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MINISTRIA E FINANCAVE
DHE EKONOMISË

2020 Annual Monitoring Report

PFM Strategy 2019-2022

July 2021

Executive Summary

This document represents the sixth Annual Monitoring Report on the implementation of Public Finance Management (PFM) Reform in Albania covering the period 1 January 2020 to 31 December 2020. 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**. During 2020, some of the targets of performance indicators of Specific Objectives and the related outputs were revisited to take into account the negative impact of the November 2019 earthquake and the COVID-19 pandemic on reaching the results. While changes have been incorporated into the Strategy logical framework, the foundation remains identical with the same overall and specific objectives.

The present report provides an assessment of the PFM eligibility criteria for the EU to provide budget support to Albania. The PFM eligibility criteria require the existence of a credible and relevant reform programme to improve PFM as well as satisfactory progress in the implementation of the programme. To our self-assessment **PFM progress has been overall good.**

The updated strategy comprises the following 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 provides for an introduction to the report, explains the monitoring methodology and describes PFM reform visibility and consultation. **Sections 2 and 3 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 ratio over the medium term to 60 percent of GDP through strengthening fiscal rules as well as the financial oversight and management of the fiscal risks.

Progress in SO1 was quite good; only the outcome objective related to deviation of actual revenue collection as % of the approved budget estimate for tax and customs revenues was partially achieved. In addition to the existing rules (i.e. legal provisions to address over-optimistic forecasting, debt-break rule, etc. introduced since 2016) in 2020 was introduced another new (operational) fiscal rule targeting the primary balance. The whole set of rules aims at the ultimate fiscal policy medium and long term objective of bringing the debt/GDP ratio to "safe" levels and consolidating the sustainability of public finances. This ratio showed a declining trend over the period 2015-2019, but rose to 76.1% in 2020 as a result of immediate Government spending measures to facilitate the reconstruction process after the earthquake as well as to mitigate the COVID-19 pandemic effect. The budget deficit increased as well. While during 2016-2020 the nominal GDP forecasts were prudent and lower than the GDP forecasts in the IMF World Economic Outlook, in the last five years, and especially in 2020, the revenue forecasts and tax projections remained systematically overly optimistic. The General Directorate of Macroeconomic Policies and Fiscal Affairs (GDMPFA) established a new Sector for analysis and statistics in order to improve its forecasting capabilities, but only half of the positions were filled in 2020 mainly due to the time needed for hiring procedures. In 2019 the coverage of the Fiscal Risk Statement (FRS) was extended to a wider range of risks, including those of state-owned utility companies, arrears and those embedded in PPP contracts. In 2020, the Fiscal Risk Unit (FRU) has monitored monthly the financial and non-financial performance of all concession/PPP contracts with budget support and in May 2020, the 2019 Summary Annual Report with financial and non-financial information on the active PPPs was published for the first time.

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.

In 2020 a mid-term review of the NSDI-II (2015-2020) was conducted and the report was finalised during 2020. The Department for Development and Good Governance at the Prime Minister Office (DDGG/PMO) has finalised the implementation of a comprehensive automated system to strengthen the Integrated Planning System (IPS), which links strategic policy planning with budget planning. Although planned legal support for functioning of the IPSIS could not be finalised by the end of 2020, a Council of Minister Decision and a guidance on performance indicators setting and monitoring to help with its enforcement were adopted. In July 2020, the National Agency for Information Society (NAIS) has accorded the operationalisation and the readiness of the IPSIS to go live. Many training activities took place.

Like in 2019, a review on the application of and compliance with the Standard Budget Preparation Guidelines (SBPG) took place in 2020. Despite training and extensive coaching, the review evidenced that there remain some gaps and inconsistencies in applying the new guidelines in a number of sectors. The new MTBP module, which expands the existing AGFIS, was finalised and it was rolled out to all Line Ministries and Budget Institutions. The Strategic Planning Committee approved the Policy Priority Document in March and July 2020 in two separate meetings. New policy initiatives were decided upon before including them in the MTBP.

Regarding Public Investment Management (PIM), the Council of Ministers approved a new procedure in 2018 aiming at establishing new criteria for prioritising and appraising large capital investment projects. During 2019 and 2020, the Public Investment Directorate and PMO provided extensive training on both public investment proposals that should be submitted for approval and the new PIM module of AFMIS. With regard to PPPs, the number of contracts being reviewed by the Concession Directorate increased in 2019 and 2020. As mentioned, the Annual report for 2019 with financial and non-financial information on the active PPPs was published. The Single Project Pipeline for all projects, regardless of source of financing, was approved by the Strategic Planning Committee (SPC) in 2020. As a result, the ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year improved.

In the area of PFM in Local Government (LG), in the last few years 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. In 2020 LGs further strengthened strategic planning and budget management. Many LGs started to use performance indicators during the process of MTBP preparation and monitoring. During 2020 a review of the regulatory framework concerning MTBP processes at local level was conducted. By the end of 2020 all municipalities prepared the Insolvency Report. In 2020 LG arrears declined compared to the previous year, but remained to some extent above the planned target. A manual with all tax-related regulations and an updated tax registry aiming to create an effective revenue management could not be completed. In contrast, the review and improvement of planned fiscal municipality packages were completed. Finally, the General Directorate of Harmonization of Public Internal Financial Control (GDHPIFC) has performed many capacity building activities in order to establish an effective internal control and internal audit function at the LG level. During 2020, a Comprehensive Needs Assessment to assess sectoral and cross-cutting strategic framework and current capacities for strategic planning, monitoring and evaluation of performance objectives in LGs was done. A National Systemic Data Plan (NSPD) 2020-2027 was approved which will address the needs identified in the assessment.

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.

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. During 2020, the reimbursement regulation aiming to facilitate and simplify the applied risk criteria was revisited. Most of the work to implement automatic VAT refunds was completed. As a result, the repayment period of VAT reimbursement halved and the outstanding stock of VAT refunds decreased in 2020 by 16% compared to 2019. Part of automation of core tax administration processes included the upgrade of the e-invoice management module, which started in 2019. Progress was made towards the completion of the automatic cross-check that would be used to verify return information on the desk. The introduction of the Fiscalisation process would make the cross-check even more effective, but since the report could not be finalised during 2020 the automatic cross check of the return information could not be finalised.

In 2019 the General Directorate for taxation (GDT) created a complete and accurate taxpayer register, which was further improved in 2020. The agreement signed between the GDT and the National Business Centre made the timely transmission of data for registration and relevant changes of the companies possible. Three awareness campaigns organised in 2020 facilitated the completion of the register. Training of the staff on risk management aiming to build a comprehensive Compliance Risk Management system was achieved. Fourteen staff members of the Risk Management Department followed training during February-March 2020 focusing on the construction sector. The tourism sector, 33 different independent professions and chain transactions starting from large companies were analysed in-depth. Finally, the debt stock database was updated based on the monthly reports of the Directorates of Debt Collection in the regions.

Property tax reform was delayed due to the unforeseen events. The target set for 2020 for the establishment of a fiscal zone value-based property tax on buildings and operationalisation of tax collection was not achieved. During 2020 an agreement was reached between MoFE, SIDA and State Tax Agency in order to extend the property tax reform agenda for two years. The Property Tax Law was not approved as planned within 2020 as it is still under consultation process. The IT System was upgraded and municipal staff received training on the current version of the IT system. The creation of the value zones and the implementation in the system is in progress.

With regard to customs, the target concerning the percentage of actual custom revenue collection in 2020 compared to revenue collection in the previous year was not achieved. The General Directorate of Customs (GDC) worked further in aligning the regulatory framework to the EU *acquis communautaire*, including the most recent development, i.e. alignment of BTI and Nomenclature of Goods. The quality management system at the Customs laboratory received during 2020 its annual certification and accreditation for various analyses. During 2020, eight entities applied for the status of Authorised Economic Operators (AEO), but none of the applications have been approved yet. The contracts for Integrated Tariff Management System fully in line with the EU and for upgrading the ASYCUDA system with UNCTAD were signed during 2020.

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.

During the period 2014-2020, 15 budget institutions were enrolled onto AGFIS, representing around 78 percent of total government spending. The government still plans to roll-out the system to all major BIs, but extension of the timeline is foreseen. The integration of AGFIS with the Custom Management System remains a challenge as the testing of the interface could not be finalised by the end of 2020. Good progress was made during 2020 with the integration of AGFIS with HRMIS. It is foreseen that it will "go live" during the second half of 2021 after the issue for implementation of instruction of Minister of Finance and Economy regarding this process and training of general government units finance staff from DOPA and MOFE. By the end of 2020 the Web Portal for electronic archive was accessible to 110 BIs. The remaining BIs will have access starting in the second half of 2021, immediately after the successful upgrade of AFMIS Hardware.

The MOFE continued to enforce measures to strengthen the compliance to commitment and expenditure controls. During 2020, the Minister of Finance and Economy established an Arrears Working Group tasked to monitor arrears developments and provide systematic recommendations. Internal auditors have become engaged in the audit of the arrears in the most problematic entities. About 67 audit units have reported their findings and recommendation on arrears for the year 2020. Draft Guidelines on auditing of arrears have been prepared which will help the auditors to better perform these audits. Poor control environment (in particular control implementation) in all entities, especially in LGs, were the main cause for the creation of arrears. Findings and recommendations were included in the Annual PIFC report and discussed in the PIFC Board meetings.

The General Directorate of Treasury has worked further to improve liquidity forecasting and monitoring. Most of the World Bank and IMF recommendations to further improve cash forecasting were properly addressed in 2020. Only training of finance staff of key BIs could not be held due to the COVID-19 pandemic. Debt sustainability analysis is regularly undertaken A Medium-Term Debt Management Strategy (MTDMS) was prepared in 2020 and adopted in the beginning of 2021. The annual borrowing programme was not be approved due to the significant challenges the Debt Department faced with new instruments issued during the COVID-19 pandemic, the increased demand for liquidity and staff turnover.

Progress was made regarding Public Procurement. A new Public Procurement Law was adopted by the Parliament on December 24, 2020. By the end of 2020 all vacancies of PPC were filled. Plans to further upgrade the Electronic Procurement System (EPS) did not materialise during 2020 and will now be implemented during 2021. The PPC e-appeal system is being finalized to facilitate complaints management. The interface of AGFIS and EPS was established in 2020, and online control of available funds can be performed before any procurement procedure starts. While in 2020, the two public-procurement related outcome targets were not fully achieved. The indicator % in value of the procedures finalized with winner within first semester against total foreseen fund in the forecast, for the first 6 months has not been realized due to the Covid-19 pandemic and the change in the priorities of the contracting authorities. It is expected that with the procurement reforms they will be fulfilled in the coming years.

With regard to management of external funds, further work was conducted in populating the External Aid Management Information System (EAMIS) with data. By the end of 2020, the entry / migration of data for 2017 and 2018 has been practically completed. Efforts will be made during 2021 to enter EU and other Development Partners data.

Finally, the regulatory framework on State Aid was improved in line with the EU regulations and guidelines. Work has started to create an effective database for monitoring the implementation of state aid and awareness raising activities on the role and duties of the State Aide Commission have taken place. The State Aid Commission has approved eight decisions out of two planned for 2020.

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 most of the outcome performance targets have been met.

Some progress has been made in further strengthening systems and capacities to prepare government financial statistics in line with international standards. An important document[1] aiming to improve adherence to the twofold principle of alignment between statistical domains at national level and coordinated alignment across countries at EU level was published by INSTAT during 2020. Due to COVID-19 restrictions both automation of budgetary government compilation system and Table 1100 - On General government expenditure by function could not be fully completed and enhanced as planned, but is expected to be completed by the end of 2021.

Albania's fiscal transparency improved slightly in the Open Budget Survey of 2019 as it has published as well the Mid-Year Review online. During 2020, on-the-job sessions with the programme managers and Finance Departments of two LMs aiming to improve the annual and in-year budget execution templates took place in 2020. Moreover AFMIS was rolled out to all LMs and BIs, and the respective data have been uploaded into the system occurred. The onset of the pandemic and remote work stalled the process further. Like in the previous years, also in 2020 a Citizen's Budget Guide was developed and published. Moreover, a budget hearing calendar with key budget processes was prepared and implemented. CSO's received online training in 2020 to enhance their capacities to understand the budget cycle.

The gradual transition to presenting accruals-based government financial statements did not progress as planned. The review of legal acts concerning the public accounting and the assessment for enhancing AGFIS to enable accrual recording could not be completed. The capacity development plan could not be implemented as targeted. The development of the capacity development plan and Education and Training Strategy for accountants started in 2020, but could not be completed fully as planned.

With regard to asset management, registration into AGFIS has progressed as planned. The Ministry of Culture, Ministry of Tourism and Environment and Albanian Road Authority have entered the assets inventory in the asset module during 2020. Several trainings on assets management were provided by the Business Processes Department of the MoFE to finance specialists of these BIs (six staff in total).The first draft of the methodology for asset recognition has been prepared and will be finalised during 2021.

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.

To further reinforce the financial management system and internal control environment, important documents were approved during 2020: (a) Policy paper on Further Development of PIFC in Albania for the period 2021–2022, (b) Instruction on the Delegation of Tasks, and (c) Methodology of Internal Control Quality Review. The Policy Paper will serve as a tool to be used by public entities for a transparent and accountable management of domestic and foreign funds. The purpose of the new instruction is to define the rules and procedures to be followed in the process of delegating tasks. Some activities included in the Policy paper' action plan have started during 2020. The current status of the risk management system in selected institutions (MoFE, Ministry of Infrastructure and Energy, GDT) was assessed. The training programme on the implementation of legal requirements on FMC as well as the further development of the internal control system in public units is prepared and discussed in the PIFC Board. The programme will be used for future trainings according to the needs and requirements of the institutions for capacity building. Separate databases for FMC and IA findings and recommendations were established during 2020, which will help the CHU to better analyse and report on systemic issues to the PIFC Board.

More Internal Audit (IA) Units were established in central and local government. By the end of 2020, 77 percent of internal auditors on duty are certified by the Commission for Qualification of Internal Auditors and about 12% are in the process of certification. The IA Manual was revised in January 2020.

[1] Harmonized Revision Policies for Macroeconomic Statistics

In order to establish an effective public financial inspection function, a screening of the external inspections list aiming to replace or hire new inspectors was carried out during 2020, but due to the COVID-19 pandemic hiring did not materialise.

In general, all the SO6 outcome indicators' targets were met during 2020 showing an improvement as compared to 2019. The analysis of the extent to which internal control systems are applied in practice and whether managerial accountability mechanisms are regulated showed that BIs scored 2.56 and 2.9 out of 4 respectively, showing an improvement compared to 2019. Significant progress has been made towards alignment of internal audit framework with International Standards on Internal Audit as well as towards creating an efficient Public Financial Inspection.

SO7 '*Effective external oversight of the Public Finances*' aims to strengthen the external oversight function in line with INTOSAI 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.

Like in 2019, also in 2020 all outcome targets set to increase the effectiveness of external oversight of public finances, as to maximize its value and benefits to society were met in 2020.

All targets planned for 2020 aiming to further align audit approaches to international standards were achieved. First, the annual audit plan for 2020 was prepared based on the revised methodology "Strategic and annual planning methodology of auditing activity based on risk". Second, the ALSAI staff was engaged in reviewing and amending the regulatory framework of the institution, including revisited compliance, financial, and performance audit manuals, amended Audit Regulation and developed new manual "On the follow up of the implementation of recommendations and the Institutional Register of the Recommendations". Third, ALSAI auditors, including the newly hired ones, have received trainings, including training on audit of issues related to the COVID-19 pandemic, and on anti-COVID-19 preventive measures.

ALSAI has submitted various reports to the Parliament such as: (a) the report of the implementation of the audit recommendations, (b) the 2019 Annual Performance Report 2019; and (c) the 2019 Budget Execution Report.

Overall, despite the consequences of the November 2019 earthquake and the COVID-19 pandemic good progress in all of the seven Specific Objectives has been made. A summary overview is provided in the figures on the next page.

The first overview shows the progress status based upon the methodology used in the 2019 Annual Monitoring Report which used a three-colour classification scheme. The second overview[2] shows the progress status based on the official monitoring methodology of the Prime Minister's Office, applicable to monitoring all sectorial and inter-sectorial strategies. The latter methodology comprises a five-colour classification scheme.

Not all targets were achieved due to the external circumstances. Moreover, a number of component-specific risks identified in the PFM Reform strategy materialised and these risks affected the implementation of activities and planned outputs, and thereby hampering the full achievement of some of the outcomes as planned for 2020.

These risks are mentioned in Section 5 of the report. Based on the 2020 implementation and the PMO monitoring methodology, the risk assessment has been amended.

Section 6 provide a brief updated summary of resources used for implementing the reform, by presenting the financial data on expenditure during the implementation of each specific objective, including the amount of Government budget funds spent and donor funding. **Contributions from Development and**

[2] Refer to Annex No.2

Integration Partners (DIP) were important**.** DIPs are considered key partners in both preparation and implementation of the PFM strategy and have financed approximately € 3.38 million, which corresponds to around 30% of the total PFM reform strategy budget for 2020.

Overview of achievement of Outcome – Performance Indicators

Specific Objective 1	Specific Objective 2	Specific Objective 3	Specific Objective 4	Specific Objective 5	Specific Objective 6	Specific Objective 7
Sustainable and prudent fiscal framework	**Well-integrated and efficient planning**	**Revenue mobilization**	**Efficient execution of the Budget**	**Transparency of Public Finances**	**Effective internal control**	**Effective external oversight of the Public Finances**
Ia) Debt to GDP ratio	IIIa) 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	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	XXb) Managerial accountability mechanisms in the regulatory framework	XXIIIb) Proportion of financial (pure financial audit + combined audit) 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)	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	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	XIXa) Public assets recorded into the AGFIS	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		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 Programming
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

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

1.1 Introduction

This is the sixth Annual Monitoring Report on the Implementation of the Public Finance Management Reform which covers the period 1 January 2020 to 31 December 2020. It encompasses another 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 2020, the Ministry of Finance and Economy (MOFE) of the Government of Albania (GoA) revisited some of the targets of performance indicators of Specific Objectives and the related outputs to take into account the negative impact of the November 2019 earthquake and the COVID-19 pandemic on reaching the results. The process of change was led by the Directorate of PFM with the support of the EU Technical Assistance. All actors involved were consulted. While changes have been incorporated into the Strategy log frame, the foundation remains the same with the overall and specific objectives continued to be the same.

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 has been overall ***satisfactory***.

