plan, targeted to be finalised by June 2020.

Component 5.5: Asset management

One output target planned for 2019 aiming to have full public assets recorded in AGFIS (for BIs rolled out into the system) was partially achieved. Five BIs have been working to record the asset in the system module, but the migration could not be finalised within 2019. One of the factors that asset registration into AGFIS did not progress as planned was the lack of the methodology and guidelines for asset recognition and valuation which was planned to be developed for 2020. Several trainings on assets management were delivered by the Business Processes Department to the BIs staff in charge.

Summary of progress of outputs targets for Specific Objective 5

Box 5: 2019 status of outputs targets



1.2.6 Progress under Specific Objective 6

During 2015-2019, improvements and amendments were made to the Laws 'On Financial Management and Control', 'On Internal Audit', and 'On Public Financial Inspection', and several sub-legal acts to support the

primary legislation were adopted. The Directorate of Harmonization of Financial Management, Control and Accounting (DHFMCA) has conducted several activities to raise awareness of senior officials and managers on the importance of successful FMC implementation. In order to have a stronger financial management system and internal control environment in place three important papers were drafted during 2019, namely (1) Policy paper on Further Development of PIFC in Albania for the period 2021–2022, (2) Instruction on the delegation of tasks, and (3) Methodology of internal control quality review. The GDPIFC has worked in many directions to strengthen the PIFC system as well.

On-site monitoring activities of the functioning of the FMC system and the IA function in some BIs have taken place during the period 2015-2019, as well as several capacity building activities, including trainings, coaching and study tours. Many of these activities were supported by a two-year EU-funded Twinning project with Austria and France.

More IA Units were established in central and local government and by the end of 2019 80 percent of internal auditors on duty are certified by the Commission for Qualification of Internal Auditors (CQIA). Also, in order to establish an effective public financial inspection function, external inspectors were selected to assist the Public Financial Inspection Department to conduct inspections according to the expertise required. The signature of 17 cooperation agreements with different institutions helped to strengthen the functioning of the Anti-Fraud Coordination Service (AFCOS) network over the years.

In summary, in order to measure the extent to which internal control systems are implemented in practice and whether managerial accountability mechanisms are regulated, the GDPIFC has prepared an evaluation methodology for annually assessing the BIs. Based on the assessment performed for 2019, it resulted that the BIs scored 2.4 and 2.5 out of 4 respectively, showing a deterioration as compared to 2018. The scoring was mainly affected by the low performance of LG Units as 2019 was an electoral year. Strengthening the internal audit function in the public sector and ensuring an efficient Public Financial Inspection are on track (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved).

Table 6: Key Outcomes and performance Indicators¹⁵

¹⁵ With regard to Outcome indicator XXI b), review of IA manual was finalized within 2019, while the approval was done through the Order of Minister of Finance and Economy No. 4 dated 10.01.2020 “For some amendments and changes in the Manual of Internal Audit”

2019 PFM Monitoring Report

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
XX) Effective managerial accountability in all public institutions	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	GDHPFC	2.71 out of 4	Growing trend	2.4
	XXb) Managerial accountability mechanisms in the regulatory framework	DHFMFC	2.7 out of 4	Growing trend	2.5
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	DHIA	57% (2018)	Increasing trend	60%
	XXIb) Internal audit framework aligned with International Standards on Internal Audit	DHIA	Internal audit framework is not fully aligned with ISIA	IA framework aligned with ISIA	Review of IA Manual
	XXIc) The % of system base recommendations addressed VS the total of findings	DHIA	35% (2018)	Increasing trend	37%
XXII) An efficient Public Financial Inspection	XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)	DPFI	FY18 70%	Increasing trend	83.30%

Progress achieved during 2019

Component 6.1: Financial management and control in all public institutions

The DHFMC has implemented all activities/actions aimed to achieve the targets for 2019. It finalised a draft Policy Paper on Further Development of PIFC in Albania for the period 2021–2022 and drafted an instruction ‘On the delegation of tasks of employees in public sector units’, both contributing towards having a stronger financial management system and internal control environment. The purpose of the Policy Paper is to implement PIFC across the entire public sector and cover its three core principles: 1) decentralised managerial accountability underpinned by financial management and control (FMC) systems, 2) functionally independent internal audit (IA) and 3) centralised harmonisation of methodologies and standards relating to FMC and IA. Regarding the draft instruction ‘On the delegation of tasks of employees in public sector units’, the main purpose is to define the rules and procedures to be followed in the process of delegating tasks.

The DHFMC has drafted as planned the methodology of internal control quality review aiming to have a functional internal control system in place. The methodology will be used to analyse and evaluate in detail the state of play of the internal control system of public sector units and to issue recommendations for addressing identified deficiencies. It is expected that the methodology will be approved by the third quarter of 2020.

All activities/actions aimed to achieve the targets set for 2019 to strengthen the PFIC monitoring system were implemented. Firstly, the Minister of Finance and Economy approved the amendments to the methodology for performance monitoring of internal control systems in Public Units.¹⁶ The reason for the revision was to improve some of the existing performance indicators used as the basis for evaluation of the BIs and to add indicators aiming to monitor the performance of the areas considered as highly risky, such as procurement and arrears. In addition, the self-assessment questionnaires for financial management and

¹⁶ Order No. 117, dated 01.04.2019 “On the approval of the Methodology of Performance Monitoring of Internal Control Systems in Public Units”

control and for internal audit were revised as well. Secondly, the content and the outline of the annual report on the functioning of the PIFC system are of a better quality, because the revised methodology for performance monitoring of BIs helped to assess in a better way the state of play of the internal control system. As a consequence the ranking of public units based on performance was more meaningful. Thirdly, during 2019 internal control system issues were discussed extensively during the PIFC Board meetings.

Component 6.2: Internal Audit

There was one output target planned for 2019 aiming to enhance the IA function in all general government units, which was achieved. The purpose of the target was to perform a GAP analysis between the IA legal framework in Albania as compared with International Internal Audit Standards (IIAS). Currently, a number of gaps are identified in implementation of IIAS from internal auditors. In this regard, the IA Manual was revised in order to improve the quality of internal audit reports. This change was approved in January 2020.

