REPUBLIKA E SHQIPËRISË

MINISTRIA E FINANCAVE
DHE EKONOMISË

Public Finance Management

Annual Monitoring Report

2022

PREAMBLE

The year 2022 marked a safe return and the satisfactory pace of reforming and improving the Public Finance Management, after a temporary slowdown of this trend during the past two years 2020-2021 as a result of the necessary measures taken by the Ministry of Finance and Economy and other institutions for the management of the shocks from the earthquake of November 2019 and from the pandemic in 2020. This resumption of the pace of progress in reforming the Public Finance Management during 2022 was complete and inherent even though during 2022, Albania once again faced another external shock, that of the energy crisis and the impact of price increases, which led to significant negative effects on the economy, making it difficult to achieve the set objectives.

However, the main challenge and priority during the past year was the development of the economy and the delivery of the best services to the citizens. This increasing accountability, transparency, efficiency and fiscal discipline in the planning and spending of public funds.

Despite the challenges, the Ministry of Finance and Economy, in cooperation with all institutions and other parties involved in the implementation of the strategy, has increased efforts during 2022 to fulfill the main objectives such as (i) Continuation with fiscal consolidation; (ii) Mobilization of tax and customs revenue collection; (iii) Settlement and prevention of arrears; (iv) Improving the management of public investment projects, including Public Private Partnerships and concessions; (v) Ensuring a better linkage of strategic plans with the Medium-Term Budget Program; (vi) Strengthening the system of monitoring and implementation of internal control systems, reforming the system and the role of internal audit, through the improvement of the legal framework; as well as (vii) Increasing efforts to improve the accepted and implemented rate of the recommendations and findings of the High State Control.

I am happy to share with you that even for 2022, the public debt as a ratio to the Gross Domestic Product continued again and clearly its downward trajectory, in accordance with the medium and long-term objectives of the fiscal policy, as one of the most fundamental components of the Public Finance Management and their long-term sustainability. In 2022, public debt fell to 64.6% of GDP from 74.5% in 2021, as well as it resulted a significant improvement in the overall fiscal deficit and primary balance.

Furthermore, the year 2022 marks a further improvement and increase in tax and customs revenues, and a decrease in informality. Among other things, the total stock of VAT refund arrears was almost completely liquidated by the end of 2022 and the Refund Platform is Live as of April 2022. Meanwhile, other central and local government arrears have continued to decrease, and the supervisory role of the Ministry of Finance and Economy is increased for the process of monitoring their stock, ensuring higher transparency based on reliable information generated by the Treasury system.

In addition, work has continued to strengthen strategic planning, especially regarding the management of public investments, and budget management at the local level, as well as increasing accountability and transparency through financial and non-financial performance reporting. The legal framework in the field of public procurement has been improved, as well as the functionalities of the public procurement system. The liquidity forecast has been improved, as well as the Mid-Term Debt Management Strategy 2022-2026 has been approved. Progress has also been made in the drafting of legal acts and accounting standards, and the preparation of financial statements based on International Public Sector Accounting Standards was piloted in 7 public units. The work done to create a stronger financial management system and internal control environment is appreciated, where during 2022 the Law on Financial Management and Control and the Law on Internal Audit were revised and improved. There has also been progress towards strengthening the function of external oversight, where, among other things, the acceptance of the SAI recommendations is increased, as well as there has been a significant increase in financial audits.

However, there are still areas that require greater commitment and attention to reach the appropriate levels. The Ministry of Finance and Economy, in cooperation with the responsible units and the ongoing support from international partners, will increase efforts to continue reducing the stock of arrears; further improving revenue mobilization; review and funding of all new policy initiatives under applicable regulations; improving the process of management and monitoring of public investments, including PPP projects and concessions; establishment and implementation of the Integrated Planning Information System for municipalities; raising the capacities of Civil Society Organizations and their involvement in budget processes; increasing the number of registered and invoiced buildings and the implementation of the fiscal cadaster in the municipality; populating data in the External Assistance Management Information System; reducing the processing time of customs declarations; reducing the cost of borrowing; increasing the transparency and efficiency of the procurement system; registration of public assets in Government Financial Information System; drafting and adopting the national anti-fraud strategy for the protection of the EU's financial interests; increasing the implementation of internal and external audit recommendations, as well as increasing performance audits.

The Ministry of Finance and Economy is working on drafting a new Public Finance Management strategy in which it will try to address the challenges encountered, as well as the suggestions and recommendations left by national and international evaluation reports in the area of the public finances. This aiming to have a public finances system as sound as possible and with ever higher transparency, in function of the Ministry of Finance and Economy's mission in the best possible service of the public interest.

The Ministry of Finance and Economy as well as all other relevant institutions remain alert to the scrutinizing and addressing of the challenges encountered, translating them into concrete measures in the public finance management action plan. All the parties involved remain committed and with the maximum will to fulfill the objectives foreseen in the public finance management strategy.

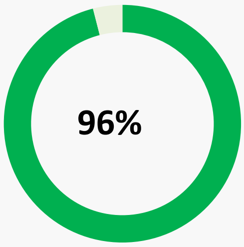
Quite important and valuable has been and continues to be the support of our international partners, to whom we express consideration and gratitude for all their contributions given in different forms.

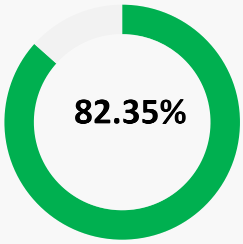
THANK YOU!

Mrs. Delina IBRAHIMAJ
Minister of Finance and Economy

EXECUTIVE SUMMARY

Level of Achievement of Outcomes





Level of Achievement of Outputs

SO1

Six addition SOEs monitored as part of FRS

Debt to GDP ratio **decreased** (64.6%)

Forecasted nominal GDP in comparison with the forecast of IMF - World Economic Outlook was -0.2 billion All.

Primary balance was improved

The revenue collection by GDT and GDC increased **(ALL 509.4 billion)**

SO2

NSDEI was drafted during 2022

128 program management teams have been assisted in the process of MTBP preparation

25 CSOs were trained on GRB

100% of local budget programs have **fully integrated GRB**

The **NSPP** updated

Strategic planning and **budget management** at LG level strengthened

Stock of expenditure arrears in LGU decreased in 10% in 2022, lower compared to 2021 (12.3%)

SO3

Level of **revenue from Tax** increased

The implementation of the measures provided for in the **MTRS has begun**

3 sectors covered **to reduce informality**

The total stock of **VAT refund** is **zero**

Property Tax Website was developed and accessible

Module in the Asycuda system **to fight counterfeiting and fraud** is implemented

In total **9** companies received the approval for **AEO** status

Actual **custom revenue collection** was in the level 15.6%

SO4

HRMIS-AGFIS has been completed for the 120 planned BI's.

Web Portal for electronic archive was accessible to 300 new BI`s.

The rate of arrears as a percentage of total expenditure was decreased in 1.88%

Liquidity forecasting improved

Medium Term Debt Management Strategy 2022-2026 was approved

2021 annual **report** on state aid prepared and **7 SAC decisions** approved

SO5

89.25 % of tables completed and submitted to Eurostat

15 out of 39 monitoring reports submitted by **LM reported in accordance to AFMIS**

Citizen's Budget guide published

40% of progress of presenting accruals based government financial statements (**drafting of accounting instructions, piloting of 7 public units, drafting of chart of accounts, business process review, the capacity building for 500 public sector accountants)**

2 new BI`s has their Public assets recorded into the AGFIS

SO6

The extent of implementation of **IC in practice** increased.

2022 PIFC **action plan** implemented

FMC and IA **law** revised

Quality assessment in **16/20** public units

FMC and IA **databases** updated and issues reported

TA provided for **5 BI** on drafting FMC instruments and delegation procedures

76% of IA system base recommendations addressed

90% of financial inspection recommendations implemented

75% of inspectors trained

SO7

97% of audit recommendations accepted

54% financial audits carried out

2022 HSC annual audit plan based on **risk analysis**

ALSAI Communication Strategy 2022-2025 approved

Financial, Performance and Compliance Audit Manuals were updated

26.5 days of trainings on average for ALSAI auditors

Annual Consolidated **reports** sent to Parliament

Table of Contents

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

1.1 Introduction

This is the eighth Annual Monitoring Report on the Implementation of the Public Finance Management (PFM) Reform which covers the period 1 January 2022 to 31 December 2022. 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.

The present report provides an assessment of the PFM eligibility criteria for the European Union (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, with* 96% of progress in the outcome level and 82.35% of progress in the output level.**

The Government of Albania (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

Directorate of PFM leads the process of preparing PFM annual monitoring report and send the reporting request to all the SO Leaders, 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, identifying of the risks materialized, new risks and their mitigating measures. This report was prepared based on the 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)".

The structure of the 2022 annual monitoring report is the same structure used for 2020 and 2021 annual monitoring report, drafted in compliance with IPSIS methodology based on DCM no. 290, dated 11.4.2020. During 2022 Ministry of Finance and Economy (MOFE) has intensified the efforts for a better presentation of information and results in each of the sections of the report aiming to further align with IPSIS standards. In this regard the main improvements include**: i) a new PFM monitoring template prepared** with support of SIGMA/OECD aiming a more user-friendly template for responsible units and to collect the overall information for writing the report; **ii) the overall result of the self-assessment was based on the progress done in the outcome level and in the output level**. Defining the level of achievement for each of the outcome performance indicators and the traffic light colors per each SO were done according to IPSIS methodology, calculated with the same formula used in 2020 and 2021, which includes the 2022 target of the outcome performance indicator in report with the fact of 2022. For those targets with no specified value (exp. ≤ (t-1) declining trend) the fact of 2021 is used as target for the year 2022, whereas for those targets for which the report fact/plan is not applicable (exp. with target "N/A" or letters "B") it is considered 100% when they were fully achieved and 0% when not achieved according to the target. The overall progress in the output level was calculated as the total percentage of those 2022 performance indicators of the outputs "achieved" and "in progress". The status of performance indicators of outputs were presented in three levels: "achieved" with 100% or over targets were achieved compared to the target set; "in progress" for those targets which has progressed during 2022 but have still work to be done; and "not achieved" for those outputs which did not progressed during 2022; **iii) Executive summary is shorter** then previews years and it presents the information more in numbers and graphs; **iv**) The risk assessment is presented in more detailed way and using the traffic light classifying them based on the "Probability to happen" and the "Impact". **The methodology for**

Risk Identification and categorization was done in accordance with Guideline No.16, dated 20.07.2016 pursuant to Law No.10 296, dated 8.7.2010 "On Financial Management and Control", as required by IPSIS. In this regard, risks were assessed according to the internal and external factors, and materialized risks have been identified for which mitigation measures have been taken.

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. One PFM Steering Committee meeting and one Technical Committee meeting were held during 2022.

During the preparation of 2022 annual report, DRPFM has continuously assisted the leaders of specific objectives and components in explaining and filling the reporting format, in order to present the achievements and issues encountered during the reporting period.

Following an intensive process, MoFE drafted the annual monitoring report for the year 2022 and it was discussed with all parties involved in PFM. Firstly, the first draft was presented in the Technical Committee Meeting held on June 26, 2023. The main focus of the meeting was to discuss the 2022 PFM draft annual monitoring report, the challenges and progress made, as well as to discuss the document 'Menu of challenges' for the new PFM strategy. The final draft was presented in the Steering Committee meeting held on July 21, 2023. The PFM Steering Committee was chaired by the Minister of Finance and Economy. Representatives of institutions and directorates within MoFE involved in PFM and other members of the Steering Committee, also development partners and civil society organizations participated in the meeting. In the framework of transparency and communication with the public, MoFE publishes on its official website[1] every annual monitoring report both in Albanian and English language.

2. STRATEGY PROGRESS IN 2022

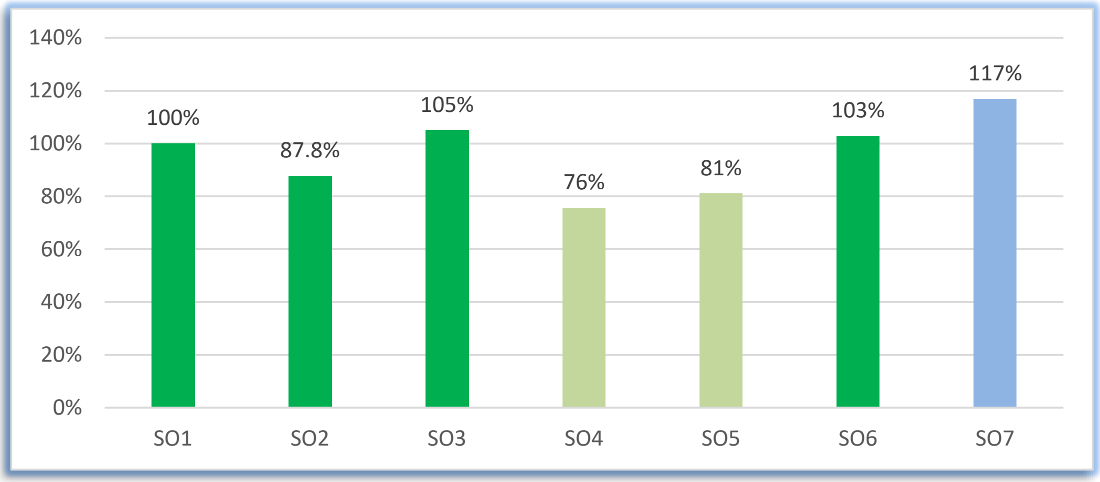
2.1 Achievements in implementing PFM Strategy Specific Objectives for 2022

Despite the consequences COVID-19 pandemic, War, and price crises very **good progress** with 96% level of achievement has been made in implementing PFM Specific Objectives during 2022, remaining in the same category as in 2021 (very good progress with 100% level of achievement).

Overall, the graph below presents an overview of the level of achievement for each specific objective. The level of achievement of the strategy in the outcome level was 96%, which is an average of the level of achievement of specific objectives, respectively SO1 100%, SO2 87.8%, SO3 105%, SO4 76%, SO5 81%, SO6 103 % and SO7 117%.

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

Graph 1: 2022 SO level of achievement



During 2022, the performance indicators which mainly contributed to outcome level of achievements are: debt to Gross Domestic Product (GDP) ratio; Forecasted nominal GDP in comparison with the forecast of International Monetary Fund (IMF) World Economic Outlook; Primary Balance; Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year; Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues; Fiscal risk reporting; Expenditure composition outturn by function Public Expenditure and Financial Accountability (PEFA PI-2, 2.1); share of public investment projects that are proposed based on the strategic priorities of the government; Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations; Ratio of new public investments submitted within the Medium-Term Budget Programme (MTBP) Cycle versus total new public investments approved in one year; PEFA Subnational level PI-22.1 Stock of expenditure arrears; Tax base of businesses; % of Actual tax collection; Ratio of tax debt collected; Ratio of tax return versus previous year; % of Actual custom revenue collection; Total volume of budget executed through Albania Government Financial Information System (AGFIS); PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year; PEFA 22.2 Expenditure arrears monitoring; The percentage of cases when the review body exceeds the legal maximum processing time; Compilation of Government National Accounts according to International Methodology (European System of Accounts ESA 2010); Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs; Moving on a phased basis to presenting accruals based government financial statements; Public assets recorded into the AGFIS; The extent to which internal control systems are implemented in practice within the budget organizations; Internal audit framework aligned with International Standards on Internal Audit; The % of system base recommendations addressed vs the total of findings; % of audit recommendations accepted and implemented by auditees; Proportion of financial (pure financial audit + combined audit) and performance audits.

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 (PAR), 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 under Instrument for Pre-Accession Assistance funds. In this context, the Public Finance Management Strategy 2019-2022, addressed several challenges that Albania is facing in its path towards EU. Furthermore, progress of PFM is part of several monitoring and evaluation reports such as: PAR Special Group report, SIGMA monitoring 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 PAR. 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. The last PAR SG meeting was held in January 2022, in which several operational conclusions were left such as: preventing occurrence of new arrears; decision-making and management processes for public investments; public consultation on draft, approve the medium-term revenue strategy (MTRS), and monitor its implementation. These conclusions have been monitored and followed-up by MOFE, and their progress was reported in the bilateral meeting held in Brussels in December 2022 under the PAR. The 11th PAR SG meeting was held in June 2023.

There is no SIGMA monitoring report conducted in 2022 for PFM area, however MOFE has addressed and monitored the recommendation left in the **2021 SIGMA monitoring report**[2], which were presented as well in the bilateral meeting held in Brussels in December 2022 under the PAR.

Regarding **EU report on Albania 2022**[3], key findings are presented in the following box.

- The 2022-2024 medium-term budget programme was adopted, based on the newly developed Albanian financial management information system. The 2022 budget and the execution of the 2021 budget were in line with the revised organic budget law.
- Revenue reforms have progressed, but weaknesses in public investment management persist. Although investment spending has increased strongly since 2017, it lagged the frequently revised plans, and remained very much backloaded, with a third of total capital expenditure in 2021 executed in December alone.
- Budget transparency remains satisfactory with the publication of all key budget documents, which allows for sufficient public debate. Albania further strengthened its capacity for gender-responsive budgeting, based on a legal obligation to this effect in the central and local government finance management cycle.
- More timely publication of the budget execution reports and the audit report, in particular reporting on arrears, is needed.
- Integration of the e-procurement and treasury system made progress on improving commitment checks. Further efforts are needed to improve compliance with procedures and prevent corruption in the procurement cycle.
- Albania should in particular: ensure the operational independence of the SAC and significantly increase the administrative capacity of SAC's secretariat; further align the legislative framework in the area of State aid with the EU acquis.
- Consultation on the medium-term revenue strategy was launched in January 2022, but the final version has not yet been produced.
- Monitor and follow-up the implementation of recommendations made in the annual PIFC report across budget institutions. The internal audit quality control procedures still need to comply with the standards and become fully operational.

Furthermore, based on the data reported from PFM responsible units, it results that 12 out of 24 components of PFM reform are related with the National Plan for European Integration chapters.

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

In this section it is provided a comparative analysis among Western Balkan countries, with the focus on public finance area and the economic performance achieved from ongoing reforms. According to several studies

[2] https://www.sigmaweb.org/countries/albania-sigma.htm
[3] https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/Albania%20Report%202022.pdf

conducted, the six countries of WB (Albania, Kosovo, Bosnia and Herzegovina, 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. 23, Spring 2023: Testing Resilience"[4] where it is presented an overall view of the main public finance indicators and the impact of major shocks, such as electricity & heating outages and inflation in these economies. The table below represents the overall fiscal picture for the Western Balkan countries for 2020, 2021 and the estimation for 2022.

Table 1: Fiscal indicators in the Western Balkan countries 2020, 2021, 2022[5]

Indicator	Real GDP growth (percent)			Public debt (percent of GDP)			Public Expenditures (percent of GDP)			Public revenues (percent of GDP)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Albania	**-3.3**	**8.9**	**4.8**	**73**	**71.5**	**62.1**	**32.6**	**32.1**	**30.5**	**25.9**	**27.5**	**26.8**
Bosnia and Herzegovina	-3.0	7.4	4.0	36.1	34.0	32.5	46.8	41.3	44.8	41.6	41.1	43.8
Kosovo	-5.3	10.7	3.5	22.0	21.2	19.5	33.0	28.8	28.2	25.4	27.4	27.6
North Macedonia	-4.7	3.9	2.1	50.8	52.0	50.9	38.1	37.9	36.9	29.9	32.5	32.4
Montenegro	-15.3	13.0	6.1	105.3	84.0	70.8	55.5	45.9	44.6	44.4	44.0	39.4
Serbia	-0.9	7.5	2.3	53.9	54.5	52.6	49.0	47.4	46.6	41.0	43.3	43.4
WB6	-3.0	7.8	3.2	56.9	52.9	48.1	42.5	38.9	38.6	34.7	36.0	35.6

Source of information: World Bank (2023)

Growth in the Western Balkan economies started strong in early 2022, before moderating toward year-end, but the impact of major shocks, such as electricity and heating outages, has been less severe than expected. Fiscal deficits have narrowed in most Western Balkan countries despite persistent social spending pressures against record inflation. As it can be seen:

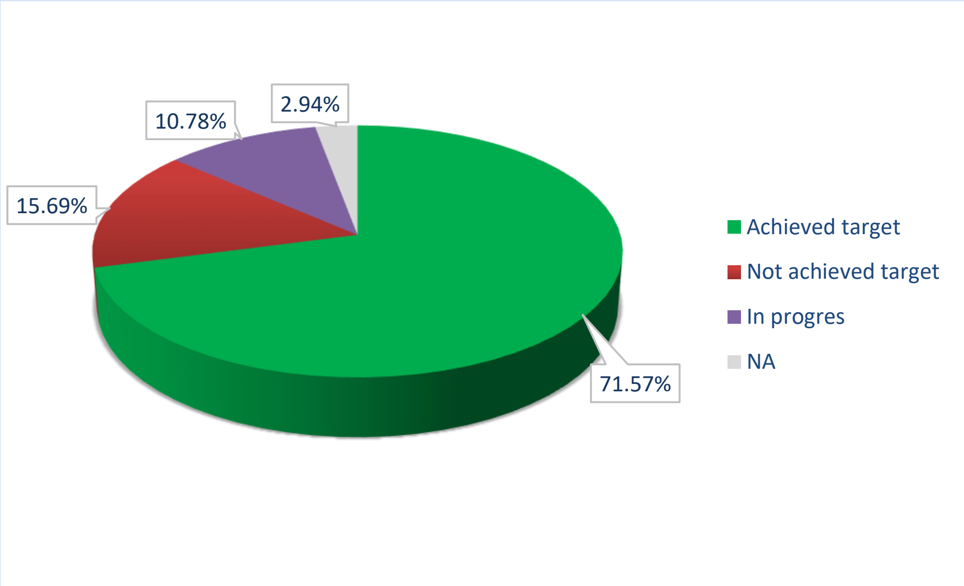
- Albania is appeared in the third position in 2021 as *the real GDP growth* after Montenegro and Kosovo. However, considering the estimation for 2022, Albania appears in the second-best place after Montenegro which is in the first place.
- Another important indicator which is been impacted from the 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 decreased in Albania, as well in other countries, except Bosnia & Hercegovina.
- Albania is appeared in the fifth position in 2021 regarding to *Public revenue*. A slight decrease could be seen in the estimation for 2022. Considering the estimation for 2022, Albania is the second country with lowest public revenue after Kosovo.

2.4 Specific objective outputs that did not progressed as planned

The graph below presents an overview of the status of the outputs target for the seven specific objectives. The output targets level of achievement for 2022 was 82.35%. As could be seen on the graph below 71.57% of the outputs target were fully achieved in 2022, whereas 26.47% did not progressed as planned (it includes "not achieved" and "in progress" targets), 10.78% of which are in progress and the work will continue in the upcoming year. As reported from the responsible unit the main factor of the non-achievement of the output targets for the 2022 was the Covid-19 pandemic, War and price crises which increased the negative impact on reaching the targets set and becoming the main obstacle to their progress.

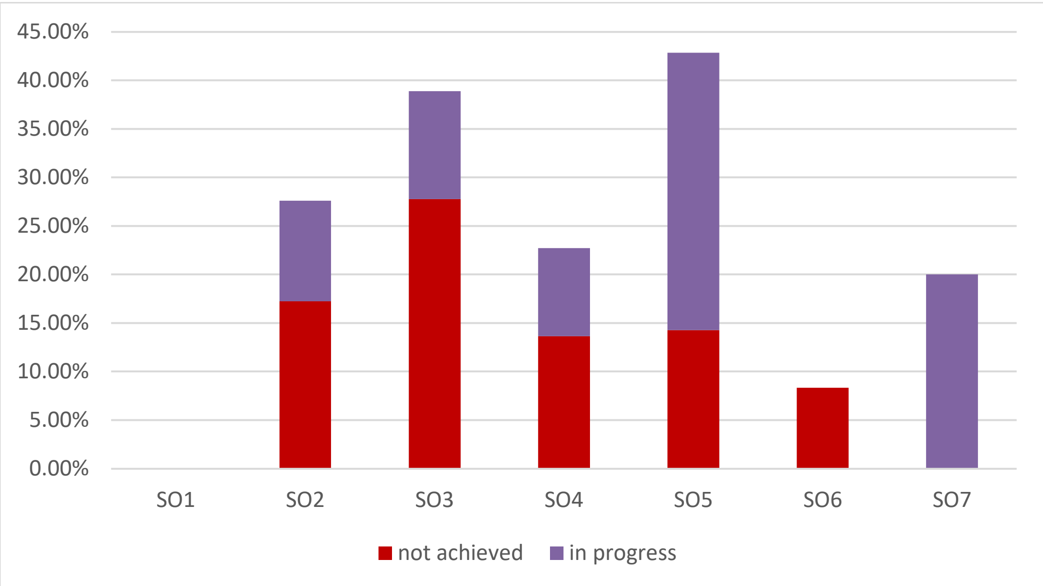
[4] https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report
[5] 2022 figures are estimated values

Graph 2: 2022 status of the Output Targets



In the graph below is presented the percentages of the 2022 output targets for each of Specific Objectives which did not progress as planned during 2022. The SO5 has the highest number of output targets not progressed as planned during 2022 (42.86%), followed by SO3 (38.89%), while the SO1 has all output targets achieved.