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

1.2 Monitoring methodology

The process of annual monitoring report preparation started on 23 March 2021 with a request sent by Directorate of PFM to all the SO Coordinators which are the governing structure in charge for reporting on implementation of the Strategy against costed action plan, performance against targets; any delays; or amendments, and identifying and mitigating risks. This report was prepared based on the new monitoring toolkit approved by Steering Committee no. 11, dated 7 April 2020, and the Decision of the Council of Ministers no. 290, dated 11.4.2020, "On the establishment of the state database of the Integrated Planning Information System (SIPI/IPSIS)".

During the report preparation, the Directorate of PFM conducts intensive communications with the representatives of the structures involved in PFM, in order to present fairly and clearly the achievements and issues encountered during the reporting period. Following an intensive process, MoFE drafted the annual monitoring report for the year and it was discussed with all parties involved in PFM, on the Technical Meeting. The final draft is presented through the meeting of the Steering Committee (SC) chaired by Minister of MoFE, where representatives of institutions and directorates within MoFE involved in PFM and other members of the SC, also development partners and civil society organizations participate. All comments or suggestions of the parties are discussed and reflected in the report, the final version of which, together with the full package of documents, is sent to the Department of Development and Good Governance. In the framework of transparency and communication with the public, MoFE publishes on its official website3 every annual monitoring report in Albanian and English.

1.3 PFM visibility and consultations

The PFM Reform Strategy serves as a policy dialogue framework for all donors and civil society actors active in the sector. Two PFM Steering Committee (SC) and three Technical Committee (TC) meetings were

[3] https://www.financa.gov.al/raportet-e-monitorimit-2/

held during 2020 and important decisions to secure a smooth implementation of the PFM were held, such as revision of PFM Strategy passport of indicators, terms of reference of all the governing structures of the Strategy and a simplified toolkit for annual monitoring report. Also, during 2020, the Directorate of PFM leaded the process of change of some performance indicators targets of Specific Objectives and the related outputs to take into account the negative impact of the November 2019 earthquake and the COVID-19 pandemic on reaching the results. All the PFM SC meetings were attended by key Government of Albania PFM stakeholders, as well as donors/development partners and civil society organizations. Also, the draft report and all the related materials were distributed for consultations in advance.

2. STRATEGY PROGRESS IN 2020

2.1 Achievements in implementing PFM Strategy Specific Objectives for 2020

Despite the consequences of the November 2019 earthquake and the COVID-19 pandemic good progress has been made in most of the seven Specific Objectives. Specific objective 4 did not make considerable progress as the execution of the government budget was highly affected by the external events.

Progress in SO1 'Sustainable and prudent fiscal framework' was quite good; only one outcome objective related to deviation of actual collection as % of the approved budget estimate for tax and customs revenues was partially achieved. For SO2 'Well-integrated and efficient planning' five objectives were met, while two objectives (related to disbursements for major investment projects and local government arrears) were not reached and for one objective (concerning funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP) data is difficult to get to come to an objective conclusion. Also for SO3 'Revenue mobilization' five objectives were realised and two were not accomplished (related to number of buildings registered and billed, and growth in custom revenue collection). The pandemic year 2020 was extremely difficult for the execution of the government budget. Only four objectives of SO4 'Efficient execution of the Budget' were met, one was partially achieved, while two were not achieved:

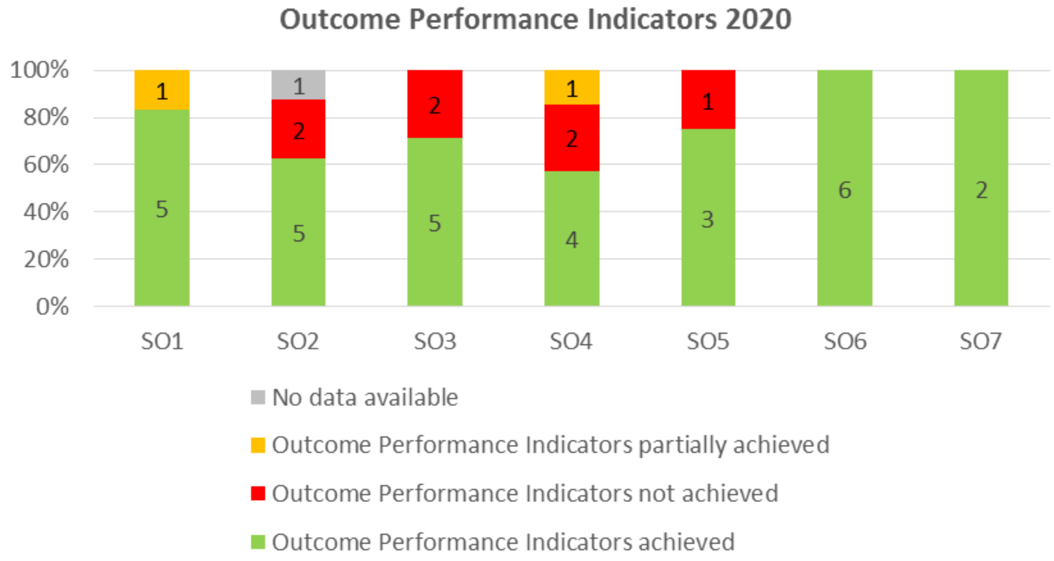
- Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government;
- The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register;
- The percentage of cases when the review body exceeds the legal maximum processing time.

For SO5 'Transparency of Public Finances' only the outcome objective concerning the phased transition to presenting accruals based government financial statements was not met, while three objectives were realised. For SO6 'Effective internal control' six outcome objectives were achieved and for SO7 'Effective external oversights of the Public Finances' both outcome objectives were achieved.

The graph below presents an overview of the relative achievements for the seven specific objectives.

75% of the outcome objectives were achieved, 17.5% were not achieved and 5% partially achieved. For 2.5% insufficient data was available to come to an assessment. SO 6 and SO7 achieved all objective targets (100%). SO1, SO2, SO3 and SO5 performed good to satisfactory, reaching 83%, 63%, 71% and 75% of the targets of the outcome objectives respectively. While for SO4 only 57% of the objectives' targets were met.

Overall, the graph below presents an overview of the relative achievements for each specific objective.



2.2 Impact of PFM strategy implementation in line with the European Integration agenda

The public finance management reform continues to be a priority of the Albanian government not only as one of the preconditions for accession to the European Union (under public administration reform), but also aims at supporting a more developed economy with better services to citizens. Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilization, and continued relevance and credibility of the reform programme is one of the general conditions for disbursement of budget support tranches.

Albania's economic and social development journey and the prospect of its harmonization to European standards is not an easy process. It requires vision, clear ideas and the audacity of the state, institutions and other relevant social factors. In this regard, the Public Finance Management Strategy 2019-2022, addresses a number of challenges that Albania should tackle in its path towards European Union. Furthermore, progress of PFM is part of several monitoring and evaluation reports such as: PAR Special Group report and EU Progress Report for Albania.

With regards to the EU-Albania PAR SG, it serves as the main platform to push forward the work on Public Administration Reform. Periodic reports on the follow-up of the PAR SG conclusions are prepared by Albanian Government and every yearly meeting, conclusions on the areas to be improved are issued. In the 9th PAR SG meeting held in 2020 is reported on the implementation of the PFM conclusions, namely on remaining vacancies, especially in key functions within the Ministry of Finance and Economy; accumulation of new arrears at both local and central level; decision making and management processes for public investments; domestic revenue mobilization; and the secondary legislation on the law on local finances.

With regard to EU report on Albania 2020[4], key findings are presented in the following box.

[4] https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/albania_report_2020.pdf

> "…Increased attention is put on the repayment and prevention of arrears, the reduction of the public debt, to extending fiscal risks management to include SOEs, arrears and those risks embedded in Private Public Partnerships and concessions contracts…
> … However, revenue and growth figures still need to be revised. The law on concessions and public-private-partnerships (PPPs) was amended, including to reduce scope for unsolicited offers and to strengthen the role of the Ministry of Finance and Economy in the assessment and approval of PPP contracts and addenda. Data collection for and preparation of a medium term revenue strategy are ongoing, in view of changed assumptions due to COVID-19…"

MoFE present the progress of PFM strategy under the section of public administration reform to 2020 EU progress report on Albania. Measures are proposed and followed up by respective units in order to address the EU recommendations. Furthermore, PFM responsible units reported that for 14 out of 24 components of PFM reform present their progress on the NPEI chapters. 8 out of 14 components are partially achieved during 2020, and 6 out of 14 are fully achieved. For each of the chapters, recommendations are given and respective measures are taken to address them.

2.3 Impact of sector development in the region and / or beyond

In this section it is provided a comparative analyse among Western Balkan countries, with the focus on public finance area and the economic performance achieved from ongoing reforms. According to several studies conducted, the six countries of WB (Albania, Kosovo, Bosnia and Hercegovina, Serbia, Montenegro and North Macedonia) are almost in the same stages of PFM reform implementation. Especially relevant was the WB report "Western Balkans Regular Economic Report No.18 "An Uncertain Recovery" where it is presented an overall view of the main public finance indicators and the impact of the pandemic in these economies. The table below represent the overall fiscal picture for the Western Balkan countries for 2019 and the estimation for 2020.

Table 1: Fiscal indicators in the Western Balkan countries 2019, 2020[5]

Indicator	Real GDP growth (percent)		Public debt (percent of GDP)		Fiscal balance (percent of GDP)		Public Expenditures (percent of GDP)		Public revenues (percent of GDP)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Albania	**2.2**	**-8.4**	**63.5**	**76.2**	**-1.9**	**-8.5**	**29.3**	**35.1**	**27.4**	**26.6**
Bosnia and Hercegovina	2.6	-3.2	33.1	38	1.9	-4.2	41.5	46.6	43.3	42.3
Kosovo	4.2	-8.8	17	22.6	-2.9	-9.5	29.5	34.5	26.7	25.1
North Macedonia	3.6	-4.1	40.2	50.8	-2.1	-6.1	33.3	35	31.2	28.9
Montenegro	4.1	-12.4	76.5	92.9	-3	-11.7	46.2	53	43.3	41.3
Serbia	4.2	-3	49.7	55.3	-0.2	-7.6	42.3	47	42.1	39.4

Source of information: World Bank (2021)

The recession has been expected particularly severe in Montenegro, Albania, and Kosovo because of their reliance on tourism and the sector most affected by the COVID-19 crisis. As it can be seen:

- Albania appeared in a worse position in 2019 as *the real GDP growth* is the lowest in WB due to earthquake impact. But, as the reconstruction was getting underway, the global COVID-19 pandemic forced major economic sectors into lockdown, therefore the economic situation deteriorated. However, considering the estimation for 2020, Albania appears better than Montenegro and Kosovo, although is below average growth in WB6. The gross domestic product in the Western Balkan region

[5] 2020 figures are estimated values

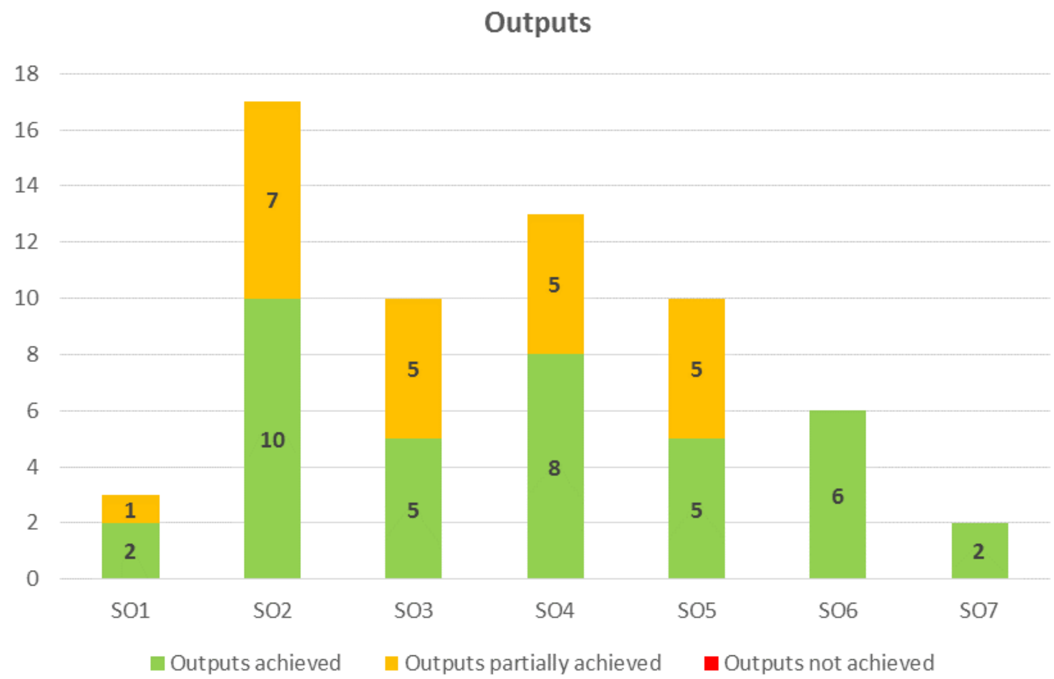
is projected to contract by 4.8 percent in 2020, while for Albania the output is forecasted to decrease by 8.4%.

- Another important indicator which is been greatly impacted from the pandemic effects is *Public debt*, if we compare the estimations among countries, it is noted that Albania is the second place from WB6 with the higher public debt as percentage of GDP, after Montenegro.
- *Public expenditures* in terms of GDP have increased in Albania, as well in other countries.
- *Public revenue* decreased not only in Albania, but in overall region, however the Albania is positioned at the bottom levels. Considering the estimation for 2020, Albania is the second country with lowest public revenue after Kosovo.

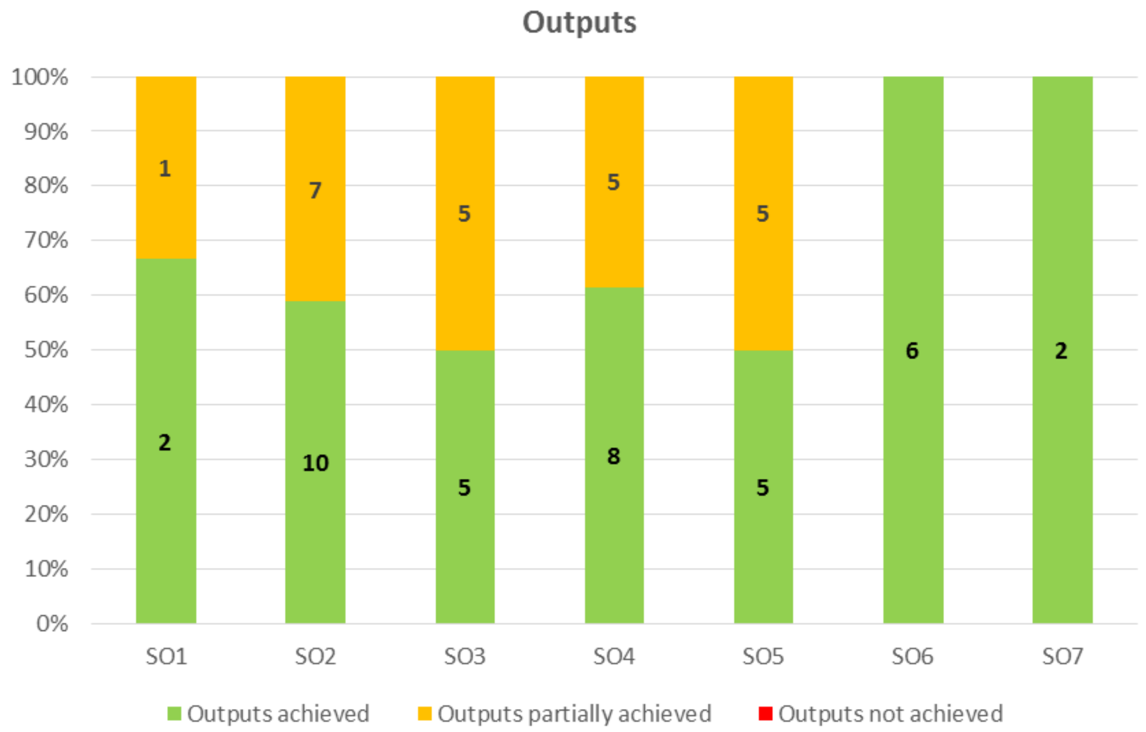
2.4 Specific objectives components or outputs that did not progressed as planned

As mentioned in section 1.2.1, SO4 was the Strategy component which was most negatively influenced by the two external events. Also for some other Specific Objectives the external events influenced the realisation of the outcome objectives. At the output-level though – which measure the more direct relation between activities and efforts and the outputs – the majority of outputs (62%) were completed, though the output performance varied across Specific Objectives.

The graph below presents an overview of the achievements of the planned outputs for the seven specific objectives.



For SO6 and SO7 all outputs were fully achieved; and for SO1 67% of the output were fully achieved, while 33% were only partially achieved. For SO2 to SO5 the percentage of the outputs which were fully achieved amounted to 59%, 50%, 62% and 50% as can be seen in the graph below. Various factors affected the implementation of the outputs as described in section 1.3 below.



2.5 General Budget execution

The majority of the reforms included in this strategy are policy reforms. The work of formalizing these reforms in the form of new and/or modified legislation and regulations has generally not required additional financial resources. Existing staff of the institutions involved in the implementation of the reforms have taken all the necessary steps to achieve the desired results. The costed Action Plan 2019-2022 provides that the total cost of implementing the activities is EUR 83 mln of which EUR 57.8 mln to be covered by the state budget and EUR 25.6 mln from International Development Partners (IDP). During 2020, the resources used for the reform implementation were 77% of the planned budget or EUR 11.2 mln out of EUR 14.6 mln (EUR 7.8 mln were funds from Government Budget, while EUR 3.3 mln from IDP). With the IPSS implementation it is believed that a complete picture of action plan costs will be provided, because a better alignment between the Strategy and MBP will be in place, so the budget spent during the implementation of the action plan will easily be retrieved. During 2020, the MoFE has obtained some financing and / or direct assistance from its external development partners to cover expenditure associated with systems implementation and capacity building.

During the preparation of the revisited Action Plan of PFM Strategy 2019-2022 a financing GAP of EUR 8.9 mln was foreseen for the entire period of its implementation. However, as mentioned also in the main PFM Strategy document, the Government remains committed to secure the financing gap to allow the implementation of the reform activities, and this was the case during 2020 where some activities not initially planned to be covered by the government budget or donors were performed by staff of the BI involved with the implementation. Further details about the resources used for implementing the reform are presented in chapter 6 of this report.

3 Progress in implementing PFM Strategy Specific Objectives

The specific details of the developments for each Specific Objective are described in the sections below.