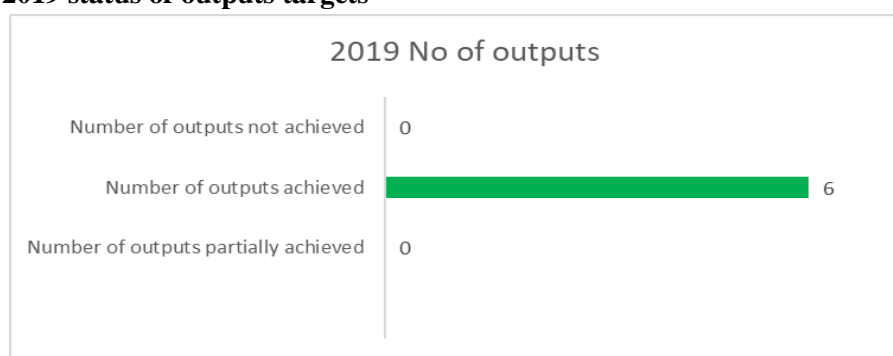
Two output targets planned to increase the contribution of the IA to improve internal control systems were achieved. As it was reported by all IA units, during 2019 auditors have been evaluating the adequacy and effectiveness of internal control systems by focusing on: (a) financial management system in general, (b) issuing recommendations for improving the effectiveness of the internal control systems; and (c) following up the status of the issued recommendations. More than 8,000 findings and recommendations related to FMC are reported to the PIFC Board in the 2019 Annual Report¹⁷.

Component 6.3: Public financial inspection

During 2019, in order to enhance the role of financial inspectors, trainings were organised as planned. A Training Needs Assessment was carried out in the first quarter of 2019, and specific modules on “Evidence of corruption risks” and “Corruption in public administration, identification mechanisms” were conducted. The modules were attended by internal financial inspectors only, as the MoFE could not finalise the revision of the external financial inspectors list during 2019.

Summary of progress of outputs targets for Specific Objective 6

Box 6: 2019 status of outputs targets



1.2.7 Progress under Specific Objective 7

The ALSAI adopted some new International Standards for Supreme Audit Institutions which resulted in a shift from compliance to financial and performance audits. A new methodology for planning the auditing activity based on risks was approved in 2018 and a manual on Quality Assurance that meets ISSAI 40 standards was prepared in 2019. Capacity building and professional development of audit staff was one of the strategic objectives of ALSAI and every auditor received on average 25 days of training to help them to deepen their knowledge of financial, performance and IT audit as well as other thematic audit approaches.

¹⁷ <http://www.financa.gov.al/raportet-vjetore/>

A new Law "On the Organisation and functioning of the High State Control"¹⁸ was approved in 2014 by the Parliament. The main purpose was to regulate the functional, operational and financial independence, mandate and organization of the Organisation and to align to some requirements of International Standards for State Audit Institutions (ISSAI) such as the use of financial and/or performance audit. As a consequence, ALSAI has adopted new audit approaches and appropriate methodologies and guidelines were developed and updated. Manuals for compliance, financial, performance and IT Audit were adopted.

The communication and engagement with Parliament, Government, media and citizens improved with the implementation of ALSAI's Development Strategies and new Code of Ethics. Steps to address concerns regarding the reduction in the implementation of ALSAI recommendations were made through a Parliamentary regulation aimed at providing a more effective mechanism for monitoring the follow-up of findings, although further work is needed. Moreover, a joint Secretariat with members from ALSAI and MoFE was established aiming to find ways to improve the implementation rate of ALSAI and internal audit recommendations.

In summary, all the targets set to increase the effectiveness of external oversight of public finances, as to maximize its value and benefits to society were met. The table below presents the status of key outcomes and 2019 targets for the performance indicators (if the status of the target is marked *in red*: means it is not achieved, if *in orange*: means it is partially achieved). **Table 7: Key Outcomes and performance Indicators**

Outcome	Performance Indicator	Lead Institution	Baseline	Target FY19	Fact Value FY19
XXIII) Further enhancement of external audit as to maximize their value and benefits to society	XXIIIa) % of audit recommendations accepted and implemented by auditees	HSC	R acc 2017 = 93% R impl 2017 = 50,5 %	Increasing trend	R acc 2018 = 95% R impl 2018 = 52.2 % *
	XXIIIb) Proportion of compliance, financial and performance audits	HSC	56 % of compliance audit	Declining trend of compliance audit	42 % of compliance audit

*The indicators are measured for the period January - December 2018 as the implementation rate of recommendations is assessed only after 6 months after their issuance.

Progress achieved during 2019

Component 7.1: External Audit

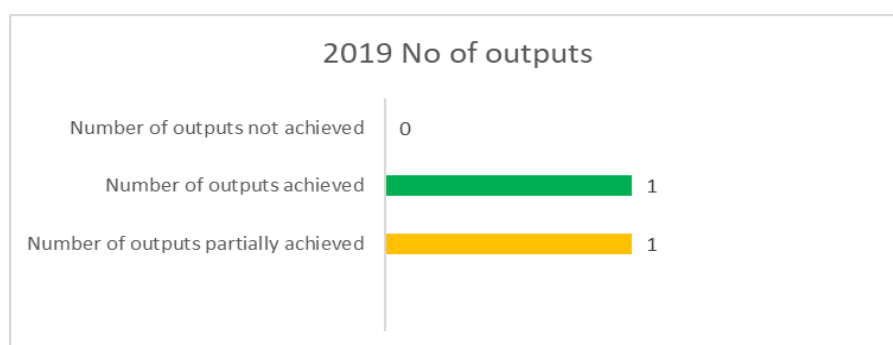
All targets planned for 2019 aiming to further align audit approaches to international standards were achieved. First of all, the annual audit plan was prepared based on the revised methodology "Strategic and annual planning methodology of auditing activity based on risk". As a result, when planning the compliance and financial audits, the audit universe was determined based on sectoral risk, materiality of funds used, former audit results and so on, while when planning the performance audit, public welfare impact and relevance of the subject/object in the public opinion were considered as well. Secondly, during 2019, a manual on Quality Assurance that meets ISSAI-40 standards was prepared with the assistance of Croatian SAI. Moreover, the audit guide for Government budget implementation was drafted and planned to be finalised with other audit manuals during 2020. Thirdly, ALSAI auditors, including the newly hired ones, have received 25 days of trainings on average. The main trainings topics were on INTOSAI Professional Standards, manuals and audit guidelines in force, and on the use of REVZONE which is an IT system than manages audit and administrative processes.