Graph 3: 2022 Output Targets not progressed as planned



The main challenges that hampered the achievement of the outputs were mainly related to the Covid-19 pandemic consequences, War; internal organization processes; lack of human resources/sustainable capacities/staff turnover; lack of capacity building; missing clear procedures; lack of necessary infrastructure; workload in some units; IT system and operational risks; lack of data and missing information; lack of financial resources; lack of coordination and lack of the necessary external expertise.

2.5 General Budget execution

Most 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. The existing staff of the institutions involved in the implementation of the reforms have taken all the necessary steps to achieve the desired results. The Action Plan 2019-2022 provides that the total cost of implementing the activities is EUR 83 million of which EUR 48.8 million to be covered by the state budget and EUR 25.2 million from International Development Partners and EUR 8.9 mil was considered as Financing Gap. While the planned budget for 2022 Action Plan was EUR 26.67 million. During 2022, the total resources used for the reform implementation were EUR 5.36 million from Government Budget and EUR 4.52 million from International Development Partners.

During the preparation of the revisited Action Plan of PFM Strategy 2019-2022 a financing GAP of EUR 8.9 million was foreseen for the entire period of its implementation. However, as mentioned also in the main PFM Strategy document, the Government was committed to secure the financing gap to allow the implementation of the reform activities, and this was the case during 2022 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.

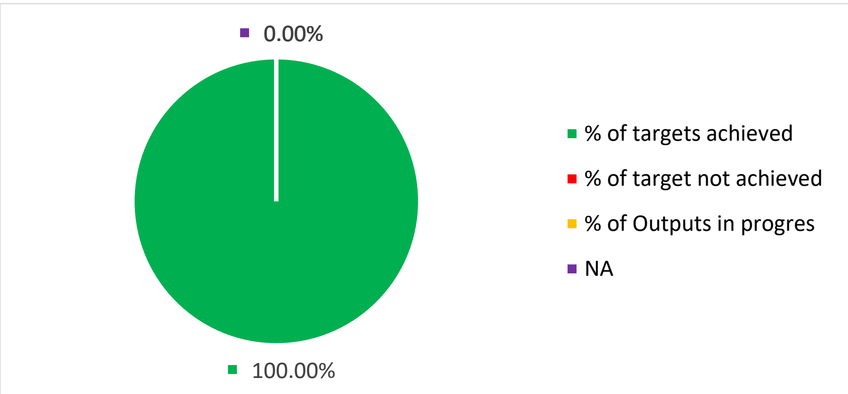
3.1 Progress under Specific Objective 1 "Sustainable and Prudent Fiscal Framework"

In order to ensure a sustainable and prudent fiscal framework, efforts were made to (i) Increased credibility of fiscal framework, and (ii) Fiscal risks are identified and contained more effectively. During the year 2022, the level of achievement of the performance indicators of the results has been evaluated as very good, with 100% progress made, remaining in the same category compared to the year 2021 (100%).

Table 2: SO1 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	74.5%	<FY 21	64.6%
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	-0.03 billion ALL	< 0	(-) 0.2 billion ALL
	Ic) Primary balance	-2.6%	>FY21	(-) 1.9%
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	-29.2%	≤ planned deficit	(-)6.72%
	Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues	1.20%	> -2%	8.7%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	B	B	B

Graph 4: 2022 status of SO1 outputs targets



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. The Debt to GDP ratio showed a decreasing trend during the period 2015-2019, while in 2020 the ratio increased to 74.3%[6]. 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 in 2020. In 2021 Debt to GDP ratio (74.5%[7]) had a slight increase compared to 2020. Public debt fell to the level of 64.6% of GDP by the end of 2022, which makes a substantial reduction from 74.5% in 2021, thus re-starting again the downward debt trajectory.

The forecasts of nominal GDP were prudent and lower than the respective forecasts of nominal GDP in the IMF World Economic Outlook during 2016-2021. In the previous years, especially in 2020, the planning and budgeting processes were undermined by systematically overly optimistic revenue forecasts and tax projections. However, in 2021 the difference in forecasting was -0.03 billion All, which resulted 15% lower than 2020. In 2022, the country's difference was -0.2 billion lek. In accordance with this fiscal rule, the forecasted nominal GDP projections are not higher than the projections of the World Economic Outlook report of International Monetary Fund, most recently published in October 2022. The Primary Balance improved in 2022 (from -2.6% in 2021 to -1.9% in 2022) and it is expected to be on the positive side from 2023, while from 2024 onwards the positive primary balance becomes a legal obligation.

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 in 2020, and half of the planned positions were filled during 2020. Four vacancies were filled during 2021 through DoPA. The staff of the sector for analysis and statistics were not trained as planned in 2021. During 2022, the staff of the analysis and statistics sector attended 2 training courses offered by ASPA.

Performance of the revenue collection by General Directorate of Taxation (GDT) and General Directorate of Customs (GDC) for 2021 compared to 2019 and 2020 have resulted in an upward trend. These revenues were estimated at ALL 336.8 billion, 32 billion or 10.5% more compared to 2019 and 57.8 billion or 20.7% more compared to 2020. The main factors that have influenced the performance of the realization of tax and customs revenues against the plan are: i) Rapid vaccination of the population, gradual opening of the economy and the summer season, revival of tourism and all other sectors of the economy directly or indirectly related to tourism, had a positive impact on economic growth and revenues that the economy has created for the state budget; ii) The positive performance of the construction sector, including reconstruction due to the consequences of the earthquake, has increased turnover, imports, domestic production and budget revenues; iii) The increase in customs revenues as a result of the increase in the volume of imports and the increase in prices in international markets. The revenues collected by the General Directorate of Taxes and the General Directorate of Customs (including the Contributions collected by DPT), were estimated at 40.7 billion or 8.7% more, compared to the initial budget approved for tax and customs revenues. Tax and customs revenues (including Contributions collected by DPT) according to the initial approved budget for 2022 are 468.6 billion ALL and tax and customs revenues (including Contributions collected by DPT) collected for 2022 are 509,4 billion ALL.

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

[6] In the 2021 PFM annual monitoring report, the debt ratio for 2020 was reported 76.1%, while due to the change in the GDP value after the publication of the 2021 PFM report, debt ratio went to 74.3%.
[7] Debt ratio for 2021 changed from 73.2% to 74.5% due to the change in the GDP value after the publication of the 2021 PFM report.

risks, including those of state-owned utility companies, arrears and those embedded in Public-Private Partnerships (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 2021, FRU continued regularly monitoring (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. Three State Owned Enterprises (SOE) have been realized as planned during 2021 aiming to improve the FRS and expanding the analysis of SOE-s.

FRU periodically monitors and prepares, on a quarterly (3M) basis, the analyses of the main SOEs. The monitoring is primarily focused on the financial and non-financial performance of the three energy sector companies, Water Supply Entities, but the monitoring also includes other SOE-s outside the utility sector, such as the state railway, seaport authority, national television etc. During 2022, the monitoring of SOEs has been broaden through the water supply sector's entities. Furthermore, with the Co-signing of the joint order of MIE and MFE Nr. 304 date 17.12.2020 “For the approval of the action plan for the reduction of arrears in the electricity sector” and joint order of MIE and MFE no. 379 dated 30.09.2021 "On the implementation of the plan of measures for the reduction of arrears in the electricity sector", FRU on a monthly basis collects information regarding the reporting and clearance of the mutual arrears that the state enterprises of the energy sector have with each other and with other state entities (WU, GDT, etc.), the modalities of which are included in the supplementary budget instruction of the Minister of Finance and Economy. Moreover, FRU monitors periodically (on a monthly basis) the financial and non-financial performance only for concession/PPP contracts with budget support. Part of Fiscal Risk Statement are also Contingent Liabilities that comes from: Decisions by the Court of Human Rights in Strasbourg, decisions of the International Court of Arbitration and Final administrative court decisions. And lastly, FRU also monitors General Government Arrears and the reporting and disclosing on those is done on a quarterly basis, detailed and defined in the Guideline no.37 dated 06.10.2020 “For the monitoring and periodic publication of the stock of arrears of the General Government”. The monitoring process of the total stock of arrears is a consolidated process.

Components progress made during 2022

Component 1.1: Fiscal rules and forecasting

Regarding this component there was only the output of “Revenue forecasting reliability” which had target for 2022. During 2022, the staff of the analysis and statistics sector attended 2 training courses offered by ASPA. During 2023 the staff of the analysis and statistics sector will continue to attend training courses offered by ASPA related to their area of responsibility.

Component 1.2: Fiscal risk management

Several improvements have been made to improve the FRS and expanding the analysis of SOE-s. In this regard the addition of six SOE has been realized as planned during 2022. The focus of FRU is monitoring SOE-s which might have potential budget impact, and not necessarily monitoring all SOE-s, neither increasing the number of SOE-s we currently monitor. Thus, FRU's next steps are monitoring SOE-s which might have potential budget impact, such as energy sector and water supply sector. MOFE (BMD) is closely monitoring the financial performance of main SOE-s, on a quarterly basis, in order to identify and properly manage the risks arising from SOE-s. The periodicity and modalities of this monitoring are defined in Supplementary Instruction No.1, dated 10.01.2022 "On the implementation of the 2022 budget". The analytical financial reports of the main SOE-s, that are regularly prepared on a quarterly basis, are disclosed/included in all MoFE/DMB's periodic reports, such as: ABER, Mid-Year, Budget Proposal.

Key challenges and next steps

The main challenge in this Specific Objective is related to communication with SOE-s and receiving the information within the deadlines.

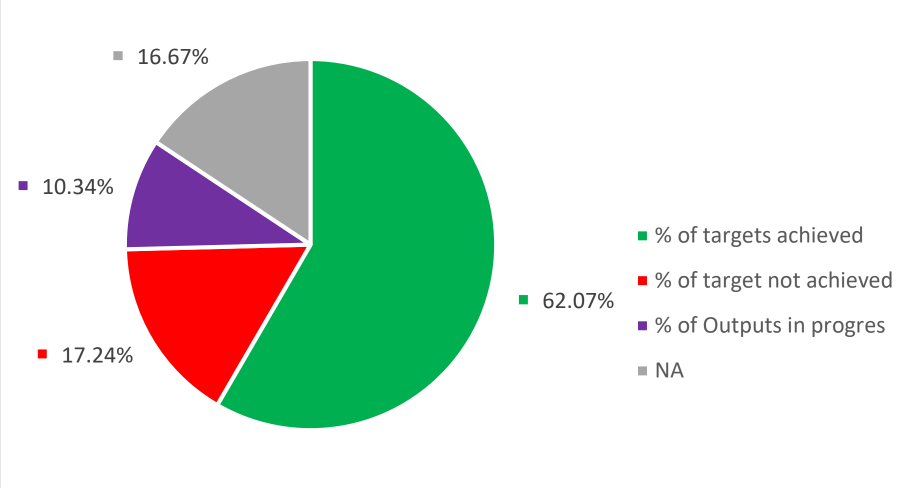
3.2 Progress under Specific Objective 2 "Well Integrated and Efficient Planning"

In order to ensure a well-integrated and efficient planning, efforts were made to (i) improve annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium-term planning (ii) improve Public Investment Management (PIM) Oversight; and (iii) strengthen financial management in local government. The data for outcome indicator "Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP" are not available for 2022. Based on the 2021 SIGMA report, the review of samples additionally showed that the quality of strategic documents had improved since 2017. In most cases, they clearly set their policy objectives and contain outcome indicators with target values, making it possible to monitor the progress made. They are, in most cases, also appropriately costed and indicate expected sources of funding. However, the analysis of the samples also revealed that there has been no significant progress in the alignment between the planned costs in sector strategies and the costs foreseen in the Medium-Term Budget Programme; it is estimated to be 60%* (as compared to 56% in 2017). Related to performance indicator 'Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget', the target was not achieved. Expenditures in budget 2022 were increased compared with the technical phase of MTBP 2022-2024. Major differences come from increasing expenditures for public investments including reconstruction funds driven by political decision. During 2022, the level of achievement of the outcome performance indicators' targets aiming to ensure a well-integrated and efficient planning was assessed as very good, with 87.8% of progress made, standing in the same category compared to 2021 (106%).

Table 3: SO2 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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	**60***	**> (t-1) (growing trend)**	**NA**
IV) Improved annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium term planning	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget	**2.5%**	**< (t-1) (declining trend)**	**12.1%**
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)	**B**	**C**	**B**
V) Improved Public Investment Management Oversight	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)	**90.5%**	**> (t-1) (growing trend)**	**91.4%**
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations	**99.0%**	**98%**	**98.4%**
	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year	**72.4%**	**> (t-1) (growing trend)**	**75.3%**
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)	**21.3%**	**4.7% (fact 2022/2021)**	**3.6% (fact 2022/2021)**
	VIb) PEFA Subnational level PI-22.1 Stock of expenditure arrears	**6.5 bln ALL/52.583 bln ALL (12.3%)**	**6 bln ALL / 60 bln ALL (10%)**	**5.9 bln ALL / 58.6 bln ALL (10%)**

Graph 5: 2022 status of SO2 outputs targets



The GoA adopted the National Strategy for Development and Integration 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. During 2022, NSDEI 2022-2030 was drafted. 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 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 operationalization and the readiness of the IPSIS to go live, and many training activities took place. The outcome indicator "Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP", is measured by SIGMA and the value for 2020 is 60%. The data for outcome indicator "Ratio between total funds estimated in the sector strategies and total funding identified for corresponding sectors within the MTBP" are not available for 2022. Based on the 2021 SIGMA report, the alignment between the planned costs in sector strategies and the costs foreseen in the Medium-Term Budget Programme; it is estimated to be 60% (as compared to 56% in 2017).

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 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). Three additional Budget organizations, specifically Ministry of Justice, Ministry of Agriculture and Rural Development and Ministry of Education, Sport, and Youth, have prepared: baseline forecasting, new policy initiatives and budget programme classification & KPIs. During 2021, 128 program management teams have been trained and assisted in the process of MTBP preparation in Albanian Financial Management Information System (AFMIS). Also, during 2022, 128 program management teams have been assisted in the process of MTBP preparation and Budgetary Programming and Analysis Directorate (BPAD) offers continues assistance for all Line Ministries and Budgetary Institutions who need it during budget requests preparation.

During 2021, to further assist the LMs in implementing the new guidelines, two sector guidelines were finalized and published. In order to properly scrutinize and fund all new policy initiatives, the Strategic Planning Committee SPC 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. During 2021, Policy Priorities Note has been prepared by PMO and discussed with MoFE in January. This Document serves to guide the process of planning 2022-2024 budgetary ceilings, especially planning of new policy initiatives. During 2022, the action plan on either to cancel, amend or fund the Unfunded Legal mandate was not designed. The list of NPI and prioritization were not approved by the Strategic Planning Committee. 25 Civil Society Organizations (CSOs) were trained and coached on participatory budgeting and Gender Responsive Budgeting (GRB) during 2022. 100% of local budget programs have fully integrated GRB. These are part of Medium-Term Budget program document.

Regarding public investments, the Council of Ministers[8] 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 substantially increased 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 SPC in 2020. The Single Project Pipeline for major projects was maintained. The regulatory framework for SPP management was prepared during 2021, with the support of an EU funded project. During 2021, PMO has organized 2 SPC meetings to approve the list of strategic projects to be matured and financed during 2021 and SPC has approved the Priority Policy Document including the list of new strategic projects, part of SPP, that will be included in the MTBP 2022-2024 (MTBP strategic phase). During 2022, the NSPP was updated based on the standard methodology produced by SASPAC and EU assistance by adding new strategic projects which have been evaluated by SASPAC and vetted by the Strategic Planning Committee. Also, during 2022, aiming to increase the quality of larger Public Investment proposals submitted for approval, SASPAC in collaboration with the EU technical assistance (TA) has developed the methodology to evaluate the Strategic Relevance of investment project proposals and the Strategic Relevance Assessment (SRA) Forms for 6 main sectors of the economy.

In terms of PFM in Local Government 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 the period 2019 - 2022. During 2022, the annual MTBP Preparation Instruction was reviewed. A new template for LSGU MTBP Document was prepared and introduced as a new annex to the Annual Instruction. Training was provided to 73 LSGU on use of the new MTBP document template. A new excel based module is prepared for Programme Expenditure Planning under MTBP preparation. A draft-Municipal Regulation on Local Tax Administrative Appeals was developed by Local Finance Project and delivered to all 18 core municipalities. 16 municipalities have already adopted the Regulation. 204 municipal officials dealing with tax debt administration from 18 LGUs were trained on the new regulation on tax debt management. All local governments units have prepared the plan for the repayment of Arrears in medium terms. An annual report on the financial difficulties of local government was prepared by MoFE. All 61 municipalities

[8] The Decision no 185 of the Council of Ministers the 'On Public Investment Management Procedures'

prepare and publish individual budget execution monitoring report. A national compliance report prepared by MOFE.

Components progress made during 2022

Component 2.1: Policy development and integrated strategic governance

In order to improve quality review process for strategies, policy priorities and MTBP submissions, during 2022 NSDEI was drafted (adoption in 2023). Handover to SASPAC (as a new established institution) created difficulties in obtaining data for performance indicator.

In order to coordinate activities for a better management of sector and cross-sector strategies, SASPAC has reviewed draft-strategies to make sure they are in line with methodology. Handover to SASPAC (as a new established institution) created difficulties in obtaining data for indicator.

The **trainings of administrators, trainers** in order to have IPSIS System managed and implemented effectively were conducted since 2020.

Component 2.2: Medium Term Budget Programme

The output target aiming to implement Performance Based Budgeting (PBB) in all the Budgetary Institutions was fully achieved. During 2022, 128 program management teams have been assisted in the process of MTBP preparation and Budgetary Programming and Analysis Directorate (BPAD) offers continues assistance for all LMs and BIs who need it during budget requests preparation. The next step is work continuing at the same pace.

The output targets, in order to properly scrutinize and fund all new policy initiatives, were not achieved. The action plan on either canceling, amend or fund the Unfunded Legal mandate was not designed. There has been no progress in this activity. The list of NPI and prioritization were not approved by the Strategic Planning Committee. There has been no progress for this activity.

Regarding the output "Budgeting at the Central and Local Level is gender responsive" all output targets were fully achieved. 25 Civil Society Organizations (CSOs) were trained and coached on participatory budgeting and GRB during 2022. Regarding the performance indicator "Number of the budget programs that have been fully integrated into GRB" the output target was achieved as targeted for 2022. 100% of local budget programs have fully integrated GRB. These are part of Medium-Term Budget Program document. Municipalities have defined specific initiatives that address gender inequality in the provision of public services. Regarding the performance indicator "Number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring)" the output target was achieved as targeted for 2022.

The output target aiming to include the piloted policy objectives and related KPIs as a specific annex in the Annual Budget Law was not achieved, but some progress was made. The Annual Budget Law of 2023 that contains policy objectives and related KPIs as a specific annex was not approved. Annual Budget Law of 2023 has an analysis of sectorial policies included in the budget explanatory note, where for each LM there is a short report of priorities in terms of objectives and KPIs. There is still work to be done to increase the number of KPIs reported by producing a specific annex to be included in the annual budget law.

The Output target related to Action Plan implemented aiming to enhance quality and content of budget documents for Parliamentary approval was not achieved as targeted for 2022, but some progress was made. Action plan was partially implemented. For the first time, in the package of 2023 budget was included in the explanatory note an analysis of progress made for the Gender Responsive Budgeting in all LM and BI. Actually 45 Budget Programs at Central Level have fully integrated GRB from a total of 134 budget programs in Central Level and 9% of General Budget Expenditures go for GRB. This progress and detailed programs and outputs have been part of the GRB analyses included in the explanatory note. There is still work to be done to increase the number of KPIs reported by producing a specific annex to be included in the annual budget law. The first step is to amend organic budget law, in order to include the legal right to produce an annex for KPIs and objectives as part of the annual law. The next step is continue working at the same pace by endgender all LM programms. Work further to introduce changes to the organic budget law, in order to have the legal right to enhance the quantity and quality of information (KPIs) in the budget package.

Component 2.3: Public Investment Planning and Oversight

The output target aiming to develop and maintain the National Single Project Pipeline (NSPP) for all projects, regardless of source of financing, was achieved. The NSPP was updated based on the standard methodology produced by SASPAC and EU assistance. During 2022 the NSPP has been updated by adding new strategic projects which have been evaluated by SASPAC and vetted by the Strategic Planning Committee. NSPP will continue to be updated by adding new relevant strategic projects and updating twice per year the status of the existing projects that have been previously included.

Regarding performance indicator "Methodology developed and prioritization tools in place" aiming to increase the quality of larger Public Investment proposals submitted for approval, the output target was not achieved, but some progress was made. The methodology and prioritization tools have been developed. During 2022 SASPAC in collaboration with the EU technical assistance has developed the methodology to evaluate the Strategic Relevance of investment project proposals and the Strategic Relevance Assessment (SRA) Forms for 6 main sectors of the economy. At the beginning of the year 2023 SASPAC is expected to issue the order related to the SRA forms and the methodology related to the process of filling the forms, in respect to DCM No.887, dated 27.12.2022.

Output targets aiming to improve the monitoring process of public investments, including PPP projects and concessions were not achieved as targeted in 2022, but some progress was made. The output target related to publishing a comprehensive report on public investment was not achieved, but it will be published within the first 6 months of 2023.

Component 2.4: PFM in Local Government

All targets of the output aiming to strengthen strategic planning and budget management at LG level were achieved. An improved framework for programme budget planning, better linked to effectiveness and service delivery performance. Annual MTBP Preparation Instruction improved by introducing new elements of "Output based Expenditure Planning" as basis for planning and costing service delivery under each budget programme. A new annex is introduced in the 2022-2024 MTBP Preparation Instruction providing an improved MTBP document template and reports to be used by all municipalities. Methodology for establishing budget performance information and service costs as part of a regularly updated Annual MTBP Preparation Instruction. The Annual MTBP Preparation Instruction now directs municipalities to plan improved service delivery through new performance and cost components for planning and resourcing public services (outputs) to achieve municipality policy goals and objectives.

Annual MTBP Preparation Instruction was reviewed. A new template for LSGU MTBP Document was prepared and introduced as a new annex to the Annual Instruction. Training was provided to 73 LSGU on use of the new MTBP document template. The Annual MTBP Preparation Instruction will direct municipalities to plan improved service delivery through new performance and cost components for planning and resourcing public services (outputs) to achieve municipality policy goals and objectives.

Programme Expenditure Planning Module is prepared. The module: allows LSGUs to collate performance and cost detail; automates cost calculation for individual services (outputs) and programmes; and directs LSGUs to modify plans where cost exceeds available resources. Performance and cost information had previously not been catered for in MTBP tools, including MoFE's Financial Planning Tool. The Excel-based Programme Expenditure Planning tool design anticipates future LSGU AFMIS requirements.

A new excel based module is prepared for Programme Expenditure Planning under MTBP preparation. The module was partially piloted muncipalities during 2022-2024 MTBP preparation process. The Excel-based Programme Expenditure Planning tool design anticipates future LSGU AFMIS requirements.