3.1 Progress under Specific Objective 1

Provisions were introduced into the legislation designed to address over-optimistic forecasting. The provisions included new debt, deficit and actual primary balance rules aimed at bringing the Debt to GDP ratio to sustainable levels. Compared to 2015, the Debt to GDP ratio showed a decreasing trend during the period 2015-2019, while in 2020 the ratio increased to 76.1%. The GoA took immediate measures to address the earthquake damages / reconstruction process and to contain the COVID-19 pandemic consequences, which led to significantly higher spending, resulting in a higher budget deficit in the short term and a higher level of national debt. The forecasts of nominal GDP were prudent and lower than the respective forecasts of nominal GDP in the IMF World Economic Outlook during 2016-2020. However, in the last five years, especially in 2020, the planning and budgeting processes were undermined by systematically overly optimistic revenue forecasts and tax projections. The General Directorate of Macroeconomic Policies and Fiscal Affairs (GDMPFA) established a new sector for analysis and statistics in order to improve its forecasting capabilities. Only half of the planned positions were filled during 2020. A Fiscal Risk Unit (FRU) was established in MoFE responsible for analysing, monitoring and reporting on the fiscal risks. The first Fiscal Risk Statement (FRS) was published with the 2019 Annual Budget. During 2019 work 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. In 2020, FRU has regularly monitored every month the financial and non-financial performance of all concession/PPP contracts with budget support. In May 2020, a 2019 Summary Annual Report with financial and non-financial information on the active PPPs was published for the first time.

In general, 83% of the outcome indicators' targets aiming to develop a credible medium term macro-fiscal framework that supports MTBP preparation were met during 2020 and 17% of them were partially met, showing an improvement as compared to 2019 (67% of outcome indicators' targets were met and 33% partially met). As compared to 2019, two PIs targets status are improved during 2020: "Primary balance" and "% deviation of actual collection". The table below lists the 2020 performance indicator targets for each outcome (if the status of the target is marked *in red*: it is not achieved, if *in orange*: it is partially achieved, if *in green*: it is achieved).

Table 1: Key Outcomes and performance Indicators

Specific Objective 1: SUSTAINABLE AND PRUDENT FISCAL FRAMEWORK							
Outcome	Performance Indicator	Lead Institution	Baseline (2018)	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	GDMPFA	68%	66.3%	79.9% *	76.1%	< FY 20
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	GDMPFA	-5.9 billion ALL	-16.5billion ALL	< 0	ALL -0.2 billion	< 0
	Ic) Primary balance	GDMPFA	+0.5%	0.20%	-4.90%	-4.7%	> FY20
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	GDMPFA	-18%	-4%	≤ planned deficit	-17.0%	≤ planned deficit
	Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues	GDMPFA	-1.4%	-3.50%	-16.50%	-16.80%	> -5%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	GDMPFA	C (2017)	B+	B	B	B

Progress achieved during 2020

Component 1.1: Fiscal rules and forecasting

Work towards strengthening fiscal rules has advanced better than anticipated during the revision of the Strategy. Amendments to the Organic Budget Law (OBL), adding new fiscal rules, planned for 2022 were made in July 2020. The newly introduced rule concerned the primary balance, which starting from the 2023 cannot be negative (i.e. it must at least be balanced, or show a positive surplus). The new rule is seen as a crucial indicator of the long-term sustainability of public finances and is also in line with the EC recommendations and the main principles of the acquis communautaire of the EU. During 2020 the GDMPFA has expanded the existing staff capacities.

Component 1.2: Fiscal risk management

Several improvements have been done, specifically toward strengthening the monitoring of the main fiscal risks, such as those related to SOE-s, arrears & contingencies, and budgetary payments for PPP contracts. During the first half of 2020, the SOE-s monitoring has been broaden including for the first time the water sector enterprises. With the World Bank (WB) assistance a monitoring report concerning State Owned Enterprises (SOE) in the water sector has been prepared and shall be the basis for further fiscal risks analysis to be included in the FRS. In the framework of the reform in the energy sector, the monitoring report of this sector has been deepened. In December 2020, the plan of measures for the reduction of arrears in the electricity sector was successfully finalized. During the 2020 pandemic year, FRU has been closely monitored PPP-s with budget support, which were several times subject to budgetary cuts, in order to create budget space for governmental anti Covid measures. In this regard FRU/MFE has been closely monitored this contracts, further more taking actions and renegotiating some concession contracts, mainly by postponing their payment deadlines, with the final goal of easing the budget burden for the difficult year 2020, but also for the 2021. Contingent liabilities on the other hand remain a focus, thus FRU is continually monitoring and reporting the financial obligations arising from Strasbourg court decisions and arbitration cases.

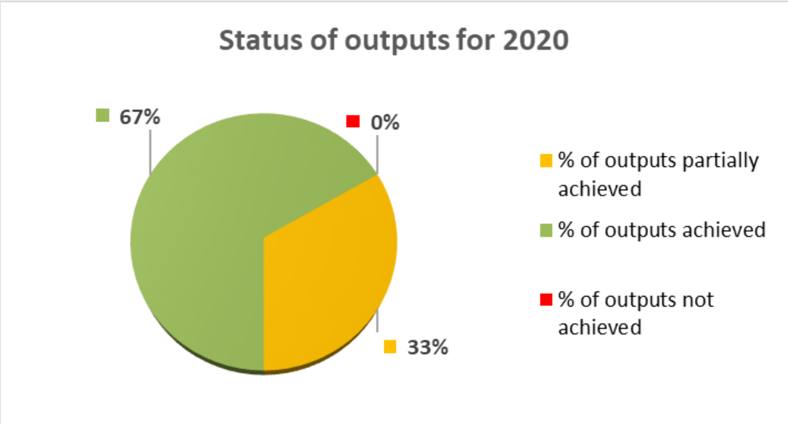
Institutional arrangements for an effective measurement and management of arrears are now in place. *Firstly*, an Arrears Working Group (AWG) to monitor arrears of the general government entities was established through the Minister of Finance and Economy order of 21 July 2020, The AWG has six members and is led by the General Secretary of the MoFE and will potentially improve the coordination within the Ministry of Finance and prevent the accumulation of new arrears. *Secondly*, a new instruction6 was issued in October 2020 which obliges all BIs and their dependent institutions to record the arrears into AGFIS. Starting from January 2021, automatic monthly reports with information on the nature of the arrears and the

[6] Instruction of the Minister of Finance and Economy No.37, date 06.10.2020 published in the following link https://www.financa.gov.al/procedura-operacionale/

outstanding balance for each institution will be prepared and according to the new instruction FRU will remain responsible for reporting them based on AGFIS reports.

Summary of progress of outputs targets for Specific Objective 1

Box 1: 2020 status of outputs targets



Key risks

The overall strengthening of the FRU with staff as a trigger for change has to be generally recognized by the highest levels of management.

3.2 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 took place and the report was finalised during 2020. The Department for Development and Good Governance at the Prime Minister Office (DDGG/PMO) has finalised the implementation of a comprehensive automated system to strengthen the Integrated Planning System (IPS), which links strategic policy planning with budget planning. Although legal support for functioning of the IPSIS could not be finalised by the end of 2020 as planned, a Council of Minister Decision and a guidance on performance indicators setting and monitoring to help with its enforcement were adopted. In July 2020, National Agency for Information Society (NAIS) has accorded the operationalization and the readiness of the IPSIS to go live, and many training activities took place.

The Organic Budget Law (OBL) changes in 2016 empowered the Parliament to vote on and approve the MTBP ceilings at programme level and make them binding for the three-years period. Also, a thoroughly revised Standard Budget Preparation Guidelines (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 and 2020. The review 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 all Line Ministries (LM) and Budget Institutions (BI). In order to properly scrutinise and fund all new policy initiatives, the Strategic Planning Committee approved the Policy Priority Document in March and in July 2020 in two separate meetings and new policy initiatives were decided upon before including them in the MTBP.

Regarding public investments, the Council of Ministers[7] approved a new procedure in 2018 that aimed at establishing new criteria for prioritising and appraising large capital investment projects. During 2019 and 2020, the Public Investment Directorate and PMO provided extensive training on public investment proposals that should be submitted for approval and on the new PIM module of AFMIS. 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, other regulatory changes concerning the monitoring of PPPs and concessions increased substantially the number of contracts under review by the Concession Directorate compared to 2018. An Annual report for 2019 with financial and non-financial information on the active PPPs was published for the first time. The Single Project Pipeline for all projects, regardless of source of financing, was approved by the Strategic Planning Committee (SPC) in 2020.

In terms of PFM in Local Government (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. Work to strengthen strategic planning and budget management at LG level progressed well during 2019 and 2020. Training on performance-based budgeting was provided to all municipalities and many started already to use performance indicators during the process of Medium-Term Budget Plan preparation and its monitoring. During 2020 a review of the regulatory framework concerning MTBP processes at local level was undertaken which would serve as a good basis for compliance monitoring. Moreover, an instruction aiming to implement a monitoring system to early identify LG units facing financial problems was issued in July 2019[8]. By the end of 2020 all municipalities prepared the Insolvency Report. Arrears at the LG level remains an issue as their stock increased compared to targets set. A manual with all tax-related regulations and an updated tax registry aiming to create an effective revenue management could not be completed as planned. On the other hand, the review and improvement of planned fiscal municipality packages was made. Finally, the General Directorate of Harmonization of Public Internal Financial Control (GDHPIFC) has performed many capacity building activities in order to establish an effective internal control and internal audit function at the LG level. During 2020, a Comprehensive Needs Assessment to assess sectoral and cross-cutting strategic framework and current capacities for strategic planning, monitoring and evaluation of performance objectives in Local Government Units was done. In order to address the needs identified in the assessment, a National Systemic Data Plan (NSPD) 2020-2027 was approved by the Policymaking Thematic Group chaired by DDGG/PMO.

In general, 63% of outcome indicators were met, 25% not met and 13% not data available during 2020 showing a slight deterioration compared to 2019 (75% were met). As in 2019, five target indicators aiming to achieve a well-integrated and efficient planning are met, while the stock of arrears at the LG units was not reduced as planned. Ratio of actual major public investment disbursed for 2020 was not at the target levels. 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*: it is not achieved, if *in orange*: it is partially achieved, if *in green*: it is achieved). The table below lists the 2020 performance indicator targets for each outcome.

[7] The decision no 185 of the Council of Ministers the 'On Public Investment Management Procedures'
[8] Instruction no. 26, date 27.09.2019 "Financial Insolvency Procedures for local self-government units"

Table 2: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
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)	NA	> (t-1) (growing trend)	NA*	> (t-1)(growing trend)
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)	-0.14%	22.8% (2020)	22.8% (2020)	< (t-1)(declining trend)
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)		D (2017)	B	C	B	C
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 specific year)		64% (2018)	78%	> (t-1) (growing trend)	82%	> (t-1) (growing trend)
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations		97% (2018)	97%	97%	95%	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%	30% - 50%	46.35%	> (t-1) (growing trend)
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)		4.62%	5.6%	-4.90%	-4.90%	15.7% (fact 2021/ 2020)
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears		6.8 mld lekë (2018)/ 49.6 mld leke (13.7 %)	8.1 mld lekë/ 56.2 mld leke (14.4 %)	6.5 bln ALL/52.7 billion ALL (12.3%)	6.9 bln ALL/51.6 billion ALL (13.3%)	3.5 bln ALL/56.8 bln ALL (6.1%)

Progress achieved during 2020

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 during 2020 its effort to review the strategic documents approved by the Council of Ministers. However, the output target was partially achieved, because 14 out of 25 strategic documents (or 56%) were reviewed and the plan was to be any number above 16 (or 64%). The main purpose of the review was to analyse the conformity and level of integration of the strategies with the policy priorities and budget planning.

DDGG/PMO has successfully coordinated its activities for a better management of sector and cross-sector strategies. The first target which was related to the finalisation of the Mid-term Monitoring Report of the National Strategy for Development and Integration 2015-2020 (NSDI II), which was completed during 2020. The report reflects the progress, results achieved, and challenges in implementing the government reform agenda. The second target completed was the review of and comments made in 22 out of 28 monitoring reports submitted to DDGG/PMO.

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 technical expertise to assist with the drafting of the Law on IPS, the target could not be achieved as planned and the legal gap analysis with respect to policy management processes did not start yet. However, a CoM decision[9] to help with the IPSIS enforcement was adopted in April 2020. The main scope of the decision was to create an IPSIS database that will serve as the main system for planning, analysis, preparation of all typologies of strategic documents, as well as for monitoring their performance achieved towards planned objectives.

The guidance on performance indicators setting and monitoring aiming to strengthen the policy development process was finalised as planned, and the IPSIS system implementation progressed also well. Most activities that due to earthquake could not materialise during 2019, were successfully completed in 2020. For example, 25 structural manuals of the IPSIS system and 15 manuals for quality and management of data / performance indicators were finalised; training of 86% of the IPSIS networks including consolidated package of the curricula and materials was provided; six training reports were

[9] Council of Ministers no. 290, dated 11.4.2020 "On the establishment of the state database of the integrated planning information system (SIPI/IPSIS)"

prepared (one on ToT training, one on IPSIS users training and four on dedicated workshops / training of system users). The second batch of trainings took place in 2020 with more than 200 participants who were trained on various topics related to IPSIS implementation. In July 2020, NAIS has accorded the operationalization and the readiness of the IPSIS to go live. Finally, the electronic archive was developed in IPSIS which is operational since the system went live.

Component 2.2: Medium Term Budget Programme

The output targets to implement Performance Based Budgeting (PBB) in all the Budgetary Institutions were fully achieved. Based on the revised SBPG, adopted at the beginning of 2018, extensive coaching and review of its implementation across the Central Government Units took place during 2020. More specifically, a review of the implementation of the new guidelines at three additional Line Ministries/ Institutions was undertaken with the support from the EU Technical Assistance. The ministries covered included the Ministry of Culture (MoC), Ministry of Interior (MoI) and Ministry of Environment and Tourism (MoET). 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 up its implementation prior to the next MTBP phase. The new MTBP module was rolled out to all LMs and BIs during 2020. Also during this period, 132 program management teams were assisted to facilitate swift implementation of the module. Finally, to further assist the LMs in implementing the new guidelines, fourteen sector guidelines were approved and published. In order to properly scrutinise and fund all new policy initiatives, the Strategic Planning Committee approved the Policy Priority Document in March and in July 2020 in two separate meetings new policy initiatives were decided upon before including them in the MTBP. Progress was also made in further improving gender-responsive budgeting (GRB) at the central government level; during 2020, 55% of the budget programs have been fully integrated into GRB. 15 CSOs were trained and coached on participatory budgeting and GRB during 2020.

The Output related to enhancing quality and content of budget documents for Parliamentary approval was achieved as targeted for 2020. Materials and action plans were reviewed. The templates for data presentations and textual contents were prepared.

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. The Strategic Planning Committee (SPC) met and approved the SPP list during 2020. Preparation of secondary legislation following the approval of the amendments of the Concessions and Public Private Partnership Law progressed as planned. Three Council of Ministers[10] decisions aiming to define rules and institutional arrangements for evaluation of concessions/PPP and organisation and functioning of ATTRAKO were approved during 2020.

Although not specific targets were set for 2020 aiming to increase the quality of public investment proposals submitted for approval, on-the-job trainings and workshops for LMs, organised by EU Technical assistance were provided. Also, methodologies to develop feasibility studies, cost benefit analysis, environment and social impact assessment and prioritisation tools started to be prepared during 2020, one year earlier than initially planned

Efforts are made to improve the monitoring process of public investments, including PPP projects and concessions, and especially the quality and depth of reporting. Following the 2019 changes to the regulatory framework for the monitoring of PPPs and concessions, during 2020, the Concession Department (DC) continued to work on improving the quality of the information received from the Contracting

[10] DCM no. 420, dated 27.05.2020 "On approval of rules for evaluation and concession /PPP", DCM No. 285, dated 10.04.2020 "For the organisation and function of ATRAKO", DCM No. 280, dated 07.04.2020 "On approval of rules for organization of the Concession / PPP Selection Committee and the evaluation criteria for the seclusion of Concession/PPP projects"

Authorities. In May 2020, a 2019 Summary Annual Report with financial and non-financial information on active PPPs was published for the first time. Despite the complexity of the contacts, especially in the hydropower sector, efforts are made to include more sectors in the reporting framework and to better define the performance indicators for each contract.

Component 2.4: PFM in Local Government

Most of targets of the outputs aiming to strengthen strategic planning and budget management at LG level have been achieved. A review of the regulatory framework concerning MTBP processes at local level was undertaken with the assistance of the Local Finance Project (LFP). The review report was presented in a workshop that was organised in February 2020 with participation of representatives from various MoFE departments, LFP, Swiss embassy and various experts in local finances. The review of the regulatory framework served as a good basis for designing the process for legal compliance monitoring which would facilitate the preparation of the Annual Municipality Compliance Report. During 2020, most of the planned trainings to municipalities on performance indicators were held (21 out of 25 municipalities). The Department for Local Finances (DLF) continued to monitor and publish the Reports on Arrears on the MoFE website. Unfortunately, the stock of arrears at the end of December 2020 did not decrease as targeted due to the negative impact of both the earthquake and COVID-19 pandemic on municipal revenue collection. The outstanding arrears as of 31 December 2020 amounts to 6.9 billion Lek (instead of 6.5 billion as planned). All municipalities prepared the Insolvency Report after receiving training from the Local Finance Project. Finally, all municipalities prepared budget execution monitoring reports which were of a higher quality. Overall, these monitoring reports create a good foundation to enhance transparency, cooperation and reporting to central government structures.

The output targets for 2020 aiming to create effective revenue management were partially achieved. Work to prepare a manual with all tax-related regulations could not be finalised as planned. However, in cooperation with the LFP two regulations were prepared, one on tax debt administration and the other on tax payers services. The first regulation was implemented by 18 municipalities and the second regulation by 5 municipalities. Regarding the other output aiming to improve fiscal packages and tax registry at 15 piloted municipalities, by the end of 2020 fiscal packages of 18 municipalities were improved, while the update of the tax registry could not be completed as planned.

The output target to have an improved intergovernmental transfer finance system was partially achieved during 2020. The preschool education funds were allocated mainly on the basis of the number of pupils defined as the best cost driver for determining funds and services. Personal Income Tax revenues were transferred periodically as planned to local government units.