¹⁸ Law no154 dated 21 November 2014

ALSAI has been working to achieve all output targets set for 2019 in order to enhance impact of audit through a better communication with all the stakeholders. The first output target relates to the implementation of the 2019 annual plan of the Communication Strategy 2017-2019 where 90% of activities were implemented as planned. As part of the plan, several publications, articles, announcements, editorials and analytical comments were published in the written press, and media was invited to the annual analysis of the work of the ALSAI. These activities are aiming to raise public awareness about the results and benefits of the institution in improving governance in public entities and in the fight against corruption. As a result, the public profile as well the understanding of ALSAI mission, vision and its role in society have been increased. The second target concerns the operationalisation of the Memorandum of Understanding (MoU) between ALSAI and MoFE through the establishment of a joint Secretariat. The main purpose of the Secretariat is to seek ways to improve the implementation rate of the ALSAI and Internal audit recommendations. During 2019, an activity-based plan was approved and three out of five planned activities were completed. One of the most relevant activities was the establishment of a working group to be in charge of the preparation of a joint methodology to audit arrears. Regarding the third target, the ALSAI has submitted various reports to the Parliament: (a) the report of the implementation of the audit recommendations, (b) the report on the implementation of the 2018 budget; (c) the Annual Performance Report for 2018. Moreover, and (d) 131 decisions and audits reports conducted during 2018 and 55 decisions and audit reports conducted during 2019.

Summary of progress of outputs targets for Specific Objective 7

Box 7: 2019 status of outputs targets



2. Risks and steps to address them

To effectively manage the reforms, and based on the experience during the period 2014-2018, more active management of the risks is done. These cover not only those risks related to the implementation of the activities within the log-frame, but also potential risks to achievement of the overall objectives of the Specific Objectives, and Components within them. During 2019, several types of risks that were foreseen and included in the strategic document were present and hampered the full achievement of the outcomes as were planned for that year. As a result, some amendments are made to the following key potential risks:

- *Delayed legal/ Regulatory* added this risk for Components 4.4; 5.2 and deleted for 4.1;
- *Inadequate Financial* provision added this risk for Component 5.5;
- *Training is not sustainable* deleted this risk for Components 1.2; 2.4; 3.1, 5.3 and 6.3;
- *Adequate Human resources* added risk for Component 4.6 and 5.4;
- *IT procurement/ skills* added risk for Component 5.2 and deleted for Components 2.2, 2.4; 4.1 and 5.5;
- *Timely availability of technical assistance* added risk for Component 5.1 and 5.4 and deleted for Components 2.2 and 5.3;
- *Inadequate* coordination added risk for Components 4.6 and 5.1 and deleted for Components 2.2; 2.3; 2.4; 4.1 and 5.2.

Table 8: Key potential risks

	Risk Factors						
	Delayed legal/ Regulatory changes	Inadequate Financial provision	Training is not sustainable	Adequate Human resources	IT procurement/ skills	Timely availability of technical assistance	Inadequate coordination
Specific Objective 1 – Sustainable and prudent fiscal framework							
1.1 Fiscal Rules			✓	✓			
1.2 Fiscal Risks			deleted			✓	✓
Specific Objective 2: Well integrated and efficient planning and budgeting of public expenditure							
2.1 Policy Development and integrated strategic governance	✓			✓	✓		✓
2.2 Medium Term Budget Programme					deleted	deleted	deleted
2.3 Public Investment Planning and oversight	✓			✓			deleted
2.4 PFM in local government			deleted		deleted		deleted
Specific Objective 3: Tax and Customs Revenue Administration							
3.1 Tax administration			deleted				✓
3.2 Fiscal Cadastre of properties	✓						
3.3 Customs management		✓		✓	✓		
Specific Objective 4: Efficient execution of the Budget							
4.1 Expanding the use of AGFIS	deleted				Deleted		deleted
4.2 Multi-year commitment controls and accounts payable	✓				✓		✓
4.3 Debt and Cash management				✓	✓		✓
4.4 Public Procurement	✓	✓		✓	✓		
4.5 Management of External Funds	✓				✓		✓
4.6: Strengthening state aid role				✓			✓
Specific Objective 5: Transparency of Public Finances							
5.1 National Government Accounts						✓	✓
5.2 Financial and Performance monitoring and reporting	✓				✓		deleted
5.3 Citizen's engagement			deleted			deleted	✓
5.4 Accounting	✓	✓		✓	✓	✓	
5.5 Improved assets management		✓		✓	Deleted	✓	
Specific Objective 6: Effective internal control							
6.1 Financial management and control in all public institutions	✓				✓		
6.2 Internal audit			✓	✓			
6.3 Public financial inspection			deleted				
Specific Objective 7: Effective external oversight of public finances							
7.1 External audit	✓		✓				

The diagnostic of risks faced during the strategy's implementation is the first step to risk mitigation. This risk assessment, presented in this section will serve as a basis for the PFM Coordination Committees to scrutinise and propose respective measures in 2020 to eliminate the risks that they have faced during 2019 and to further improve the reform implementation.

3. Cost of the PFM Strategy

Below is a brief summary of resources used for implementing the reform, by presenting the financial data on expenditure during the implementation of each specific objective as the amount of Government budget funds spent and donor funding in EURO.