Supported by an increase in online practices, a comprehensive training programme on MTBP preparation was carried out for all 73 LSGUs (61 municipalities and 12 Councils of "Qarks" - counties). Municipalities received training using the Zoom platform and were grouped by region. The training was organized in three rounds (of six training sessions each). 1st Round: 150 senior officials trained on MTBP instructions and process. 2nd & 3rd Round: more than 450 technical staff, heads and members of Programme Management Teams (PMTs) of all 73 LSGUs trained on budget programmes performance planning; on output expenditures planning and the use of the MTBP template; use of the Toolkit for Programme Expenditure Planning. Trainings to all municipalities for MTBP preparation will continue.

All local governments units have prepared the plan for the repayment of Arrears in medium terms. Periodic reports on arrears of LGUS were prepared and published[9]. Financial Insolvency instruction approved and applied for two consecutive years (2020-2021). An annual report on the financial difficulties of local government was prepared by MoFE.

Improved budget monitoring framework. Annual, Semi-annual and 9 months report on financial statistics of LSGUs prepared and published for the third consecutive year by MoFE. All 61 municipalities prepare and publish individual budget execution monitoring report. A national compliance report prepared by MoFE.

The output target for 2022 aiming to create effective revenue management was achieved. Improved capacities on preparing municipal fiscal packages. Also the fiscal package include new methodology of the building tax. In 18 municipal fiscal packages 2020, 2021 and 2022 were adopted fully in line with the legal framework of local taxation. 18 municipalities adopted and executed their fiscal as per new methodology of the building tax.

A regulation on tax debt management introduced and under adoption process in 18 municipalities. 14 municipalities have formally adopted the Standard Regulation for Taxpayer Service function and Chart of Taxpayer at subnational level. A draft-Municipal Regulation on Local Tax Administrative Appeals was developed by Local Finance Project and delivered to all 18 core municipalities. 16 municipalities have already adopted the Regulation. 204 municipal officials dealing with tax debt administration from 18 LGUs were trained on the new regulation on tax debt management.

The output targets for 2022 to have an improved intergovernmental transfer finance system were achieved. MoFE has continued the financing for preschool education based on number of pupils. Financing of preschool education is part of the budget year 2022 Criteria and methodology are part of the annex 1 of the budget law 2022. Financing of preschool education is part of the budget year 2023 Criteria and methodology are part of the annex 1 of the budget law 2023.

The size of both general unconditional transfer and sectorial unconditional transfer are more than 1.5 percent of GDP. Unconditional transfer and sectorial unconditional transfer are allocated through the budget year 2022. Criteria and methodology are part of the annex 1 of the budget law 2022.

For the year 2022, MOFE has transferred to all 61 municipalities revenues form PIT. Revenues from PIT are fully shared with LGUs in 2022. Transfers made to municipalities for 2022 PIT are: Q1 2022: ALL 64.8 mil (related to 2021 PIT); Q1 2022: ALL 293.3 mil (related to 2022 PIT); Q2 2022: ALL 319.3 mil (related to 2022 PIT); Q3 2022: ALL 222.6 mil (related to 2022 PIT). With these allocations is fulfilled the total amount part of PIT that belongs to municipalities for 2021 (ALL 786.2 mil) and 2022. Since the final fiscal indicators table, regarding consolidated budget of 2022, will be published in 2023, the remaining part of PIT for 2022, will be allocated to municipalities in 2023.

The output targets for 2022 in order to establish an effective internal control and internal audit function at the local government level were achieved. To achieve the intended results, during 2022, The Directorate

[9] https://financa.gov.al/detyrimet-e-prapambetura-2022/

of Harmonization of Financial Management, Control and Accounting (DHFMCA) provided technical assistance in 2 municipalities (Lezha and Belsh). Based on a detailed activity plan, work was done on the drafting of operational work plans, implementation of the approved delegation instruction and use of reporting lines, drafting of book of business processes, audit trail, risk register and action plan for setting up the Financial Management and Control (FMC) system. Also, was performed the evaluation of the quality of the internal control system for 5 municipalities out of 8 planned to be evaluated, highlighting the achievements and shortcomings of the internal control system and giving recommendations for further improvement. In cooperation with the Local Finance Project, the following was provided:

- 7 regional workshops where about 140 risk coordinators and revenues officers of 46 municipalities discussed the local revenue management processes,with a focus on the main risks that affect realistic revenue forecasting and collection;
- 4 two-day trainings were organised on a regional basis on evaluation of internal control system (84 participants of 61 municipalities);
- 2 regional workshops were held in October, jointly with Local Finance Project, where more than 45 IC coordinators of 33 municipalities were familiarized with the methodology used by the MoFE to evaluate the performance of the municipalities.

In order to strengthen the capacity of employees in the field of internal control, the following trainings were conducted:

- 10 Webinars were held on building the capacities of public administration employees (local and central government units) regarding the implementation of the risk management process (520 participants);
- Two 5-day training courses on the risk management process were carried out where 38 public administration employees (local and central government units) were certified.

During 2022, the technical assistance of EU funded Project "Strengthening Local Finances" in collaboration with CHU IA has organized three days training on "Audit of Arrears". As a result about 135 internal auditors were equipped with knowledge and skills about the technique to be used for auditing arrears, assessment of arrears risk and providing useful recommendations for improvement.

The output targets for 2022 aiming to increase MOFE capacities to manage the PFM reforms at LG level were achieved. MoFE has established effective procedures and capacities for analyzing and monitoring LSGUs PFM process. MoFE has established effective procedures and capacities for analyzing and reviewing MTBP submissions. All 73 MTBP documents submitted by LSGUs are reviewed by MoFE with relevant recommendations for improvement.

The output targets related to the establishment of IPSIS at Local Government level were not achieved. There are no new developments related to the use of IPSIS at the local level. Handover to SASPAC (as a new institution) in progress.

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Medium-Term Budget Programme. Most of the outputs related to this component were not achieved, due to (i) the risk of increasing unemployment as a result of staff reduction if spending review are undertaken; (ii) risk of shortage of services as a result of decision made to reduce costs; (iii) risk of general dissatisfaction for government decisions to reduce expenditures. The action plan on either to cancel, amend or fund the Unfunded Legal mandate was not designed. The Directorate of Analysis and Budget Programming will review this measures in the new Public Finance Management Strategy by excluding it. There is no political will to identify the unfunded legal mandates because the amount may be considerable and making spending reviews in the actual economic situation is a tough decision. The list of NPI and prioritization were not approved by Strategic Planning Committee.

The BPAD will work with SASPAC to institucionalize this process by approving the Priority Note Document (PND) by Council of Ministers. This PND will include a list of new policy iniciatives as well. The list will guide the process of ceiling preparation by guaranteeing that priorities are financed within the next 3-year roll out. The output target aiming to include the piloted objectives and related KPIs as a specific annex in the Annual Budget Law was not achieved. The Annual Budget Law of 2023 that contains policy objectives and related KPIs as a specific annex was not approved. Annual Budget Law of 2023 has an analysis of sectorial policies included in the budget explanatory note, where for each LM there is a short report of priorities in terms of objectives and KPIs. There is still work to be done to increase the number of KPIs reported by producing a specific annex to be included in the annual budget law. The first step is to amend organic budget law, in order to include the legal right to produce an annex for KPIs and objectives as part of the annual law. The next step is to amend Organic Budget Law. This will be predicted in the new PFM strategy. The Output target related to Action Plan implemented aiming to enhance quality and content of budget documents for Parliamentary approval was not achieved as targeted for 2022. Action plan was partially implemented. There is still work to be done to increase the number of KPIs reported by producing a specific annex to be included in the annual budget law. The first step is to amend organic budget law, in order to include the legal right to produce an annex for KPIs and objectives as part of the annual law. The next step is continue working at the same pace by endgender all LM programms. Work further to introduce changes to the organic budget law, in order to have the legal right to enhance the quantity and quality of information (KPIs) in the budget package.

Regarding the component of Public Investment Planning and Oversight, the target of NSPP maintained was achieved, however some challenges faced were lack of expertise from the central government units to provide adequate information in the process of filling the project proposal forms specified in the DCM 887, dated 27.12.2022 and lack of on time reporting from central government institutions in the process of updating the status of existing projects at NSPP. Regarding to performance indicator "Methodology developed and prioritization tools in place" aiming to increase the quality of larger Public Investment proposals submitted for approval, the output target was not achieved. During 2022 SASPAC in collaboration with the EU technical assistance has developed the methodology to evaluate the Strategic Relevance of investment project proposals and the Strategic Relevance Assessment (SRA) Forms for 6 main sectors of the economy. At the beginning of the year 2023 SASPAC is expected to issue the order related to the SRA forms and the methodology related to the process of filling the forms, in respect to DCM No.887, dated 27.12.2022.

Regarding the component of Policy Development and Integrated Strategic Governance, the challenges faced was: handover to SASPAC (as a new institution) is in progress.

Regarding component of PFM in Local Government risks faced related to strengthening strategic planning and budget management at Local Government level were: i) staff of municipalities for the use of new formats and ii) MTBP prepared from local units as required.

The target of effective revenue management was achieved, however some challenges faced during implementation such as: i) lack of performance in tax collection in some municipalities. No clear procedures and ii) if the new methodology of the building tax is not adopted may bring lack of revenues in local government budget.

With regard output to ensure effective Internal Control and Internal audit function, some of the challenges in carrying out activities consisted of: Lack of necessary infrastructure for the realization of the activity; Availability and lack of infrastructure of the host institution during the dates set for the realization of the activity; and Workload and the availability of Local Finance Project experts. Also, the output target related to the review of the MTBP of 61 LGUs by MoFE was achieved, however a challenge faced was that the MTBP documents were not according to formats approved by MoFE.

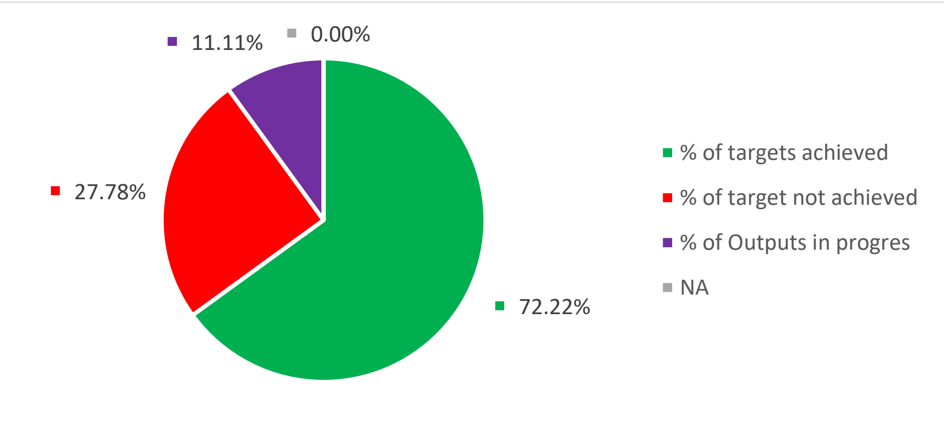
3.3 Progress under Specific Objective 3 "Revenue Mobilization"

In order to improve revenue mobilization, efforts were made to (i) increase level of revenue from Tax; (ii) reduce informality with improved self-declaration and increase the detection force of controls; and (iii) increase level of Custom revenues. The fiscal cadaster was not fully functional. The performance indicator related to custom declaration processing time has not progressed as planned. During 2022, the level of achievement of the outcome performance indicators' targets aiming to improve revenue mobilization was assessed as very good, with 105% of progress made, standing in the same category compared to 2021 (86% very good).

Table 4: SO3 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	62.4% (182,632 businesses in 2021)	≥ 15% (129 000)	85% (208,043 businesses in 2022)
	VIIb) % of Actual tax collection in Year N /Actual tax collection in Year N-1 -100% (from tax)	14.5%	8.0%	13.8%
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities	62.7%	65.0%	68.1%
VIII) Reduced informality with improved self-declaration and increase the detection force of controls	VIIIa) Ratio of tax return versus previous year	-8.08% (2,641,559 returns in 2021 vs 2,876,202 in 2020)	>0%	1.7% (2,685,283 returns in 2022 vs 2,641,559 in 2021)
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed	80% (1 200 000/1 500 000)	1300000.00	1,260,587.00
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)	25.7%	8%	15.6%
	Xb) Custom declaration processing time	88	Decreasing trend	95

Graph 6: 2022 status of SO3 outputs targets



In response to the request from the MoFE for support and guidance in the preparation of a 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 Medium -Term Revenue Strategy is a strategy which was drafted during the first quarter of 2020 and was expected to be released for public consultation during the second quarter of 2020, and then to be implemented in the last quarter of 2020, but it became less relevant when the COVID 19 pandemic started. The output target aiming to adopt a MTRS strategy was not achieved as targeted in 2021. The strategy was updated during 2021. Meanwhile, during 2021 the work continued with the review of the draft Strategy, as a need to change market conditions. Albania has drawn up the MTRS, the implementation of which has been delayed in 2022 due to the Russia-Ukraine war, which has had consequences for the country's economy. However, in the field of tax policies, from January 2022, the implementation of the measures provided for in the MTRS has begun, initially in the field of excise duties.

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 center. In 2019, the tax administration finalised the design of automated risk-based procedures for all Value Added Tax (VAT) refunds and most of the work to implement automatic VAT refunds was done during 2020 and it has been realized 95% during 2021. Reimbursement Platform is Live since April 2022.

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. In December 2021 the Test version (final version of test) was received by GDT. Testing in the test environment (final version) continued and the necessary improvements were made by the Developing Party. The final demonstration of the workflow was performed for the GDT functions involved in the process. During 2022, all refund requests processed under FIFO method have been refunded within the legal deadlines, making the stock for these approved claims zero. Also, the total VAT refund stock decreased by almost 100% on 31.12.2022. The total stock of VAT refund is zero until 31.12.2022. The regulation for reducing the number of desk audits was approved.

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 2022 Cross-checking of the invoices is done based on the Purchase and Sale books submitted by the taxpayer in the C@ts system by automatically applying the risk rules VATREF1S, VATREF1B. The information obtained is sent to the desk audit office for verification. In the framework of fiscalization, the respective modules are implemented 100%. 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. Based on the Agreement between the GDT and National Business Centre, the timely transmission of data for registrations and changes in the registrations has been realized. New developments have been made in obtaining information from the NBC for companies that are liquidated, merged or divided. During 2022, in cooperation with the Maintenance Party, certain reports have been built for the monitoring and supervision of the data transmitted to the Tax System by the NBC regarding new registration and changes in registration. These reports are functional both in the GDT and for RTDs registration (tax service) employees. Necessary updates have been made to the service manual regarding work procedures for online services. 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. With the submission of financial statements, there is an obligation to report also accounting data. The regulation for the submission of financial statements is drafted and at the end the analysis of the submitted financial statements is done. During 2022, regarding the number of sectors covered per year, there were covered: a) the Sectoral Tourism Plan; b) Informality in the labor market; c) the construction sector through the sectoral reconstruction plan. Regarding the performance indicator “Chain transaction starting from large companies investigated” the output target to produce report, was achieved. Also, regarding the performance indicator “Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud”, the output indicator to produce report was achieved. Regarding to performance indicator “Training of staff on risk management”, aiming to build a comprehensive Compliance Risk Management system, the output target was achieved as planned. IMF experts provided training to 14 staff members. There was development of trainings with IMF experts related to the R Studio program, which is a program that creates opportunities for analyzing and preparing large-volume data and also training assistance from the Swedish tax administration for CRM.

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. As the project is prolonged, the appraisal process is not done yet, due to lack of quality of the data or missing data. The analysis of data is in progress. Due to lack of data and missing information, next step is working on market research from alternative sources, in order to have some additional information for comparative analysis and evaluation process. A new IT system was deployed in 2018 and upgraded since then. The IT System is upgraded and will be ready for taxation. In this aspect, in 2021, started a pilot process in some of the municipalities. Trainings to municipalities’ staff were held. During 2022, functionalities of IT system are upgraded and support property taxation. The first taxation of buildings from the system is not done, mainly due to lack of engagement from the municipalities in registering and updating data in the system and low quality of data. Regarding to awareness of taxpayers for their Property Tax obligations, Property Tax Website was developed and accessible. Informative materials were available. Regarding the drafting of projects proposal for taxation of land, new draft include land taxation.

The regulatory framework of the 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 Authorized Economic Operators (AEO) planned for 2019, however awareness-raising activities regarding the benefits, procedures and programs have been taking place. In continuity Customs administrations is facilitating the process for the economic operators to receive the status of AEOs. In 2022 Albania hosted the validation mission and got the validation from EU Commission validators for AEO processes implemented successfully form the Albanian administration. Until December 2022, 20 companies have applied in total and 9 from them have received the status of AEO. The module of single guarantee in the Asycuda system is under testing phase. The module in the Asycuda system which aims to fight counterfeiting and fraud is finished and is working normally. The Integrated Tariff Management System, New Computerized Transit System and IT system to assist in the fight against money laundering and terrorism are under implementation. In 2022, % of Actual custom revenue collection was 15.6%. The 2022 target for this performance indicator was achieved. Revenue collection increased due do a better management of import/export goods, better collection of excise duties trade facilitation reforms, overall better controls, increased consume and better performance of customs administration. The outcome target linked with the custom declaration processing time was not achieved. The declaration processing time in 2022 was 95 min/declaration. Time of processing of custom declaration is a weighted average of time processing for the 4 channels with which Customs operate (no. of declaration for each channel and processing time for the specific channel). The time of processing the custom declaration increased due to increasing time of processing in red and yellow channel due to the overall increase of the number of declarations processed in total especially in these 2 channels (documentary and physical controls). Meanwhile the other 2 channels (green and blue) had decreased time of processing due to the facilitation of procedures for the operators in these channels. Blue channel time reduced from 96 to 26 min (-3 min). Yellow channel time increased from 74 to 78 min (+4min). Red channel time increased from 449 to 465 min (+17 min). Green channel time reduced from 32 to 31 min (-1min). In total for the weighted average for the 4 channels of declaration control the processing time went from 88 for year 2021 to 95 for year 2022.

Components progress made during 2022

Component 3.1 Tax Administration

The output target aiming to implement a MTRS was achieved. From January 2022, the implementation of the measures provided for in the MTRS has begun. Albania has drawn up the MTRS, the full implementation of which in the field of fiscal policies was delayed due to: (i) the consequences on the country's economy of the late 2019 earthquake; (ii) the consequences of the global Covid-19 Pandemic in the economy; and (iii) the consequences of the Russia-Ukraine war on the country's economy. However, in the field of tax policies, from January 2022, the implementation of the measures provided for in the MTRS has begun, initially in the field of excise duties, and will continue in 2023 in direct taxes on the income of individuals and corporations. Furthermore, this strategy will also be applied to the projected changes in the field of value added tax. Meanwhile, in the tax and customs administration, the measures foreseen in MTRS are being implemented, where the most significant developments are in the field of fiscalization, implementation of e-invoicing, reduction of bureaucratic barriers and significant expansion of electronic services. The results of the reforms have materialized in the increase of budget revenues, which in 2022 reach 28.2% of GDP, in 2023 29% of GDP is projected, while in 2019, as the reference year of since the beginning of the reform, have been at the level of 27.2% of GDP. During 2023, the implementation of measures according to MTRS will continue, mainly in direct taxes on the income of individuals and corporations.

The output target related to provide reimbursement of VAT under the terms of legislation, was achieved as targeted for 2022. All refund requests processed under the FIFO method have been refunded within the legal deadlines, making the stock for these approved claims zero. Also, the total VAT refund stock has decreased by almost 100% on 31.12.2022. The total stock of VAT refund is zero until 31.12.2022. The regulation for reducing the number of desk audits was approved. Changes in Article 10 “Determination of the category of exporters for the purpose of VAT refund” of DCM no. 953 dated 29.12.2014 “On the provisions in implementation of the law no. 92/2014 “On value added tax in the Republic of Albania”, were made to increase the number of claims that are reimbursed without an audit”.

Regarding the performance indicator “Automated cross-checking used to verify return information”, the output target was achieved as targeted for 2022. Cross-checking of the invoices is done based on the Purchase and Sale books submitted by the taxpayer in the C@ts system by automatically applying the risk rules VATREF1S, VATREF1B. The information obtained is sent to the desk audit office for verification.

Regarding the performance indicator “Training of staff on risk management”, aiming to build a comprehensive Compliance Risk Management system, the output target was achieved as planned. IMF experts provided training to 14 staff members, which consisted of: (i) assistance related to fiscalization risk criteria; (ii) reviewing and providing assistance related to Risk identification, risk assessment process and mitigating strategies; (iii) analysis of the general situation in the country (scanning the existing climate), 2022; (iv) seminar on creating a framework for evaluating the efficiency and effectiveness of compliance improvement activities; (v) seminar for the development of a Multi-Year Taxpayer Compliance Strategy; (vi) creation of procedures for the allocation of resources for compliance activities; (vii) workshop related to the findings left by the TADAT 2022 evaluation. There were development of trainings with IMF experts related to the R Studio program, which is a program that creates opportunities for analyzing and preparing large-volume data and also training assistance from the Swedish tax administration for CRM.

Both outputs targets related to improve an accurate taxpayer register and to organize awareness campaigns were achieved as planned for 2022. In cooperation with the Maintenance Party, certain reports have been built for the monitoring and supervision of the data transmitted to the Tax System by the NBC regarding new registration and changes in registration. These reports are functional both in the GDT and for RTDs registration (tax service) employees. Necessary updates have been made to the service manual regarding work procedures for online services. During the year 2022, more than 50 service employees were trained in relation to knowledge and improvement of service to taxpayers in the Regional Directorates. In cooperation with the Supreme Judicial Council, work has begun to improve the registry of NGOs to facilitate registration and improve their data.

Regarding to organization of awareness campaigns, were organized the following activities:

1- The communication plan for the fiscalization of small business and new taxpayers, was implemented during the period February-June 2022. Based on the Action Plan for fiscalization, the following have been implemented: (i) 2103 - Informative field visit as assistance for completing data in the SelfCare portal; (ii) 3247 – Email; (iii) 3704 – Phone calls; (iv) 2682 – personalized letters; (v) 1056 – Individuals participating in online trainings for the fiscalization process; (vi) 3471 – calls from taxpayers to the Call Center number for information and assistance for the fiscalization process.

2- The Tourism Plan was implemented during the period May-August 2022. During this period, the Directorate of the Taxpayer’s Service at the Regional Tax Directorates (RTDs) made informational calls to subjects who had 70% or more employed with the minimum wage and subjects who having 40% or more employed below the minimum wage.

3- During the period January – December 2022, about 18173 new taxpayers became part of the Tax Administration. These taxpayers have been contacted by the Call Center, and most of them have been visited by the Taxpayer Service Directorates at the RDTs, to inform them about their legal obligations and on time law's implementation.

4- 4470 taxpayers were contacted to update their phone number and e-mail address. These data have been updated and entered into the system in the taxpayer's file.

The GDT targets for 2022 aiming to reduce the informality were achieved. Regarding the number of sectors covered per year, there were covered: a) The Sectoral Tourism Plan. Based on decision no. 29, dated 24.05.2022, the Sectoral Tourism Plan was approved. The Tourism Plan was developed for the period May-August 2022 for all entities operating in the field of tourism and Bar-Restaurant; b) Informality in the labor market; c) The construction sector through the sectoral reconstruction plan.

Regarding the performance indicator “Chain transaction starting from large companies investigated” the output target to produce report, was achieved. As part of the Sectoral Reconstruction Plan, Personalized Letters were sent and Desk Audits began since July 2021. So far, 51 Fiscal Visits have been completed and with a total of findings of 9,970,000 ALL according to tax types, while 74 visits are still in process. Also, 22 full audits have been completed with a total of 23,339,000 ALL of findings; 23 audits are still in process. 324 desk audits are planned from the office for Taxpayers that are not equipped with the “Exemption from VAT for Reconstruction subjects” Authorization, but have made sales without VAT to Taxpayers with the Authorization. They are obliged to adjust the VAT in Section 50 of the VAT Declaration for all those supplies made for the purpose of the Reconstruction plan. Adjustments by the Desk Office or Self-adjustments by the Taxpayer for column 50 of the VAT Declaration give data on the effect of the payment obligation for VAT that currently results in the value of 55,705,161 ALL for 113 Audited Taxpayers.

Regarding the performance indicator “Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud”, the output indicator to produce report was achieved. With the submission of financial statements, there is an obligation to report also accounting data. The regulation for the submission of financial statements is drafted and at the end the analysis of the submitted financial statements is done.