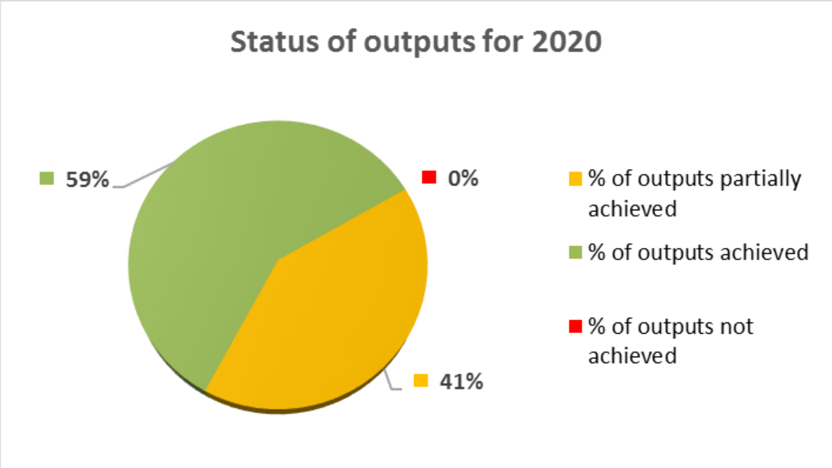
The GDHPIFC has performed many capacity building activities in order to establish an effective internal control and internal audit function at the local government level as planned. Training to all internal auditors hired in selected municipalities was provided during 2020, and the training on "Introduction of risk management and FMC (Financial Management Control) instruments to key management staff and internal auditors" was provided to 18 municipalities out of 15 planned.

The output targets for 2020 aiming to increase MOFE capacities to manage the PFM reforms at LG level were achieved. The Department for Local Finances (DLF) at the MOFE has started to use a monitoring tool that helps in evaluating the implementation of the Law on Local Finances. Also, LFD has reviewed the MTBPs submissions of all 61 LGUs.

Even though there were no specific targets related to the establishment of IPSIS at Local Government level, some work has started. During 2020, a Comprehensive Needs Assessment to assess sectoral and cross-cutting strategic framework and current capacities for strategic planning, monitoring and evaluation of performance objectives in Local Government Units was done. In order to address the needs identified in the assessment, a National Systemic Data Plan (NSPD) 2020-2027 has been drafted, consolidated and approved through the Policymaking Thematic Group chaired the DDGG/PMO with the participation from all Line Ministries and all piloted Local Units (30 LGUs) in close collaboration with the MOFE and the Ministry of Interior. The NSPD is designed and developed as a medium and long-term action plan and includes three policy goals, six specific objectives and 29 measures related to functionality and usability of the system in Central and Local Government.

Summary of progress of outputs targets for Specific Objective 2

Box 2: 2020 status of planned outputs



Key risks

Under this Specific Objective there are not high risks identified to implement the strategy, except for some moderate risks in the Public Management area and PFM in local finances. More in particular, the delays in adoption of regulatory changes and lack of human resources related to the development and maintenance of Single project pipeline for all projects, regardless of source of finance is considered challenging. Also, the risks that training of local finances staff is not sustainable and that IT procurement/skills will lack is considered moderate.

3.3 Progress under Specific Objective 3

A new Tax Administration Information Technology (IT) System became operational in January 2015 and revisions of the system were finalised in 2017. In 2015, the tax administration commenced implementing a 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 provision to taxpayers improved through the website, awareness campaigns, and the establishment of a call centre. In 2019, the tax administration finalised the design of automated risk-based procedures for all VAT refunds and most of the work to implement automatic VAT refunds was done during 2020. As a result, the repayment period of VAT reimbursement halved and the outstanding stock of VAT refunds decreased in 2020 by 16% compared to 2019. Part of automation of core tax administration processes included the upgrade of the e-invoice management module, which started in 2019, earlier than planned. Progress was made towards the completion of the automatic cross-check that would be used to verify return information on the desk. During 2019, the GDT created a complete and accurate taxpayer register, which further contributed to informing all taxpayers and encouraged 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 is delayed due to unforeseen events, and therefore during 2020 an agreement was reached between MoFE, SIDA and State Tax Agency in order to extend the property tax reform agenda for two years. A dedicated structure aiming to centrally establish and manage the fiscal cadastre information system and property tax reform was created and 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.

The regulatory framework of the General Directorate of Customs (GDC) has been continuously reviewed in order to comply with the EU *acquis communautaire*, including the most recent development, i.e. alignment of BTI and Nomenclature of Goods. During the period 2015-2020 the efficiency of the customs service delivery at border-crossing checkpoints has improved as well as its transparency. The GDC did not manage to approve four Authorised Economic Operators planned for 2019, though awareness-raising activities regarding the benefits, procedures and programmes have been taking place. The contract for Integrated Tariff Management System fully in line with the EU and the contract with UNCTAD for upgrading the ASYCUDA system (for risk management module and for establishing a database with data of the seizure of counterfeit goods) were signed during 2020.

The COVID-19 crisis comes on the heels of a severe earthquake at the end of 2019, and both shocks have negatively affected the revenue mobilisation. Six out of seven targets were revisited during 2020 (approved by the Steering Committee in January 2021), but still not all the revisited targets were achieved by the end of 2020. However, 71 % of outcome indicators' targets were achieved and 29% were not achieved in 2020, showing improvement compared to 2019 were 57% of these targets were achieved. The target linked with the ratio of tax return versus previous year and custom declaration processing time improved compared to 2019. Targets regarding number of buildings registered and billed and % of Actual custom revenue collection were not achieved compared to 2019. The table below presents the status of key outcomes and 2020 targets for the performance indicators (if the status of the target is marked *in red*: it is not achieved, if *in orange*: it is partially achieved, if *in green* is achieved).

Table 3: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	GDMPFA	112 428 businesses (2017)	113 829 (+1.24%)	≥ 14% (128 000)	47.6% (165,955 businesses in 2020)	
	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)		>0	259.462 million ALL(Gross,in 2019) (5.23%)	-11%	-7.20%	12.0%
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities		63%	74.00%	70.86%	78.39%	62%
VIII) Reduced informality with improved self-declaration and increase the detection force of controls	VIIIa) Ratio of tax return versus previous year		6.60%	3.48%	2.14%	2.21% (2,876,202 returns in 2020, vs 2,814,005 in 2019)	< 0%
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed		46.67% (2017) (700 000/1 500 000)	47.5% (570000/1200000)	80% (1 200 000/1 500 000)	80% (1 200 000/1 500 000)	86.7% 1 300 000/1 500 000
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)		>0	2.09%	-5.9%	-6.10%	9%
	Xb) Custom declaration processing time		(2018) 143.81	453 min/ declaration	97	97	70

Progress achieved during 2020

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.

The draft Strategy was prepared beginning of 2020, but it became less relevant when the COVID 19 pandemic started. Therefore, the strategy will be revisited during 2021 to take into consideration the new fiscal challenges.

The design of automated risk-based procedure for management of VAT refunds was in place as planned and most of the work to implement automatic VAT refund was done. During 2020, the reimbursement regulation aiming to facilitate and simplify the applied risk criteria was revisited. Therefore the repayment period of VAT reimbursement halved and the FIFO method was strictly followed. As the result, the outstanding stock of VAT refunds decreased in 2020 by 16% compared to 2019.

Part of automation of **core tax administration processes** included the upgrade of e-invoice management module, which started in 2019, earlier than planned. Specification of system architecture and business data model were completed and legislative changes (law[11] and bylaws) were adopted. One of the targets for 2020 aiming to help with the automation of the system was the completion of the automatic cross-check that would be used to verify return information on the desk. The introduction of the fiscalization process would make the cross-check even more effective, but since the report could not be finalised during 2020 the automatic cross check of the return information could not be finalised.

Training of the staff on risk management aiming to build a comprehensive Compliance Risk Management system was achieved as planned. IMF experts provided training to 14 staff members of the Risk Management Department during February-March 2020 focusing on the construction sector.

Both outputs targets to create an accurate taxpayers register were achieved. During 2020, the GDT has worked further to improve the taxpayer register. The agreement signed between the GDT and National Business Centre made possible the timely transmission of data for registration and relevant changes of the companies, including those which were liquidated, merged or divided. Another factor that facilitated the completion of the register were three awareness campaigns organised in 2020: one for the legal amendments on the Fiscal Package 2020; one for tourist season and the third one for fiscalisation.

The GDT targets for 2020 aiming to reduce the informality were partially achieved. The Directorate of Risk Management analysed the tourism sector and salary for some professions in order to identify and select for audit the high-risk taxpayers. In the Tourism Project, although difficult to continue during the pandemic, progress was made, which will be even greater next year. On a weekly basis, non-compliant taxpayers were identified and fiscal cash-registers' turnover monitoring was performed (for the period July-September 2020). Regardless, during 2020, there was no additional income from this sector due to a low number of foreign tourists and limited business hours due to the pandemic. From a comparative analysis of this sector for the periods June-August 2019/2020, a decrease of turnover by 28.3% was identified. Moreover, the salary project identified a risk of under-declaration of salaries of 33 different professions such as: director, economist, engineer, pharmacist, lawyer, cardiologist etc. Personalized letters were sent to these taxpayers (both employers and employees) to encourage them to declare their salaries. For some professions in the first quarter of the year included an increase of 3.3% of the average salary at the national level. This figure is based on statistics from INSTAT. Also, investigation of the chain transactions starting from large companies has been conducted and a report with the findings was prepared. 194 cases were referred to the Prosecutor's Office for criminal offenses in the field of taxes with a damage value of 5,115,938,598 ALL. For the criminal offense "Creation of VAT fraud schemes" provided by Article 144 / a of the Criminal Code, 5 cases with a damage value of 1.087 bln ALL were referred to the Prosecutor Office as well. During 2020, 1,432 full audits were conducted and the total findings were to 9.5 billion ALL. Finally, in order to reduce informality, tax audits and other initiatives would be used to detect and deter inaccurate reporting. Some regulatory changes for submission of financial statements have been drafted, but the report has not yet been prepared. Following the regulatory changes for submission of financial statements (guiding the procedure of

[11] Law no. 87/2019 "On the invoice and the circulation monitoring system"

receipt, verification and review of financial statements by Regional Audit departments), the report in question refers to a statistical report aimed to be prepared by Regional Audit departments with information on their review of taxpayer's tax declarations and submission of financial statements. The report's objective is to present potential problems encountered during this verification and address them to the Audit department in DGT.

The debt stock database was updated according to the plans based on the monthly reports of the Directorates of Debt Collection in the Regions.

Component 3.2: Fiscal Cadastre of Properties

The targets set for 2020 for the establishment of a fiscal zone value-based property tax on buildings and operationalisation of tax collection are not achieved. The purpose of the cadastre was to consolidate and improve the quality of all existing data on land, buildings and owner/occupants, and to calculate the annual tax obligation associated with each property. The first taxation of buildings could not be carried out due to low quality of above-mentioned data and lack of engagement from the municipalities in registering and updating data in the system. Some data were also foreseen to be taken from OSHEE, but the latter withheld from the centralised collection agent position, which was one of the preconditions of the Fiscal Cadastre population process. Due to this change, the earthquake and COVID-19 pandemic, MoFE, SIDA and Swedish Tax Agency (STA) have agreed to prolong the project by two years in order to catch up with the plan and achieve the main objectives. Finally, the Property Tax Law was not approved as planned within 2020 as it is still under consultation process. *IT System was upgraded andmunicipal staff is trained* for the current version of the IT system. The creation of the value zones is in progress and has not yet been implemented in the system.

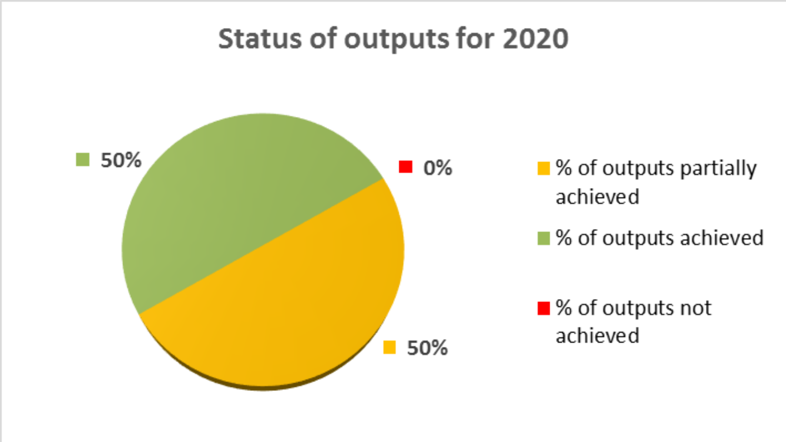
Component 3.3: Customs management

Outputs targets set for 2020 to enhance collection of duties by improving policies/procedures and custom processes are partially achieved. The GDC worked to further align the regulatory framework with the EU acquis by updating the instructions on BTI. The quality management system at the Customs laboratory aiming to analyse all the import and excise goods arriving to Albania received during 2020 its annual certification and accreditation for various analyses. During 2020, eight entities applied for the status of Authorised Economic Operators (AEO) and none of the applications are approved. The scope of the status is for operators to benefit from many custom procedures simplifications as they are considered less risky within and outside the country. The contract for Integrated Tariff Management System (ITMS) – fully in line with the EU – is signed and progress has been made regarding its implementation.

Output target for 2020 aiming to create a comprehensive risk management system in line with the EU is partially achieved. Contract with UNCTAD for upgrading ASYCUDA System (core system) is signed and work has started with the implementation of the new modules for risk management.

Summary of progress of outputs targets for Specific Objective 3

Box 3: 2020 status of outputs targets



Key risks

Under this Specific Objective there are not high risks identified to implement the strategy, except for some moderate risks in the Fiscal Cadastre components that relates to securing funds for the implementation of all activities and organizing large scale trainings that are sustainable. The same risk level is identified by the General Directorate of Custom, which sees as challenging the adequacy of financial provisions to funds the planned activities and the number of staff.

3.4 Progress under Specific Objective 4

AGFIS is the key system-based tool for controlling and monitoring revenues and expenditures. The government still plans to roll-out the system to all major BIs, but extension of the timeline is foreseen. During the period 2014-2020, 15 budget institutions were enrolled onto AGFIS, representing around 78 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 remains a challenge as the testing of the interface could not be finalised by the end of 2020. Good progress was made during 2020 with the integration of AGFIS with HRMIS and plans are to go live during the second half of 2021. Web Portal for electronic archive was accessible to 110 BIs by the end of 2020. 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, and subsequently the BIs were limited to over-commit. Also a new instruction aiming to standardise the procedures for management of commitment ceilings were issued. However, new arrears are still emerging, and therefore measures to strengthen commitment and expenditure controls continued to be the focus of the MoFE. During 2020, an Arrears Working Group (AWG) to monitor their development and to provide systematic recommendations was established by the Minister of Finance and Economy. A positive development was the engagement of the internal auditors in the audit of the arrears in the most problematic entities. The findings and recommendations were included in the 2019 and 2020 Annual PIFC report and broadly discussed in the PIFC Board meetings.

The GD of Treasury has been working to improve the liquidity forecasting and monitoring and most of the targets were achieved during 2019 and 2020. 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). A new law on public procurement has been adopted on December 2020, transposing 4 directives of the European Union. 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 all vacancies were filled as planned for 2019 and 2020. Plans to further upgrade the electronic procurement system (EPS) did not materialise during 2020 and will be implemented during 2021. The PPC e-appeal system is being finalized, which will help with complaints management. The interface of AGFIS and EPS was established in 2020, and online control of available funds could be performed before any procurement procedure starts.

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 donor funds. By the end of 2020, the migration/entering of data for 2017 and 2018 has almost finished, while EU and other Development partners information will be done after 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 Commission have taken place.

The main aim of this Specific objective is to ensure efficient and effective use of the approved budget resources. In general, 57% of outcome indicators' targets were met, 29% were partially met and 14% not met showing deterioration as compared to 2019 where 86% of them were achieved. Target related to outcome indicator PEFA 22.2 Expenditure arrears monitoring was met for the second consecutive year. In 2020 no new BI rolled out into AGFIS but there has been an increasing in the volume of budget executed through AGFIS. The stock of arrears was not decreased as planned, while both targets related to cost of borrowings were met. Efficiency of the procurement system was affected by COVID-19 related restrictions, and therefore the targets could not be achieved. The table below presents the status of key outcomes and 2020 targets for performance indicators (if the status of the target is marked *in red*: it is not achieved, if *in orange*: it is partially achieved, if *in green:* it is achieved).

Table 4: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
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)	75%	≥ (t-1) (growing trend)	78%	≥ (t-1) (growing trend)
XII) Arrears are minimized	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year		below 6% (B PEFA)	A	Below 4%	4.40%	Below 3%
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)		C (2017)	C	A	A	A (Data generated quarterly within four weeks of the end of each quarter)
XIII) Costs of borrowing is reduced and cash is available when needed	XIIa) Stock of domestic debt re-fixed within one year		56.7%	50.90%	46.7%	46.7	Max 48%
	XIIb) The average maturity of domestic debt		780 days	787 days	783 days	783	792 - 864 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		22% (2018)	49.80%	(increasing trend)	47,4%	(increasing trend)
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time		54.7%	16%	≤ (t-1) (declining trend)	22.10%	≤ (t-1) (declining trend)

Progress achieved during 2020

Component 4.1 Expanding the use of AGFIS

The output targets related to integration of AFGIS with other government systems were partially achieved. The interface with the Custom Management system was not finalised due to insufficient cooperation from GDC, while very good progress in the use of the Web Portal (WP) for electronic archive was made until May 2020. Some technical issues with the AFMIS performance stopped the rollout process. However, 110 out of 1100 new BIs accessed WP for electronic archive. The rest of the BIs will enrol during

2021, immediately after upgrading of the AFMIS hardware. Regarding the integration of AGFIS with HRMIS, the testing of the interface was successfully completed during 2020. The plans are to go live during the second half of 2021. Legal basis of HRMIS was reviewed and a decision of Council of Ministers no. 833 dated 28.10.2020 "On the detailed rules for the content, procedure, and administration of personnel files and the central personnel register" was approved.

Component 4.2: Multi-annual commitment controls and accounts payable

All the planned targets for applying multi annual commitment controls and recording of accounts payable, including arrears, were achieved during 2020. An Arrears Working Group (AWG) to monitor arrears of the general government entities was established by the Minister of Finance and Economy order dated 21 July 2020, has had two meeting for the reporting period. The AWG, in charged for monitoring of arrears development and based on the Arrears Report (monthly) have provided systematic recommendations for better management of arrears issue. All internal audit units were requested to include in the annual plan an audit of arrears. About 67 audit units have reported their findings and recommendation on arrears for the year 2020. The CHU and TA of the Project in collaboration with HSC have prepared a draft of Guidelines on auditing of arrears which will help the auditors to better perform the audits of such high risk field. Poor control environment (in particular control implementation) in all entities, especially in local government units, were the main cause for the creation of arrears. The IA findings related to arrears will be presented in the 2020 PIFC annual report[12] and to the PIFC Board in May 2021.