<i>Amounts in EUR</i>			
	Domestic funds	Foreign financing	TOTAL
1 Sustainable and prudent fiscal framework	103,760	0	103,760
1.1 Fiscal rules and forecasting	4,800	0	4,800
1.2 Fiscal risk management	98,960	0	98,960
2 Well integrated and efficient planning	1,405,677	514,632	1,920,308
2.1 Policy development and integrated strategic governance	1,009,838	325,448	1,335,286
2.2 Medium Term Budget Programme	148,440	44,444	192,884
2.3 Public Investment Planning and Oversight	123,700	88,308	212,007
2.4 PFM in local government	123,700	56,432	180,131
3 Revenue Mobilization	5,287,202	1,003,333	6,290,536
3.1 Tax administration	2,393,807	0	2,393,807
3.2 Fiscal cadaster of properties	0	583,333	583,333
3.3 Customs management	2,893,396	420,000	3,313,396
4 Efficient execution of the budget	343,219	105,233	448,453
4.1 Expanding the use of AGFIS	24,740	0	24,740
4.2 Multi-year commitment controls and accounts payable	49,480	0	49,480
4.3 Debt and cash management	148,440	105,233	253,673
4.4 Public Procurement	21,600	0	21,600
4.5 Management of external funds	98,960	0	98,960
4.6 Strengthening State Aid Role	0	0	0
5 Transparency of Public Finances	321,619	368,852	690,471
5.1 National Government Accounts	0	8,535	8,535
5.2 Financial and performance monitoring and reporting	0	222,222	222,222
5.3 Citizen's engagement	123,700	0	123,700
5.4 Accounting	0	138,095	138,095
5.5 Improved Assets management	197,919	0	197,919
6 Effective internal control	371,099	0	371,099
6.1 Financial management and control in all public institutions	247,399	0	247,399
6.2 Internal audit	74,220	0	74,220
6.3 Public financial inspection	49,480	0	49,480
7 Effective external oversight of the public finances	1,570,871	0	1,570,871
7.1 External audit	1,570,871	0	1,570,871
	9,403,447	1,992,050	11,395,497

4. Visibility and Communications

The PFM Reform Strategy serves as a policy dialogue framework for all donors and civil society actors active in the sector. Several PFM Steering Committee (SC) and the Technical Committee meetings were held during 2019. The SC meeting was attended by key Government of Albania PFM stakeholders, as well as donors/development partners.

In 13 March 2019, MoFE with the support of PFM TA project organised the launching event of 2018 Mid-Term Review (MTR) of the Strategy. At this event, led by the Ministry of Finance and Economy, institutions

in charge of the implementation of PFM, international partners, academia and civil society organisations participated.

In order to give the necessary and deserved attention to the opinions of civil society, with the support of the PFM TA project, on 30 July 2019 a consultative workshop was held on the draft Strategy of Public Financial Management 2019-2022. During this consultative workshop, special attention was given to interventions from CSOs through questions raised and discussions held. Their opinions were accordingly reflected in the strategy document. In addition, the new Strategy document was sent for opinion to donors, line ministries and institutions responsible for implementation, which contributed to the final version of the strategy, which incorporated their comments.

In September 2019, MoFE in collaboration with PFM TA organised a two-day budget support multi-stakeholder workshop with the overall objective to improve the management of SBS supported Sector Strategies. At the same time, it helped to improve the management of the public finance management cycle. In this workshop MOFE, ME&FA, PMO, DOPA, MoIE, MoJ, and EUD representatives participated.

During the period September-October 2019, a call for media articles on the PFM was launched to increase visibility and public awareness on different aspects of the reform including government accountability, gender and local government. Three winning articles were promoted on 29 October during the launch of the PFM Strategy and were also widely promoted through the website and social media of the MoFE.

On the 29 October 2019, MoFE launched the revised Sector Strategy on PFM reform of the Government of Albania for the period 2019–2022. Several actors were involved in this process of PFM Strategy consultations, such as institutions in charge of PFM implementation, international partners and CSOs. During this process, transparency was an important element to ensure public access to the document and to receive comments and suggestions for its improvement. In this regard, during the period 8 July 2019 – 8 August 2019 the draft strategy was open for public consultation through the Electronic Register for Public Announcements and Consultations.

5. Development and Integration Partners

Development and Integration Partners (DIP) have been one of the key partners in both planning and drafting the PFM strategy and implementation of this reform by financing a significant part of the activities of the Action Plan. Referring to the PFM Action Plan 2019-2022, DIPs have financed approximately EUR 2 million for 2019, which corresponds to around 20% of the total reform budget. This estimate includes resources that will be spent by the DIPs themselves.

However, the estimated financing needs of reform activities still remain significant. The areas that needs additional financing are as follow: Fiscal rules and forecasting; Fiscal risk management; Public Investment Planning and Oversight; PFM in local government; Tax administration; Customs management; Expanding the use of AGFIS; Public Procurement; Improved Assets management; Financial management and control in all public institutions; Internal audit and Public financial inspection.

In this regard, all DIPs are invited to continue the dialogue with the Government of Albania on the financing of these activities in accordance with the objectives of their work.

Annex 1: Output status for 2019

Specific Objective 1: SUSTAINABLE AND PRUDENT FISCAL FRAMEWORK						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
1.1: FISCAL RULES AND FORECASTING						
	Output 1.1.1: Strengthened Fiscal rules	DMAS	a) Additional fiscal rules/targets in place	The actual fiscal rules		
		DMAS	a) OBL changes			
	Output 1.1.2: Revenue forecasting reliability improved	GDMPPFA	a) Enhancing human capacities		4 staff hired	
		GDMPPFA	b) Model for revenue forecasting in use			
		GDMPPFA				
	1.2: FISCAL RISK MANAGEMENT					
	Output 1.2.1: An improved FRS with more fiscal risks monitored and mitigated if necessary	FRU	a) Disclosure of Fiscal risk in the FRS	FRS covers: - electricity sector SOEs, - arrears, - legal claims, - concession, - PPPs	+ Decisions by the Court of Human Rights in Strasbourg Decisions of the International Court of Arbitration Final administrative court decisions	