Regarding the performance indicator “An accurate database of debt stock is in place” the output target related to improved processes, aiming to improve tax debt management, was achieved as targeted for 2022. Periodic monthly update of debt data, based on the monthly reports of the Directorates of Collection of Unpaid Tax Debts in the Regions. During 2022, debt management reports were improved in the C@ts tax system, which will offer better access and data processing and improvement in the process of monitoring the collection directorates in the regions by the Directorate of Collection of Unpaid Tax Liabilities in the GDT.

Component 3.2: Fiscal Cadastre of Properties

Two out of four output targets aiming to implement the fiscal cadaster by municipalities were achieved as targeted for 2022. Regarding to awareness of taxpayers for their Property Tax obligations, Property Tax Website was developed and accessible. Informative materials were available. Regarding the drafting of project proposal for taxation of land, the new draft includes land taxation.

Regarding the performance indicator “Development of e-services”, the output target related to availability of e-Services to taxpayers, was not achieved as targeted for 2022. The process of developing e-services is ongoing. Regarding the performance indicator “Register, Appraise and Tax Collection and debt management processes handed over to the municipalities” the output target related to system handed over, was not achieved as targeted for 2022. Regarding Fiscal Cadaster Information System (FCIS) and the continuation of the cooperation with NAIS, have started a discussion process that is related to the request to hand over the system.

Component 3.3: Customs management

Three output targets set for 2022, to enhance collection of duties by improving policies/procedures and custom processes, were not finalized as planned during 2022. From 25 October 2022 the Customs Laboratory Accreditation Certificate is no longer valid. When the Customs Laboratory will complete the technical conditions (calibration and maintenance of the equipment), it will proceed with the necessary operations for the renovation of the accreditation status in the year 2023. For this procedure the budget is approved.

Regarding ITMS implementation, SICEVO (which is the company contracted by EU Commission), is implementing the phase of the development of the software and the test environment for the software. This will be tested for possible errors and corrections from the Tariff Directorate. After the phase of the test will be over, the handover of the ITMS software will be finished in the period of September-October 2023.

Regarding the NCTS, in December 2022, the DPD sent the approval of the Terms of References to the World Bank. The next step will continue with the procurement phase.

The output target set for 2022 which aims to develop and implement measures to fight counterfeiting and fraud was achieved. The technical assistance mission from the EU is finished and the module in the Asycuda system is implemented and working normally.

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Fiscal Cadaster of Properties. Two out of four output targets aiming to implement the fiscal cadaster by municipalities were not achieved as targeted for 2022, due to the methods and channel of communication Risk and also due to the strategy and planning risk. Regarding to the performance indicator “Development of e-services”, the output target related to availability of e-services to taxpayers, was not achieved as targeted for 2022. The process of developing e-services was ongoing due to methods and channel of communication Risk. The General Directorate of Property Tax (GDPT) will work on completing all the features about e-services. Regarding to the performance indicator “Register, Appraise and Tax Collection and debt management processes handed over to the municipalities” the output target related to system handed over, was not achieved as targeted for 2022 due to strategy and planning risk. Regarding Fiscal Cadaster Information System (FCIS) and the continuation of the cooperation with NAIS, have started a discussion process that is related to the request to hand over the system. The implementation of this output was in progress. About Register and Tax collection was developed the financial module for payment and fines registrations.

Regarding Customs management, the next steps and challenges are presented as follow: Regarding a quality management system Terms of Reference for the tender procedure for the calibration of the equipment (for the renewal of the accreditation certificate) are being prepared. The challenge is risk of tender procedure failure. Regarding NTCS will continue with the procurement phase. Risks are connected to the procurement procedure. Related to a comprehensive risk management system, a single guarantee system and IT system to assist in the fight against money laundering and terrorism, the testing phase has to be finished in order to continue with the implementation of the modules in core system.

Regarding Tax Administration, the output target aiming to implement a medium-term revenue strategy, was achieved as targeted for 2022. From January 2022, the implementation of the measures provided for in the MTRS has begun. Albania has drawn up the MTRS, the full implementation of which in the field of fiscal policies was delayed due to: (i) the consequences on the country's economy of the late 2019 earthquake; (ii) the consequences of the global Covid-19 Pandemic in the economy; and (iii) the consequences of the Russia-Ukraine war on the country's economy.

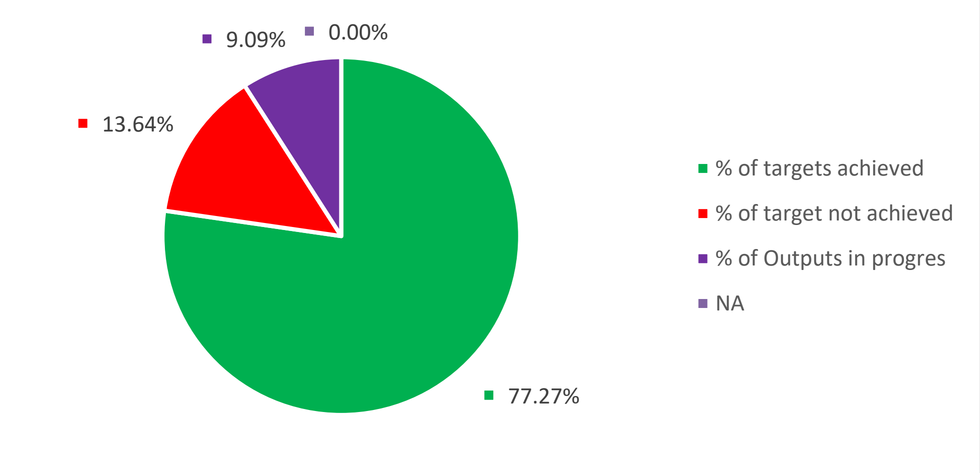
3.4 Progress under Specific Objective 4 "Efficient Execution of the Budget"

In order to ensure efficient and effective use of the approved budget resources, efforts were made to (i) Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government; (ii) Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year); (iii) Expenditure arrears monitoring (in AGFIS); iv) The percentage of cases when the review body exceeds the legal maximum processing time. The performance indicator related to stock of domestic debt re-fixed within one year and the average maturity of domestic debt has not progressed as planned. The year 2022 was characterized by significant instability in the financial markets. Following inflationary pressures resulting from exiting Covid-19, as well as the war in Ukraine and its impact on energy prices, central banks responded with a tightening of monetary policy. The increase in interest rates and their impact on investors' behavior presented increased difficulties for the MoFE. The required financing was realized in the domestic market through a widely rely on the short-term instruments which have a direct impact on the debt indicators. The indicator 'The average maturity of domestic debt' is determined as result of calculation which takes into account the remaining maturity of each Domestic Debt Instrument and respective weight on the Domestic Debt. The performance indicator the % in value of the procedures finalized with winner within first semester against total foreseen fund in the forecast register has not progressed as planned. The reason of this is because mostly of the public procurement procedures have been realized during the second half of the year and not at the beginning of the 2022. For this delay in publishing the procedures at the begging of 2022, the percentage in value finalized with winner in the first semester has a decreasing trend. During 2022, the level of achievement of the outcome performance indicators' targets aiming to strengthen the ensure efficient and effective use of the approved budget resources was assessed as good, with 76% of progress made, standing in a lower category compared to 2021 (106%- very good).

Table 5: SO4 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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	**75.5%**	**≥ (t-1) (growing trend)**	**76.80%**
XII) Arrears are minimized	XIIa) PEFA 22.1. Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year	**Below 3% (2.2%)**	**Below 3%**	**1.87%**
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)	**A (Data generated quarterly within four weeks of the end of each quarter)**	**A (Data generated quarterly within four weeks of the end of each quarter)**	**A**
XIII) Costs of borrowing is reduced and cash is available when needed	XIIa) Stock of domestic debt re-fixed within one year	**48.0%**	**Max 48%**	**49.0%**
	XIIb) The average maturity of domestic debt	**793**	**792 - 864 days**	**780**
XIV) Increasing the efficiency and transparency of procurement system	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register	**60.2%**	**(increasing trend)**	**25.19%**
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time	**10.8%**	**≤ (t-1) (declining trend)**	**10.1%**

Graph 7: 2022 status of SO4 outputs targets



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. During the period 2014-2022, 15 budget institutions were enrolled into AGFIS, representing around 76.8 percent of total spending. The indicator is slightly higher comparing with the previews year because of the budget volume of existing online BI's into AGFIS, not because of the increase of online BI's number into the system. The number of BI's remains the same during 2022, even though 5 new BI`s were in process to roll-out in AGFIS during 2022, and are expected to go live within first trimester of 2023. Good progress was made with the integration of AGFIS with Human Resources Management Information System (HRMIS), which went live in November 2021 and for the first time 45 BI were able to execute payroll through AGFIS during 2021, and 120 BI during 2022. Web Portal for electronic archive was accessible to 445 BIs out of 1100 BIs, 300 of them were new during 2022. 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. In 2020, an Arrears Working Group (AWG) to monitor their development and to provide systematic recommendations was established by the Minister of Finance and Economy. In 2022, the rate of arrears as a percentage of total expenditure was 1.87%, achieving the target below 3% and lower than 2021 fact value (2.2%). General Government arrears stock for FY 2022 are: (CG: 6.77 bn lek; VAT refund: 0.00 bn lek; LG: 5.43 bn lek. For FY2022, even there were major factors such as the global energy crisis, the war in Ukraine, fluctuations of energy, fuel and input prices that affected the "behaviour" of arrears, there is a decrease of their stock, compared to FY2021. MoFE is working toward strengthening the compliance to commitment controls and preventing the accumulation of new arrears and ensuring transparent reporting on the stock of arrears. Target related to outcome indicator Public Expenditure and Financial Accountability (PEFA) 22.2 Expenditure arrears monitoring was met, the data are generated quarterly within four weeks of the end of each quarter. A positive development was the engagement of the internal auditors in the audit of the arrears in the most problematic entities. Findings and recommendations were included in the 2022 Annual Public Internal Financial Control (PIFC) report and broadly discussed in the PIFC Board meetings.

Work has continue to improve the liquidity forecasting and monitoring and most of the targets were achieved during 2019 - 2022. In 2022, Cash Flow forecasts of the government (Cash Flow) are prepared on a daily basis for the entire fiscal year and are updated at least monthly. Deviances between forecasts and actual data are measured, analyzed and monitored in a monthly and annual basis in order to improve forecasting data in the next periods. Medium Term Debt Management Strategy 2022-2026 is approved by the Council of Ministers on July 2022 and published on the MoFE Website[10]. Issuance in the primary market of 2 benchmark instruments during 2022: 3 y reference instrument size = 19.7 bln ALL; 5 y reference instrument size = 13.9 bln. During 2022 the net financing needs were meet at around 26 billion ALL. The borrowing was flexible to ensure the funds in the domestic market via government securities, and further intensified communication with the investors has helped in this regard.

Progress was made to amend the Public Procurement Law to further align with the *Acquis Communautaire* (new EU directives). The law on public procurement no.162/2020 "On Public Procurement"[11] is approved and is in line with the European Union directives in public procurement field (directive 24/2014 and 25.2014). Pursuant to Law 162/2020 "On Public Procurement", the secondary legislation has been adopted in 2021 and in 2022, as follow: i) Decision no. 285, dated 19.5.2021 "On the approval of public procurement rules"; ii) DCM no. 384, dated 30.06.2021 “On the way of communication in public procurement procedures"; iii) DCM 457, dated 30.07.2021 "On the approval of the joint procurement vocabulary"; iv) DCM no. 768, dated 15.12.2021; v) DCM 393 dated 9.6.2022; vi) DCM No. 486, dated 21.07.2022. Also, a lot of recommendations and guidelines has been approved. All the secondary legislation can be found at APP website[12]. Plans to further upgrade the electronic procurement system (EPS) that were not materialized during 2020 were implemented during 2021. Also, in 2022 new functionalities in the EPS have been realized such as improvement of the electronic procurement system in order to adapt it to the changes provided for in the new law. The interface of AGFIS and EPS was established in 2020. No contracting authority that interacts with the treasury system can proceed with the creation of the procurement procedure without approving and checking the availability of funds in the system. Also, in cooperation with the MOFE, the User's Manual and the notification for all SPE users have been prepared, on how they should act with the creation of the procurement procedure. Implementation of the investment and services output code. The contracting authorities, which do not operate with the treasury or are with their own funds, must first determine in the system whether the procurement procedure is an investment or a service, as well as the corresponding code and fund, to then continue with the creation of other stages of the procedure of procurement. Regarding Public Procurement Commission (PPC), legal and regulatory measures were undertaken to enhance its independence. The new PPC became operational on 16 July 2018, and all vacancies were filled as planned for the period 2019 - 2022. From October 27, 2021, the electronic e-complaints management system in the field of public procurement is established and successfully implemented. During 2022, the Public Procurement Commission has increased the speed of reviewing complaints, both in terms of the total number of complaints handled outside the deadline, as well as in the number of days of handling a complaint at the Public Procurement Commission. So, if for 2021 the percentage of complaints reviewed outside the deadline was 10.8%, in 2022 the percentage of complaints reviewed outside the deadline has decreased to 10.1%, even with the slight increase in the number of complaints, and the decision-making time for the year 2022 it is 12 days, from 17 days that was for the year 2021. For the year 2022, out of a total of 809 complaints reviewed by the PPC, 727 complaints were reviewed within the deadline and 82 of them were reviewed outside the deadline.

A system for the management of external funds, External Assistance Management Information System (EAMIS) was deployed in June 2018, and work is done in strengthening compliance with entering the required data and using it as the prime source of information for all donor funds. During 2019, all data regarding WB projects were entered due to the full integration of the EAMIS with WB Client Connection. During 2020-2021, efforts are made to record the external aid data of 2017-2020. Awareness among the Development Partners community is raised and on-request refresher's training sessions were organized. During 2022, no data is

[10] https://financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit-publik/
[11] https://www.app.gov.al/legjislacioni/prokurimi-publik/ligji/
[12] https://www.app.gov.al/legjislacioni/prokurimi-publik/vkm/, https://www.app.gov.al/legjislacioni/prokurimi-publik/rekomandime/, https://www.app.gov.al/legjislacioni/prokurimi-publik/udh%C3%ABzime/

recorded into the system, meanwhile, NAIS has initiated the procurement procedure for EAMIS system maintenance.

The regulatory framework on State Aid was improved to be in line with the EU regulations and guidelines. During 2019, MoFE worked in preparing the secondary legislation and an inter-ministerial working group on state aid was established and the first meeting was held in December 2019. Over the years, efforts are made to improve database for monitoring the implementation of state aid and activities to raise awareness on the role and duties of the State Aide Commission (SAC) have taken place. The annual reports on state aid are prepared each year, in which an overview of key developments in the field of state aid, as well as on the main instruments used is provided. During 2021 and 2022, work continued improving the database for monitoring the implementation of state aid. During 2021, only two SAC decisions were approved due to the low awareness of state aid providers on state aid legislation and awareness activities on the role and duties of the SAC were not conducted as planned. During 2022, seven SAC decisions were approved, and the public was informed on seven new state aid schemes, while for one of them no state aid was involved.

Components progress made during 2022

Component 4.1 Expanding the use of AGFIS

Progress was made during 2022 for the output targets related to direct use of AGFIS to major budget institutions. For 2022 the budget for new AGFIS user licenses was approved for 5 new BI's as planned, even though the going live of these 5 BI`s was postponed for the first quarter of 2023. The procurement procedure for the purchase of licenses was completed and the 5 budget institutions that will go live in AGFIS were defined. During December 2022, the tests for all the system modules were completed. New BI's have been officially notified and a presentation of the system's functionalities has been made with the staff of these BI's. The training process will be performed during the first months of 2023.

The output targets related to integration of AFGIS with other government systems has progressed as planned during 2022. Until 31.12.2022 the integration process AGFIS-HRMIS has been completed for the 120 planned BI's. Web Portal for electronic archive was accessible to 445 BIs out of 1100 BIs, 300 of them were new during 2022.

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 2022.

Report on multiannual commitment data is published in the MoFE website[13]. The annual commitment data are reconciled between the treasury districts offices and the spending units of central and local government by the instruction of the minister no. 34 dated on December 14, 2022 "On the procedures of closing the annual budget accounts for 2022" except a part of BIs online with AGFIS. BIs online with AGFIS inherit themselves (not from the treasury district offices) the multiyear commitment data of the previous year in the next three years against the budget plan (MTBP) registered in AGFIS.

The CHU IA has institutionalized the audit of arrears every year, in all public entities where the IA is established. For the year 2022, 63 Internal Audit Units carried out the audit of arrears and their findings and recommendations have been reported to the head of institution and to the CHU IA (as part of the Annual Activity

[13] Publication of multiannual commitment data in the link: https://www.financa.gov.al/ecuria-e-investimit-te-projekteve-2/ is done until 11 months, because by the Instruction of the Minister of Finance and Economy No. 34, dated on December 14, 2022 "For the closing procedures of the annual budget accounts for 2022", paragraph No. 23, the multiannual commitment data are reconciled until the end of February 2023 (unlike the instruction for the closing of the year 2021, according to which they were reconciled until the end of January 2022).

Report). All active internal auditors (approx. 310 Internal Auditors) have been trained on audit of arrears as part of the Annual Professional Training Program for internal auditors in public sector. The IA findings related to arrears are presented in the 2021 PIFC annual report and to the PIFC Board in May 2022, and related audit recommendations for improvements have been issued for implementation.

Component 4.3: Debt and cash management

The GD of Treasury has been working to improve the liquidity forecasting, and 2 target outputs were achieved. Cash Flow forecasts of the government (Cash Flow) are prepared on a daily basis for the entire fiscal year and are updated at least monthly. Daily data within the month are updated by the realization report of Bank of Albania respecting the monthly targets approved by minister (budget-macro-debt targets). Deviances between forecasts and actual data are measured, analyzed and monitored in a monthly and annual basis in order to improve forecasting data in the next periods.

The forecasting template is produced but pilot BI's do not send data regularly. Municipality of Tirana has not sent any data for 2022. With the aim to formalize this process, a separate paragraph (no. 77, page 18) has been introduced in the annual minister's instruction/guideline for the 2023 budget implementation, related of the submission of accurate forecasting from BIs pilot in monthly basis (within the 25th of each month). Cash forecasting templates have been included in the annex of this instruction.

In 2022, 21 officials participated in the training organized by IMF technical assistance mission on improving cash forecasting. The pilot BI’s have been assisted by the staff responsible for liquidity forecasting on the preparation of data and their submission according to the defined formats.

The output target set for 2022 for output Medium Term Debt Management Strategy with targets published and met was achieved. Medium Term Debt Management Strategy 2022-2026 is prepared, approved by the Council of Ministers on July 2022 and published on the MoFE Website[14]. The new strategy, which is widened to a five year horizon defines new targets to be achieved in the end of Strategy' time span. A Strategy Monitoring report is to be prepared within the first quarter of the next year (2023) and each year thereafter. The annual borrowing plan is drafted and published ahead of the year 2023 start.

The output targets primary and secondary market were achieved. Issuance in the primary market of 2 benchmark instruments during 2022: 3 y reference instrument size = 19.7 bln ALL; 5 y reference instrument size = 13.9 bln. Secondary market activity transactions are still very low in number and size. Next step is to improve the primary market for government securities via flexibility in the issuances calendar.

During 2022 the net financing needs were met at around 26 billion ALL where: gross issuances = 357.86 mld ALL gross redemptions = 331.55 mld ALL. The borrowing was flexible to ensure the funds in the domestic market via government securities and further communication with the investors has helped in this regard. The next step is fulfillment of the financing needs via borrowing for 2023 according to the deficit in the budget law in the domestic and international market further and continuous communication with the investors.

Component 4.4: Public procurement

The Public Procurement Commission output targets to provide legal protection for tenderers and public interest at all stages of the public procurement for 2022 were achieved. PPC continued the process of increasing the institutional capacities, following the recruitment procedures for the vacant positions. Specifically, during the year 2022, the focus of the institution has been on increasing the capacities of the staff. From January 1 to December 31, 2022, the Public Procurement Commission has announced a total of 24 recruitment procedures (including repeated procedures), which have been developed in full compliance with the civil service law in force. Until December 31, 2022, the process was completed and four positions with civil servant status were recruited as follows: three inspectors who hold degrees in law, one finance/budget specialist.

[14] https://financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit-publik/

The PPC, with a particular focus on institutional development and capacity building, has held various meetings, workshops and trainings, in cooperation with national and international institutions, as well as various organizations. As for trainings and activities in function of increasing capacities, the Commission, in addition to encouraging employees and creating the opportunity to participate in individual trainings, the development of conferences and workshops on public procurement issues also for 2022 in cooperation with the University of Tirana enabled the two-week training on procurement issues/cases handled by the European Court of Justice.

The Public Procurement Agency has achieved the output targets for 2022 in order to further enhance the electronic procurement system (EPS). New functionalities in the EPS such as improvement of the electronic procurement system have been realized in order to adapt it to the changes provided for in the new law. The provision of new procedures and mechanisms from the new procurement law makes it necessary to improve the electronic system both functionally and further increase security in order to guarantee the appropriate means for the full implementation of the legal provisions. Creation of procedure social and other services in SPE. Referred to Decision No. 768, dated 15.12.2021 "On the determination of the types of social and other services", the procurement procedure "Social services" has been created in the system with the aim of its development in the system by the contracting authorities referred to the aforementioned DCM. This development was carried out both for the elements of the register and for the procurement procedure. Some other functionalities are: i) Adding appeal time limits for competitive procurement procedures revising according to new PPL; ii) Adding “The most economically advantageous tender” criteria based on price and cost; iii) Adding the stage of the appeal time limit and notification of the Economic Operators in the small value procurement procedure; iii) Notify the members of the procurement units and the members of Bid Evaluation Committee, 24 hours before the procedure is opened and evaluated; iv) Making available of Open data tool in the framework of transparency; v) Adding functions to the publisher to identify weather is created as a Framework Agreement; vi) Adding to the reports generated by the system the date when the documents were uploaded by the authorized officer, in the role of auditor; vii) Improvement to the Auditor Role interfaces, enabling the display of requests submitted by Economic Operators even when the procedure is archived; viii) Improvements to the Reports generated by the system for the role of Procurement Analyst.

New manual and instructions are approved during 2022. On 29.08.20222 has been approved the Technic Manual between Public Procurement Agency and Ministry of Finance and Economy with the aim to control the available founds in treasury. Guideline no. 03 dated 18.06.2021 ‘On the approval of the dynamic system for buying the international air transport ticket and their conduct in electronic means" , Guideline no. 03, dated 12.04.2022 "On the process of administration of samples presented by economic operators" , Guideline no. 02 dated 18.03.2022 "On contract implementation reporting ", Guideline no. 1, dated 21.1.2022 "On the declaration of Conflict of Interest by Officials/Employees in the procurement process and the implementation of the contract", Guideline no. 05, Dated 29.07.2022 "For some changes in the technical manual accompanying guideline no. 05, date 25.06.2021 "on the use of the low value procedure and its development by electronic means". Also a lot of recommendations has been approved. All these sublegal acts can be found at APP website[15].

Component 4.5: Management of external funds

The population of the Management Information System with the external aid data was not finalized as planned during 2022. According to DCM No.642 dated 29.10.2021 “On the establishment, organization and functions of SASPAC”, SASPAC administers the state database of EAMIS, a function that was previously carried out by MOFE. SASPAC did not receive the handover of the data-entry status from MOFE when it took over EAMIS based on the DCM No.642 dated 29.10.2021. Therefore, upon receiving the credentials to access/use the system by NAIS, the responsible officials at SASPAC took note of the current status of data in the system. During 2022, SASPAC had meetings with MOFE representatives with regards to current status of

[15] https://www.app.gov.al/legjislacioni/prokurimi-publik/udh%C3%ABzime/

EAMIS and accompanying problematic issues. Afterwards there was no progress made because of the temporary cyber-attack on the whole e-government system. Upon regaining the credentials after the attack, SASPAC staff reconfirmed the functioning of EAMIS and the current status with no new entries as of November 2021 by UN Women. For the time being, NAIS, in the role of technical administrator of the EAMIS has initiated the procurement procedure for its maintenance, considering that the current contract was completed and thus the system is currently inaccessible and not in operation.