Component 4.3: Debt and cash management

The GD of Treasury has been working to improve the liquidity forecasting, and 2 out of three target outputs were successfully achieved. Cash flow forecasting is prepared for the year and it is updated on the basis of actuals cash inflows and outflows as follows: i) Daily, based on the Bank of Albania information; and ii) Monthly, based on updated forecasting of special funds and realisation of the consolidated fiscal indicators data. The missions from WB and IMF have provided some recommendations to further improve the cash forecasting system and many of these were properly addressed during 2020, except for training of finance staff of 5 selected BIs (GDT and GDC, representing 89% of total revenues, Ministry of Education and Ministry of Agriculture and Tirana Municipality, representing 22% of total expenditures) which could not be held due to the COVID-19 pandemic.

The General Directorate of Debt (GDD) adopted and published the Debt Management Strategy 2021-2023[13] by the beginning of 2021. The annual borrowing programme could not be approved as planned due to the significant challenges the Debt department faced with new instruments issued during the COVID-19 pandemic, increased demand for liquidity and staff turnover.

Both annual targets set by the GDD regarding the expansion of primary and secondary market were achieved. Primary market issuances were improved due to increase of flexibility of domestic borrowing. Analysis of the behaviour of domestic and external borrowing markets in order to ensure timely financing was conducted.

Component 4.4: Public procurement

The Public Procurement Agency (PPA) has made very good progress in revisiting the PPL to be harmonised with EU directives. In particular, a new Public Procurement Law[14] was adopted by the Parliament on December 24, 2020 and work has started for drafting the secondary legislation.

The Public Procurement Commission (PPC) output targets to provide legal protection for tenderers and public interest at all stages of the public procurement for 2020 were achieved. The PPC's

[12] https://financa.gov.al/raportet-vjetore/
[13] https://www.financa.gov.al/wp-content/uploads/2021/02/Strategjia-Afatmesme-e-Menaxhimit-te-Borxhit-2021-2023-FINAL.pdf
[14] Law 162/2020 "On Public Procurement"

organisation chart was approved by the Parliament[15] in October 2020, the restructuring process was completed in December 2020 and positions of the chairman of PPC, General Secretary, four inspectors, and seven other employees were filled. The PPC e-appeal system is being finalized, which consists in creating a complaints management system. Moreover, PPC has organised seven special training sessions in collaboration with SIGMA-OECD, ASPA, MoFE, OCP, focusing mainly on the new challenges of the PPC.

The Public Procurement Agency has continued to work on further enhancing the electronic procurement system (EPS). In particular, functional requirements for the system upgrade are finalised during 2020 and some changes to EPS have been already made. However, further changes are expected to be made to the system to accommodate the requirements of PPL as amended. With the EPS changes user manuals and instruction have been amended as well.

Measures to strengthen commitment and expenditure controls to prevent accumulation of new arrears were taken during 2020. The interface of AGFIS and EPS was established in 2020, and online control of available funds could be performed before any procurement procedures starts.

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 2020. 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 2020, external aid data of 2017 and 2018 were partially recorded. MOFE has raised awareness among the Development Partners community on the importance of their involvement to populate EAMIS. Efforts will be made during 2021 to enter EU and other Development Partners data.

Component 4.6: Strengthening state aid role

The regulatory framework on State Aid was improved, but implementation was not done as planned. Based on the order of the Prime Minister[16], due to COVID-19 related restrictions only one meeting of the inter-ministerial working group on state aid was held out of two planned. The purpose of the meeting was to (a) coordinate the preliminary consultations for the draft legal acts to assess the compatibility with the state aid rules, and (b) update the inter-ministerial working group on the state aid management process.

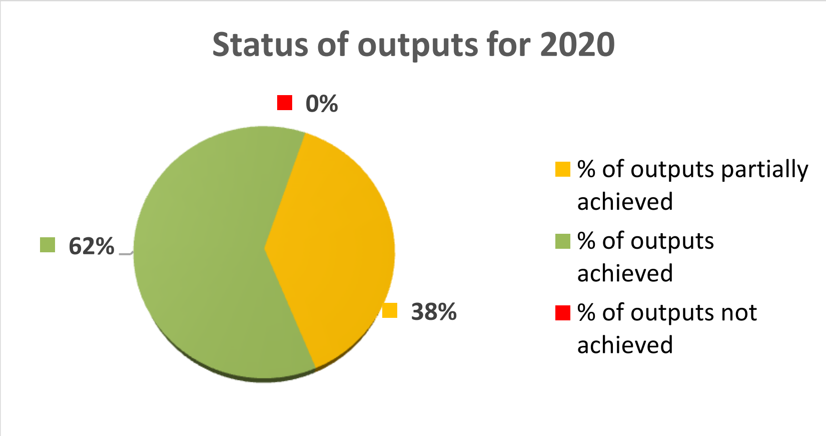
All the targets aiming to have an effective database for monitoring the implementation of state aid schemes were achieved. MoFE has worked on improving the database of state aid schemes. An annual state aid report for 2019[17] was prepared based on the information provided by the grantors of state aid 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 2015-2019 is provided. The main instruments of state aid in Albania during 2019 were grants and tax exemptions, refunds or tax rate reductions. The State Aid Commission has approved eight decisions out of two planned for 2020.

The target set for 2020 to raise the awareness on the role and duties of the State Aid Commission was achieved. The public was informed on three new aid schemes, namely “State aid to TAP project”, “Financial support (Grant) for new Green businesses “Go Green” and “On the Empowerment of Young People”, while the target was to have at least two notifications. All new aid schemes were published in the Official Gazette.

[15] Decision no. 65/2020, dated 29.10.2020
[16] Prime Minister's Order No. 128, dated 1.10.2019 “On the establishment of the Working Group on State Aid”
[17] https://qbz.gov.al/eli/vendim/2020/07/08/534/c85f75d0-1679-4256-84fd-d7c6aa260748;q=raporti%20vjetor%202019%20ndihma%20shteterore

Summary of progress of outputs targets for Specific Objective 4

Box 4: 2020 status of outputs targets



Key risks

Under this Specific Objective the main challenging component relates to the expansion of AGFIS use to other Budgetary Institutions, because lack of adequate financial and human resources may jeopardise its successful implementation. Receiving some external functional assistance it is seen of paramount importance to address these difficulties. Activities aiming to enforce recording of commitments, including arrears may be impacted by delays in the adoption of regulatory changes and IT procurement, however these potential risks are classified as moderate by the management and will be closely monitored during the year. Regarding Debt and Cash management, inadequate coordination between various actors involved may highly affect achieving the desired result, therefore, building up of a regular routine for communication may create a proper environment for decision-making. Two moderate risks are identified too in this component which are: lack of financial and human resources, but the management is committed to closely monitor these risks. Three moderate risks are identified which may hinder increasing efficiency and transparency of the Public Procurement system, such as lack of financial resources, delays in the approval of the regulatory framework and IT procurement. The completion of EAMIS with data on external funds may be at moderate risk because of lack of staff, IT skills and inadequate coordination. Finally, strengthening State Aid role can be impacted if not adequate human resources are hired (currently this risk is considered moderate).

3.5 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. Nonetheless, due to COVID-19 related restrictions both automation of budgetary government compilation system and Table 1100 - On General government expenditure by function could not be fully completed and enhanced as planned. An important document[18] aiming to improve adherence to the twofold principle of alignment between statistical domains at national level and coordinated alignment across countries at EU level was published by INSTAT during 2020.

[18] Harmonized Revision Policies for Macroeconomic Statistics

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 website[19] 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**.** On-the-job sessions with the programme managers and Finance Departments of two LMs aiming to improve the annual and in-year budget execution templates took place in 2020. Moreover AFMIS was rolled out among all line ministries and budgetary institutions and the respective data have been uploaded into the system.

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 Law[20] was formulated in a more transparent and comprehensive manner and “Budget at a Glance” and a simplified “Citizen Budget” were published. During 2020, a budget hearing calendar with key budget processes was prepared and implemented. Also, a Citizen’s Budget guide was developed and published in 2019 and 2020. Trainings were also provided during 2019-2020 to CSOs to enhance their capacities to understand the budget cycle.

Regarding 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 for asset recognition was not finalised as planned for 2020, while asset registration into AGFIS has 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) provide formal opportunities for the public to engage in the budget process; and (iii) prepare a full asset registry. The performance indicator related to moving on a phased basis to presenting accruals-based government financial statements has not progressed as planned.

During 2020, 75% of the outcome indicators’ targets aiming to strengthen the Transparency of Public Finances were achieved showing an improvement as compared to 2019 where only 60% of them were achieved. The targets related to performance indicator no XVI, Accountability and transparency through financial and non-financial performance reporting is enhanced, were changed during the process of changes of the Strategy 2019-2022 Outcome and Output targets as result of Covid-19 pandemic. This PI has no target for 2020, it will be measured for 2021 which will serve as new baseline. The table below presents the status of PIs for the SO 5 (if the status of the target is marked in red: it is not achieved, if in orange: it is partially achieved, if in green: it is achieved).

[19] http://www.financa.gov.al/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2017/
[20] http://www.financa.gov.al/buxheti-2016/

Table 5: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
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)	75%	75%	75%	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, including KPIs	DBM	ABER & In-year new templates are designed	New templates are implemented	n/a		25%
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)	7/100	≥ (t-1) (growing trend)	7 out of 100	≥ (t-1) (growing trend)
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%	0%	≥ (t-1) (growing trend)	0%	≥ (t-1) (growing trend)
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	3	3	5

Progress achieved during 2020

Component 5.1. National Government Accounts

Some progress was made during 2020 by INSTAT in creating a sustainable statistical system for the general government units. Two output targets were partially achieved. This was mostly because INSTAT activities were depending on Technical Assistance support, which could not deliver the planned activities for 2020 due to Covid-19 related restrictions. *The first* target related to the development of "Automated budgetary government compilation system". Some modules of the system were tested during 2020 and the work will continue until the end of 2021 when it is expected that the system will be running. Regarding the *second* target, aiming integration of COFOG estimations, INSTAT sent to Eurostat “Table 1100 - General government expenditure by function” starting from 2017 data onwards, but with the new IT system expected to be running by the end of 2021, the quality, accuracy and coverage of this table will be enhanced.

INSTAT published as targeted the “Harmonized Revision Policies for Macroeconomic Statistics”[21]. The main purpose of this document was to address users' concerns about the lack of coordination of revisions, and aims to improve adherence to the twofold principle of alignment between statistical domains at national level and coordinated alignment across countries at EU level.

Component 5.2: Financial and Performance Monitoring and Reporting

Staff training on budget monitoring report was the only target set for 2020 aiming to improve the government annual and in-year budget execution reports templates. During last year, work continued on the improvement of budget monitoring capacities by budget-programme-level. On-the-job sessions with the programme managers and Finance Departments of the Ministry of Agriculture and Rural Development (MoARD) as well as the Ministry of Health and Social Protection (MoHSP) took place in January and February 2020. Moreover, AFMIS was rolled out among all line ministries and budgetary institutions and the respective data have been uploaded into the system.

Component 5.3: Citizen’s Engagement

A Citizen’s Budget guide has been developed and published[22] 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 budget hearing calendar with key budget processes was prepared and implemented as planned for 2020. In this regard a series of online capacity building workshops with civil society organisations was initiated in late 2020. The trainings aimed at increasing CSO capacities for understanding of the state budget, and strengthening their capacities to play a watchdog role for public finances. The series of workshops started with two workshops held in November and December 2020, respectively, and the first one focused on

21 http://www.instat.gov.al/media/6557/harmonized-revision-policies-for-macroeconomic-statistics.pdf
22 https://www.financa.gov.al/wp-content/uploads/2020/11/CB-2021.pdf

the budget cycle and entry points for CSO advocacy; while the second on the different stages of the budget calendar and providing skills for sectoral budget assessment for CSO. The workshops were held remotely, due to the Covid-19 related restrictions and the level of participation was satisfactory (first webinar: 16 people from different CSOs and the MoFE; second webinar: 17 people). The online webinars allowed to reach a wider range of CSOs.

Component 5.4: Accounting

The target aiming to improve accounting regulatory framework and enhance AGFIS to record accrual accounting data were partially achieved in 2020. Part of the Project "Development of the Public Sector Accounting Standards in Albania (IPSAS)" is the review of legal acts concerning the public accounting. Due to the COVID-19 restrictions the review could not be finalised. The same status applies also to the assessment for enhancing AGFIS to enable accrual recording which was not completed as planned.

The capacity development plan could not be implemented as targeted. Following the approval of the Country Strategic Action Plan mentioned above, the CHU prepared the Terms of Reference needed for the selection of the company who will assist with the capacity development plan and Education and training Strategy for accountants. The selection process was finalised and both assignments started in 2020, but could not be completed fully as planned.

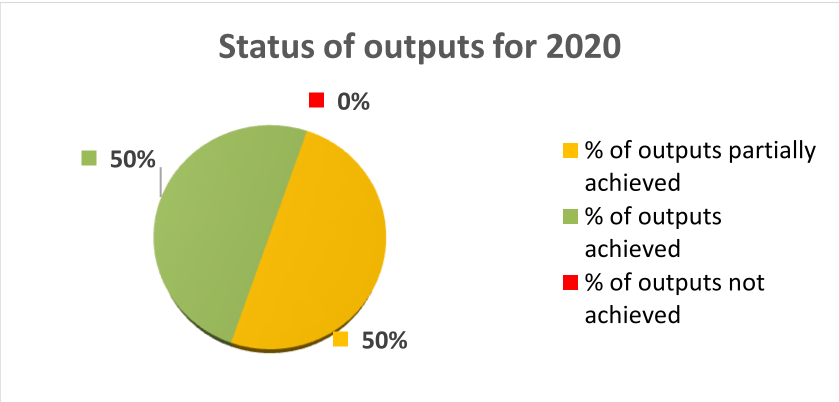
Component 5.5: Asset management

Methodology for a full public asset inventory in Central Government (CG) institutions was not finalised. The development of the methodology will be undertaken under the project "Development of the Public Sector Accounting Standards in Albania (IPSAS)" and it will follow some amendments to the legal framework that were drafted in the last quarter of 2020. A first draft of the methodology has already been prepared and it is planned to be finalised during 2021.

The output targets planned for 2020 aiming to have full public assets recorded in AGFIS (for BIs rolled out into the system) was achieved. Three BIs, namely Ministry of Culture, Ministry of Tourism and Environment and Albanian Road Authority have entered the assets inventory in the asset module during 2020. Several trainings on assets management were provided by the Business Processes Department of MOFE to finance specialists of these BIs (6 staff in total).

Summary of progress of outputs targets for Specific Objective 5

Box 5: 2020 status of outputs targets



Key risks

Under this Specific Objective the main challenging component relates to the Asset Management, because lack of technical assistance may impact reaching the desired result. The responsible unit is in continues contact with foreign donors to receive adequate assistance on this regard. Two additional risks under this component, such as lack of financial and human resources are assessed moderate hence requests to high management to accommodate these needs will be made as soon as the necessity may arise. Regarding Accounting, four potential moderate risks are being identified by management such as delay in making regulatory changes, lack of qualified professional staff and IT procurement/skills and lack of availability of technical assistance. As these risks may become an obstacle to move to accrual based Government Financial Statements, a close monitoring is planned. Also, the introduction of accrual accounting is a very expensive and long-lasting reform that needs to be further developed, and in the coming period, it is necessary to carry out additional cost-benefit analysis about gradual transition to accrual accounting. Finally, two moderate risks related to strengthening systems to prepare government financial statistics in line with international standards are identified such as non timely availability of technical assistance and inadequate coordination. Management is aware and will try to mitigate the impact in case any of these risks will materialise.

3.6 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/documents were approved during 2020, 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. Both FMC and IA regulatory frameworks are under review and plans are in place for adoption of changes if required.

On–site monitoring activities of the functioning of the FMC system and the IA function in some BIs have taken place during the period 2015-2020, as well as several capacity building activities, including trainings, coaching and study tours.

More IA Units were established in central and local government and by the end of 2020, 77 percent of internal auditors on duty are certified by the Commission for Qualification of Internal Auditors (CQIA) and about 12% are under the process of certification (expected to be finalised by September 2021). Separate databases for FMC and IA findings and recommendations are established during 2020, which will help the CHU to better analyse and report on systemic issues to the PIFC Board.

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. A screening of the external inspections list aiming to replace or hire new ones was carried out during 2020, but due to the COVID-19 pandemic hiring did not materialise. 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 general, all the outcome indicators' targets aiming to strengthen the Public Internal Financial Control system on central and local government level were met during 2020 showing an improvement as compared to 2019 where only 50% of them were met, 33% not met and 17% partially met. 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 2020, it resulted that the BIs scored 2.56 and 2.9 out of 4 respectively, showing an improvement compared to 2019 despite the situation created by the Covid-19 pandemic. Strengthening the internal audit function in the public sector is on track where all the outcome indicators' targets were achieved showing a progress towards alignment of internal audit framework with International Standards on Internal Audit. Work towards creating an efficient Public Financial Inspection is on track as well because targets were fully achieved in 2020 and 2019. The table below presents the status of key outcomes and 2020 targets for the performance indicators (if the status of the target is marked *in red*: it is not achieved, if *in orange*: it is partially achieved, if *in green*: it is achieved)).