2019 PFM Monitoring Report

Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNING						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
2.1: POLICY DEVELOPMENT AND INTEGRATED STRATEGIC GOVERNANCE						
	Output 2.1.1: An improved quality review process for strategies, policy priorities and MTBP submissions	PMO	a) Share of strategies for which recommendations are provided	NA		
	Output 2.1.2: Coordinated activities for management of sector and cross sector strategies	PMO	a) Mid Term Progress Report of NSDI prepared		Mid Term Progress Report of NSDI prepared	
		PMO	b) Ratio of comments provided on sector strategies	NA	> 50 %	
	Output 2.1.3: An integrated Planning System (IPS) effectively implemented	PMO	a) IPS Legal basis approved	NA	IPS Legal basis approved	
		PMO	b) CoM decision for IPSIS enforcement adopted	NA	COM decision issued	
		PMO/DHCPIFC	c) GAP analysis performed and regulatory framework revised accordingly			
	Output 2.1.4: Policy development process based on evidence is strengthen	PMO	a) A guidance note on PI is in place	NA		
	Output 2.1.5: IPSIS System managed and implemented effectively	PMO	a) Mobilization of Network		IPSIS network mobilized	
			b) SDD prepared and submitted		SDD prepared and submitted	
			c) 1st release of IPSIS System		1st release of the IPSIS performed	
			d) development of manuals		Manuals for operationalization developed	
			e) Training materials		Training plan/materials developed	
			f) Developed training report		Training report prepared	
			g) Trainings 1st phase		Training delivered (50 staff) Train the trainer	
			h) Trainings 2nd phase		Training delivered (150 staff)	
			i) Training of administrators, trainers		TNT training delivered	
			j) IPSIS System Go Live		Go Live	
			k) Completeness of links between the government policy goals and budget programs			
			l) Electronic/system archive in IPSIS developed	NA		

2019 PFM Monitoring Report

Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNING						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
2.2: MEDIUM TERM BUDGET						
	Output 2.2.1: Performance based budgeting in place and compliance with the newly introduced methodology increased	DABP	a) The new MTBP approach is piloted		Three additional Budget organizations have prepared: • Baseline forecasting; • Budget programme classification and KPIs	
			c) Number of LM/BI roll-out in AFMIS		45 out of 45	
			b) Number of program management teams assisted	128	128	
			d) Budget Sector guides finalized and published	0	2	
	Output 2.2.2: All new policy initiatives are properly scrutinised and funded	PMO/DABP	a) Amount of unfunded legal mandates			
		PMO/DABP	b) Strategic Planning Committee approves the list of NPI (before it is included in the MTBP document)			
	Output 2.2.3: Budgeting at the Central and Local Level is gender responsive	DLF	a) number of budget programs that have fully integrated GRB	33%	47%	
		GDB	g) Number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring)	75	increasing trend	
		GDB	h) Number of CSOs trained and coached on participatory budgeting and GRB	15	increasing trend	
	Output 2.2.4 Policy objectives and related KPIs are piloted to be included as a specific annex in the Annual Budget Law	DABP	a) List of selected KPIs for each Budget Program and introduce the process of programming & implementing through AFMIS			
			b) LM/BI report on KPI/objectives			
			c) Annual Budget Law of 2023 contains policy objectives and related KPIs as a specific annex.			
	Output 2.2.5: Enhanced quality and content of budget documents for Parliamentary approval	GDB	a) Action plan for implementing changes			
		GDB	a) Templates for data presentation and textual contents are prepared and used		39	

2019 PFM Monitoring Report

Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNING						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
2.3: PUBLIC INVESTMENT						
	Output 2.3.1: Single project pipeline for all projects, regardless of source of financing is developed and maintained	PIM	a) PIM strategy (including PPP policy) is approved			
		PMO	b) Single project pipeline (SPP) for major projects is prepared and maintained based on a Standard methodology		SPP approved	
		PIM	c) Procedure to include active projects from SPP to the MTBP cycle is prepared and implemented			
		ATRAKO	d) Legal Framework for PPP and Concessions is amended		Law on PPP and Concessions is amended	
	Output 2.3.2: Increased quality of larger Public Investment proposals submitted for approval	PIM	a) Trainings for appraisal of large projects		35 staff trained	
		PIM	b) Investment appraisal arrangements for all type of investment projects is in place			
		PMO	c) Methodology developed and prioritization tools in place			
	Output 2.3.3: An improved monitoring process of public investments including PPP projects and concessions.	PIM	a) Reclassification and historical data according to new project codes	2019	Identification of projects and assignment of project codes	
		DC	Ratio of monitored contracts from MOFE versus total signed contracts (PPP and Concessions)= 86.2 %	2.29% (2018) (5 out of 218)	> (t-1) (growing trend)	
		PIM	c) Comprehensive reports on public investments (including PPP) are published			

2019 PFM Monitoring Report

Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNING						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
2.4: PFM IN LOCAL GOVERNMENT						
	Output 2.4.1: Strengthened strategic planning and budget management at Local Government level	DLF	a) Local Government legislation and Instructions reviewed	Legal acts approved until 2019 (Local finance Law)		
			b) MTBP module for LGU in use	No module		
			c) Selected LGUs are preparing medium-term Budget programmes after receiving trainings on the KPI definitions	No training provided	15 LGU	
			g) Local Government Financial Reports improved and published	No reports on budget execution and monitoring prepared/published on regular manner	15 LGU	
			d) Plan for repayment of the arrears			
			e) Monitoring and publication of arrears		Report on arrears published	
			f) Financial Insolvency instruction approved		Instruction approved	
	Output 2.4.2: Effective revenue management	DLF	a) Municipal Regulation and other related normative and administrative acts on taxes, charges and fees reviewed	LGU's don't have a manual		
			b) Fiscal package and tax registry improved at 15 piloted municipalities	2019 Fiscal Package for selected municipalities		
	Output 2.4.3: Improve intergovernmental transfer finance system	DLF	a) 2% of the Revenues from the Personal Income Tax Shared with LGU	Revenues from PIT are not shared with LGUs	Methodology for the allocation of PIT to LGUs is approved	
			b) Preschool education finance system is reformed and is based primarily on the number of pupils	The financing system is only in part based on a per pupil formula	New allocation methodology is approved	
			c) The size of the unconditional grant is increased to 1.5% of the GDP	Funding for new functions is static and not anchored to the GDP as for all other exclusive local functions		
	Output 2.4.4: Effective Internal Control and Internal audit function are in place	GDHPIFC	a) No. of key management staff and Internal Auditors of LG trained on risk management process and FMC instruments.	0	The risk management groups of 15 municipalities trained	
			b) All Internal Auditors hired in selected municipalities trained on IA standards and risk mitigation process	0	All IA staff of 15 pilot municipalities (about 37 people)	
	Output 2.4.5: Increased MOFE capacities to manage the PFM reforms at LG level	DLF	a) Monitoring and evaluation framework for implementation of Law on Local Finances available and in use	Monitoring comments report for 2019		
			b) MoFE reviews the MTBP of	MTBP 2020-2022		
	Output 2.4.6: IPSIS for LSGU established, tested and ready for operation	PMO	a) Selected LGUs (at least 5 LGUs) are using IPSIS system for preparing strategic framework including passports of indicators	n/a		
			b) IPSIS for LGU in use (at least 5 LGUs)	n/a		