Component 4.6: Strengthening state aid role

Target aiming to improve and implement the regulatory framework on State Aid was not achieved as planned during 2022. Based on the Order of the Prime Minister[16], any meeting of the inter-ministerial working group on state aid was held due to the changes of the working group members.

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 2021[17] was prepared in accordance with the methodology of the European Commission in the area of state aid. This report provides a description of the main objectives that have been achieved in the field of the state aid in Albania, as well as the main instruments used in the period 2017-2021. During 2021, the horizontal aid granted was 54.2% and sectorial aid was 45.8% of the total aid. The main instruments of state aid in Albania during 2021 were grants and tax exemptions. The State Aid Commission has approved seven decisions during 2022, more than in 2021 (only two decisions).

The target set for 2022 to raise awareness on the role and duties of the State Aid Commission was achieved. The public was informed on seven new aid schemes, namely for "Social aid for air flight passengers"; "Support for startups"; "For Vlora International Airport"; "For an amendment in the Decision of the State Aid Commission no. 99, date 16.10.2020 "Authorization of state aid "Financial support (grant) for new "green" businesses, which are based on an eco-friendly model, or existing businesses which try to turn into a "green" business introducing go-green elements"; "Amendment in the decision of the State Aid Commission no. 103, date 19/07/2021 "Authorization of state aid "Women's empowerment and promotion of entrepreneurship"; "For Social Enterprises", while for the SAC decision "On the evaluation of the notification of the project "Marina Durres", no state aid was involved. All state aid schemes were published in the Official Gazette[18].

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the expansion of AGFIS use to other Budgetary Institutions, because lack of non-available services of specialized functional expertize/support of AGFIS. Receiving some external functional assistance, it is seen of paramount importance to address these difficulties. For 2022 the budget for new AGFIS user licenses was approved for about 5 new BI's. Also, staff training process started immediately after the new AGFIS user licenses acquisition was confirmed by November 2022.

[16] Prime Minister's Order No. 128, dated 1.10.2019 "On the establishment of the Working Group on State Aid"
[17] DCM No. 469, dated 06.07.2022 "On the approval of the annual report on state aid for 2021", https://qbz.gov.al/eli/fz/2022/102/e8ee17b0-3928-4858-9362-0873bf5a577f;q=KNSH
[18] 1.https://qbz.gov.al/eli/fz/2022/91/61930c6e-743b-4e45-93ee-24594c847301;q=vendim%20komisioni%20i%20ndihmes%20shteterore
2. https://qbz.gov.al/eli/fz/2022/68/c46634f9-3152-4e3a-af0f-21153b40083e;q=vendim%20komisioni%20i%20ndihmes%20shteterore%20te%20rinjt
3.https://qbz.gov.al/eli/vendim/2022/09/30/107/94aceda6-2da3-442e-9169-d78baabe3327;q=Vendim%20i%20%20Komisionit%20t%20%C3%AB%20%20Ndihm%C3%ABs%20Shtet%C3%ABrore%20nr.%20107%202022
4.https://qbz.gov.al/eli/vendim/2022/10/21/108/f682da6e-04c0-448d-b131-4f91da454cb9;q=Fletorja%20Zyrtare%20e%20Republik%C3%ABs%20s%C3%AB%20Shqip%C3%ABris%C3%AB%20Nr.%20138%202022
5.https://qbz.gov.al/eli/vendim/2022/10/26/109/1adc2dd6-7568-49eb-ad06-e58bc956954b;q=Vendim%20i%20%20Komisionit%20t%20%C3%AB%20%20Ndihm%C3%ABs%20Shtet%C3%ABrore%20nr.%20106%202022
6.https://qbz.gov.al/eli/vendim/2022/12/01/110/0b9db5fd-8a6b-4f3d-81fb-860a8598b4d8;q=Fletorja%20Zyrtare%20e%20Republik%C3%ABs%20s%C3%AB%20Shqip%C3%ABris%C3%AB%20Nr.%20138%202022

Some challenges faced regarding liquidity forecasting were: i) the software to manage the daily data of cash flows forecasts for accurate forecast; ii) Pilot BI's do not send data regularly or the data they send are not accurate; and iii) the risk may be the lack of staff to implement what they have been trained for.

The GDD has achieved the target output to Medium Term Debt Management Strategy with targets published and met, however a key challenge is: changes in the macroeconomic background and financial markets conditions could challenge significantly the achievement of the defined targets and objectives. Regarding the expansion of primary and secondary market the key challenges are: i) Adapt and increase flexibility in the domestic market issuances subject to financial market instability also market changes increase of interest rates; and ii) Volatile financial domestic and international market due to changes in macroeconomic background and other external factors unknown.

Public Procurement Commission has achieved 2022 output targets. The next steps are as follow: The new structure of the Public Procurement Commission was approved by the Decision No. 25/2023 of the Assembly of the Republic of Albania, dated 23.03.2023 "On some additions and changes to the decision of the Assembly No. 65/2020 ‘On the approval of the structure, organization and categorization of the work positions of the Public Procurement Commission’" Under the new structure, the total number of employees is 42, while in the old structure there were 36 employees in total. Commission will continue with recruitment according to the new structure; Follow-up of training for all new procurement staff on the use of the Electronic Complaints System and other training and workshop in cooperation with national and international institutions, as well as various organizations.

With regards to EAMIS information on external funds, the initial action to be taken is to ensure functionality of the system through finalizing the contracting process for its maintenance by NAIS, based on the Order of January 2023 to establish a working group to draft Terms of Reference, market study, calculation of the maximum contract amount and the special conditions for qualification. So far, MoUs have been signed with only seven donors with the scope of entering and updating their aid data in EAMIS (Austrian Development Agency, Japan International Cooperation Agency, Swiss and Swedish Embassies, United States Agency for International Development (USAID), Organization for Security and Co-operation in Europe (OSCE) and UN Resident coordinator). The donors have their own system of external aid data and face the absence of time and human resources needed to ensure continuous registration of data in EAMIS. In several cases, it was suggested by them to interlink both systems based on International Aid Transparency Initiative standards. Also, another risk that could affect progress in EAMIS administration is the lack of training and deeper understanding of the system from the part of SASPAC staff.

Related to the strengthening of state aid role, not all targets were achieved as planned. With regards to the first output, no meeting was held during 2022 due to changes of the working group members. In this context, MOFE drafted a request for LMs to review their representatives in the working group, due to the notifications of staff changes, to be sent to the LMs.

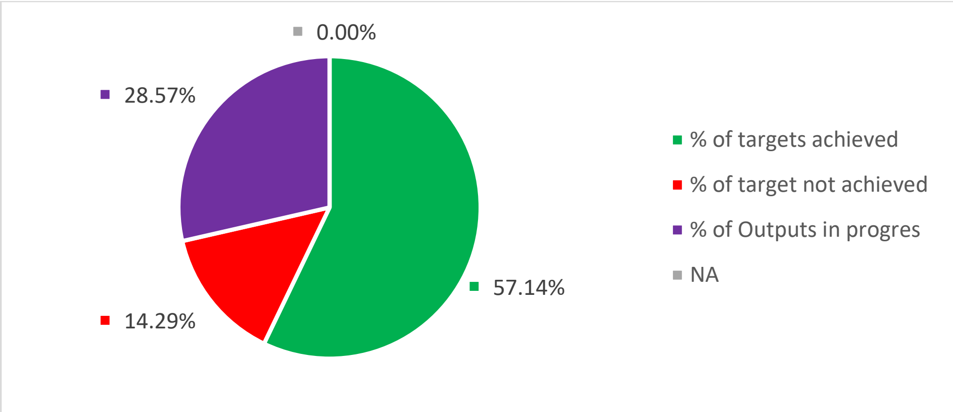
3.5 Progress under Specific Objective 5 “Transparency of Public Finances”

In order to improve the coverage, quality and accessibility of information on public finances, efforts were made to (i) strengthen systems and capacities to prepare government financial statistics in line with international standards; (ii) Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs; (iii) prepare a full asset registry and (iv) moving on a phased basis to presenting accruals-based government financial statements. The performance indicator related to provide formal opportunities for the public to engage in the budget process has not progressed as planned. During 2022, the level of achievement of the outcome performance indicators’ targets aiming to strengthen the Transparency of Public Finances was assessed as good, with 81 % of progress made, standing in the same category compared to 2021 (80% - good).

Table 6: SO5 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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)	**75.0%**	**85.0%**	**89.5%**
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	**25.6%**	**growing trend**	**38.5%**
XVII) Providing formal opportunities for the public to engage in the budget process	XVIIa) Open Budget Index assessment (PUBLIC PARTICIPATION)	**7 out of 100**	**≥ (t-1) (growing trend)**	**6 out of 100**
XVIII) 'Presentation of financial statements as per selected IPSAS framework	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	**10.0%**	**≥ (t-1) (growing trend)**	**40.0%**
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulations for the valuation and inventory of these assets	XIXa) Public assets recorded into the AGFIS	**0**	**2**	**2**

Graph 8: 2022 status of SO5 outputs targets



Strengthening systems and capacities to prepare government financial statistics in line with international standards was on the main focus since the Strategy started. Number of completed and submitted tables to Eurostat compared with 2021 was improved and was the highest level since the strategy started. During 2022 were transmitted to Eurostat 17 tables as requested by ESA 2010 TP from 19 in total, or 89,5% of the tables that are related to Government Finance Statistics (GFS) and EDP statistics.

The memorandum of Understanding between MoFE, Institute of Statistics (INSTAT) and BoA was created in 2016. Based on the Memorandum of Understanding two Inter-institutional Working Groups were created in 2016 and regular meetings were held in 2021. During 2017, for the first time INSTAT compiled and transmitted GFS for non-financial accounts for General Government sector following the ESA 2010. INSTAT published every year the List of Public Institutions[19], which are classified inside General Government sector S.13. This list is updated and approved every year by the three institutions involved: INSTAT, Ministry of Finance and Economy and Bank of Albania. The list includes all public sector institutions that are part of the General Government sector, budgetary and extra-budgetary units, also Public Financial Corporations and Public Non-financial Corporations that are owned by public entities. During November 2019 it was published the "Harmonized Revision Policies for Macroeconomic Statistics[20]" by INSTAT, which it's based on the Harmonized European Revision Policy (HERP) and in other manuals published by EUROSTAT, which sets out the policies to be followed by statistical institutes of different countries to make comparable statistics with other countries. During 2021, INSTAT has used the IT system developed for compiling GFS and EDP statistics. Using the new Albanian Integrated GFS Compilation System (AIGCS), 5 GFS tables were transmitted to EUROSTAT during 2021. Using the same system where compiled and transmitted to Eurostat twice per year (end of April/end of October) the EDP tables. In this regard the tables for General Government sector, based on ESA Transmission Programme are automated and the statistical system was created. INSTAT will continue to improve the system including the new data sources and methods in order to produce GFS and EDP statistics in line with ESA 2010 methodology.

Accountability and transparency through financial and non-financial performance reporting is enhanced during 2022 with 38.5 % in accordance to the target aimed, 15 out of 39 monitoring reports submitted by LM/ BI had reported in accordance with the data generated by the AFMIS system. This performance indicator has a growing trend compared with previous year (25.6% in 2021), whereas in 2020 there was no target relating this performance indicator. 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

[19] http://www.instat.gov.al/en/themes/economy-and-finance/national-accounts-gdp/publication/2021/list-of-public-institutions-2020/

[20] http://www.instat.gov.al/media/6557/harmonized-revision-policies-for-macroeconomic-statistics.pdf

budget implementation have improved and the Mid-Year Report of Macroeconomic, Fiscal and Budgetary Performance of the government was published on the MoFE website[21] 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 LMs and budgetary institutions and the respective data have been uploaded into the system. A New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information was designed and implemented during 2021, and during 2022**.** New templates of Guideline for budget monitoring annexes, that include KPIs was not designed as planned during 2022 due to the BPPM module on the AFMIS system problems.

The last assessment from Open Budget Index (OBI) **in providing formal opportunities for the public to engage in the budget process**, was done in 2021, and public participation for Albania is evaluated as 6/100[22] point, which compared with the previos evaluatin (7/100) is in decresaing trend. OBI recomandation to further strengthen public participation in the budget process was that the Albania's Ministry of Finance and Economy should prioritize the following actions: i) Pilot mechanisms to engage the public during budget formulation and to monitor budget implementation; ii) Actively engage with vulnerable and underrepresented communities, directly or through civil society organizations representing them. The OBI is the world's only independent, comparative measure of central government budget transparency. The OBI assigns countries covered by the Open Budget Survey a transparency score on a 100-point scale using 109 of the 140 questions on the Survey. These questions focus specifically on whether the government provides the public with timely access to comprehensive information contained in eight key budget documents in accordance with international good practice standards. 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[23] was formulated in a more transparent and comprehensive manner and "Budget at a Glance" and a simplified "Citizen Budget" were published[24]. During 2022, a budget hearing calendar with key budget processes was prepared and implemented. Also, a Citizen's Budget guide was developed and published in 2019, 2020, 2021 and 2022. Trainings were also provided during 2019-2021 to CSOs to enhance their capacities to understand the budget cycle, but during 2022 due to lack of capacities and human resources trainings weren`t provided.

Regarding accounting, the comparative analysis (Gap Analysis) between the current legal framework in the field of Public Accounting and International Public Sector Accounting Standards (IPSAS) was finalized and findings presented in a workshop in May 2017. 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 General Directorate of Harmonization of Public Internal Financial Control (GDHPIFC) 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. During 2022 has been **done 40% of progress regarding the Moving on a phased basis to presenting accruals based government financial statements, evaluated with an increase of 40 percent compared with 0 percent in 2020, and an increase of 30 percent compared with 10% in 2021**. The final strategic objective is the preparation of the financial statements of public sector institutions based on selected IPSAS. During 2021 there are carried out some activities such as the gap analysis of national accounting standards comparing with IPSAS and a report estimating the quantitative impact for implementation of each IPSAS individually was provided by the consultant. Also, there were provided some draft accounting

[21] http://www.financa.gov.al/raporti-i-mes-vitit-mbi-zbatimin-e-buxhetit-2017/
[22] https://internationalbudget.org/open-budget-survey/country-results/2021/albania
[23] http://www.financa.gov.al/buxheti-2016/
[24] https://financa.gov.al/wp-content/uploads/2023/01/CB23.pdf

instructions regarding different elements of financial statements, that will be used in the preparation of financial statements based on IPSAS. During 2021 only 25 public sector accountants out of 50 planned were trained. During 2022, there are carried out some activities such as **the drafting of accounting instructions** regarding different elements of financial statements, that will be used in the preparation of financial statements based on IPSAS, **the piloting of 7 public units** for the preparation of financial statements based on IPSAS, **the drafting of chart of accounts**, **business process review**, **the capacity building for 500 public sector accountants** regarding financial reporting in public sector.

Regarding the "Public assets recorded into the AGFIS" there was done progress during 2022 with two of Budgetary Institutions online with AGFIS prepared the assets inventory to be migrated into AGFIS as planned. The development of the methodology for asset recognition was not finalised as planned for 2020-2022. 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, and 6 staff of these BI's were trained, for 2021 no progress was made, whereas during 2022 two Bis, namely Tirana Municipality and Ministry of Justice entered the assets inventory in the asset module and 6 staff of these BI's were trained.

Components progress made during 2022

Component 5.1: National Government Accounts

Regarding this component no output targets were planned for 2022.

Component 5.2: Financial and Performance Monitoring and Reporting

The government yearly budget execution report was improved during 2022. In this regard **a New template for Annual Budget Execution Report, including KPI that are aligned with the AFMIS and financial information was designed and implemented.** The report on the implementation of the annual budget presents the realization of budget funds and the realization of objectives at the product level and performance indicators.

In-year budget execution reports, including the mid-year review did not progress as planned during 2022. In this regard the new templates of Guideline for budget monitoring annexes, that include KPIs was not implemented as planned. The replacement of the annexes of the Guideline is not finalized yet until the BPPM module on the AFMIS system be completed and the reports scheduled to become part of the annexes would be fully updated with all financial indicators. During 2022, DMB has pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues have come up, thus the responsible units and designer company have been informed for inconsistency of the reports generated from the BPPM Module of the AFMIS system. The next step considered to be taken by the responsible unit will be the following up with the solutions of the problems encountered during the generation of reports in the AFMIS system in order to finalize the new design of the guideline annexes.

Component 5.3: Citizen's Engagement

A Citizen's Budget guide has been published[25] 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.

Regarding to output **"A budget hearing calendar with key budget processes is in place and implemented"** one out of two output targets was achieved as planned during 2022. 26 Budget Hearings were held with all LM and BI during budget preparation strategic and technical phase. Representative of LM and BI negotiated budget requests with MFE team based on their priorities and fiscal space available. The output target related

[25] https://financa.gov.al/wp-content/uploads/2023/01/CB23.pdf

to training of CSOs for understanding OBL and identify optimal modalities for their involvement didn`t progressed as planned during 2022. Due to Lack of capacities and lack of technical support assistance made it impossible to organize training for budget process for CSO for 2022.

Component 5.4: Accounting

The targets aiming to improve accounting regulatory framework, and improve implementing the capacity development plan were achieved in 2022.

In regard to accounting regulatory framework during 2022, the consultant selected by MoFE in collaboration with MoFE staff, has provided the drafting of the legal acts and accounting standards, based on the gap analysis conducted by this consultant. **During this period were finalized**: **1) Detailed accounting instructions regarding**: (i) reporting and presentation, (ii) consolidation, (iii) revenue, (iv) property plant and equipement, (v) intangible assets, (vi) inventory, (vii) financial instruments, (viii) accrual and expense, (ix) provisions, (x) employing benefits. 2) **Business process review**, which includes the proposed revisions to business processes through a process design in line with good international practices that enables preparation of financial statements in line with requirements in the new accounting instructions. **3) Chart of accounts gap analysis** and chart of accounts outlined to meet IPSAS requirements; **4)** An analysis how the budget process in Albania can benefit from the information derived from the IPSAS statements. **5)** Recommendations to enhance AGFIS functionalities to fulfill the additional data needs identified for each of the ten accounting areas; **6)** Major fieldwork for the pilot of the accounting instructions in 7 selected institutions was completed; **7)** Recommendations for State and Government financial reporting; **8)** An overview of CHU and Treasury role in accounting and financial reporting, structure, job descriptions, and recommendations for enhancement; **9)** The piloting of these regulatory framework in 7 public sector institutions in preparation of financial statements.

With regard to t**he capacity development plan during 2022.** In this regard 500 public sector accountants out of 50 planned were trained. Also, 28 staff were trained, 18 more than planned. During 2021 - 2022, was carried out for the first time the piloting of the training of 100 finance officers and accountants from about 17 different public sector institutions. From September to December 2022, the parties finalized the training to include the training rollout to 400 public sector accountants. During 2022, was provided the Draft Continued Professional Development (Continuing Professional Education Program) program and approach, with prospective future course program, the role of various stakeholders in the process and draft methodology for the needs assessment were developed. Final comments were provided to the consultants in October 2022. During the period the consultant continued working with the University of Tirana, and the Agriculture University with the scope of defining the public sector accounting curricula and finalizing the modules with the universities) in accounting programs and with the Institute of Chartered Accountants (ICA) for the development of a public sector accountant certification program. The last mission was conducted in October 2022. In addition, training to university lectures and ICA trainers were delivered in December 2022.

The staff from CHU, Budget and Treasury department of Ministry of Finance and Economy (28 staff) was trained by the international consultant regarding the IPSAS standards from April to December 2021. In December 2021, this group of experts has carried out an exam regarding IPSAS standards, provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). During 2022, this trained staff served as the trainer for the accountants and finance officers of public sector. Also, based on their experiences, they have given their contribution in the improvement of the materials that were used during the trainings.

Component 5.5: Asset management

Methodology for a full public asset inventory in Central Government (CG) institutions was not finalised. It will be approved within 2023. Actually, MOFE has an instruction regarding public sector asset management, which is instruction no. 30 “On the asset management in public sector units”, amended, which describes all the procedures for the documentation, inventory, circulation and disposal of the public sector assets. But, as part of strengthening public sector financial reporting in accordance with IPSAS and other best practice in the public sector as well as establish stronger control over its Fixed assets it is important that public institutions develop proper and standard methodology, procedures and tools to register, measure and report fixed assets. In this regard, MoFE is collaborating with World Bank to prepare an asset register methodology and format, based on the amendments that the consultants have provided regarding the regulatory framework in public sector accounting. This methodology will be approved within 2023, because this methodology is part of the regulatory framework that is provided by the project, based on accrual accounting. Also, during the last year, was carried out an assessment report on AGFIS functionality, which provides recommendations for adjustments and additions, including introduction or activation of new accounts and modules in system. So, it was necessary to fulfil all the objectives of the project, regarding the regulatory framework and the systems, in order to make the proper amendments of the instruction regarding the asset management in public sector. The approval of this methodology is depending by some other factors as follow: i) The approval of all public sector accounting instructions; and ii) assessment report on AGFIS functionality, which provides recommendations for adjustments and additions, including introduction or activation of new accounts and modules in system. So, it was necessary to fulfil all the objectives of the project, regarding the regulatory framework and the systems, in order to make the proper amendments of the instruction regarding the asset management in public sector.

The output targets planned for 2022 aiming to have full public assets recorded in AGFIS (for BIs rolled out into the system) was achieved as planned, with two Bis, namely Tirana Municipality and Ministry of Justice entered the assets inventory in the asset module and 6 staff of these BI’s trained. Even though, work will be done to continue a close collaboration with Budgetary Institutions online with AGFIS to realize FA migration into the system and to start training of their BI's staff. Treasury department has contacted the remaining 4 institutions (Ministry of Defence, Ministry of Health, Ministry of Transports and Energy, Prime Minister Office) which have been instructed to complete the information on fixed assets that will be migrated into AFGIS.

Key challenges and next steps

Under this Specific Objective the main challenging component relates to the Asset Management, more specifically in regard to the not finalised Methodology and guidelines for a full public asset inventory in Central Government (CG) institutions. These were mainly due to the: non-coordination within the structures involved in drafting the methodology, leads to failure to give opinions / suggestions / comments in a timely manner, which results in delaying the finalization of the act within the set deadline; Also, this methodology is based in the instructions provided by the project, so it will be finalized during 2022;

Regarding the component of Accounting, despite of the work done by DHFMCA and the undertaking of necessary measures for the management of unfavourable situations, some of the challenges / risks which affected the realization of the products under this component were: Building expertise; Lack of the technical information needed and the lack of professional capacities; The conditions of the proper venue (because of the noises, the space, the translation); Availability of the participants to follow all the time the training; increasing the CHU capacities in order to develop accounting methodologies, translate IPSAS and develop CPD; Big challenge to motivate and manage the stakeholders; Resistance from stakeholders as it means significant changes for them; Accounting reform/asset management reform is not seen as being as politically interesting as budget, tax, debt, procurement, etc.; Active involvement of top management; The political landscape changes and top management change.

Regarding the component Citizen's Engagement, the output target related to training of CSOs for understanding OBL and identify optimal modalities for their involvement was not achieved as planned during 2022, due to lack of financial sources or human resources to organize the training. Also, regarding this component, two other output targets were achieved as planned, however some risks were faced during 2022, such as: (i) lack of staff to produce Citizens Budget Document; (ii) fail to communicate on time with CSOs for budget hearing session.

Another challenge is related to the financial performance monitoring and reporting, because the replacement of the annexes of the Guideline were not finalized as the BPPM module on the AFMIS system was not completed and the reports scheduled to become part of the annexes were not fully updated with all financial indicators. During 2022, DMB had pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues came up, thus the responsible units and designer company were informed for inconsistency of the reports generated from the BPPM Module of the AFMIS system. The following up with the solutions of the problems encountered during the generation of reports in the AFMIS system in order to finalize the new design of the guideline annexes is needed to overcome this issue.