Table 6: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
XX) Effective managerial accountability in all public institutions	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	**GDHPIFC**	2.71 out of 4 (Order of the Minister of Finance no. 117, dated 01.04.2019 Performance Monitoring Methodology)	**2.4**	>(t-1) (Growing trend)	**2.56**	>(t-1) (Growing trend)
	XXb) Managerial accountability mechanisms in the regulatory framework	**GDHPIFC**	2.7 out of 4 (Order of the Minister of Finance no. 117, dated 01.04.2019 Performance Monitoring Methodology)	**2.5**	>(t-1) (Growing trend)	**2.90**	>(t-1) (Growing trend)
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	**GDHPIFC**	57% (2018)	**60%**	>(t-1) (Increasing trend)	**65%**	>(t-1) (Increasing trend)
	XXIb) Internal audit framework aligned with International Standards on Internal Audit	**GDHPIFC**	Internal audit framework is not fully aligned with ISIA	**Review of IA Manual**	Gap analysis is performed	**Gap analysis is performed**	Legal framework updated
	XXIc) The % of system base recommendations addressed VS the total of findings	**GDHPIFC**	35% (2018)	**37%**	>(t-1) (Increasing trend)	**42%**	>(t-1) (Increasing trend)
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%	**83.30%**	>(t-1) (Increasing trend)	**85%**	>(t-1) (Increasing trend)

Progress achieved during 2020

Component 6.1: Financial management and control in all public institutions

The DHFMCA has achieved all the targets aiming to establish a stronger financial management system and internal control environment. The Policy Paper[23] "On Further Development of PIFC in Albania for the period 2021–2022" and the instruction 'On the delegation of tasks of employees in public sector units'[24] were both approved during 2020. The Policy Paper will serve as a tool to be used by public entities for a transparent and accountable management of domestic and foreign funds, while the main purpose of the new instruction approved was to define the rules and procedures to be followed in the process of delegating tasks. The institutional governing body for monitoring the implementation of the Policy paper action plan will be the PFM Steering Committee and the Technical Committee. Some activities included in the Policy paper' action plan have started during 2020. Concerning the review of FMC legal basis, an assessment of the current status of the risk management system in some selected institutions (MOFE,

[23] Order of the Minister of Finance and Economy no. 305, dated 18.12.2020
[24] https://financa.gov.al/wp-content/uploads/2020/01/Udhezimi-nr.4-date-29.01.2020-Per-delegimin-e-te-drejtave-dhe-detyrave-ne-njesite-e-qeverisjes-se-pergjithshme.pdf

Ministry of Infrastructure and Energy, General Directorate of Taxation) was conducted in collaboration with PFM Technical Assistance. The findings and the recommendations of the review will serve as a good basis for designing the path of the FMC legal amendments.

The DHFMCA has approved the methodology of internal control quality assessment and training program aiming to have a functional internal control system in place. The state of play of the internal control system of public sector units will be analysed and evaluated in details and recommendations for addressing identified shortcomings will be issued based on this methodology. The training program on the implementation of legal requirements on FMC as well as the further development of the internal control system in public units is prepared and discussed in the PIFC Board by the end of 2020. The program will be used for future trainings according to the needs and requirements of the institutions for capacity building.

All targets set for 2020 to strengthen the PIFC monitoring system are achieved. Separate databases for FMC and IA findings and recommendations are established. The information gathered in a structured way will help the CHU to better analyse and report on systemic issues to the PIFC Board and easily follow up in a timely fashion.

Component 6.2: Internal Audit

Two output targets planned to enhance the IA function in all general government units were achieved. Following the GAP analysis between the IA legal framework in Albania as compared with International Internal Audit Standards (IIAS) performed during 2019, the IA Manual was revised in January 2020. The main reason for the change related to the necessity to improve the quality of internal audit reports. Further, changes to the IA Law are discussed in PIFC Board meetings as well. The changes will consist of: (a) clarification of the ways in which the audit service will be organized in public units which meet the criteria for the establishment of the IA unit but do not have the capacity for internal auditors; (b) regulation of the terms of the agreements and contracting of the IA service by the Minister of Finance and Economy; (c) criteria for hiring auditors and internal audit managers; (d) the rights and responsibilities of the heads of audit units aiming to ensure compliance with the requirements of IA standards; (e) criteria for every public unit which has a dedicated IA unit to establish the IA Committee; (f) the IA Qualification Commission's status.

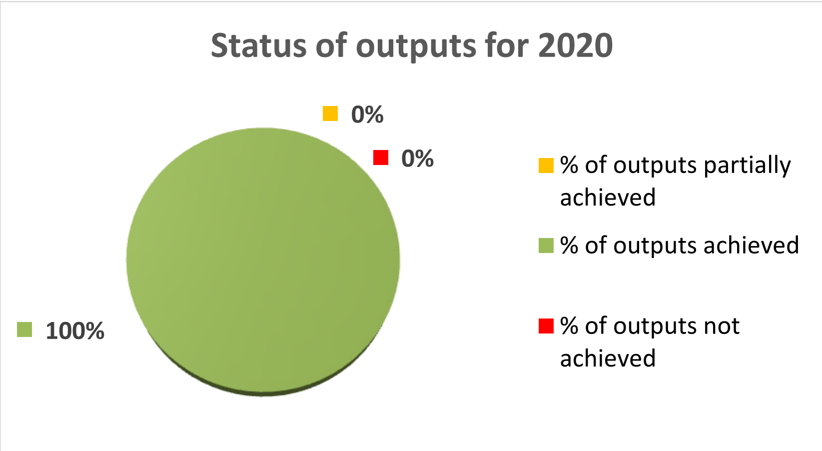
Two output targets planned to increase the contribution of the IA to improve internal control systems were achieved. As it was reported by all IA units, during 2020 auditors have been evaluating the adequacy and effectiveness of internal control systems by focusing on: (a) financial management system 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 9,200 findings were identified in system weaknesses and proper recommendations related to FMC are reported to the PIFC Board in the 2020 Annual Report.

Component 6.3: Public financial inspection

During 2020, in order to enhance the role of financial inspectors, trainings were organised as planned. A Training Needs Assessment for internal financial inspectors was carried out in the first quarter of 2020, and specific modules on "Procurement and contract management in project implementation", "Audit of procurement procedures of contracts with EU funds", "Public Private Partnership contracts in public infrastructure" were conducted. 63% of the internal financial inspectors attended these modules, as the MOFE could not finalise the revision of the external financial inspectors list during 2020

Summary of progress of outputs targets for Specific Objective 6

Box 6: 2020 status of outputs targets



Key risks

Under this Specific Objective there is not any component exposed to high risks. From the management assessment, component related to strengthening of financial management and control in all BIs, is exposed to some moderate risks, such as delay in adopting regulatory changes, no timely availability of technical assistance or lack of coordination. The other two components are exposed to one moderate risk each, such as lack of staff for Internal audit component and the risk that trainings are not sustainable for Financial inspection one. Close monitoring of the identified risks is planned during the implementation of the Strategy Action plan.

3.7 Progress under Specific Objective 7

The ALSAI adopted some new International Standards for Supreme Audit Institutions (ISSAI) 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 2019 and a manual on Quality Assurance that meets ISSAI 40 standards was prepared as well. Capacity building and professional development of audit staff was one of the strategic objectives of ALSAI and every auditor received on average 25-28 days of training during the period 2015 - 2020 to help them to deepen their knowledge of financial, performance and IT audit as well as other thematic audit approaches.

A new Law "On the Organisation and functioning of the High State Control"[25] 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 by the end of 2015, revisited and amended during 2020 as well.

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

[25] Law no154 dated 21 November 2014

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. Quarterly meetings of the joint Secretariat are held since its establishment in 2019.

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 in 2020 and 2019. The 2020 target for the PI "% of audit recommendations accepted and implemented by auditees" was set during the revision of PFM Action Plan in 2020, while for the second PI was decided to focus more on proportion of financial (pure financial audit + combined audit) and performance audits, unlike 2019 were the focus was to decline the trend of compliance audit. The table below presents the status of key outcomes and 2020 targets for the performance indicators (if the status of the target is marked *in red*: it is not achieved, if *in orange*: it is partially achieved, if *in green*: it is achieved).

Table 7: Key Outcomes and performance Indicators

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Target FY20	Fact Value FY20	Target FY 2021
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 %	**R acc 2018= 95% R impl 2018= 52.2 %**	R acc: ≥ 75% R impl: ≥ 40%	**R acc:94% R impl:47%***	R acc: ≥ t-1 (Increasing trend) R impl: ≥ t-1 (Increasing trend)
	XXIIIb) Proportion of financial (pure financial audit + combined audit) and performance audits		Financial Audit (9%) Performance Audit (10%) (2017)	**42% of compliance audit**	FA: 7% PA: 12.5%	**FA: 7% PA: 12,5%**	FA: ≥ 20% PA: ≥ 14%

*****The indicators are measured for the period January - December 2019 as the implementation rate of recommendations is assessed only after 6 months after their issuance.

Progress achieved during 2020

Component 7.1: External Audit

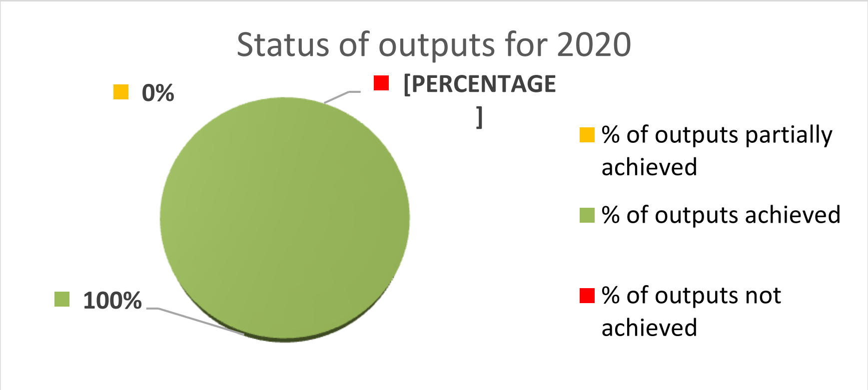
All targets planned for 2020 aiming to further align audit approaches to international standards were achieved. *First*, the annual audit plan for 2020 was prepared based on the revised methodology "Strategic and annual planning methodology of auditing activity based on risk". As a result, when planning the compliance and financial audits, the audit universe was determined based on risk, materiality of funds used, previous 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. *Second*, during 2020, the ALSAI staff was engaged in reviewing and amending the regulatory framework of the institution, such as: revisited compliance, financial, and performance audit manuals; amended the Audit Regulation and prepared a new manual "On the follow up of the implementation of recommendations and the Institutional Register of the Recommendations" which was approved by the Chairman of ALSAI on June 26, 2020. *Third*, ALSAI auditors, including the newly hired ones, have received 28.5 days of trainings on average. The trainings were organised both internally and externally. The main trainings topics were on INTOSAI Professional Standards, manuals and audit guidelines in force, on financial management, internal control and internal audit in the public sector, on Sustainable Energy, Anti-Corruption and Integrity, on the audit of issues related to the Covid-19 pandemic, on non-financial reporting and integrated Reporting in Public Sector and on anti Covid-19 preventive measures.

ALSAI has been working to achieve all output targets set for 2020 in order to enhance impact of audit through a better communication with all the stakeholders. The first target concerns the operationalization of the Joint Secretariat created under the Memorandum of Understanding (MoU) between ALSAI and MOFE. During 2020, an activity-based plan was approved and all planned activities were completed. The activities' purpose were: (1) discussion and approval of the 2020 Action Plan of Secretariat and the approval of the report on the implementation of 2019 Action Plan of the Secretariat; (2) discussion of the findings of the 2019 Draft Annual PIFC report prepared by General Directorate of Harmonization of PIFC, as well as the level of the implementation of Internal Audit recommendations; (3) discussion on the recommendations of ALSAI budget execution report HSC; and (4) discussion on Public Accounting to be adopted in the case of reorganisation and absorption of organisations; discussion on the draft Guideline on auditing arrears; and on the action plan of the Secretariat for 2021.

Regarding the second target, the ALSAI has submitted various reports to the Parliament such as: (a) the report of the implementation of the audit recommendations, (b) the 2019 Annual Performance Report 2019; and (c) the 2019 Budget Execution Report.

Summary of progress of outputs targets for Specific Objective 7

Box 7: 2020 status of outputs targets

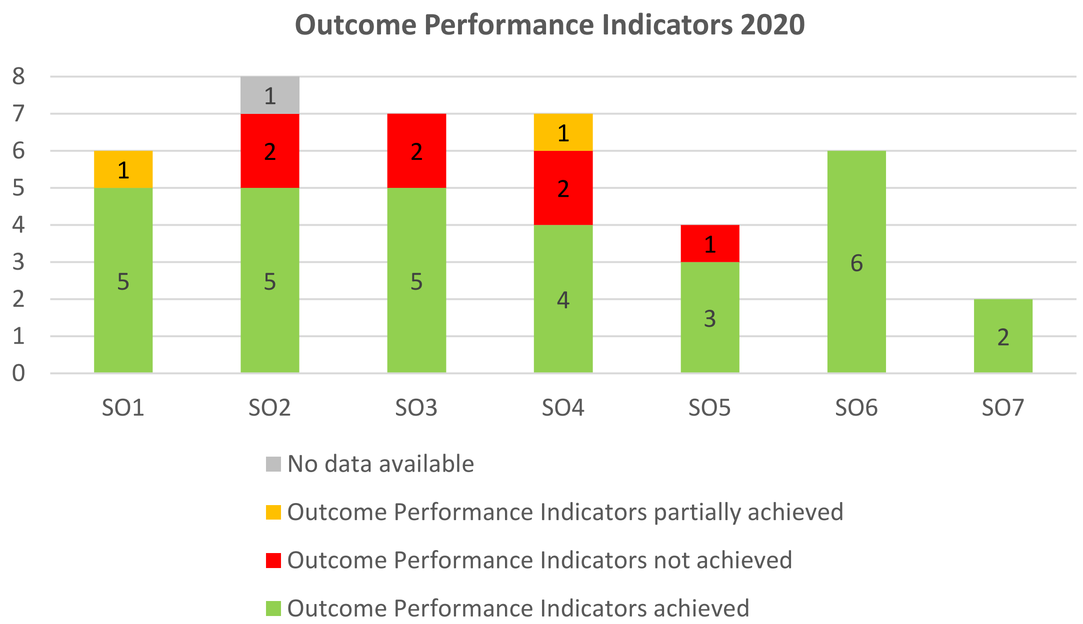


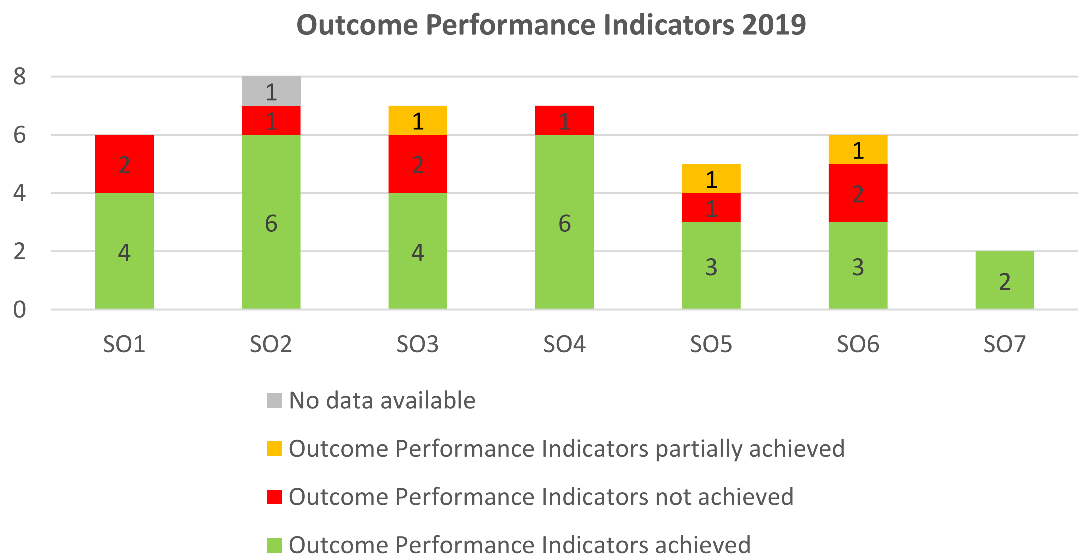
Key risks

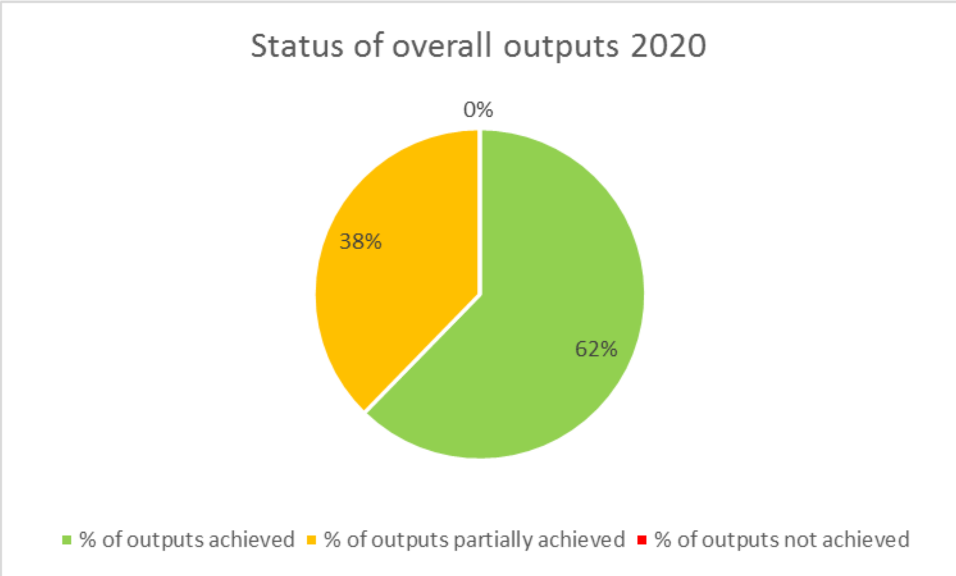
Under this Specific Objective there is only one component exposed to a moderate risks, which is delay in the ALSAI Law to be adopted. Close monitoring of this risk is planned during the implementation of the Strategy Action plan.

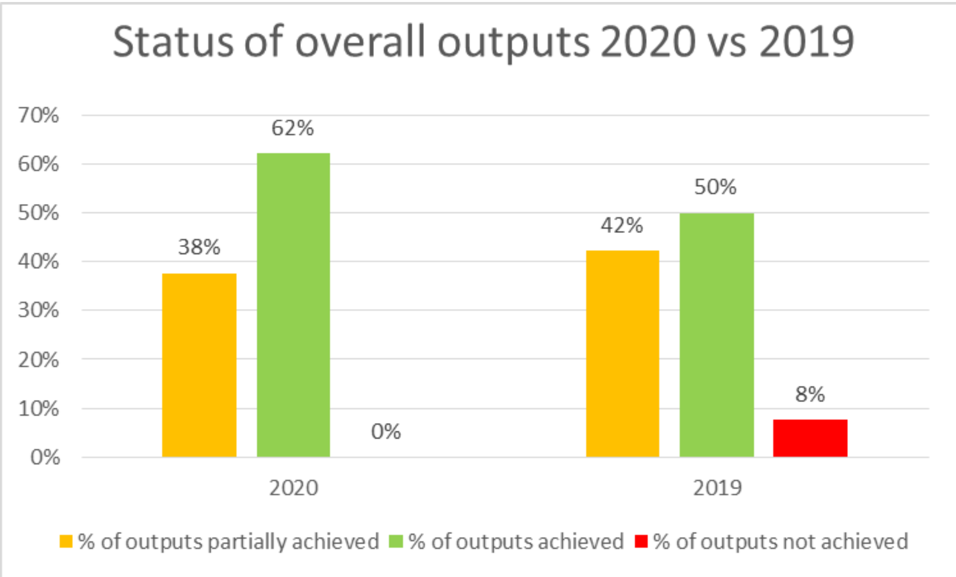
4. Performance categorized by standards

In 2020, 75% of the outcome objectives were achieved, 17.5% were not achieved and 5% partially achieved. For 2.5% insufficient data was available to come to an assessment. SO 6 and SO7 achieved all objective targets (100%). SO1, SO2, SO3 and SO5 performed good to satisfactory, reaching 83%, 63%, 71% and 75% of the targets of the outcome objectives respectively. While for SO4 only 57% of the objectives' targets were met. There was an improvement compared to 2019. During 2019, 68.3% of the outcome objectives were achieved, 22% were not achieved and 7.3 % partially achieved.