2019 PFM Monitoring Report

Specific Objective 3: REVENUE MOBILIZATION						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
3.1: TAX ADMINISTRATION						
	Output 3.1.1: Comprehensive medium-term revenue strategy adopted	GDTax	a) Preparation of the medium-term revenue strategy			
	Output 3.1.2: Automated risk based procedure for management of VAT refunds is in place	GDTax	a) Designing automated risk-based procedures for all VAT refunds and credits carried forward	0%	Automated risk-based procedures designed	
			b) Implementing automated risk-based procedures for all VAT refunds and credits carried forward	0%		
			c) Provide reimbursement of VAT under the terms of legislation	83% (2018)		
	Output 3.1.3: The core tax administration processes is fully automated	GDTax	a) Build and deploy Data Warehouse (DWH) capabilities	0%	DWH capabilities available	
			b) e-module produced		The terms of reference on the transmission of data from the cash register machines in real time drafted	
			c) Automated cross-checking used to verify return information			
	Output 3.1.4: Compliance Risk Management is comprehensive (includes segments with high-compliance risk)	GDTax	a) IT system interfacing	Risk registers have been identified		
			b) Training of staff on risk management		14	
	Output 3.1.5: The taxpayer register is complete and accurate	GDTax	a) Improvement of register		Register improved	
			b) Organization of awareness campaigns		Awareness campaign organized	
	Output 3.1.6: Informality is reduced	GDTax	a) Number of sectors covered		2 sectors per year	
		GDTax	b) Chain transactions starting from large companies investigated		report produced	
		GDTax	c) Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud			
	Output 3.1.7: Improved tax debt management	GDTax	b) An accurate database of debt stock is in place			
GDTax						
				42		

2019 PFM Monitoring Report

Specific Objective 3: REVENUE MOBILIZATION						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
3.2: FISCAL CADASTER OF PROPERTIES						
	Output 3.2.1: Fiscal zone value based property tax on buildings in place and taxation collection operationalised	GDPT	a) First taxation of buildings commenced		Centralised IT system developed	
			b) Property Tax Law approval	Basic rules on Law No. 9632, date 30.10.2006 and taxation based on reference price based on Decision No. 132., date 07.03.2018 of the Council of Ministries	Staff at the municipalities trained	
			c) Value zones for buildings determined for all municipalities	Taxation is made bases on reference price		
	Output 3.2.2: Fiscal cadastre implemented by municipalities	GDPT	a) Taxpayers are aware of their Property Tax obligations			
			b) Development of e-services			
			c) Register, Appraise and Tax Collection and debt management processes handed over to the municipalities			
			d) Drafting of project proposal for taxation of land			
3.3: CUSTOMS MANAGEMENT						
	Output 3.3.1: Enhanced collection of duties by improving policies/procedures and custom processes	GDC	a) Regulatory framework is further aligned with the EU acquis	Binding Tariff information is a continuous process actually implemented and upgraded periodically. Other elements mentioned in column "F" to be implemented in 2019	BTI (Binding Tariff Information) is synchronised	
			b) A single guarantee system is in place	Single Guarantee system is partially in place (only legislation is prepared)	Technical specification prepared	
			c) A quality management system is developed for laboratory' customs	The quality management system for Custom's Laboratory is in continuous annual development and improvement. Every year the Laboratory obtained new certificates of quality and extends the variety of analysis.	A quality management system for customs laboratory developed	
			f) Simplified procedures including the AEO is further implemented	In continuity Customs administrations is facilitating the process for the economic operators to receive the status of AEOs.	3 applications from economic operators receive the status of AEO	
			g) ITMS implemented			
			i) NCTS implemented			
	Output 3.3.2: Comprehensive risk management system in line with the EU harmonized risk management model developed and maintained	GDC	a) A comprehensive risk management system is deployed		A comprehensive risk management system developed.	
			b) Measures to fight counterfeiting and fraud are developed and implemented	0		
			c) IT system to assist in the fight against money laundering and terrorism is developed and implemented	0		