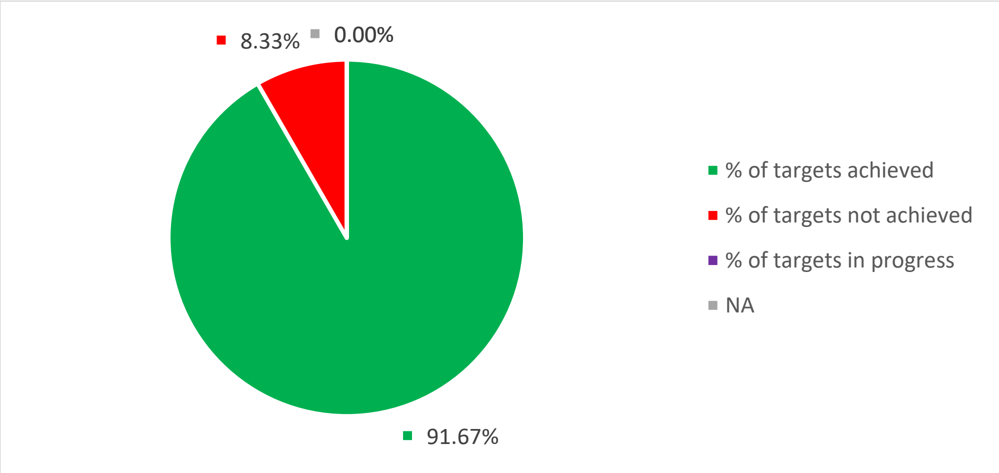
3.6 Progress under Specific Objective 6 "Effective Internal Control"

During 2022, the level of the achievement of the outcome performance indicators' targets aiming to strengthen the Public Internal Financial Control system on central and local government level is 103% showing a slight decrease compared to 2021 (104%), however it remains in the same category as in 2021 (very good).

Table 7: SO6 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
XX) Effective managerial accountability in all public institutions	XXa) The extent to which internal control systems are implemented in practice within the budget organisations	**2.61**	**> (t-1) (Growing trend)**	**2.84**
	XXb) Managerial accountability mechanisms in the regulatory framework	**2.95**	**> (t-1) (Growing trend)**	**2.91**
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	**62%**	**> (t-1) (Increasing trend)**	**56%**
	XXIb) Internal audit framework aligned with International Standards on Internal Audit	**a) First draft of revised IA Law in place b) Three IA gudielines**	**Legal framework fully functional**	**Law No. 12/2023 "On some amendments and Changes in the IA Law" approved and entered into force.**
	XXIc) The % of system base recommendations addressed VS the total of findings	**67%**	**> (t-1) (Increasing trend)**	**76%**
XXII) An efficient Public Financial Inspection	XXIIa) % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy)	**88%**	**> (t-1) (Increasing trend)**	**90%**

Graph 9: 2022 status of SO6 outputs targets



Concerning the effective managerial accountability in all public institutions, the outcome target "*The extent to which internal control systems are implemented in practice within the budget organisations*" is achieved showing an improvement as compared to 2021, while the outcome target "*Managerial accountability mechanisms in the regulatory framework*" is not achieved showing a slight detoriarition as compared to 2021 which is affected by the method of calculation according to the methodology of evaluating the performance of the internal control system in the General Government Units (GGU), but the performance is similar to last year. In order to measure the extent to which internal control systems are implemented in practice and whether managerial accountability mechanisms are regulated, the GDHPIFC has prepared an evaluation methodology for annually assessing the budgetary institutions. Based on the assessment performed for 2022, it resulted that the budgetary institutions scored 2.84 and 2.91 out of 4 respectively, showing a mixed performance compared to 2021 (respectively 2.61 and 2.95). The main developments during 2022 focused on improving the functionality of the system by providing technical assistance and monitoring the state and progress of the internal control system encouraging engagement and awareness regarding the strategic and operational importance of implementing financial management and control instruments. From the detailed analysis of the 17 internal control principles, it is found out that the internal control system for 2022 is partially effective, where a number of factors have influenced the realization of the internal control cycle. Also, this evaluation comes as a result of not concluding the process of connecting strategic and operational objectives as well as detailing the objectives in concrete action plans by defining clear lines of responsibility for their fulfillment and reporting by all managers. The development of this process conveys its impact on the planning and documentation of risks in order to fully implement a structured process of risk management. Meanwhile, limitations in the implementation of monitoring and evaluation mechanisms of the internal control system affect the quality of information reporting, bringing difficulties in dealing with problems and proposing corrective measures. With regards to managerial accountability mechanisms in the regulatory framework, it is evident that the institutions have adopted organizational structures appropriate to the size, nature and complexity of their activity. Also, the institutions have defined mission statements and their strategic and operational objectives, part of the medium-term budget program document, creating an organic connection between these priorities and performance objectives. In the drafting of this document, all program leaders are involved, who analyze the situation and determine, monitor and report the priorities and objectives to be realized. The lack of regular periodic reports and the undertaking of concrete measures to address issues related to the internal control system still remain problematic, which demonstrates the need for the design of a system procedures related to the creation, implementation and periodic standard reporting to managers or other structures of the institution. The focus of the reports remains on providing information on financial performance, such as budget monitoring reports or reports on financial obligations, and less on the preparation of periodic reports on the progress and status of implementation of established objectives or issues related to internal control systems. Another important mechanism for the operation of an effective system of managerial responsibility is the use of regular procedures for the delegation of tasks and responsibilities, this element, which finds little application and is evaluated at unsatisfactory levels for the majority of institutions. Despite the support provided by the MoFE through the regulatory framework or technical assistance, as well as the recommendations given during the evaluation of the quality of the internal control system, there are few institutions that have turned the delegation process into a working practice, increasing the effectiveness of the implementation of the activity theirs. The shortcomings identified for the implementation of this instrument are mainly related to the lack of awareness to understand its importance as well as the clear definition of the terms, rules and procedures that must be followed in the process of delegating tasks within the public unit.

During 2015-2022, improvements and amendments were made to the Law 'On Financial Management and Control', and several sub-legal acts to support the primary legislation were adopted. 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 GDHPIFC has worked in many directions to strengthen the PIFC system as well. A gap analysis of FMC law is carried out during 2021 and the draft law was prepared during 2022 which was approved as well by MOFE and CoM within 2022. The revised FMC Law is published in the Official Gazette[26]. Technical assistance was provided for five selected units during 2022 as well on drafting financial management and control instruments and delegation procedures. The DHFMCA has carried out the quality assessment of the internal control system in 16/20 public units, while for 4/20 public units the official documents were not provided by the institutions. On–site monitoring activities of the functioning of the FMC system in some BIs have taken place during the period 2015-2022, as well as several capacities building activities, including trainings, coaching and study tours. Separate databases for IA findings and recommendations are established during 2020 and updated during 2021 and 2022, and findings are reported to the PIFC Board.

With regards to strengthening internal audit function in public sector, not all outcome targets were achieved as planned during 2022 showing a slight deterioration as compared to 2021. During 2022, 56% of internal audit recommendations were implemented showing a deterioration as compared to 2021 (62%). The declining trend includes the impact of the audit recommendations issued during 2022 but not implemented yet. 76% of system base recommendations were addressed showing an improvement as compared to 2021 (67%) aiming to improve FMC systems, strengthen the control procedures (improvements in legal framework) and organizational controls. The performance indicator ‘Internal audit framework aligned with International Standards on Internal Audit’ was achieved during 2022. Concerning the internal audit framework aligned with International Standards on Internal Audit, efforts are made to update the legal framework. During 2021, IA Law[27] is revised, as well as three IA guidelines were updated. While during 2022, the draft Law was approved by the Council of Ministers on 27.12.2022 and sent for final approval to the Parliament of Albania. During 2015-2022, following the improvements and amendments made to the Law ‘On Internal Audit’, several sub-legal acts to support the primary legislation were adopted. Changes in IA Law aim to create an appropriate environment for IA to carry out audits in fully compliance with International Internal Audit Standards. Furthermore, three IA guidelines are prepared covering the topics of (a) Risk Assessment in audit engagement; (b) Developing an internal quality control and improvement program; and (c) Auditing of Arrears. Separate databases for IA findings and recommendations are established during 2020 and updated during 2021 and 2022, and findings are reported to the PIFC Board. On–site monitoring activities of the functioning of the IA in some budgetary institutions have taken place during the period 2015-2022, as well as several capacities building activities, including training and coaching. There are 136 IA Units established in central and local government by the end of 2022. More than 80% of internal auditors on duty are certified by the Commission for Qualification of Internal Auditors and the others are going to complete the certification by mid-2023.

Work towards creating an efficient Public Financial Inspection is on track where implementation of financial inspection recommendations was improved as compared to 2021 (90% in 2022 vs 88% in 2021). External inspectors were selected to assist the Directorate of Public Financial Inspection (DPFI) 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 and finalized during 2021. The Training Needs Assessment for internal and external financial inspectors was carried out in the first quarter of each year and trainings were organized on several modules as required. The Annual Reports were prepared each year, shared, and published

[26] https://qbz.gov.al/eli/fz/2023/37/67009010-5e29-4702-82d3-03b462f1e510;q=37

[27] Regarding IA function, IA law was not finalised as planned because it was seen necessary to take into consideration the findings of the 2021 SIGMA Assessment Report which was launched in December 2021.

on the official website of the MOFE including the findings on public financial inspections. 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. The process for drafting the national anti-fraud strategy for the protection of EU' financial interest has not started yet. However, the working group has been established with Order No.127, dated 15.04.2022 of the Minister of Finance and Economy which will work on several activities during 2023.

Components progress made during 2022

Component 6.1: Financial management and control in all public institutions

The DHFMCA has achieved the target aiming to establish a stronger financial management system and internal control environment. Several measures of the Policy Paper[28] "On Further Development of PIFC in Albania for the period 2021–2022" action plan was successfully implemented according to the timeline. During 2022, the following measures were successfully implemented:

- FMC Law was revised and improved;
- Technical assistance provided in 5 general government units (Ministry of Defence, General Prosecutor's Office, Public Procurement Agency, Belsh Municipality and Lezha Municipality) on drafting financial management and control instruments and delegation procedures;
- Quality assessment process of the internal control system carried out in 16/20 public units, while for 4/20 public units the official documents were not provided by the institutions, as well as a detailed report has been drafted with concrete findings and recommendations for the further development of FMC system;
- In cooperation with the Albanian School of Public Administration, 10 one-day training sessions (Webinar) were held on building the capacities of public administration employees regarding the implementation of the risk management process (520 participants). Also, two 5-day training courses on the risk management process were carried out where 38 public administration employees were certified;
- Awareness raised on the importance of implementing the internal control system through the development of the national conference "Internal control system as one of the main pillars in the good management of public finances" (100 participants).

The DHFMCA has carried out the quality assessment of the internal control system and trainings aiming to have a functional internal control system in place. Pursuant to the approved Methodology for Quality Assessment of the internal control system in general government units, during 2022 quality assessment was carried out in 16 selected general government units, while in four units this process was not carried out due to the non-commitment of the institutions to provide the official documents. The internal control system in these institutions turns out to be mostly "partially effective", where is evidenced the need for increasing the awareness of the high managerial level in undertaking measures to address the identified deficiencies and the implementation of the FMC instruments. In order to strengthen the capacity of employees in the field of internal control, following trainings were conducted: (a) 10 webinars on the implementation of the risk management process (520 participants), (b) Two 5-day training courses on the risk management process (38 public administration employees were certified); (c) 7 regional workshops on the local revenue management processes, with a focus on the main risks that affect realistic revenue forecasting and collection (about 140 risk coordinators and revenues officers of 46 municipalities); (d) 4 two-day trainings organized on a regional basis on evaluation of internal control system (84 participants of 61 municipalities); (e) 2 regional workshops, jointly with Local Finance Project, where more than 45 internal control coordinators of 33 municipalities were familiarized with the methodology used by the MoFE to evaluate the performance of the municipalities.

[28] Order of the Minister of Finance and Economy no. 305, dated 18.12.2020.

All targets set for 2022 to strengthen the PIFC monitoring system are achieved. During 2022, the FMC draft Law was prepared, and the comments of the involved structures and stakeholders have been reflected. The public consultation session and discussion with the members of the Partnership Platform for European Integration was held as well. The revised law was approved by the Minister of Finance and Economy and the Council of Ministers within 2022, and by Parliament in February 2023. The revision of this Law comes as a requirement for rigorous implementation of the objectives set out in the PFM Strategy 2019-2022, the Policy Document for the Further Development of PIFC 2021-2022, and the issues identified in the annual evaluation reports of the internal control system, recommendations given by the Supreme State Audit, Internal Audit and international bodies. Separate databases for FMC and IA findings and recommendations were updated during 2022. These findings and recommendations are included in the annual PIFC report. The strengths and weaknesses in FMC systems in public units as well Internal Audit findings and recommendations provided to improve the systems were discussed in the three PIFC Board meetings held during 2022.

Component 6.2: Internal Audit

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 2022 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 7,260 findings were identified in system weaknesses and proper recommendations related to FMC are reported to the PIFC Board in the 2022 Annual Report.

Component 6.3: Public financial inspection

All targets aiming to enhance the role of financial inspectors were achieved during 2022. A Training Needs Assessment for internal and external financial inspectors was carried out in the first quarter of 2022. Trainings were organized on specific modules such as “Irregularities in EU-funded projects” (5 inspectors), “Audit and financial control” (6 inspectors), “Performance of programs financed by the EU” (10 inspectors). 75% of the internal and external financial inspectors attended these modules. The 2021 Annual Report was prepared, shared, and published in the official website[29] of the MOFE including the findings on public financial inspections.

The process for drafting the national anti-fraud strategy for the protection of EU' financial interest has not started yet. The working group has been established with the Order No.127, dated 15.04.2022 of the Minister of Finance and Economy and has representatives from the operative and managing structures of EU Funds; national authorities involved in the prevention, reporting and elimination of irregularities, and members of the AFCOS’s network as well. In the meantime, it was applied for technical assistance through Good Governance Project.

Key challenges and next steps

Concerning the quality review of internal control system in public units, risks that affect the non-achievement of the target for 4 general government units were the type of activity of the host institution reducing the availability of staff responsible for following the quality assessment process and implementation of the internal control system and lack of engagement of managers and staff in the host institution regarding the availability of the required documentation during the quality assessment process. However, the work will continue on the process of evaluating the quality of the internal control system in other 20 units and a detailed report will be drafted with concrete findings and recommendations for the further development of FMC system.

[29] https://financa.gov.al/raportime-vjetore-te-veprimtarise-se-inspektimit-financiar-publik/

Concerning the public financial inspection, lack of the necessary external technical expertise hampered the initiation process of the drafting of the national anti-fraud strategy for the protection of EU' financial interest. However, the established working group will work on the assessment of the current situation and the existing risks in preventing irregularities or corruption; Identifying the needs of each institution for the prevention and elimination of irregularities and corruption with EU funds; Priorities and objectives; Action plan and indicators; and on implementation and monitoring the process. The National Anti-Fraud Strategy will be approved by the end of 2024.

3.7 Progress under Specific Objective 7 "Effective external oversight of the Public Finances"

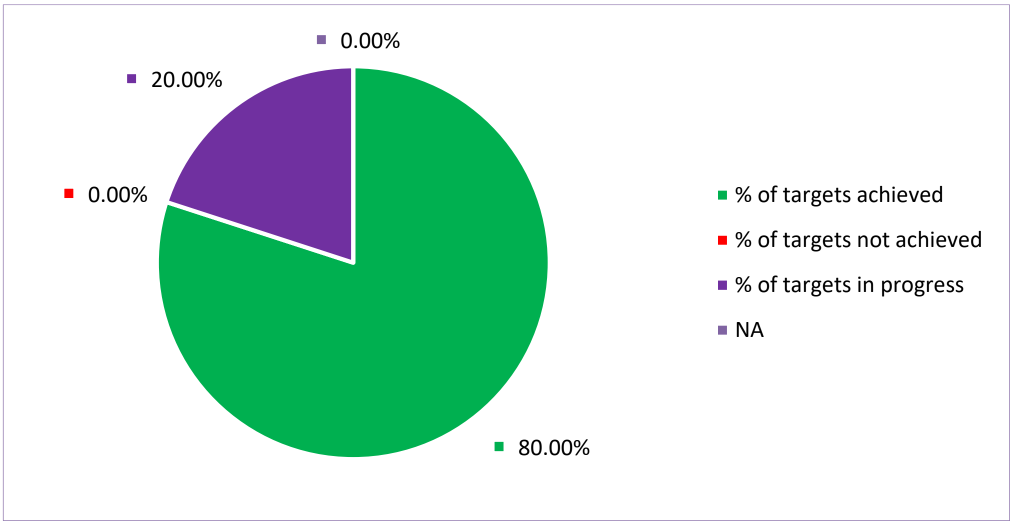
The level of the achievement of the outcome performance indicators' targets aiming to strengthen the external oversight function by bringing it in line with International Organization of Supreme Audit Institutions (INTOSAI) standards is 117% in 2022 showing a slight deterioration as compared to 2021 (120%), however it remains in the same category as in 2021 (exceeded).

Table 8: SO7 Outcome Performance Indicators

Outcome	Performance Indicator	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
XXIII) Further enhancement of external audit as to maximize their value and benefits to society	*XXIIIa) % of audit recommendations accepted and implemented by auditees	**R acc: 93%** **R impl: 55%**	**R acc: ≥ t-1 (Increasing trend)** **R impl: ≥ t-1 (Increasing trend)**	**R acc: 97%** **R impl: 50%**
	XXIIIb) Proportion of financial (pure financial audit + combined audit) and performance audits	**FA: 36,7%** **PA: 11,5%**	**FA: ≥ 25 %** **PA: ≥ 16 %**	**FA: 54%** **PA: 9%**

**The indicators are measured for the period January - December 2021 as the implementation rate of recommendations is assessed only after 6 months after their issuance.*

Graph 10: 2022 status of SO7 outputs targets



Progress is made towards strengthening the external oversight function by bringing it in line with INTOSAI standards. Concerning the PI "% of audit recommendations accepted and implemented by auditees", for the year 2022 it can be noticed an increase by 4% of the recommendation accepted and a decrease by 5% of the recommendations implemented by the audited entities. However, 20% of the recommnedations are in the process of implementation. With regards to the PI "Proportion of financial (pure financial audit + combined audit) and performance audits", proportion of financial audit for the year 2022 is 54%, which is 29% above the target, while proportion of performance audit is 9%, which is 7% below the target. Due to the Decision of the Supreme Court no. 9, dated 23.02.2021 which has left into force the obligation deriving from article 50 of law no. 68/2017 "On local self-government finances" the Albanian Supreme Audit Institution (ALSAI) has the obligation to conduct financial audits in the 61 municipalities. As a reason the number of financial audits is higher than the performance audits number carried out during 2022.

During 2015-2022 work is done to enhance the independence of the auditors. A new Law "On the Organization and functioning of the High State Control"[30] was approved in 2014 by the Parliament. The main purpose was to regulate the functional, operational, and financial independence, mandate and organization of the Organization and to align to some requirements of International Standards for Supreme Audit Institutions (ISSAI) such as the use of financial and/or performance audit. A working group was established in 2020 to work on the amendments of the Law based on some findings of the 2020 EC progress report, as well as the implementation of best practices aiming to meet the obligations of Albania for opening the negotiations for chapter 32 "Financial control". During 2022, the working group reviewed the respective legal amendments proposed in 2018, in order to provide an inherent evaluation on the necessity for these amendments to be considered.

The ALSAI adopted some new International Standards for Supreme Audit Institutions which resulted in a shift from compliance to financial and performance audits. 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 and 2021. Performance Audit Manual was amended in 2021 as well as Financial, Performance and Compliance Audit Manuals were updated in 2022. "Guide on Information systems audits"; "Audit model of INTOSAI Development Initiative (IDI)/ Sustainable Development Goals (SDG), pilot version 2020"; and SAI Performance Measurement Framework were updated as well during 2022. 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. The annual audit plans are prepared each year based on this methodology. 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 - 2022 to help them to deepen their knowledge of financial, performance and IT audit as well as other thematic audit approaches.

Impact of auditing through better communication with all the stakeholders is enhanced. The communication and engagement with Parliament, Government, media and citizens improved with the implementation of ALSAI's Development Strategies and new Code of Ethics. The new ALSAI Communication Strategy 2022-2025 was drafted and approved in June 2022 with the support of SIGMA. During 2022, the audit activity has been widely reported by media in over 300 articles in written media, 1500 articles in the audio-visual media, mainly referring to the final audit reports results published in the ALSAI's website. 155 reports for the audits performed during 2022 were submitted to Parliament and cooperation in the light of the European Organization of Supreme Audit Institutions (EUROSAI) and INTOSAI membership was reinforced. Steps to address concerns regarding the reduction in the implementation of ALSAI recommendations were made through a Parliamentary regulation aimed at providing a more effective mechanism for monitoring the follow-up of findings, although further work is needed. Moreover, a joint Secretariat with members from ALSAI and MoFE was

[30] Law no154 dated 21 November 2014

established aiming to find ways to improve the implementation rate of ALSAI and internal audit recommendations. During 2020, an activity-based plan was approved, and all planned activities were completed, while no meeting took place during 2021 due to the movement of staff at different management levels in ALSAI and MOFE. During 2022, an online meeting of the Joint Secretariat was held on February 2022, with the purpose to discuss the draft action plan of the Secretariat. The yearly action plan was approved; however, it is not implemented since no other meeting was held during 2022. Several reports on the ALSAI activities were submitted to Parliament, including the report on the implementation of the audit recommendations, the 2021 ALSAI Annual Performance Report and the 2021 Budget Execution Report.

Components progress made during 2022

Component 7.1: External Audit

All targets planned for 2022 aiming to further align audit approaches to international standards were achieved. *First*, the annual audit plan for 2022 was prepared based on the revised methodology "Strategic and annual planning methodology of auditing activity based on risk". As a result, for each audit planned to be performed during 2022, the risk level was determined, as well as for each individual audit, the program and directions of the audit were determined based on risk analysis. *Second*, during 2022, the ALSAI staff was engaged in reviewing and amending the regulatory framework of the institution, such as: revisited the audit manuals in accordance with the "Professional Statements of the INTOSAI Framework". Financial, Performance and Compliance Audit Manuals were updated successfully. There have been updated also the following documents: "Guide on Information systems audits"; "Audit model of INTOSAI Development Initiative (IDI)/ SDG, pilot version 2020" which was published by INTOSAI/IDI; SAI Performance Measurement Framework published with the support of IDI and SAI of Norway; Guidance on areas of risk for the performance audit approved in January 2023. *Third*, ALSAI auditors, including the newly hired ones, have received 26.5 days of trainings on average. The trainings were organized both internally and externally. The main trainings topics were on PPP area and public procurement procedures focusing on the anti-corruption cases; gender budgeting audit; IT and environment trainings; on the update of guidance and manuals; on the quality assurance and quality control in the framework of ISSAI 140; and on IDI's SDGs Audit Model guidance.

Not all targets set for 2022 in order to enhance impact of audit through a better communication with all the stakeholders are achieved. The first target concerns the operationalization of the Joint Secretariat created under the Memorandum of Understanding (MoU) between ALSAI and MOFE. An online meeting of the Joint Secretariat was held on February 2022, with the purpose to discuss the draft action plan of the Secretariat. Four meetings were planned to be held during 2022 in which following issues would be addressed: (a) Establishment of a joint working group between the two institutions to draft the methodology for follow- up the implementation of recommendations of the external audit and internal audit in order to standardize the drafting, monitoring and reporting on the implementation of recommendations; (b) Discussion and addressing of the recommendations of High State Control (HSC) after the findings of the Report "On the implementation of the actual budget 2021" and (c) Discussion on the problems identified by the audits in relation to arrears. The yearly action plan was approved; however, it is not implemented since no other meeting was held during 2022. Regarding the second target, the ALSAI has submitted various reports to the Parliament such as: (a) the report on the follow-up of the implementation of the audit recommendations for the period January - December 2021; (b) the 2021 ALSAI Annual Performance Report; and (c) the 2021 Budget Execution Report.

Key challenges and next steps

Concerning the external audit, some challenges hampered the achievement of some targets. With regards to the operationalization of the Joint Secretariat, the yearly action plan was approved, however, it is not implemented since no other meeting was held during 2022. ALSAI is going to continue the communication with the

MOFE, in order to complete the agenda of the Joint Secretariat. With regards to HSC Law, further review is requested with legal assistance, in order to define relevant amendments.