In output level, in 2020 there is an improvement compared to 2019. In 2020, 62% of outputs were achieved and 38% were partially achieved. In 2019, 50% were achieved, 42% partially achieved and 8% not achieved.

5. Risks and steps to address them

To effectively manage the reforms, and based on the experience during the period 2014-2019, 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 2020, 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. Also, the Covid-19 pandemic has increased its negative impact on reaching the strategic objectives, and becoming the main obstacle to their progress, a fact which may affect and pose a risk for 2021 as well.. As a result, some amendments are made to the following key potential risks:

- *Delayed legal/ Regulatory* deleted this risk for Components 4.4; 4.5; 5.2;
- *Inadequate Financial* provision added this risk for Component 3.2; 4.1; 4.3; 4.2; 5.2;
- *Training is not sustainable* added this risk for Components 2.4; 3.2, 5.2 and 6.3 and deleted for 7.1;
- *Adequate Human resources* added risk for Component 1.2; 3.1;4.5; 5.2; 4.1; and 6.3;
- *IT procurement/ skills* added risk for Components 2.2, 2.4; and deleted for 5.2;
- *Timely availability of technical assistance* added risk for Components 2.2; 3.2; 4.1; and 6.1;
- *Inadequate* coordination added risk for Components 2.2; 2.3; 2.4; 4.1 and 6.1 and deleted for .4.4 and 4.6.
- *COVID 19 consequences* added risk for Components 2.1, 2.4.

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	COVID 19 consequences
Specific Objective 1 – Sustainable and prudent fiscal framework								
1.1 Fiscal Rules			L	L				
1.2 Fiscal Risks				H		L	L	
Specific Objective 2: Well integrated and efficient planning and budgeting of public expenditure								
2.1 Policy Development and strategic governance	M			M			M	L
2.2 Medium Term Budget Programme					L	L	M	
2.3 Public Investment Planning and oversight	M			M			L	
2.4 PFM in local government			M		M		L	M
Specific Objective 3: Tax and Customs Revenue Administration								
3.1 Tax administration				L			L	
3.2 Fiscal Cadastre of properties	L	M	M			L		
3.3 Customs management		M		M	L			
Specific Objective 4: Efficient execution of the Budget								
4.1 Expanding the use of AGFIS		M		M		H		
4.2 Multi-year commitment controls and accounts payable	M				M		M	
4.3 Debt and Cash management		M		M	L		H	
4.4 Public Procurement	M	M		L	M			
4.5 Management of External Funds				M	M		M	
4.6: Strengthening state aid role				M				
Specific Objective 5: Transparency of Public Finances								
5.1 National Government Accounts						M	M	M
5.2 Financial and Performance monitoring and reporting		L	L	L				
5.3 Citizen's engagement							L	
5.4 Accounting	M	L		M	M	M		M
5.5 Improved assets management		M		M		H		
Specific Objective 6: Effective internal control								
6.1 Financial management and control in all public institutions	M				L	M	M	
6.2 Internal audit			L	M				
6.3 Public financial inspection			M	L				
Specific Objective 7: Effective external oversight of public finances								
7.1 External audit	M							

The risk assessment was done in accordance with the three level categorisation: low, medium and high. As a result, four components results only are been identified as in high risk of achieving the desired results therefore mitigation measures are proposed in order to reduce the probability of materialising as detailed below:

1. The overall strengthening of the FRU with staff as a trigger for change will be closely monitored by the highest levels of management.
2. Expansion of AGFIS use to other Budgetary Institutions, is exposed at a high risk because lack of adequate financial and human resources may jeopardise its successful implementation. Receiving some external functional assistance it is seen of paramount importance to address these difficulties.
3. Regarding Debt and Cash management, inadequate coordination between various actors involved may highly affect achieving the desired result, therefore, building up of a regular routine for communication may create a proper environment for decision-making.
4. Asset Management will be exposed at high risk because of lack of technical assistance. The responsible unit and high management at the MOFE will be in continues contact with foreign donors to receive adequate assistance on this regard.

6. 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.

Amounts in EUR

		Domestic Funding	Foreign funding	Total Actual 2020	Plan 2020	% of change
SO1	**Sustainable and prudent fiscal framework**	**90,096**	**0**	**90,096**	**151,608**	**-43%**
1.1	Fiscal rules and forecasting	18,019	0	18,019	99,804	-82%
1.2	Fiscal risk management	72,077	0	72,077	51,804	39%
SO2	**Well integrated and efficient planning**	**1,256,813**	**1,805,171**	**3,061,984**	**5,184,525**	**-46%**
2.1	Policy development and integrated strategic governance	0	109,700	109,700	2,692,160	-96%
2.2	Medium Term Budget Programme	396,423	49,937	446,360	505,881	-12%
2.3	Public Investment Planning and Oversight	797,323	933,333	1,730,656	910,137	90%
2.4	PFM in local government	63,067	712,201	775,268	1,076,348	-28%
SO3	**Revenue Mobilization**	**2,812,705**	**1,263,756**	**4,076,461**	**5,152,541**	**-45%**
3.1	Tax administration	2,165,672	0	2,165,672	2,591,271	-16%
3.2	Fiscal cadaster of properties	0	530,833	530,833	1,555,556	-66%
3.3	Customs management	647,033	732,923	1,379,956	1,005,714	37%
SO4	**Efficient execution of the budget**	**421,048**	**62,639**	**483,687**	**1,220,308**	**-336%**
4.1	Expanding the use of AGFIS	0	0	0	341,939	-100%
4.2	Multi-year commitment controls and accounts payable	0	0	0	129,510	-100%
4.3	Debt and cash management	45,048	62,639	107,687	179,198	-40%
4.4	Public Procurement	195,807	0	195,807	323,593	-39%
4.5	Management of external funds	36,038	0	36,038	51,804	-30%
4.6	Strengthening State Aid Role	144,154	0	144,154	194,265	-26%
SO5	**Transparency of Public Finances**	**1,876,192**	**247,765**	**2,123,958**	**1,391,097**	**199%**
5.1	National Government Accounts	1,632,933	0	1,632,933	961,354	70%
5.2	Financial and performance monitoring and reporting	0	95,238	95,238	50,000	90%
5.3	Citizen's engagement	162,173	0	162,173	90,657	79%
5.4	Accounting	0	152,527	152,527	152,527	0%
5.5	Improved Assets management	81,087	0	81,087	136,559	-41%

SO6	**Effective internal control**	**144,154**	**0**	**144,154**	**228,265**	**-152%**
6.1	Financial management and control in all public institutions	117,125	0	117,125	136,559	-14%
6.2	Internal audit	18,019	0	18,019	39,902	-55%
6.3	Public financial inspection	9,010	0	9,010	51,804	-83%
SO7	**Effective external oversight of the public finances**	**1,267,042**	**0**	**1,267,042**	**1,310,118**	**-3%**
7.1	External audit	1,267,042	0	1,267,042	1,310,118	-3%
		7,868,050	3,379,332	11,247,382	14,638,462	

7. Conclusions and Recommendations

The annual monitoring report January - December 2020, pursuant to the Action Plan 2020-2022, PFM Strategy 2019-2022, provides information on the implementation of seven specific objectives of the strategy, the Specific Objectives/output performance indicators according to the targets and achieved values and concrete activities envisaged.

This document is the first monitoring report using the methodology of IPSIS system. In the next years efforts will be taken to have a better alignment with IPSIS standards.

This report provides specific information of the 2020 PFM SO/output targets, problems encountered during implementation, challenges of institutions as well as an identification of the necessary corrective measures for the following periods. Also, It contains statistical and analytical data based on direct reporting of responsible institutions, on published reports and information, consultation with all PFM stakeholders. The GoA has made good progress in the implementation of its Public Financial Management Reform Strategy. 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 has been overall ***satisfactory***. The monitoring shows that: 75% of the outcome objectives were achieved, 17.5% were not achieved and 5% partially achieved. For 2.5% insufficient data was available to come to an assessment. SO 6 and SO7 achieved all objective targets (100%). SO1, SO2, SO3 and SO5 performed good to satisfactory, reaching 83%, 63%, 71% and 75% of the targets of the outcome objectives respectively. While for SO4 only 57% of the objectives' targets were met. In the level of outputs we have: For SO6 and SO7 all outputs were fully achieved; and for SO1 67% of the output were fully achieved, while 33% were only partially achieved. For SO2 to SO5 the percentage of the outputs which were fully achieved amounted to 59%, 50%, 62% and 50%.

Reported information must be processed and submitted in accordance with the category of information, be factual, have clear evidence and analytical data in accordance with the reports produced by the responsible institutions.

Annex 1: Output status for 2020

	Output	Performance Indicator	Baseline	Output target FY20	* Output target status FY20
Specific Objective 1: SUSTAINABLE AND PRUDENT FISCAL FRAMEWORK					
1.1: FISCAL RULES AND FORECASTING					
	Output 1.1.1: Strengthened Fiscal rules	**a) Additional fiscal rules/targets in place**	The actual fiscal rules	Fiscal rules/targets designed	
		a) OBL changes		OBL changes adopted	
	Output 1.1.2: Revenue forecasting reliability improved	**a) Enhancing human capacities**		No target	
1.2: FISCAL RISK MANAGEMENT					
	Output 1.2.1: An improved FRS with more fiscal risks monitored and mitigated if necessary	**a) Disclosure of Fiscal risk in the FRS**	FRS covers: - electricity sector SOEs, - arrears, - legal claims, - concession, - PPPs	+ UKT, Albanian Railway, Albanian Post, Albgas.	
	Output 1.2.2: An improved report on General Government arrears	**a) General government arrears report prepared by AGFIS**	AGFIS does not prepare automated reports on general government arrears	Instruction is issed to all the GGU Consolidated reports prepared and published in the MOFE web page.	

Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNING

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
2.1: POLICY DEVELOPMENT AND INTEGRATED STRATEGIC GOVERNANCE				
Output 2.1.1: An improved quality review process for strategies, policy priorities and MTBP submissions	a) Share of strategies for which recommendations are provided	41.60%	Growing trend	
Output 2.1.2: Coordinated activities for management of sector and cross sector strategies	a) Mid Term Progress Report of NSDI prepared		Mid Term Progress Report of NSDI prepared	
	b) Ratio of comments provided on sector strategies	NA	>70 %	
Output 2.1.3: An integrated Planning System (IPS) effectively implemented	a) IPS Legal basis approved	NA	IPS Legal basis approved	
	b) CoM decision for IPSIS enforcement adopted	NA	COM decision issued	
	c) GAP analysis performed and regulatory framework revised accordingly		GAP analysis performed	
Output 2.1.4: Policy development process based on evidence is strengthen	a) A guidance note on PI is in place	NA	Guidance note on PI approved	
Output 2.1.5: IPSIS System managed and implemented effectively	a) Mobilization of Network		NA	
	b) SDD prepared and submitted		NA	
	c) 1st release of IPSIS System		NA	
	d) development of manuals			
	e) Training materials			
	f) Developed training report			
	g) Trainings 1st phase			
	h) Trainings 2nd phase			
	i) Training of administrators, trainers			
	j) IPSIS System Go Live			
	k) Completeness of links between the government policy goals and budget programs		100 % linked	
	l) Electronic/system archive in IPSIS developed	NA	Electronic archive Developed	

2.2: MEDIUM TERM BUDGET PROGRAMME				
Output 2.2.1: Performance based budgeting in place and compliance with the newly introduced methodology increased	a) The new MTBP approach is piloted		Three additional Budget organizations have prepared: • Baseline forecasting; • New policy initiatives; • Budget programme classification and KPIs	
	c) Number of LM/BI roll-out in AFMIS			
	b) Number of program management teams assisted	128	128	
	d) Budget Sector guides finalized and published	0	4	
Output 2.2.2: All new policy initiatives are properly scrutinised and funded	a) Amount of unfunded legal mandates			
	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	a) number of budget programs that have fully integrated GRB	33%	55%	
	b) Number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring)	75	increasing trend	
	c) 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	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	a) Action plan for implementing changes		Action plan approved	
	a) Templates for data presentation and textual contents are prepared and used		Templates prepared	

2.3: PUBLIC INVESTMENT PLANNING AND OVERSIGHT

Output 2.3.1: Single project pipeline for all projects, regardless of source of financing is developed and maintained	a) PIM strategy (including PPP policy) is approved			
	b) Single project pipeline (SPP) for major projects is prepared and maintained based on a Standard methodology		SPP maintained	
	c) Procedure to include active projects from SPP to the MTBP cycle is prepared and implemented			
	d) Legal Framework for PPP and Concessions is amended		Secondary legislation adopted	
Output 2.3.2: Increased quality of larger Public Investment proposals submitted for approval	a) Trainings for appraisal of large projects			
	b) Investment appraisal arrangements for all type of investment projects is in place			
	c) Methodology developed and prioritization tools in place			
Output 2.3.3: An improved monitoring process of public investments including PPP projects and concessions.	a) Reclassification and historical data according to new project codes	2019		
	b) Ratio of monitored contracts from MOFE versus total signed contracts (PPP and Concessions)	2.29% (2018) (5 out of 218)	> (t-1) (growing trend)	
	c) Comprehensive reports on public investments (including PPP) are published			

2.4: PFM IN LOCAL GOVERNMENT

Output 2.4.1: Strengthened strategic planning and budget management at Local Government level	a) Local Government legislation and Instructions reviewed	Legal acts approved until 2019 (Local finance Law)	- GAP analysis of the legislation framework for LGU delivered - Process for legal compliance monitoring designed	
	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	25 LGU	
	d) Plan for repayment of the arrears		Plan prepared	
	e) Monitoring and publication of arrears		Report on arrears published	
	f) Financial Insolvency instruction approved			
	g) Local Government Financial Reports improved and published	No reports on budget execution and monitoring prepared/published on regular manner	25LGU	
Output 2.4.2: Effective revenue management	a) Municipal Regulation and other related normative and administrative acts on taxes, charges and fees reviewed	LGU's don't have a manual	Manual reviewed	
	b) Fiscal package and tax registry improved at 15 piloted municipalities	2019 Fiscal Package for selected municipalities	Fiscal package reviewed for 15 LGU Training delivered to 15 LGU	
Output 2.4.3: Improve intergovernmental transfer finance system	a) 2% of the Revenues from the Personal Income Tax Shared with LGU	Revenues from PIT are not shared with LGUs	PIT revenue shared with LGUs	
	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	Funding for preschools allocated primarily on the number of pupils	
	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	a) No. of key management staff and Internal Auditors of LG trained on risk management process and FMC instruments.	0	1) all managers of 15 municipalities trained 2) All finance staff 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	a) Monitoring and evaluation framework for implementation of Law on Local Finances available and in use	Monitoring comments report for 2019	Monitoring tool ready	
	b) MoFE reviews the MTBP of 61 LGU	MTBP 2020-2022		
Output 2.4.6: IPSIS for LSGU established, tested and ready for operation	a) Selected LGUs (at least 5 LGUs) are using IPSIS system for preparing strategic framework including passports of indicators	n/a	n/a	
	b) IPSIS for LGU in use (at least 5 LGUs)	n/a	n/a	

Specific Objective 3: REVENUE MOBILIZATION

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
3.1: TAX ADMINISTRATION				
Output 3.1.1: Comprehensive medium-term revenue strategy adopted	a) Preparation of the medium-term revenue strategy		Medium-term revenue strategy drafted	
Output 3.1.2: Automated risk based procedure for management of VAT refunds is in place	a) Designing automated risk-based procedures for all VAT refunds and credits carried forward	0%		
	b) Implementing automated risk-based procedures for all VAT refunds and credits carried forward	0%	85% (of the work for Automated risk-based procedures is done)	
	c) Provide reimbursement of VAT under the terms of legislation	83% (2018)	0.84	
Output 3.1.3: The core tax administration processes is fully automated	a) Build and deploy Data Warehouse (DWH) capabilities	0%		
	b) e-module produced			
	c) Automated cross-checking used to verify return information		Report prepared	
Output 3.1.4: Compliance Risk Management is comprehensive (includes segments with high-compliance risk)	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	a) Improvement of register		Register improved	
	b) Organization of awareness campaigns		Awareness campaign organized	
Output 3.1.6: Informality is reduced	a) No of sectors covered		2 sectors per year	
	b) Chain transactions starting from large companies investigated		report produced	
	c) Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud		report produced	
Output 3.1.7: Improved tax debt management	b) An accurate database of debt stock is in place		Database of debt stock updated	
3.2: FISCAL CADASTER OF PROPERTIES				
Output 3.2.1: Fiscal zone value based property tax on buildings in place and taxation collection operationalised	a) First taxation of buildings commenced		First taxation carried out	
	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	Property Tax Law Approved	
	c) Value zones for buildings determined for all municipalities	Taxation is made bases on reference price	IT System upgraded and staff trained	
Output 3.2.2: Fiscal cadastre implemented by municipalities	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	**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 updated	
	b) A single guarantee system is in place	Single Guarantee system is partially in place (only legislation is prepared)	The system implemented	
	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.	continuous annual development and improvement	
	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.		
	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	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	0		