2019 PFM Monitoring Report

Specific Objective 4: EFFICIENT EXECUTION OF THE BUDGET						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
4.1: EXPANDING THE USE OF AGFIS						
	Output 4.1.1: Direct use of AGFIS by major budget institutions increased	GD Treasury	a) A time-bound action plane is in place and implemented for enrolment into AGFIS of the BI	15	Action plan approved by the Minister	
	Output 4.1.2: AGFIS and other government IT systems are integrated	GD Treasury	a) Interfaces of AGFIS with the customs management system are in place	AGFIS Interface developed and tested with mutual data	AGFIS Interface tested with real data from Custom Information System	
		DOPA/NAIS/GD Treasury	b) Payroll executed through AGFIS	0	System functions and technical solutions agreed, signed and tested	
		GD Treasury	c) Web portal for supportive document of financial transactions executed in AGFIS and electronic archive is implemented	System technical solution agreed and signed	Testing of the system and training of end users	
4.2: MULTI-ANNUAL COMMITMENT CONTROLS AND ACCOUNTS PAYABLE						
	Output 4.2.1: Recording of commitments, accounts payable, including arrears enforced	DTO	a) Compliance with multi-annual commitment controls is monitored (compare financial data from the active contracts to the data entered into the AGFIS)		Report prepared	
		FRU	b) BI compliance with system and legal requirements (commitments and accounts payable (invoices received)) is monitored		Report prepared	
		DM and GEN SEC	c) An Arrears Working Group to monitor their development and root cause of arrears is established		Arrears Working Group established	
		DHIA	d) Number of entities audited by IA on arrears	NA		
		DHIA	e) Annual monitoring of arrears reported to the PIFC Board		Findings reported to PIFC Board	
4.3: DEBT AND CASH MANAGEMENT						
	Output 4.3.1: An improved liquidity forecasting	DTO	a) PEFA 21.2 Cash forecasting and monitoring	B (PEFA 2017)	Analyses on cash forecasting prepared	
		DTO	b) Forecasting tools		Forecasting template is produced	
		DTO	c) Staff trained	5 BIs pilots+TOD	15 staff	
	Output 4.3.2: Annual medium-term debt management strategy with targets published and met	GDPDCFA	a) Quantitative targets for the debt portfolio composition set annually in advance and met		Annual debt management strategy published before the start of the year	
		GDPDCFA	b) Annual program			
	Output 4.3.3: Primary and secondary market are deepened	GDPDCFA	a) Activities in the primary and secondary market	After the pilot project phase for testing the market maker	Extend the market maker agreement for government securities for 2 benchmarks instruments, 3 year and 5 year	
		GDPDCFA	b) Analysis are performed			

2019 PFM Monitoring Report

Specific Objective 4: EFFICIENT EXECUTION OF THE BUDGET						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
4.4: PUBLIC PROCUREMENT						
	Output 4.4.1: The public procurement laws are harmonized with the EU directives	PPA	a) New PP Law prepared			
		PPA	b) Secondary legislation delivered			
	Output 4.4.2: Public Procurement Commission is providing legal protection for tenderers and public interest at all stages of the public procurement	PPC	a) No of staff recruited		3	
			b) Comprehensive instructions issued		Instructions and procedures are prepared	
			c) Capacity development plan implemented and specialized training delivered			
	Output 4.4.3: E-procurement system is further enhanced	PPA	a) Functional requirements defined			
			b)New functionalities implemented in the EPS			
			c) Operational manual and instructions for the system changes in use			
Output 4.4.5: Mechanisms to control the availability of funds prior to procurement established	GD Treasury	a) Changes within the procurement process implemented				
4.5: MANAGEMENT OF EXTERNAL FUNDS						
	Output 4.5.1: The EAMIS information on external funds is complete and periodically updated	GDPDCFA	a) Information on external funds	Historical data until 2016 on external funds	2017 and 2018 data are recorded	
4.6: STRENGTHENING STATE AID ROLE						
	Output 4.6.1: Regulatory framework on State Aid improved.	GDEDE	a) Prime Minister's Order is drafted and approved.	NA	Prime Minister's Order is drafted.	
			b) Prime Minister's Order is implemented.	NA		
	Output 4.6.2: A database for monitoring effectively the implementation of state aid schemes is established.	GDEDE	a) State Aid Annual report	National expenditure reports		
			b) State Aid Commission decisions	10	≥ (t-1) (growing trend)	
	Output 4.6.3: Awareness campaign on the role and duties of the State Aid Commission are held.	GDEDE	a) Notification of State Aid measures	10	≥ (t-1) (growing trend)	

2019 PFM Monitoring Report

Specific Objective 5: TRANSPARENCY OF PUBLIC FINANCES						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
5.1: NATIONAL GOVERNMENT ACCOUNTS						
	Output 5.1.1: A sustainable statistical system for the general government units is in place	INSTAT	a) Revision of MOU			
			b) Automated budgetary government compilation systems developed	The basic structure of the system is being discussed		
			c) Auxiliary systems (extra-budgetary units, debt & interest, linkages with national accounts)	System discussed in general (No implementation yet)		
			d) COFOG estimations are integrated	No GFS statistics for EUROSTAT by COFOG produced		
			e) Data exchange systems are created (MOFE, INSTAT, & BOA)	Information exchanged on a formal way	Data exchange systems are created	
	Output 5.1.2: EDP tables are revised and full statistical system created	INSTAT	a) Tables for ESA Transmission Programme are automated and a full statistical system created	No system in Place (local Excel files used)		
		INSTAT	b) 3 new GFS tables are disseminated	No tables available		
		INSTAT/DTO	c) Timeline for public entities to update the published data is defined	No Dedicated Revision Policy for National Accounts		
		INSTAT/DTO	d) Reports based on the newly published data are completed	Difficulties in revision of EDP tables		
5.2: FINANCIAL AND PERFORMANCE MONITORING AND REPORTING						
	Output 5.2.1: Published upgraded government yearly budget execution report	DBM	a) New template for Annual Budget Execution Report, including KPI that are aligned with the MTBP and financial information are designed and used	ABER new template is designed	ABER new template is implemented	
			b) Upgrading of ABER template			
			c) % of staff trained	50% of staff trained	100% of staff trained	
	Output 5.2.2: Published upgraded in-year budget execution reports, including the mid-year review.	DBM	a) Template for in-year Budget Execution Reports, including the monitoring of KPI as defined in the MTBP are designed and used	In-Year new template is designed	In-Year new template is implemented	
			b) Updating the template for in year Budget Execution Report			
5.3: CITIZEN’S ENGAGEMENT						
	Output 5.3.1: A Citizen’s Budget guide is developed	DABP	a) Citizen’s Budget guide is prepared		Guide prepared	
			b) Training of CSOs for understanding OBL and identify optimal modalities for their involvement are held		number of trained CSO	
	Output 5.3.2: A budget hearing calendar with key budget processes is in place and implemented	DABP	a) % of budget hearings held			