4. Performance categorized by standards

The main achievements during 2022 of the performance indicators for each SO are presented as below:

For SO1 “Sustainable and Prudent Fiscal Framework” all performance indicators have progressed as planned during 2022:

- The debt to GDP ratio was 9.9 % less than the previews year.
- Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook is less than 0.
- Primary Balance is – 1.9% in 2022.
- 2022 fact deficit was less than planned deficit in the budget (-6.72%)
- The revenues collected by the General Directorate of Taxes and the General Directorate of Customs (including the Contributions collected by DPT), were estimated at 40.7 billion or 8.7% more, compared to the initial budget approved for tax and customs revenues.
- Fiscal risk reporting according to (PEFA PI 10) was estimated with “B”.

For SO2 “Well Integrated and efficient Planning” most of the performance indicators have progressed as planned during 2022:

- Expenditure composition outturn by function (PEFA PI-2, 2.1) has the same assessment compared with 2021.
- Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year), in 2022 was 91.4%. There is an increase with 0.9% compared with 2021.
- Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations: in 2022 this indicator was achieved in value 98.4%, while in 2021 this indicator was 99%.
- Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year in 2022 was increased to 75.3%.
- PEFA Subnational level PI-22.1 Stock of expenditure arrears for 2022 is 10%, achieving the target (10%) and lower compared to 2021 (12.3%).

For SO3 “Revenue Mobilization” most of the performance indicators have progressed as planned during 2022:

- The level of tax collection was increased in 2022. The target of outcome performance indicator “Tax base of businesses” was achieved. The percent of actual tax collection fact 2022/2021 is lower than the ratio 2021/2020, but the performance indicator target was achieved. The ratio of tax debt collected in 2022 versus of outstanding amount of tax liabilities was higher compared with 2021.
- The level of tax return versus previous year was increased in 2022. The target of outcome performance indicator “Ratio of tax return versus previous year” was achieved. The percent of ratio of tax return 2022/2021 was higher than the ratio 2021/2020.
- The level of custom revenues was 15.6% in 2022 exceeding the target (8%).

For SO4 “Efficient Execution of the Budget” most of the performance indicators have progressed as planned during 2022:

- Total volume of budget executed through AGFIS in relation to the total amount of budget executed by central government was improved compared to 2021.
- Stock of expenditure (Arrears as a percentage of total expenditure of the fiscal year) was 1.87%, achieving the target below 3% and lower than 2021 fact value (2.2 %). The main priority in the medium term remains clearing the stock of arrears and preventing their accumulation, through the setting of specific targets over the years. This objective has been achieved in recent years as the stock of arrears has followed a progressive downward trend and which is set to continue.
- Target related to outcome indicator PEFA 22.2 Expenditure arrears monitoring was met, with the estimation A, at the same level in 2021.
- In 2022 the percentage of complaints reviewed outside the deadline has decreased to 10.1%. In 2021 the percentage of complaints reviewed outside the deadline was 10.8%.

For SO5 “Transparency of Public Finances” most of the performance indicators has progressed as planned during 2022:

- Compilation of Government National Accounts according to International Methodology (ESA 2010) was done in the level of 89.5%, the higher level compared with previews years.
- Published in year and annual financial reports contain accessible financial and non-financial performance information, including KPIs for 38.5% of LMs.
- During 2022 was made 40% progress on the PI “Moving on a phased basis to presenting accruals based government financial statements”.
- During 2022, two new BI`s has their Public assets recorded into the AGFIS.

For SO6 “Effective Internal Control” most of the performance indicators has progressed as planned during 2022:

- The extent to which internal control systems are implemented in practice within the budget organisations.
- Internal audit framework aligned with International Standards on Internal Audit.
- The % of system base recommendations addressed VS the total of findings.
- % of implemented financial inspection recommendations (issued by the order of Minister of Finance and Economy).

For SO7 “Effective External Oversight of the Public Finances” most of the performance indicators has progressed as planned during 2022:

- % of audit recommendations accepted and implemented by auditees.
- Proportion of financial (pure financial audit + combined audit) and performance audits.

5. Risks and steps to address them

To effectively manage the reforms, and based on the experience during the period 2014-2022, 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 2022, 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 consequences, War and price crises have increased the negative impact on reaching the strategic objectives and becoming the main obstacles to their progress for 2022.

With regards to **fiscal rules**, the main challenge is related to the training of the staff of sector for analysis and statistics. To overcome this issue, they are planning to attend the trainings organized by ASPA on regard of their area.

With regards to **policy development and strategic governance,** the key risk materialized was shortage of staff. In order to mitigate it during 2022 recruiting procedures were opened. New recruitment procedures will continue also in 2023.

With regards to **medium term budget programme,** internal risk factors such as IT systems; Internal organization (management, roles and responsibilities) missions; Methods and channels of communication, high quality and on time information and external risk factors related to Covid-19 consequences were identified, but not materialized. For 2023, Directorate of Budget Analysis and Programming, have settled practices/procedures that will be applied if one or more risks materializes.

With regards to **public investment planning and oversight**, internal risk such as Strategy planning of policies; Operational processes; Financial processes and fund's disbursements; IT systems; Human Resources (staff, responsibilities, collaboration), Ethics and institutional behavior (fraud conflict of interest); Legal harmonization, regulations; Methods and channels of communication, high quality and on time information and external risk factors related to Covid-19 were identified. The Project Directory at SASPAC has been understaffed.

With regards to **PFM in local government**, some internal and external risks were materialized during 2022. In order to mitigate them, trainings for all budget processes for LGU-s were done; For 2023, the following mitigation measures will be undertaken: Directorate of Local Finance has planned trainings for all budget processes for LGU-s; Introduction of new formats in preparation of Medium-Term Budgeting; Introduction of a new system AFMIS in local government.

With regards to **tax administration**, external factor related to War, was materialized. The main risk during 2022 has been the Russia-Ukraine war, which has brought consequences to the global economy and, as a consequence, to the economy of our country. For this reason, the process of completing the MTRS report was also interrupted. GDT has measures in place to redistribute tasks within each structure, in case of staff shortages caused by the pandemic.

With regards to **fiscal cadastre of properties**, during 2022, GDPT, faced mostly with IT System risk. The Fiscal Cadaster IT System was suspended due to cyber-attack. The access was down and municipalities couldn't use the system. To avoid the risk of data loss, GDPT had a cooperation with National Agency of Information Society (NAIS) to move system to a new and more reliable infrastructure. Ongoing cooperation with NAIS related to hand over the system and fullfill obligations is the mitigation measure for 2023.

With regards to **customs management**, few risks did materialize in terms of procurement procedure failure in one case during 2022. The measure undertaken in order to mitigate the risks was better management of the staff under the new structure and better budget allocations. The mitigation measures that will be undertaken for 2023 are: i) new structure implemented; ii) the cooperation with counterparts, national and international agencies will continue for the better collaboration.

With regards to **expanding the use of AGFIS,** internal risks such as: financial processes and funds´ disbursements, Human resources, Ethics and institutional behavior, and IT system were materialized during 2022. For 2022 the budget for new AGFIS user licenses was approved for 5 new BI's, however, the involvement of high-level management is very important in order to mitigate these risks.

With regards to the **multi-year commitment controls and accounts payable,** internal risk such as Strategy, planning of policies and Human Resources (staff, responsibilities, and collaboration) were materialized. Not all BIs have included in Audit Plans, auditing of arrears. Mitigation measure undertaken during 2022 were: i) For non-compliance with the deadline for submitting to the treasury the contracts and invoices of the economic operators, attention has been drawn by the General Secretary of Ministry of Finance and Economy (prime authorizing officer) to the authorizing officer of the line ministries to take measures against the responsible employees, in implementation of the legislation in force and ii) DH/IA has sent official letter on behalf of the MOFE requiring that all IAU's in BI should perform annually the audit of arrears. The mitigation measure that will be undertaken for 2022 are i) Timely approval of budget funds to finance commitments carried over from last year which are not included in MTBP. Respecting the chronological order of contracts during budget detailing, ii) DH/IA has sent official letter on behalf of the MOFE requiring that all IAU's in BI should perform annually the audit of arrears.

With regards to **debt and cash management**, internal risks such as: Human Resources (staff, responsibilities, collaboration), and Internal organization (management, roles and responsibilities missions) were materialized during 2022. Financial markets instability and hike of the interest rates have been materialized as well. The following mitigation measures were undertaken: The forecasting template is produced but pilot BI's do not send data regularly. The Municipality of Tirana has not sent any data for 2022. With the aim to formalize this process, a separate paragraph (no. 77, page 18) has been introduced in the annual minister's instruction/guideline for the 2023 budget implementation, related of the submission of accurate forecasting from BIs pilot in monthly basis (within the 25th of each month). Cash forecasting templates have been included in the annex of this instruction; and Adoption of the issuance calendar pursuant to the latest developments and behavior of the market. Increased communication with the market. Revision and increase of the interest expenditures projections.

With regards to **public procurement**, for Public Procurement Commission were materialized the following risks: i) Cyber Attack - As a result of the unprecedented cyber-attack that hit Albania, the National Information Society Agency was forced to immediately and temporarily close access to online public services, other government websites, online systems and platforms; ii) Lack of staff; iii) The high number of complaints and their complexity. In order to mitigate those risks the following measures have been taken: i) Pursuant to Order No. 338, dated 18.07.2022, from Monday, dated 18.07.2022, and until the end of the situation, taking into consideration the impossibility of notification through the official website “kpp.al” or other official websites that the Public Procurement Commission manages in other online networks such as: Linkedin, Youtube, etc., the PPC enabled the publication of the notification on the procedure for the management of online complaints and the activity of the Public Procurement Commission, until the restoration of online public services, in some of the most followed newspapers, most accessible to the general public and with the largest national circulation, in the electronic media and in the section of Public Notices, located at the premises of the institution, as well as in the public google drive for the publication of complaints, created at the e-mail address kpp.info@gmail.com; ii) During the year 2022, the focus of the institution has been on increasing the capacities of the staff; iii) During 2022, the Public Procurement Commission has increased the speed of reviewing complaints, both in terms of the total number of complaints handled outside the deadline, as well as in the number of days of handling a complaint at the Public Procurement Commission. The mitigation measures for 2023 are related with: i) digitalization, transparency and service provision, raising the awareness of economic operators on the ease of using the new online complaint submission system, through the unique government portal E-Albania, ii) increasing the capacities of procurement staff; iii) decision-making process and the smooth functioning of the institution work; iv) the level of international relations of the institution; and v) the level of national/international activities. Regarding the Public Procurement Agency no risks were verified during the reporting period.

With regards to **management of external funds**, several risks were materialized such as external risk related with foreign partners; risks related to planning process and operational systems (strategy, planning of policies; IT systems, operational processes) and risks related to force majors (cyber-attacks on e-government). There is not a clear strategy regarding the role and responsibilities of focal points of EAMIS, which enter data into the system. This issue is discussed with the donors, which expressed that they have a transparency system in which data are recorded and suggested to integrate somehow the data recorded by their system into the EAMIS system. In order to mitigate these risks, a clear strategy regarding the role and responsibilities of focal points designed from the donors' part to enter the data into the system should be discussed and defined, and capacity building activities for the SASPAC staff responsible for EAMIS. In addition, NAIS, in the role of the central institution that manages EAMIS from the IT point of view, should identify if there is a need for additional external assistance to make fully functional and operational the system by responding to all the necessities that arise during the process of data entry, maintenance, preparing reports. It is important to be mentioned that based on DCM no.642 dated 29.10.2021 "On the establishment, organization and functions of SASPAC", SASPAC is responsible for coordination of external aid for programs and developmental projects, while management of external aid is out of SASPAC responsibility. Also, changes may be necessary considering some findings and lack of progress in registering the data on external aid regularly, as well as links in the system that contain information which is out of the responsibility of SASPAC, such as data on FDIs and PPPs.

Concerning the **strengthening of the State Aid**, risks related to lack of adequate Human Resources and internal organizations were materialized during 2022. However, MOFE structure was adopted in 2022 and its enforcement will be ensured during 2023.

With regards to **National Government Accounts**, there were no risks materialized during 2022 as there were no planned activities for 2022.

With regards to **Financial and Performance monitoring and reporting,** internal risks were materialized, such as IT system and Human Resources (staff, responsibilities, collaboration). During 2022, Directorate of Budget Management has pursued several testing sessions on the spot, namely in several LMs, to monitor the performance of BPPM Module. As a result, several issues have come up, thus the responsible units and designer company have been informed of inconsistency of the reports generated from the BPPM Module of the AFMIS system. To further push the achievement of this component is necessary the filling of vacancies and pursuing the resolution of AFMIS issues.

With regards to **Citizen's engagement,** there were no risks materialized during 2022. Internal risk factors such as human resources (staff, responsibilities, and collaboration), methods and channels of communication, high quality and on time information and external factors such as Covid 19 consequences, War and Policy decision were identified but there has been no materialized. Regarding to mitigation measures for 2023, BPAD have settled practices/procedures that will be applied if one or more risks materializes.

With regards to **Accounting and Improved assets management**, the internal and external risks were materialized: Human Resources (staff, responsibilities, collaboration), Internal organization (management, roles and responsibilities), Legal harmonisation, regulation (adaption with IPSAS) and the communication with interested parties; Foreign partners (the consultants' companies and foreign partners/donors). Even though some measures were undertaken during 2022, they are still subject to been followed in 2023, such as: Review of priorities and operational work plans to adapt with the resources available; Finding alternative methods for carrying out field activities (online trainings); Review of the regulatory framework of the field (standards); Continuous communication to raise the awareness of the decision makers and the managers of the public units on the importance of the activities in the framework of the implementation of IPSAS; Capacity building in the field of IPSAS implementation; Continuous communication with the interested parties regarding the approach of the inventory methodology; and Continue close collaboration with respective BI's and high level engagement was required through official communication.

Referring to **financial management and control in all public institutions**, several risks related to Human Resources, internal organization and IT systems affected the achievement of outputs. Several measures were undertaken during 2022 for their mitigation, such as: (a) The priorities and operational work plans reviewed; (b) Alternative methods for carrying out field activities has been found such as meetings and online trainings); (c) A review of the regulatory framework in FMC field (laws / regulations / methodology) was done; (d) Continuous communication to raise the awareness of the managers of the public units on the realization of the activities in the framework of the evaluation of the quality of internal control system and the provision of technical assistance; and (e) Capacity building in the framework of effective implementation of the internal control system. The same measures except “Review of priorities and operational work plans” will also be undertaken during 2023.

Related to **internal audit**, risks related with IT systems, Human Resources and methods and channels of communication, high quality and on time information were materialized. In order to mitigate them, a request to IT department was sent for more advanced equipment and possible training platform; request for additional staff was sent to Human Resources department; as well as deadlines considering lines of reporting and communication with external bodies were set up. The same measures will be undertaken during 2023.

With regards to **public financial inspection**, risk related to Human Recourses was materialized during 2022. In this context, DPFI engaged external public financial inspectors in the missing professions: IT and Engineering to carry out the inspections. During 2023, DPFI will announce the process for fulfilling the vacancies of the department.

Concerning **external audit**, risk related to the cyber (IT) attack affected the work of auditors within and outside the institution, while macroeconomic situation due to energy crisis increased the demand for thematic audits for specific matters. To mitigate these risks, some measures were undertaken 2022 such as: installation of the necessary infrastructure to prevent the risks of hacking the official email addresses and website and IT logistics was provided for the staff; Revision of the audit plan due to specific public and media interest. As a reason, there have been new recruitments of audit staff and external experts contracted. In addition, during 2023, ALSAI is going to continuously monitor the general situation and is going to cooperate with internal and external institutions and partners, in order to provide the institution its normal functioning through human and material resources.

	Internal Risk Factors									External factors				
	1. Risks related to planning process and operational systems				**II. Human Resources and Institutions**			**III. Legal aspects and supervision**	**IV. Communication and Information**	I. Geopolitics,	II. Macro-Economic Factors	III. Force major	IV. Policy decisions	V. Foreign partners (agencies, consultants, media, business partners)
	1.1. Strategy, planning of policies,	1.2. Operational processes	1.3. Financial processes and funds´ disbursements	1.4. IT systems	2.1. Human Resources (staff, responsibilities, collaboration)	2.2. Ethics and institutional behaviour (fraud, conflict of interest)	2.3.Internal organization (management, roles and responsibilities) misions)	3.1. Legal harmonisation, regulations,	4.1. Methods and channels of communication, high quality and on time information.			COVID 19 consequences, War		
Specific Objective 1 – Sustainable and prudent fiscal framework														
1.1 Fiscal Rules														
1.2 Fiscal Risks														
Specific Objective 2: Well integrated and efficient planning and budgeting of public expenditure														
2.1 Policy Development and strategic governance														
2.2 Medium Term Budget Programme														
2.3 Public Investment Planning and oversight														
2.4 PFM in local government														
Specific Objective 3: Tax and Customs Revenue Administration														
3.1 Tax administration														
3.2 Fiscal Cadastre of properties														
3.3 Customs management														
Specific Objective 4: Efficient execution of the Budget														
4.1 Expanding the use of AGFIS														
4.2 Multi-year commitment controls and accounts payable														
4.3 Debt and Cash management														
4.4 Public Procurement														
4.5 Management of External Funds														
4.6: Strengthening state aid role														
Specific Objective 5: Transparency of Public Finances														
5.1 National Government Accounts														
5.2 Financial and Performance monitoring and reporting														
5.3 Citizen’s engagement														
5.4 Accounting														
5.5 Improved assets management														
Specific Objective 6: Effective internal control														
6.1 Financial management and control in all public institutions														
6.2 Internal audit														
6.3 Public financial inspection														
Specific Objective 7: Effective external oversight of public finances														
7.1 External audit														

6. Cost of the PFM Strategy

Below is a summary of resources used for implementing the reform during 2022, 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

Specific Objectives	Domestic funds	Foreign Financing	TOTAL	Plan 2022	% of change
1 Sustainable and prudent fiscal framework	**57,078**	**0**	**57,078**	**119,804**	**-52%**
1.1 Fiscal rules and forecasting	0	0	0	48,000	**-100%**
1.2 Fiscal risk management	57,078	0	57,078	71,804	**-21%**
2 Well integrated and efficient planning	**222,579**	**2,934,150**	**3,156,728**	**5,861,447**	**-46%**
2.1 Policy development and integrated strategic governance	100,270	0	100,270	445,476	**-77%**
2.2 Medium Term Budget Programme	81,539	88,225	169,764	590,648	**-71%**
2.3 Public Investment Planning and Oversight	21,744	0	21,744	877,186	**-98%**
2.4 PFM in local government	19,026	2,845,925	2,864,951	3,948,137	**-27%**
3 Revenue Mobilization	**2,878,166**	**1,320,497**	**4,198,663**	**14,797,569**	**-72%**
3.1 Tax administration	2,675,853	0	2,675,853	2,407,966	**11%**
3.2 Fiscal cadaster of properties	0	480,078	480,078	972,222	**-51%**
3.3 Customs management	202,314	840,419	1,042,733	11,417,381	**-91%**
4 Efficient execution of the budget	**294,174**	**169,832**	**464,006**	**2,975,242**	**-84%**
4.1 Expanding the use of AGFIS	54,360	0	54,360	580,270	**-91%**
4.2 Multi-year commitment controls and accounts payable	16,308	0	16,308	129,510	**-87%**
4.3 Debt and cash management	21,744	169,832	191,576	231,792	**-17%**
4.4 Public Procurement	169,147	0	169,147	1,645,140	**-90%**
4.5 Management of external funds	0	0	0	181,314	**-100%**
4.6 Strengthening State Aid Role	32,616	0	32,616	207,216	**-84%**
5 Transparency of Public Finances	**62,513**	**101,338**	**163,851**	**983,870**	**-83%**
5.1 National Government Accounts	0	0	0	-	**0%**
5.2 Financial and performance monitoring and reporting	21,744	0	21,744	363,265	**-94%**
5.3 Citizen's engagement	13,590	0	13,590	64,755	**-79%**
5.4 Accounting	0	101,338	101,338	348,634	**-71%**
5.5 Improved Assets management	27,180	0	27,180	207,216	**-87%**
6 Effective internal control	**78,821**	**0**	**78,821**	**304,355**	**-74%**
6.1 Financial management and control in all public institutions	62,513	0	62,513	192,363	**-68%**
6.2 Internal audit	5,436	0	5,436	25,902	**-79%**
6.3 Public financial inspection	10,872	0	10,872	86,090	**-87%**
7 Effective external oversight of the public finances	**1,770,304**	**0**	**1,770,304**	**1,637,647**	**8%**
7.1 External audit	1,770,304	0	1,770,304	1,637,647	**8%**
TOTAL	**5,363,636**	**4,525,817**	**9,889,452**	**26,679,933**	**-62.93%**

7. Conclusions and Recommendations

The annual monitoring report January - December 2022, 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 outcome and output performance indicators according to the targets and achieved values and concrete activities envisaged.

This document is the third monitoring report using the methodology of IPSIS system and efforts are made to have a better alignment with IPSIS standards.

This report provides specific information of the 2022 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 very **good progress of PFM strategy** during 2022, **with 96% level** of achievement been made in the level of Specific Objectives outcomes, respectively SO1 100%, SO2 87.8%, SO3 105.1%, SO4 76%, SO5 81%, SO6 103 % and SO7 117%. In the level of the output targets level of achievement for 2022 was **82.35%** with 71.57% of the outputs targets fully achieved in 2022 and 10.78% in progress. The SO5 has the highest number of output targets not progressed as planned during 2022 (42.86%), followed by SO3 (38.89%), while the SO1 has all output targets achieved.

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. Furthermore, the responsible units should follow the mitigation measures of the identified risks and monitor progress consistently in order to take timely action for those targets that do not perform well. The outcomes and outputs that were not achieved during 2022 should be considered to be addressed in the new PFM Strategy.