Specific Objective 4: EFFICIENT EXECUTION OF THE BUDGET

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
4.1: EXPANDING THE USE OF AGFIS				
Output 4.1.1: Direct use of AGFIS by major budget institutions increased	a) A time-bound action plane is in place and implemented for enrolment into AGFIS of the BI	15	0	
Output 4.1.2: AGFIS and other government IT systems are integrated	a) Interfaces of AGFIS with the customs management system are in place	AGFIS Interface developed and tested with mutual data	Interfaces with the customs information system created	
	b) Payroll executed through AGFIS	0	150 BI	
	c) Web portal for supportive document of financial transactions executed in AGFIS and electronic archive is implemented	System technical solution agreed and signed	Roll out of Pilot BI's accessing WP	
4.2: MULTI-ANNUAL COMMITMENT CONTROLS AND ACCOUNTS PAYABLE				
Output 4.2.1: Recording of commitments, accounts payable, including arrears enforced	a) Compliance with multi-annual commitment controls is monitored (compare financial data from the active contracts to the data entered into the AGFIS)			
	b) BI compliance with system and legal requirements (commitments and accounts payable (invoices received)) is monitored			
	c) An Arrears Working Group to monitor their development and root cause of arrears is established			
	d) Number of entities audited by IA on arrears	NA	5 BI	
	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	a) PEFA 21.2 Cash forecasting and monitoring	B (PEFA 2017)	A	
	b) Forecasting tools			
	c Staff trained	5 BIs pilots+TOD	15	
Output 4.3.2: Annual medium-term debt management strategy with targets published and met	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	
	b) Annual program		Annual borrowing program adopted	
Output 4.3.3: Primary and secondary market are deepened	a) Activities in the primary and secondary market	After the pilot project phase for testing the market maker	Additional benchmark instruments if successful implementation during 2019	
	b) Analysis are performed		Analysis of domestic market conducted	
4.4: PUBLIC PROCUREMENT				
Output 4.4.1: The public procurement laws are harmonized with the EU directives	a) New PP Law prepared		New PPL prepared	
	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	a) No of staff recruited		6	
	b) E-appeals system		Finalization of TOR drafting process	
	c) Capacity development plan implemented and specialized training delivered		Plan adopted	
Output 4.4.3: E-procurement system is further enhanced	a) Functional requirements defined		Functional requirements defined	
	b)New functionalities implemented in the EPS			
	c) Operational manual and instructions for the system changes in use		Manuals and instructions prepared	
Output 4.4.4: Mechanisms to control the availability of funds prior to procurement established	a) Changes within the procurement process implemented		Integration is in place	

4.5: MANAGEMENT OF EXTERNAL FUNDS

Output 4.5.1: The EAMIS information on external funds is complete and periodically updated	**a) Information on external funds**	Historical data until 2016 on external funds	2017 and 2018 data are recorded	

4.6: STRENTHENING STATE AID ROLE

Output 4.6.1: Regulatory framework on State Aid improved.	a) Prime Minister's Order is drafted and approved.	NA		
	b) Prime Minister's Order is implemented.	NA	2 meetings / year	
Output 4.6.2: A database for monitoring effectively the implementation of state aid schemes is established.	a) State Aid Annual report	National expenditure reports	Presenting State Aid spending	
	b) State Aid Commission decisions	10	2	
Output 4.6.3: Awareness campaign on the role and duties of the State Aid Commission are held.	a) Notification of State Aid measures	10	2	

Specific Objective 5: TRANSPARENCY OF PUBLIC FINANCES

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
5.1: NATIONAL GOVERNMENT ACCOUNTS				
Output 5.1.1: A sustainable statistical system for the general government units is in place	a) Revision of MOU		MOU revised if necessary	
	b) Automated budgetary government compilation systems developed	The basic structure of the system is being discussed	Automated compilation system developed	
	c) Auxiliary systems (extra-budgetary units, debt & interest, linkages with national accounts methodology) are developed	System discussed in general (No implementation yet)		
	d) COFOG estimations are integrated	No GFS statistics for EUROSTAT by COFOG produced	Integrate COFOG estimations	
	e) Data exchange systems are created (MOFE, INSTAT, & BOA)	Information exchanged on a formal way		
Output 5.1.2: EDP tables are revised and full statistical system created	a) Tables for ESA Transmission Programme are automated and a full statistical system created	No system in Place (local Excel files used)		
	b) 3 new GFS tables are disseminated	No tables available		
	c) Timeline for general government units to update the published data is defined	No Dedicated Revision Policy for National Accounts	Dissemination of a Revision Policy and Publication Timelines	
	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	a) New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information are designed and implemented	ABER new template is designed		
		c) % of staff trained	50% of staff trained	100%	
	Output 5.2.2: Published upgraded in-year budget execution reports, including the mid-year review.	a) New template for in-year Budget Execution Reports, including the monitoring of KPI as defined in the AFMIS are designed and implemented	In-Year new template is designed		
5.3: CITIZEN'S ENGAGEMENT					
	Output 5.3.1: A Citizen's Budget guide is developed	a) Citizen's Budget guide is prepared		Guide published	
	Output 5.3.2: A budget hearing calendar with key budget processes is in place and implemented	a) % of budget hearings held		Budget hearing calendar prepared	
		b) Training of CSOs for understanding OBL and identify optimal modalities for their involvement are held		number of trained CSO	
5.4: ACCOUNTING					
	Output 5.4.1: An implementation Plan for the regulatory framework in accordance with IPSAS	a) Country strategic action plan based on GAP analysis in use			
	Output 5.4.2: An improved accounting regulatory framework	a) Legal acts and accounting standards in line with IPSAS and approved country strategic action plan are in place	Current legal framework	Legal acts improved according to plan	
	Output 5.4.3: Enhanced AGFIS to record accrual accounting data	a) Changes are made to AGFIS to enable accrual recording of data		Assessment prepared	
		b) New chart of accounts is developed and used	Current chart of account		
	Output 5.4.4: Capacity Development plan implemented	a) Capacity development activities delivered/plan		Education and training strategy in place for accountants	
		b) Training of Staff		10 staff trained	
5.5: IMPROVED ASSETS MANAGEMENT					
	Output 5.5.1: Methodology and guidelines for a full public asset inventory in Central Government (CG) institutions prepared	a) Inventory of assets implemented in all central government units, based on the approved methodology	NA	Methodology prepared	
		b) Guidelines for recognition and valuation developed/updated	Current guidelines		
		a) Valuation of assets is done			
		d) Depreciation and impairment policies developed (in line with the strategy for implementing accounting standards)	0		
	Output 5.5.2: Full public assets inventory is recorded in AGFIS by those BIs which have direct access in this system.	a) Data migration into AGFIS completed	6	3	
		b) Number of staff trained on asset management	10	6	
	Output 5.5.3: Full public assets inventory is recorded in excels (for BI which not have direct access in AFMIS)	a) The number of BI's for which the correct asset balances are recorded into AGFIS General Ledger			

Specific Objective 6: EFFECTIVE INTERNAL CONTROL

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
6.1: FINANCIAL MANAGEMENT AND CONTROL IN ALL PUBLIC INSTITUTION				
Output 6.1.1: Stronger financial management system and internal control environment is in place	a) The PIFC Policy paper action plan approved	The PIFC Policy paper is drafted	PIFC Policy paper is approved	
	b) Implementation of the PIFC Policy paper		PIFC Policy paper action plan implementation according to the timeline	
	c) Draft guidelines			
	d) Guidelines implemented		No target	
	e) Revision of the FMC legal framework if needed (integration of strategic planning, medium and annual planning and use of information systems)		Revised FMC legal framework started	
Output 6.1.2: Functional internal control systems	a) Approval of the methodology of internal quality review	NA	Methodology of internal control quality review approved	
	b) Quality review of internal control system in public units with the new methodology	NA		
	c) Training program approved and staff trained	NA	Training program approved	
Output 6.1.3: Strengthened PIFC monitoring system	a) Respective Law amended	Respective Law is not amended	No target	
	b) Evaluation methodology approved			
	c) Revised structure and content of the annual PIFC report			
	d) Creation of database	NA	Database established	
	e) Reporting of systematic issues		Issues reported	
6.2: INTERNAL AUDIT				
Output 6.2.1: Enhanced IA function in all general government units	a) GAP analyses between legal framework and IIAS		GAP analysis conducted	
	b) Revision of the legal framework		Legal framework drafted	
Output 6.2.2: Internal audit effectively contribute to improved internal control systems	a) Reporting of FMC findings		Findings reported	
	b) Reporting of FMC issues to PIFC Board		Issues reported	
6.3: PUBLIC FINANCIAL INSPECTION				
Output 6.3.1: Enhanced role of Internal and external financial inspectors	a) Capacity development plans prepared and implemented		**No target**	
	b) Share of participants to the total of invitee	50%	**63%**	
	c) Annual Report is shared with PIFC		Annual Report is shared with PIFC	
Output 6.3.2: A national anti-fraud strategy for the protection of EU' financial interest	The national anti-fraud strategy prepared and implemented	No strategy in place	No target	

Specific Objective 7: EFFECTIVE EXTERNAL OVERSIGHT OF THE PUBLIC FINANCES

Output	Performance Indicator	Baseline	Output target FY20	Output target status FY20
7.1: External Audit				
Output 7.1.1: Independence of auditors is enhanced	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	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	a) Action plan of the communication implemented	80% of activities of 2018 Action Plan for the year completed		
	b) Yearly action plan is approved and implemented	Memorandum is signed and Joint Secretariat is established	Yearly action plan approved Yearly action plan implemented	
	c) Periodic Reports are send to the Parliament on following up the implementation of audit recommendations	Annual Report on follow up audit recommendation as part pf the Annual Performance Activity Report of ALSAI for the year 2018	Annual Consolidated Report send to Parliament	

Annex 2: Overview of achievement of Outcome – Performance Indicators – PMO methodology

Specific Objective 1	Specific Objective 2	Specific Objective 3	Specific Objective 4	Specific Objective 5	Specific Objective 6	Specific Objective 7
Sustainable and prudent fiscal framework	**Well-integrated and efficient planning**	**Revenue mobilization**	**Efficient execution of the Budget**	**Transparency of Public Finances**	**Effective internal control**	**Effective external oversight of the Public Finances**
Ia) Debt to GDP ratio	IIIa) 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	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	XXb) Managerial accountability mechanisms in the regulatory framework	XXIIIb) Proportion of financial (pure financial audit + combined audit) 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)	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	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	XIXa) Public assets recorded into the AGFIS	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		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					

Legend

Information not available	Poor	Sufficient	Good	Very good	Exceeded
	From 0 to 30 percent	From 31 to 50 percent	From 51 to 85 percent	From 86 to 110 percent	111 and above

Specific Objective	Outcome	Performance Indicator	LA per SO	LA per Outcome	LA for PI
SO 1: SUSTAINABLE AND PRUDENT FISCAL FRAMEWORK			**101%**		
	I) Increased credibility of fiscal framework			**101.3%**	
		Ia) Debt to GDP ratio			104.7%
		Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook			100%
		Ic) Primary balance			103.6%
		Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year			100%
		Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues			98.2%
	II) Fiscal risks are identified and contained more effectively			**100.0%**	
		IIa) Fiscal risk reporting (PEFA PI 10)			100.0%
Specific Objective 2: WELL INTEGRATED AND EFFICIENT PLANNI			**107%**		
	III) Government planning documents, such as NSDI, Sectoral Strategies and MTBP are streamlined an			**NA**	
		IIIa) Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP			NA
	IV) Improved annual budget and MTBP process and documentation to enhance credibility and compre			**125%**	
		IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget			100%
		IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)			150%
	V) Improved Public Investment Management Oversight			**99%**	
		Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)			100%
		Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations			97.9%
		Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year			100.00%
	VI) Strengthened financial management in local governments			**96%**	
		VIa) Tax collection rates (RLGRG)			100.00%
		VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears			91.9%
Specific Objective 3: REVENUE MOBILIZATION			**94.1%**		
	VII) Increased level of revenue from Tax			**125%**	
		VIIa) Tax base of businesses			129.7%
		VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)			134.5%
		VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities			110.6%
	VIII) Reduced informality with improved self-declaration and increase the detection force of controls			**103%**	
		VIIIa) Ratio of tax return versus previous year			103.3%
	IX) Fiscal cadastre fully functional			**50%**	
		IXa) Number of buildings registered and billed			50%
	X) Increased level of Custom revenues			**98%**	
		Xa) % of Actual custom revenue collection in Year N /Actual custom revenue collection in Year N-1 -100% (from Custom)			96.6%
		Xb) Custom declaration processing time			100%

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Specific Objective 4: EFFICIENT EXECUTION OF THE BUDGET	**93%**	
XI) Efficient budget execution (through use of IT support)	**100%**	
XIa) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government		100%
XII) Arrears are minimized	**94%**	
XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year		87.2%
XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)		100%
XIII) Costs of borrowing is reduced and cash is available when needed	**100%**	
XIIa) Stock of domestic debt re-fixed within one year		100%
XIIb) The average maturity of domestic debt		100%
XIV) Increasing the efficiency and transparency of procurement system	**78%**	
XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register		95.0%
XIVb) The percentage of cases when the review body exceeds the legal maximum processing time		61.0%
Specific Objective 5: TRANSPARENCY OF PUBLIC FINANCES	**75%**	
XV) Strengthening systems and capacities to prepare government financial statistics in line with inte	**100%**	
XVa) Compilation of Government National Accounts according to International Methodology (ESA 2010)		100%
XVI) Accountability and transparency through financial and non-financial performance reporting is enl	**NA**	
XVIa) Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs		NA
XVII) Providing formal opportunities for the public to engage in the budget process	**100%**	
XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)		100%
XVIII) 'Presentation of financial statements as per selected IPSAS framework	**0%**	
XVIIIa) Moving on a phased basis to presenting accruals based government financial statements		0%
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulati	**100%**	
XIXa) Public assets recorded into the AGFIS		100%
Specific Objective 6: EFFECTIVE INTERNAL CONTROL	**100%**	
XX) Effective managerial accountability in all public institutions	**100%**	
XXa) The extent to which internal control systems are implemented in practice within the budget organisations		100%
XXb) Managerial accountability mechanisms in the regulatory framework		100%
XXI) Strengthening internal audit function in public sector	**100%**	
XXIa) % of implemented internal audit recommendations		100%
XXIb) Internal audit framework aligned with International Standards on Internal Audit		100%
XXIc) The % of system base recommendations addressed VS the total of findings		100%
XXII) An efficient Public Financial Inspection	**100%**	
XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)		100%
Specific Objective 7: EFFECTIVE EXTERNAL OVERSIGHT OF THE PI	**111%**	
XXIII) Further enhancement of external audit as to maximize their value and benefits to society	**111%**	
XXIIIa) % of audit recommendations accepted and implemented by auditees		121%
XXIIIb) Proportion of financial (pure financial audit + combined audit) and performance audits		100%
Overall	97.3%	

	Level of Achievement for each Specific Objective	Category
SO1	SUSTAINABLE AND PRUDENT FISCAL FRAMEWORK	Very good
SO2	WELL INTEGRATED AND EFFICIENT PLANNING	Very good
SO3	REVENUE MOBILIZATION	Very good
SO4	EFFICIENT EXECUTION OF THE BUDGET	Very good
SO5	TRANSPARENCY OF PUBLIC FINANCES	Good
SO6	EFFECTIVE INTERNAL CONTROL	Very good
SO7	EFFECTIVE EXTERNAL OVERSIGHT OF THE PUBLIC FI	Exceeded

Level of Achievement Specific Objective 1 — **Category**

LA SO1= $\frac{\text{PI I (101.3\%)+PI II (100\%)}}{2}$ =101% **Very good**

LA PI I= $\frac{\text{PI Ia (104.7\%) + Ib (100\%) + Ic (103.6\%) + Id (100\%) +Ie (98.2\%)}}{5}$ =101.3%

Level of Achievement Specific Objective 2 — **Category**

LA SO2= $\frac{\text{PI IV (125\%)+PI V (99\%)+ PI VI (95.93\%)}}{3}$ =107% **Very good**

LA PI IV= $\frac{\text{PI IVa (100\%) + IVb (150\%)}}{2}$ =125%

LA PI V= $\frac{\text{PI Va (100\%) + PI Vb (97.9\%) +PI Vc (100\%)}}{3}$ =99%

LA PI VI= $\frac{\text{PI VIa (100\%) + PI VIb (91.9\%)}}{2}$ =95.93%

Level of Achievement Specific Objective 3 — **Category**

LA SO3= $\frac{\text{PI VII (124.9\%)+PI VIII (103.3\%)+ PI IX (50\%)+ PI X (98.3\%)}}{4}$ =94.1% **Very good**

LA PI VII= $\frac{\text{PI VIIa (129.7\%) + PI VIIb (134.5\%)+ PI VIIc (110.6\%)}}{3}$ =124.9%

LA PI VIII= $\frac{\text{PI VIIIa (103.3\%)}}{1}$ =103.3%

LA PI IX= $\frac{\text{PI IX a (50\%)}}{1}$ =50%

LA PI X= $\frac{\text{PI Xa (96.6\%) + PI Xb (100\%)}}{2}$ =98.3%

Level of Achievement Specific Objective 4			Category
LA SO4=	$\frac{\text{PI XI (100\%)+PI XII (93.6\%)+ PI XIII (100\%)+ PI XIV (78\%)}}{4}$	=93%	Very good
LA PI XI=	$\frac{\text{PI XIa (100\%)}}{1}$	=100%	
LA PI XII=	$\frac{\text{PI XIIa (87.2\%) + PI XIIb (100\%)}}{2}$	=93.6%	
LA PI XIII=	$\frac{\text{PI XIIIa(100\%) + PI XIIIb (100\%)}}{2}$	=100%	
LA PI XIV=	$\frac{\text{PI XIVa (95.0\%) + PI XIVb (61.0\%)}}{2}$	=78%	

Level of Achievement Specific Objective 5			Category
LA SO5=	$\frac{\text{PI XV (100\%)+PI XVII (100\%)+ PI XVIII (0\%)+ PI XIX (100\%)}}{4}$	=75%	Good

Level of Achievement Specific Objective 6			Category
LA SO6=	$\frac{\text{PI XX (100\%)+PI XXI (100\%)+ PI XXII (100\%)}}{3}$	=100%	Very good
LA PI XX=	$\frac{\text{PI XXa (100\%) + XXb (100\%)}}{2}$	=100%	
LA PI XXI=	$\frac{\text{PI XXIa (100\%) + PI XXI b (100\%) +PI XXIc (100\%)}}{3}$	=100%	
LA XXII=	$\frac{\text{PI XXIIa (100\%)}}{1}$	=100%	

Level of Achievement Specific Objective 7			Category
LA SO7=	$\frac{\text{PI XXIII a (121\%)+PI XXIII b (100\%)}}{2}$	=111%	Exceeded
LA XXIIIa=	$\frac{\text{RACC (125.3\%) + Rimpl (117.5)}}{2}$	=121%	