2019 PFM Monitoring Report

Specific Objective 5: TRANSPARENCY OF PUBLIC FINANCES						
Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19	
5.4: ACCOUNTING						
Output 5.4.1: An implementation Plan for the regulatory framework in accordance with IPSAS	DHFMCA	a) Country strategic action plan based on GAP analysis in use		Country Strategic Action Plan for transition to IPSAS in all public institutions approved by government		
Output 5.4.2: An improved accounting regulatory framework	DHFMCA	a) Legal acts and accounting standards in line with IPSAS and approved country strategic action plan are in place	Current legal framework			
Output 5.4.3: Enhanced AFMIS to record accrual accounting data	GD Treasury	a) Changes are made to AGFIS to enable accrual recording of data				
	DHFMCA	b) New chart of accounts is developed and used	Current chart of account			
Output 5.4.4: Capacity Development plan implemented	DHFMCA	a) Capacity development activities delivered/plan		Approval of the Communication Strategy and Change Management Strategy		
		b) Training of Staff				
5.5: IMPROVED ASSETS MANAGEMENT						
Output 5.5.1: Methodology and guidelines for a full public asset inventory in Central Government (CG) institutions prepared	DHFMCA	a) Inventory of assets implemented in all central government units, based on the approved methodology	NA			
	DHFMCA	b) Guidelines for recognition and valuation developed/updated	Current guidelines			
	DHFMCA	a) Valuation of assets is done				
	DHFMCA	d) Depreciation and impairment policies developed (in line with the strategy for implementing accounting standards under component 5.4)	0			
Output 5.5.2: Full public assets inventory is recorded in AGFIS by those BIs which have direct access in this system.	GD Treasury	a) Data migration into AGFIS completed	6	5		
	GD Treasury	b) Number of staff trained on asset management	10	10		
Output 5.5.3: Full public assets inventory is recorded in excels (for BI which not have direct access in AGFIS)	GD Treasury	a) The number of BI's for which the correct asset balances are recorded into AGFIS General Ledger				

2019 PFM Monitoring Report

Specific Objective 6: EFFECTIVE INTERNAL CONTROL						
	Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
6.1: FINANCIAL MANAGEMENT AND CONTROL IN ALL PUBLIC INSTITUTIONS						
Output 6.1.1: Stronger financial management system and internal control environment is in place	DHFMCA	a) The PIFC Policy paper action plan approved		The PIFC Policy paper is drafted	The PIFC Policy paper is drafted	
		b) Implementation of the PIFC Policy paper				
		c) Draft guidelines			Draft guidelines drafted	
		d) Guidelines implemented				
		e) Revision of the FMC legal framework if needed (integration of strategic planning, medium and annual planning and use of information systems)				
Output 6.1.2: Functional internal control systems	DHFMCA	a) Approval of the methodology of internal quality review		NA		
		b) Quality review of internal control systems in public units with the new methodology		NA		
		c) Training program approved and staff trained		NA		
Output 6.1.3: Strengthened PIFC monitoring system	DHFMCA	a) Respective Law amended		Respective Law is not amended		
		b) Evaluation methodology approved			Methodology approved	
		c) Revised structure and content of the annual PIFC report			Structure and content of the annual PIFC report revised	
		d) Creation of database		NA		
		e) Reporting of systematic issues			Issues reported	
6.2: INTERNAL AUDIT						
Output 6.2.1: Enhanced IA function in all general government units	DHIA	a) GAP analyses between legal framework and IIAS			GAP analysis started	
		b) Revision of the legal framework				
Output 6.2.2: Internal audit effectively contribute to improved internal control systems	DHIA	a) Reporting of FMC findings			Findings reported	
		b) Reporting of FMC issues to PIFC Board			Issues reported	

2019 PFM Monitoring Report

Specific Objective 6: EFFECTIVE INTERNAL CONTROL

Output	Responsible Unit	Performance Indicator	Baseline	Output target FY19	Output target status FY19
6.3: PUBLIC FINANCIAL INSPECTION					
Output 6.3.1: Enhanced role of Internal and external financial inspectors	DPFI	a) Capacity development plans prepared and implemented			
		b) Share of participants to the total of invitee	50%	60%	
		c) Annual Report is shared with PIFC			
Output 6.3.2: A national anti-fraud strategy for the protection of EU' financial interest	DPFI/AFCOS	The national anti-fraud strategy prepared	No strategy in place		
		The national anti-fraud strategy implemented	No strategy in place		

Specific Objective 7: EFFECTIVE EXTERNAL OVERSIGHT OF THE PUBLIC FINANCES

7.1: External Audit

Output 7.1.1: Independence of auditors is enhanced	HSC	a) The ALSAI's Law is amended	The ALSAI's Law is sent for approval to the Parliament		
Output 7.1.2: Audit approaches aligned to international audit standards	HSC	a) A risk based annual audit plan is in place	Methodology on preparing the Annual Plan of ALSAI audits based on risk analysis is approved	Annual Plan of ALSAI audits and Audit Engagement Plan for individual audit drafted based on risk analysis	
		b) Methodologies and guidelines for all types of audits are aligned with ISSAIs	Methodologies and guidelines are not updated	Methodologies and guidelines updated	
		c) % against plan of auditors trained	On average: 25 training days for junior auditors 10 training days for all audit staff	At least : 25 training days for junior auditors 10 training days for all audit staff	
Output 7.1.3: Enhanced impact of audit through a better communication with all the stakeholders	HSC	a) Action plan of the communication implemented	80% of activities of 2018 Action Plan for the year completed	At least 85 % of activities of 2019 Action Plan completed	
	HSC	b) Yearly action plan is approved and implemented	Memorandum is signed and Joint Secretariat is established	Yearly action plan approved Yearly action plan implemented	
	HSC	c) Periodic Reports are sent to the Parliament on following up the implementation of audit recommendations	Annual Report on follow up audit recommendation as part of the Annual Performance Activity Report of ALSAI for the year 2018	Annual Consolidated Report sent to Parliament	