Abbreviations and Acronyms

AEO	Authorised Economic Operators
AFMIS	Albanian Financial Management Information System
AFCOS	Anti-Fraud Coordination Service
AGFIS	Albania Government Financial Information System
ALSAI	Albanian Supreme Audit Institution
BI	Budget Institutions
CG	Central Government
CPD	Continued Professional Development
CSO	Civil Society Organisations
DDGG	Department for Development and Good Governance
DHFMCA	Directorate of Harmonization of Financial Management, Control and Accounting
DPFI	Directorate of Public Financial Inspection
EAMIS	External Assistance Management Information System
ESA	European System of Accounts
EU	European Union
EUROSAI	European Organization of Supreme Audit Institutions
FMC	Financial Management Control
FRS	Fiscal Risk Statement
FRU	Fiscal Risk Unit
GDC	General Directorate of Customs
GDP	Gross Domestic Product
GDHPIFC	General Directorate of Harmonization of Public Internal Financial Control
GDPT	General Directorate for Property Tax
GDT	General Directorate of Taxation
GFS	Government Finance Statistics
GoA	Government of Albania
GRB	Gender Responsive Budgeting
HRMIS	Human Resources Management Information System
HSC	High State Control
IA	Internal Audit
ICA	Institute of Chartered Accountants
IMF	International Monetary Fund
INSTAT	Institute of Statistics
INTOSAI	International Organisation of Supreme Audit Institutions
IPA	Instrument for Pre-Accession Assistance
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
IPSIS	Integrated Planning System Information System
ISSAI	International Standards of Supreme Audit Institutions
LMs	Line Ministries
MOFE	Ministry of Finance and Economy
MTBP	Medium Term Budget Programme
MTDMS	Medium Term Debt Management Strategy
MTRS	Medium Term Revenue Strategy
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
PMO	Prime Minister's Office
PPP	Public-Private Partnerships
PPC	Public Procurement Commission
SIGMA	Support for Improvement in Governance and Management
SOE	State-Owned Enterprises
SPC	Strategic Planning Committee
TA	Technical Assistance
VAT	Value Added Tax

Annex 1: Performance Outcome Indicators

Table 1: Key Outcomes and performance Indicators for SO 1 “Sustainable and Prudent Fiscal Framework”

Outcome	Performance Indicator	Lead Institution	Baseline (2018)	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
I) Increased credibility of fiscal framework	Ia) Debt to GDP ratio	GDMPFA	68%	66.3%	74.3%	74.5%	<FY 21	64.6%
	Ib) Forecasted nominal GDP in comparison with the forecast of IMF World Economic Outlook	GDMPFA	-5.9 billion ALL	-16.5billion ALL	ALL -0.2 billion	-0.03 billion ALL	< 0	(-) 0.2 billion ALL
	Ic) Primary balance	GDMPFA	+0.5%	0.20%	-4.7%	-2.6%	>FY21	(-) 1.9%
	Id) Difference between actual surplus/deficit and the target surplus/deficit set in the budget for the current year	GDMPFA	-18%	-4%	-17.0%	-29.2%	≤ planned deficit	(-)6.72%
	Ie) Percentage deviation of actual collection is within defined % of /approved initial budget estimate for tax and customs revenues	GDMPFA	-1.4%	-3.50%	-16.80%	1.20%	> -2%	8.7%
II) Fiscal risks are identified and contained more effectively	IIa) Fiscal risk reporting (PEFA PI 10)	GDMPFA	C (2017)	B+	B	B	B	B

Table 2: Key Outcomes and performance Indicators for SO 2 “Well Integrated and Efficient Planning”

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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	NA*	60*	> (t-1) (growing trend)	NA
IV) Improved annual budget and MTBP process and documentation to enhance credibility and comprehensiveness of the medium term planning	IVa) Total planned expenditures for the MTBF adopted in year n /Total planned expenditures in year n in annual budget		0.78% (2018)	-0.14%	22.8% (2020)	2.5%	< (t-1) (declining trend)	12.1%
	IVb) Expenditure composition outturn by function (PEFA PI-2, 2.1)		D (2017)	B	B	B	C	B
V) Improved Public Investment Management Oversight	Va) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)		64% (2018)	78%	82%	90.5%	> (t-1) (growing trend)	91.4%
	Vb) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations		97% (2018)	97%	95%	99.0%	98%	98.4%
	Vc) Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year		30.38%	28.90%	46.35%	72.4%	> (t-1) (growing trend)	75.3%
VI) Strengthened financial management in local governments	VIa) Tax collection rates (RLGRG)		4.62%	5.6%	-4.90%	21.3%	4.7% (fact 2022/2021)	3.6% (fact 2022/2021)
	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 %)	6.9 bln ALL/51.6 billion ALL (13.3%)	6.5 bln ALL/52.583 bln ALL (12.3%)	6 bln ALL / 60 bln ALL (10%)	5.9 bln ALL / 58.6 bln ALL (10%)

Table 3: Key Outcomes and performance Indicators for SO 3 "Revenue Mobilization"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
VII) Increased level of revenue from Tax	VIIa) Tax base of businesses	GDMPFA	112 428 businesses (2017)	113 829 (+1.24%)	47.6% (165,955 businesses in 2020)	62.4% (182,632 businesses in 2021)	≥ 15% (129 000)	85% (208,043 businesses in 2022)
	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%)	-7.20%	14.5%	8.0%	13.8%
	VIIc) Ratio of tax debt collected in year N versus of outstanding amount of tax liabilities		63%	74.00%	78.39%	62.7%	65.0%	68.1%
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%	2.21% (2,876,202 returns in 2020, vs 2,814,005 in 2019)	-8.08% (2,641,559 returns in 2021 vs 2,876,202 in 2020)	>0%	1.7% (2,685,283 returns in 2022 vs 2,641,559 in 2021)
IX) Fiscal cadastre fully functional	IXa) Number of buildings registered and billed		46.67% (2017) (700 000/1 500 000)	47.5% (570000/1200 000)	80% (1 200 000/1 500 000)	80% (1 200 000/1 500 000)	1300000.00	1,260,587.00
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%	-6.10%	25.7%	8%	15.6%
	Xb) Custom declaration processing time		(2018) 143.81	453 min/ declaration	97	88	Decreasing trend	95

Table 4: Key Outcomes and performance Indicators for SO 4 "Efficient Execution of the Budget"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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%	78%	75.5%	≥ (t-1) (growing trend)	76.80%
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	4.40%	Below 3% (2.2%)	Below 3%	1.87%
	XIIb) PEFA 22.2 Expenditure arrears monitoring (in AGFIS)		C (2017)	C	A	A (Data generated quarterly within four weeks of the end of each quarter)	A (Data generated quarterly within four weeks of the end of each quarter)	A
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	48.0%	Max 48%	49.0%
	XIIb) The average maturity of domestic debt		780 days	787 days	783	793	792 - 864 days	780
XIV) Increasing the efficiency and transparency of procurement system	XIVa) The % in value of the procedures finalised with winner within first semester against total foreseen fund in the forecast register		22% (2018)	49.80%	47,4%	60.2%	(increasing trend)	25.19%
	XIVb) The percentage of cases when the review body exceeds the legal maximum processing time		54.7%	16%	22.10%	10.8%	≤ (t-1) (declining trend)	10.1%

Table 5: Key Outcomes and performance Indicators for SO 5 “Transparency of Public Finances”

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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%	75.0%	85.0%	89.5%
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		25.6%	growing trend	38.5%
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	7 out of 100	7 out of 100	≥ (t-1) (growing trend)	6 out of 100
XVIII) 'Presentation of financial statements as per selected IPSAS framework	XVIIIa) Moving on a phased basis to presenting accruals based government financial statements	DHFMCA	0%	0%	0%	10.0%	≥ (t-1) (growing trend)	40.0%
XIX) Preparation and publication of full asset registry of public sector, based on the improved regulations for the valuation and inventory of these assets	XIXa) Public assets recorded into the AGFIS	GD Treasury	6 (2018)	6	3	0	2	2

Table 6: Key Outcomes and Performance Indicators for SO 6 “Effective Internal Control”

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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	2.56	2.61	> (t-1) (Growing trend)	2.84
	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	2.90	2.95	> (t-1) (Growing trend)	2.91
XXI) Strengthening internal audit function in public sector	XXIa) % of implemented internal audit recommendations	GDHPIFC	57% (2018)	60%	65%	62%	> (t-1) (Increasing trend)	56%
	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	a) First draft of revised IA Law in place b) Three IA gudielines updated	Legal framework fully functional	Law No. 12/2023 "On some amendments and Changes in the IA Law" approved and entered into force.
	XXIc) The % of system base recommendations addressed VS the total of findings	GDHPIFC	35% (2018)	37%	42%	67%	> (t-1) (Increasing trend)	76%
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%	85%	88%	> (t-1) (Increasing trend)	90%

Table 7: Key Outcomes and Performance Indicators for SO 7 "Effective External Oversight of the Public Finances"

Outcome	Performance Indicator	Lead Institution	Baseline	Fact Value FY 2019	Fact Value FY20	Fact Value FY2021	Target Value FY 2022	Fact Value FY2022
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:94% R impl:47%	R acc: 93% R impl: 55%	R acc: ≥ t-1 (Increasing trend) R impl: ≥ t-1 (Increasing trend)	R acc: 97% R impl: 50%
	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: 36,7% PA: 11,5%	FA: ≥ 25 % PA: ≥ 16 %	FA: 54% PA: 9%

Annex 2: Status of Output targets

1.1: FISCAL RULES AND FORECASTING

Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
Output 1.1.1: Strengthened Fiscal rules	**a) Additional fiscal rules/targets in place**	The actual fiscal rules			
	a) OBL changes				
Output 1.1.2: Revenue forecasting reliability improved	**a) Enhancing human capacities**		**Staff training**	Two trainings were attended	Achieved

1.2: FISCAL RISK MANAGEMENT

Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
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	**+ 6 other- SoEs**	(+) 6 other SoEs	Achieved
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			

2.1: POLICY DEVELOPMENT AND INTEGRATED STRATEGIC GOVERNANCE					
Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
Output 2.1.5: IPSIS System managed and implemented effectively	a) Mobilization of Network				
	b) SDD prepared and submitted				
	c) 1st release of IPSIS System				
	d) development of manuals				
	e) Training materials				
	f) Developed training report				
	g) Trainings 1st phase				
	h) Trainings 2nd phase				
	i) Training of administrators, trainers		TNT training delivered	Finalized in 2020	
	j) IPSIS System Go Live				
	k) Completeness of links between the government policy goals and budget programs				
	l) Electronic/system archive in IPSIS developed	NA			

2.2: MEDIUM TERM BUDGET PROGRAMME					
Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
Output 2.2.1: Performance based budgeting in place and compliance with the newly introduced methodology increased	**a) The new MTBP approach is piloted**				
	c) Number of LM/BI roll-out in AFMIS				
	b) Number of program management teams assisted	128	**128**	128	Achieved
	d) Budget Sector guides finalized and published	0			
Output 2.2.2: All new policy initiatives are properly scrutinised and funded	**a) Amount of unfunded legal mandates**		**Action plan on either to cancel, amend or fund the Unfunded Legal mandate in place**	Action plan not designed	Not achieved
	b) Strategic Planning Committee approves the list of NPI (before it is included in the MTBP document)		**List and prioritization approved by SPC**	List not approved	Not achieved
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%	**100%**	100%	Achieved
	b) Number of Program Management Teams from Local Government Units trained and coached on GRB (planning and monitoring)	75	**increasing trend**	150	Achieved
	c) Number of CSOs trained and coached on participatory budgeting and GRB	15	**increasing trend**	25	Achieved

2.2: MEDIUM TERM BUDGET PROGRAMME						
	Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
	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.		Annual Budget Law of 2023 that contains policy objectives and related KPIs as a specific annex, approved.	No annex approved	In progress
	Output 2.2.5: Enhanced quality and content of budget documents for Parliamentary approval	a) Action plan for implementing changes		Action plan implemented	Action plan partially implemented	In progress
		a) Templates for data presentation and textual contents are prepared and used				

2.3: PUBLIC INVESTMENT PLANNING AND OVERSIGHT					
Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
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**	NSPP is updated based on the standart methodology produced by SASPAC and EU assistance	Achieved
	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				
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		**Methodology and prioritization tools in place**	The methodology and prioritization tools have been developed	in progress
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)**		NA
	c) Comprehensive reports on public investments (including PPP) are published		**Comprehensive report on public investments published**	comprehensive report on public investments was not published	Not achieved

2.4: PFM IN LOCAL GOVERNMENT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	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)	**Implementation of Legal framework monitored at 15 LGU**	Annual MTBP Preparation Instruction was reviewed.A new template for LSGU MTBP Document was prepared and introduced as a new annex to the Annual Instruction.Training was provided to 73 LSGU on use of the new MTBP document template.	Achieved
		b) MTBP module for LGU in use	No module	**MTBP module in use to 15 pilot municipalities Training delivered**	A new excel based module is prepared for Programme Expenditure Planning under MTBP preparation.	Achieved
		c) Selected LGUs are preparing medium-term Budget programmes after receiving trainings on the KPI definitions	No training provided	**61 LGU**	1st Round: 150 senior officials trained on MTBP instructions and process. 2nd & 3rd Round: more than 450 technical staff, heads and members of Programme Management Teams (PMTs) of all 73 LSGUs trained on budget programmes performance planning; on output expenditures planning and the use of the MTBP template; use of the Toolkit for Programme Expenditure Planning,	Achieved
		d) Plan for repayment of the arrears		**Plan prepared**	Plan prepared	Achieved
		e) Monitoring and publication of arrears		**Report on arrears published**	Periodic reports on arrears of LGUS prepared and published	Achieved
		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	**61LGU**	All 61 municpalities prepare and publish individual budget execution monitoring report. A national compliance report prepared by MFE	Achieved

2.4: PFM IN LOCAL GOVERNMENT

Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
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			
	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**	In 18 municipal fiscal packages 2020, 2021 and 2022 were adopted fully in line with legal framework of local taxation. 18 municipalities adopted and executed their fiscal as per new methodology of the building tax.	Achieved
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			
	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**	MFE has continued the financing for the preschool education based on number of pupils.	Achieved
	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	**Law on Local Self-Government Finance Revised, to increase the size of the Unconditional Grant**	The size of both general unconditional transfer and sectorial unconditional transfer are more than 1.5 percent of GDP	Achieved
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	**Management and finance staff of additional selected municipalities trained**	269 Management and finance staff of additional selected municipalities trained	Achieved
	b) All Internal Auditors hired in selected municipalities trained on IA standards and risk mitigation process	0	**All IA staff of additional selected municipalities (up to 15 municipalities)**	All internal auditors in Municipalities trained on " Audit of Arrears"	Achieved
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	**by-laws reviewed**	MFE has establsihed effective procedures and capacities for analysising and monitoring LSGUs PFM proceses	Achieved
	b) MoFE reviews the MTBP of 61 LGU	MTBP 2020-2022	**61 LGU MTBP analysed**	All 73 MTBP documenst submitted by LSGUs are reviewd by MFE with relevenat reccomendations for improvement	Achieved
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	**5**		Not achieved for 2022
	b) IPSIS for LGU in use (at least 5 LGUs)	n/a	**IPSIS in use for 5 LGUs**		Not achieved for 2022

3.1: TAX ADMINISTRATION					
Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
Output 3.1.1: Comprehensive medium-term revenue strategy adopted	a) Preparation of the medium-term revenue strategy		Medium-term revenue strategy implemetation	From January 2022, the implementation of the measures provided for in the MTRS has begun	Achieved
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%			
	c) Provide reimbursement of VAT under the terms of legislation	83% (2018)	85%	100%	Achieved
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	Report prepared	Achieved
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	14	Achieved
Output 3.1.5: The taxpayer register is complete and accurate	a) Improvement of register		Register improved	Improved register	Achieved
	b) Organization of awareness campaigns		Awareness campaign organized	Campaignes organized	Achieved
Output 3.1.6: Informality is reduced	a) No of sectors covered		2 sectors per year	2 sectors/year	Achieved
	b) Chain transactions starting from large companies investigated		report produced	Report produced	Achieved
	c) Tax audits and other initiatives used to detect and deter inaccurate reporting and fraud		report produced	Report produced	Achieved
Output 3.1.7: Improved tax debt management	b) An accurate database of debt stock is in place		Improved IT system to enable automation of processes	Improved processes	Achieved

3.2: FISCAL CADASTER OF PROPERTIES

Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
Output 3.2.1: Fiscal zone value based property tax on buildings in place and taxation collection operationalised	**a) First taxation of buildings commenced**				
	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			
	c) Value zones for buildings determined for all municipalities	Taxation is made bases on reference price			
Output 3.2.2: Fiscal cadastre implemented by municipalities	**a) Taxpayers are aware of their Property Tax obligations**		**Taxpayers are aware of their Property Tax obligations**	The process of preparing informative material for taxpayers is ongoing.	Achieved
	b) Development of e-services		**e-Services available to taxpayers**	The integration of we-services is not done yet.	Not-achieved
	c) Register, Appraise and Tax Collection and debt management processes handed over to the municipalities		**System handed over**	Discussion process with NAIS about IT System hand over procedures.	Not-achieved
	d) Drafting of project proposal for taxation of land		**Project proposal for taxation of land drafted**	New draft law include land taxation	Achieved

3.3: CUSTOMS MANAGEMENT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	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			
		b) A single guarantee system is in place	Single Guarantee system is partially in place (only legislation is prepared)			
		c) A quality management system is developed for laboratory' customs	The quality management system for Custom's Laboratory is in continuous annual development and improvement. Every year the Laboratory obtained new certificates of quality and extends the variety of analysis.	**Continuous annual development and improvement**	Implemented for year 2022	In progress
		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		**Support service delivered**		In progress
		i) NCTS implemented		**NCTS implemented**		In progress
	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**				
		b) Measures to fight counterfeiting and fraud are developed and implemented	0	**Measures to fight counterfeiting and fraud developed**		Achieved
		c) IT system to assist in the fight against money laundering and terrorism is developed and implemented	0			

4.1: EXPANDING THE USE OF AGFIS						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	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	**5**	**5**	In progress
				60 licenses	**60 licenses**	Achieved
				30 staff trained	**0**	Not achieved
	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			
		b) Payroll executed through AGFIS	0	**50 BI**	72 BI	Achieved
		c) Web portal for supportive document of financial transactions executed in AGFIS and electronic archive is implemented	System technical solution agreed and signed			
4.2: MULTI-ANNUAL COMMITMENT CONTROLS AND ACCOUNTS PAYABLE						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	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)**		**Report prepared**	Report prepared	Achieved
		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**	63 Internal Audit Units	Achieved
		e) Annual monitoring of arrears reported to the PIFC Board		**Findings reported to PIFC Board**	Findings reported to PIFC Board	Achieved

4.3: DEBT AND CASH MANAGEMENT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	Output 4.3.1: An improved liquidity forecasting	**a) PEFA 21.2 Cash forecasting and monitoring**	B (PEFA 2017)	**A**	A	Achieved
		b) Forecasting tools		**Macro excel is used for cash forecasting**	The forecasting template is produced but pilot BI's do not send data regularly	In process
		c Staff trained	5 BIs pilots+TOD	**21**	21 officials partecipated in the training organzied by IMF techical assistance mission on improving Cash forecasting on 18-20 October 2022	Achieved
	Output 4.3.2: Medium Term Debt Management Strategy with targets published and met	**a) Quantitative targets for the debt portfolio composition set annually in advance and met**		**Debt Management Strategy 2022 - 2026 approved and published within 2022**	Debt Management Strategy approved and published within 2022	Achieved
		b) Annual program				
	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	**Have a matured stage of primary market and a liquid secondary markets for government securities**	Issuance in the primary market of 2 benchmark instruments during 2022: 3 y reference instrument size = 19.7 bln ALL; 5 y reference instrument size = 13.9 bln	Achieved
		b) Analysis are performed		**Analysis of external market conducted**	During 2022 the net finaning needs were meet at around 26 billion ALL where : gross issuances =357.86 mld ALL gross redemptios =331.55 mld	Achieved

4.4: PUBLIC PROCUREMENT					
Output	Performance Indicator	Baseline	Output Target FY22	Fact Value FY22	Status 2022
Output 4.4.1: The public procurement laws are harmonized with the EU directives	a) New PP Law 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		2	4	Achieved
	b) E-appeals system				
	c) Capacity development plan implemented and specialized training delivered		Plan updated	Plan updated	Achieved
Output 4.4.3: E-procurement system is further enhanced	a) Functional requirements defined				
	b)New functionalities implemented in the EPS		New functionalities in EPS are in place	New functionalities in the EPS have been realized	Achieved
	c) Operational manual and instructions for the system changes in use		Manuals and instructions prepared	Manual and instructions are approved	Achieved
Output 4.4.4: Mechanisms to control the availability of funds prior to procurement established	a) Changes within the procurement process implemented				

4.5: MANAGEMENT OF EXTERNAL FUNDS						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact FY22**	**Status 2022**
	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	**2021 and 2022 data is recorded**	No data is recorded	Not achieved
4.6: STRENTHENING STATE AID ROLE						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact FY22**	**Status 2022**
	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**	0 meetings	Not achieved
	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**	Annual report adopted	Achieved
		b) State Aid Commission decisions	10	**>(t-1) (growing trend)**	7	Achieved
	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	**≥ (t-1) (growing trend)**	7	Achieved

5.1: NATIONAL GOVERNMENT ACCOUNTS						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact FY22**	**Status 2022**
	Output 5.1.1: A sustainable statistical system for the general government units is in place	**a) Revision of MOU**				
		b) Automated budgetary government compilation systems developed	The basic structure of the system is being discussed			
		c) Auxiliary systems (extra-budgetary units, debt & interest, linkages with national accounts methodology) are developed	System discussed in general (No implementation yet)			
		d) COFOG estimations are integrated	No GFS statistics for EUROSTAT by COFOG produced			
		e) Data exchange systems are created (MOFE, INSTAT, & BOA)	Information exchanged on a formal way			
	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			
		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	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact FY22**	**Status 2022**
	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	**ABER template including KPIs is implemented**	ABER template including KPIs is implemented	Achieved
		c) % of staff trained	50% of staff trained			
	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	**New templates of Guideline for budget monitoring annexes, that includes KPIs, are implemented**	In progress	In progress
5.3: CITIZEN'S ENGAGEMENT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact FY22**	**Status 2022**
	Output 5.3.1: A Citizen's Budget guide is developed	**a) Citizen's Budget guide is prepared**		**Guide published**	Guide published	Achieved
	Output 5.3.2: A budget hearing calendar with key budget processes is in place and implemented	**a) % of budget hearings held**		**26**	26	Achieved
		b) Training of CSOs for understanding OBL and identify optimal modalities for their involvement are held		**number of trained CSO**	no CSO trainded	Not achieved

5.4: ACCOUNTING

Output	Performance Indicator	Baseline	Output Target FY22	Fact FY22	Status 2022
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	Legal acts improved	Achieved
Output 5.4.3: Enhanced AGFIS to record accrual accounting data	a) Changes are made to AGFIS to enable accrual recording of data		Changes in AGFIS made	Research on AGFIS funcionality	In progress
	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		50 trained public accountants	500 trained public accountants	Achieved
	b) Training of Staff		10 staff trained	28 staff trained	Achieved

5.5: IMPROVED ASSETS MANAGEMENT

Output	Performance Indicator	Baseline	Output Target FY22	Fact FY22	Status 2022
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	Inventory of assets implemented according to the implementation plan	Methodoloy drafted	In progress
	b) Guidelines for recognition and valuation developed/updated	Current guidelines			
	a) Valuation of assets is done		Evaluation started	Methodoloy drafted	In progress
	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	a) Data migration into AGFIS completed	6	2	2	Achieved
	b) Number of staff trained on asset management	10	6	6	Achieved
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		All GG institutions not enrolled in AGFIS have prepared the evaluated asset balances and send to Treasury District Offices for registration in AGFIS		Not achieved

6.1: FINANCIAL MANAGEMENT AND CONTROL IN ALL PUBLIC INSTITUTIONS						
	Output	Performance Indicator	Baseline	Output Target FY22	Fact FY22	Status 2022
	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			
		b) Implementation of the PIFC Policy paper		PIFC Policy paper action plan implementation according to the timeline	PIFC Policy paper action plan implementation according to the timeline	Achieved
		c) Draft guidelines				
		d) Guidelines implemented				
		e) Revision of the FMC legal framework if needed (integration of strategic planning, medium and annual planning and use of information systems)				
	Output 6.1.2: Functional internal control systems	a) Approval of the methodology of internal quality review	NA			
		b) Quality review of internal control system in public units with the new methodology	NA	20 BI	16 BI 4 BI didn't provide official documents	Achieved
		c) Training program approved and staff trained	NA	150 participants	827 participants	Achieved
	Output 6.1.3: Strengthened PIFC monitoring system	a) Respective Law amended	Respective Law is not amended	Legal amendments approved	Legal amendments approved	Achieved
		b) Evaluation methodology approved				
		c) Revised structure and content of the annual PIFC report				
		d) Creation of database	NA	Database updated	Database updated	Achieved
		e) Reporting of systematic issues		Issues reported	Issues reported	Achieved

6.2: INTERNAL AUDIT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	Output 6.2.1: Enhanced IA function in all general government units	**a) GAP analyses between legal framework and IIAS**				
		b) Revision of the legal framework				
	Output 6.2.2: Internal audit effectively contribute to improved internal control systems	**a) Reporting of FMC findings**		**Findings reported**	Findings reported	Achieved
		b) Reporting of FMC issues to PIFC Board		**Issues reported**	Issues/Recommendations Reported	Achieved
6.3: PUBLIC FINANCIAL INSPECTION						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact Value FY22**	**Status 2022**
	Output 6.3.1: Enhanced role of Internal and external financial inspectors	**a) Capacity development plans prepared and implemented**		**TNA prepared**	TNA prepared	Achieved
		b) Share of participants to the total of invitee	50%	**70%**	75%	Achieved
		c) Annual Report is shared with PIFC		**Report prepared and shared**	Report for 2021 prepared and shared	Achieved
	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	**National anti-fraud strategy implemented**	The process of drafting the Strategy has not started	Not achieved

7.1: EXTERNAL AUDIT						
	Output	**Performance Indicator**	**Baseline**	**Output Target FY22**	**Fact 2022**	**Status 2022**
	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**	Annual Plan of ALSAI audits and Audit Engagement Plan for individual audit drafted based on risk analysis	Achieved
		b) Methodologies and guidelines for all types of audits are aligned with ISSAIs	Methodologies and guidelines are not updated	**Methodologies and guidelines updated**	Methodologies and guidelines updated	Achieved
		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**	26,5 training days/auditors	Achieved
	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**	Yearly action plan approved	In progress
		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**	Annual Consolidated Report send to Parliament	Achieved